UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For fiscal year ended January 31, 2020

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ____ to _____

OR

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report:

Commission file number 000-55982

C21 Investments Inc.

(Exact name of Registrant as specified in its charter)

British Columbia, Canada

(Jurisdiction of incorporation or organization)

19th Floor, 885 West Georgia Street
Vancouver, British Columbia V6E 3H4
Canada

(Address of principal executive offices)

Michael Kidd
C21 Investments Inc.
19th Floor, 885 West Georgia Street
Vancouver, British Columbia V6E 3H4
Canada
Tel: 833-289-2994

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered pursuant to Section 12(b) of the Act: Not applicable.

Securities registered pursuant to Section 12(g) of the Act: common shares, no par value

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: **As at January 31, 2020, 89,388,640 common shares of the Registrant were issued and outstanding.**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No☒

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ☐ No☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files.
Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer, "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Emerging growth company ☒

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act. ☐

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☐ International Financial Reporting Standards as issued ☒ Other ☐
by the International Accounting Standards Board

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:

Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No☒

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INTRODUCTION

In this annual report on Form 20-F, which we refer to as the "Annual Report", except as otherwise indicated or as the context otherwise requires, the "Company", "we", "our" or "us" or "C21" refers to C21 Investments Inc. The Company is a “foreign private issuer” as defined in Rule 3b-4 under the Exchange Act and Rule 405 under the Securities Act of 1933, as amended. Equity securities of the Company are accordingly exempt from Sections 14(a), 14(b), 14(c), 14(f) and 16 of the Exchange Act pursuant to Rule 3a12-3 thereunder.

CURRENCY

Unless otherwise indicated, all dollar amounts in this Annual Report are in United States dollars. The exchange rate of Canadian dollars into United States dollars, on January 31, 2020 based upon the daily exchange rate as quoted by the Bank of Canada was U.S.$1.00 = Cdn.$1.3233.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report includes “forward-looking information” and “forward-looking statements” within the meaning of Canadian securities laws and United States securities laws collectively, “forward-looking information”). All information, other than statements of historical facts, included in this Annual Report that addresses activities, events or developments that the Company expects or anticipates will or may occur in the future is forward-looking information. Forward-looking information includes, among other things, information regarding: statements relating to the business and future activities of, and developments related to, the Company, including such things as the impact of the COVID-19 pandemic with reductions of operating (including marketing) and capital expenses and revenues, future business strategy, competitive strengths, goals, expansion and growth of the Company’s business, operations and plans, including information concerning the completion and timing of the completion of contemplated acquisitions, expectations whether such proposed transactions will be consummated on the current terms or otherwise and contemplated timing, expectations and effects of such proposed transactions, including the potential number and location of cultivation and production facilities and dispensaries or licenses therefor to be acquired and markets to be entered into by the Company as a result of completing such proposed acquisitions, expectations regarding the markets to be entered into by the Company as a result of completing such proposed acquisitions, such as the growth to be experienced by such new markets, the ability of the Company to successfully achieve its business objectives as a result of completing such proposed acquisitions, estimates of future cultivation, manufacturing and extraction capacity, expectations as to the development and distribution of the Company’s brands and products, the expansion into additional U.S. and international markets, any potential future legalization of adult-use and/or medical cannabis under U.S. federal law, expectations of market size and growth in the United States and the states in which the Company operates or contemplates future operations and the effect such growth will have on the Company’s financial performance, expectations for other economic, business, regulatory and/or competitive factors related to the Company or the cannabis industry generally, and other events or conditions that may occur in the future.

Readers are cautioned that forward-looking information are based on reasonable assumptions, estimates, analysis and opinions of management of the Company at the time they were provided or made in light of their experience and their perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances, and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information.

Forward-looking information is not a guarantee of future performance and are based upon a number of estimates and assumptions of management at the date the statements are made including among other things assumptions about: the contemplated acquisitions and dispositions being completed on the current terms and current contemplated timeline; development costs remaining consistent with budgets; ability to manage anticipated and unanticipated costs; favorable equity and debt capital markets; the ability to raise sufficient capital to advance the business of the Company; favorable operating and economic conditions; political and regulatory stability; obtaining and maintaining all required licenses and permits; receipt of governmental approvals and permits; sustained labor stability; favorable production levels and costs from the Company’s operations; the pricing of various cannabis products; the level of demand for cannabis products; the availability of third party service providers and other inputs for the Company’s operations; and the Company’s ability to conduct operations in a safe, efficient and effective manner; expectations regarding the Company’s consolidation, integration and optimization of its Oregon assets; the ability of the Company to restructure and service its secured debt; the availability of securitized debt financing on terms acceptable to the Company, or at all; and the ability of the Company’s operations to perform and continue in the ordinary course in light of the COVID-19 pandemic. While the

Company considers these assumptions to be reasonable, the assumptions are inherently subject to significant business, social, economic, political, regulatory, competitive and other risks, uncertainties, contingencies and other factors that could cause actual performance, achievements, actions, events, results or conditions to be materially different from those projected in the forward-looking information. Many assumptions are based on factors and events that are not within the control of the Company and there is no assurance they will prove to be correct.

Risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information include, among others, risks relating to U.S. regulatory landscape and enforcement related to cannabis, including governmental and environmental regulation, public opinion and perception of the cannabis industry, risks related to the ability to consummate the proposed acquisitions on the proposed terms and the ability to obtain requisite regulatory approvals and third party consents and the satisfaction of other conditions, risks related to reliance on third party service providers, the limited operating history of the Company, risks inherent in an agricultural business, risks related to proprietary intellectual property, risks relating to financing activities, risks relating to the management of growth, increasing competition in the industry, risks associated to cannabis products manufactured for human consumption including potential product recalls, reliance on key inputs, suppliers and skilled labor (the availability and retention of which is subject to uncertainty), cybersecurity risks, ability and constraints on marketing products, fraudulent activity by employees, contractors and consultants, risk of litigation and conflicts of interest, and the difficulty of enforcement of judgments and effect service outside of Canada, risks related to future acquisitions or dispositions, limited research and data relating to cannabis, risks and uncertainties related to the impact of the COVID-19 pandemic and the impact it may have on the global economy and retail sector, particularly the cannabis retail sector in the states in which the Company operates, risks and uncertainties relating to the Company's President and CEO, Sonny Newman, being the Company's major lender holding security over the Company's principal operating assets in Nevada, as well as those risk factors discussed elsewhere herein, including under "**Risk Factors**".

Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such forward-looking information will prove to be accurate as actual results and future events could differ materially from those anticipated in such information and statements. Accordingly, readers should not place undue reliance on forward-looking information.

The Company may elect to update such forward-looking information at a future time, it assumes no obligation for doing so except to the extent required by applicable law.

The forward-looking statements or information contained in this Form 20-F are made as of the date of this filing.

PART I.

Item 1. Identity of Directors, Senior Management and Advisers

Not Applicable.

Item 2. Offer Statistics and Expected Timetable

Not Applicable.

Item 3. Key Information

A. Selected Financial Data

This Report includes audited consolidated financial statements of the Company for the years ended January 31, 2020, 2019 and 2018. These audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**) and interpreted by the International Financial Reporting Interpretations Committee ("**IFRIC**").

The following is selected financial data for the Company for each of the last five fiscal years ended 2016 through 2020 on a consolidated basis. The data is extracted from the audited consolidated financial statements of the Company for each of the aforementioned years. The selected financial data below should be read in conjunction with our audited consolidated financial statements, the notes thereto and the information appearing in the section of this Annual Report entitled "Item 5

– Operating and Financial Review and Prospects". Our historical results do not necessarily indicate results expected for any future period.

	Twelve months ended Jan 31,				
	2020	2019	2018	2017	2016
	-$-	-$-	-$-	-$-	-$-
Revenue	37,705,095	2,585,511	-	-	-
Inventory expensed to cost of sales	25,625,734	2,681,864	-	-	-
Gross margin before the undernoted	12,079,361	(96,353)	-	-	-
Realized fair value adjustment on biological assets	(5,292,763)	405,170	-	-	-
Unrealized fair value adjustment on biological assets	6,536,103	(126,250)	-	-	-
Gross Profit	**13,322,701**	**182,567**	**-**	**-**	**-**
Expenses					
General and administration	9,485,132	6,326,591	340,575	52,779	75,078
Sales, marketing, and promotion	1,120,929	2,306,357	-	-	-
Depreciation and amortization	3,405,116	579,757	-	-	-
Share based compensation	492,631	2,996,710	258,896	-	-
Total expenses	**14,503,808**	**12,209,415**	**599,471**	**52,779**	**75,078**
Income (loss) before undernoted items	(1,181,107)	(12,026,848)	(599,471)	(52,779)	(75,078)
Interest expense	(3,866,420)	(391,961)	-	-	-
Accretion expense	(434,331)	(992,202)	-	-	-
Transaction costs	(331,973)	(10,134,732)	-	-	-
Impairment of Capital Assets	(4,139,522)	-	-	-	-
Other Income (loss)	241,825	(673,226)	-	-	3,663
Impairment loss	(23,911,485)	-	-	-	-
Loss on Disposal of Assets	-	(90,100)	-	-	-
Interest and other income	2,353	337,986	-	-	-
Gain on change in fair value of derivative liabilities	4,779,693	369,913	-	-	-
Loss before income taxes	(28,840,967)	(23,601,170)	(599,471)	(52,779)	(71,415)
Current income tax expense	(3,714,666)	-	-	-	-
NET LOSS	**(32,555,633)**	**(23,601,170)**	**(599,471)**	**(52,779)**	**(71,415)**
Other comprehensive loss					
Cumulative translation adjustment	(684,336)	(370,903)	32,048	(21,298)	-
LOSS AND COMPREHENSIVE LOSS	**(33,239,969)**	**(23,972,073)**	**(567,423)**	**(74,077)**	**(71,415)**
Basic and diluted loss per share	-$ 0.42	-$ 0.77	-$ 0.11	-$ 0.03	-$ 0.04
Weighted average number of common shares outstanding - basic and diluted	**76,683,895**	**31,001,645**	**5,004,353**	**1,979,695**	**1,873,531**

	2020	2019	2018	2017	2016
	- $ -	- $ -	- $ -	- $ -	- $ -
ASSETS					
Current assets					
Cash	3,076,493	9,067,095	209,235	65	74
Biological assets	1,408,271	1,870,540	-	-	-
Inventory	6,191,843	6,859,034	-	-	-
Prepaid expenses and deposits	543,482	608,002	9,762	-	-
Receivables	443,122	79,953	12,138	4,358	2,913
Total current assets	11,663,211	18,484,624	231,135	4,423	2,987
Property and equipment	3,834,131	2,082,010	-	-	-
Right-of-use assets	4,660,688	7,744,611	-	-	-
Intangible assets	12,704,626	13,368,580	-	-	-
Goodwill	28,541,323	29,230,651	-	-	-
Notes receivable and deposits	-	6,476,515	-	-	-
Restricted cash	46,106	46,035	48,417	45,278	41,862
TOTAL ASSETS	**61,450,085**	**77,433,026**	**279,552**	**49,701**	**44,849**
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	3,488,274	4,981,116	152,168	351,356	276,796
Promissory note payable - current portion	21,200,000	21,000,000	-	-	-
Convertible promissory note - current portion	1,244,041	-		-	-
Convertible debentures - current portion	6,867,255	-		-	-
Income taxes payable	3,714,666	-		-	-
Consideration payable - current portion	846,256	1,375,268	-	-	-
Short-term debt	126,119	-		-	-
Derivative liability- current portion	-	23,097	-	-	-
Lease liabilities - current portion	1,131,149	4,421,265	-	-	-
Total current liabilities	38,617,760	31,800,746	152,168	351,356	276,796
Lease liabilities	3,870,211	3,486,700	-	-	-
Long-term debt	494,217	-	-	-	-
Convertible promissory note	1,136,065	1,845,830	-	-	-
Convertible debentures	-	10,159,653	-	-	-
Promissory note payable	-	9,000,000	-	-	-
Derivative liability	3,699,152	-		-	-
Reclamation obligation	53,126	53,484	57,189	53,955	50,261
TOTAL LIABILITES	**47,870,531**	**56,346,413**	**209,357**	**405,311**	**327,057**
SHAREHOLDERS' EQUITY					
Share capital	76,028,268	52,923,983	13,554,610	12,820,278	11,336,479
Commitment to issue shares	1,100,881	1,044,881	-	-	-
Reserves	8,008,176	5,435,551	861,314	602,418	476,775
Accumulated other comprehensive loss	(1,047,387)	(363,051)	7,852	(24,196)	(2,898)
Deficit	(70,510,384)	(37,954,751)	(14,353,581)	(13,754,110)	(12,092,564)
TOTAL SHAREHOLDERS' EQUITY	**13,579,554**	**21,086,613**	**70,195**	**(355,610)**	**(282,208)**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**61,450,085**	**77,433,026**	**279,552**	**49,701**	**44,849**

B. Capitalization and Indebtedness

Not Applicable.

C. Reasons for the Offer and Use of Proceeds

Not Applicable.

D. Risk Factors

The following are certain factors relating to the business and securities of the Company. The Company will face a few challenges and significant risks in the development of its business due to the nature of and present stage of its business.

These risks and uncertainties are not the only ones facing the Company. Additional risks and uncertainties not presently known to the Company or currently deemed immaterial by the Company, may also impair the operations of or materially adversely affect the securities of the Company. If any such risks occur, the Company's shareholders could lose all or part of their investment and the business, financial condition, liquidity, results of operations and prospects of the Company could be materially adversely affected. The acquisition of any of the securities of the Company is speculative, involving a high degree of risk and should be undertaken only by persons whose financial resources are enough to enable them to assume such risks and who have no need for immediate liquidity in their investment. An investment in the securities of the Company should not constitute a major portion of a person's investment portfolio and should only be made by persons who can afford a total loss of their investment.

Risks Associated With The Securities Of The Company

The Company may not be able to meet its obligations as they become due, and the Company will require additional funding to continue as a going concern.

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity or debt issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. While the Company experiences positive cash flow from operations, such cash flow will not be sufficient on its own to fund payments on the short-term debt obligations owing to the Company's President and CEO, and other unsecured creditors, which are due on January 1, 2021. These material uncertainties cast significant doubt upon the Company's ability to continue as a going concern.

The Company will require additional financing, which may not be available.

The continued development of the Company will require additional financing. There is no guarantee that the Company will be able to achieve its business objectives. The Company intends to fund its business objectives by way of additional offerings of equity and/or debt financing. The failure to raise or procure such additional funds could result in the delay or indefinite postponement of current business objectives. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, will be on terms acceptable to the Company. If additional funds are raised by offering equity securities or convertible debt, existing shareholders could suffer significant dilution. Any debt financing secured in the future could involve the granting of security against assets of the Company and also contain restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. The Company will require additional financing to fund its operations until positive cash flow is achieved.

Investors in the Common Shares may experience dilution from future financings.

The Company may issue additional securities in the future, which may dilute a shareholder's holdings in the Company. The Company's articles permit the issuance of an unlimited number of common shares, and the Company's shareholders will have no pre-emptive rights in connection with such further issuances. C21's Board has discretion to determine the price and the terms of further issuances. Moreover, additional common shares will be issued by the Company on the exercise, conversion or redemption of certain outstanding securities of the Company in accordance with their terms. The Company may also issue common shares to finance future acquisitions. The Company cannot predict the size of future issuances of common shares or the effect that future issuances and sales of common shares or other securities will have on the market price of its common shares. Issuances of a substantial number of additional common shares, or the perception that such issuances could occur, may adversely affect prevailing market prices for the common shares. With any additional issuance of common shares, investors will suffer dilution and the Company may experience dilution in its revenue per share.

Company indebtedness could have a number of adverse impacts on the Company, including reducing the availability of cash flows to fund working capital and capital expenses.

Any indebtedness of the Company could have significant consequences on the Company, including: increase the Company's vulnerability to general adverse economic and industry conditions; require the Company to dedicate a substantial portion of its cash flow from operations to making interest and principal payments on its indebtedness, reducing the availability of the Company's cash flow to fund capital expenditures, working capital and other general corporate purposes; limit the Company's flexibility in planning for, or reacting to, changes in the business and the industry

in which it operates; place the Company at a competitive disadvantage compared to its competitors that have greater financial resources; and limit the Company's ability to complete fundamental corporate changes or transactions or to declare or pay dividends.

There is a limited market for resale of the Company's common shares.

Notwithstanding that the Company's common shares are listed on the CSE, there can be no assurance that an active and liquid market for such securities will develop or be maintained and securityholders may find it difficult to resell any securities of the Company.

There can be no assurance that the publicly traded price of the Company's common shares will be high enough to create a positive return for investors. Further, there can be no assurance that the common shares will be sufficiently liquid so as to permit investors to sell their position in the Company without adversely affecting the stock price. In such event, the probability of resale of the common shares would be diminished.

As well, the continued operations of the Company will be dependent upon its ability to procure additional financing in the short term and to generate operating revenues in the longer term. There can be no assurance that any such financing can be obtained or that revenues can be generated. If the Company is unable to obtain such additional financing or generate such revenues, investors may be unable to sell their common shares and any investment in the Company may be lost.

The price of the Common Shares has been and may continue to be volatile.

The market price of C21's common shares cannot be predicted and has been and may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control. This volatility may affect the ability of shareholders or holders of other securities to sell their securities at an advantageous price. Market price fluctuations in the securities may be due to the Company's operating results failing to meet expectations of securities analysts or investors in any period, downward revision in securities analysts' estimates, adverse changes in general market conditions or competitive, regulatory or economic trends, adverse changes in the economic performance or market valuations of companies in the industry in which the Company operates, acquisitions, dispositions, strategic partnerships, joint ventures, capital commitments or other material public announcements by the Company or its competitors or government and regulatory authorities, operating and share price performance of the companies that investors deem comparable to the Company, addition or departure of the Company's executive officers and other key personnel, along with a variety of additional factors. These broad market fluctuations may adversely affect the market price of the Company's securities.

Financial markets have at times historically experienced significant price and volume fluctuations that have particularly affected the market prices of equity and convertible securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of C21's common shares and other securities may decline even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, 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 or arise, the Company's operations may be adversely impacted, and the trading price of the common shares and other securities may be materially adversely affected.

Maintaining a public listing is costly and will add to the Company's legal and financial compliance costs.

As a public company, there are costs associated with legal, accounting and other expenses related to regulatory compliance. 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. The Company may also elect to devote greater resources than it otherwise would have on communication and other activities typically considered important by publicly traded companies.

The Company has not paid dividends and does not anticipate paying dividends for the foreseeable future.

The Company has not paid dividends to shareholders in the past and does not anticipate paying dividends in the foreseeable future. The Company expects to retain its earnings to finance growth, and where appropriate, to pay down debt.

Risks Related to the Cannabis Industry

While certain U.S. states have enacted medical and/or adult-use cannabis legislation, cannabis continues to be illegal under U.S. federal law, which may subject us to regulatory or legal enforcement, litigation, increased costs and reputational harm.

More than half of the U.S. states have enacted legislation to regulate the sale and use of cannabis on either a medical or adult- use level. However, notwithstanding the permissive regulatory environment of cannabis at the state level, cannabis continues to be categorized as a controlled substance under the U.S. Controlled Substances Act of 1970 ("**CSA**"), and as such, activities within the cannabis industry are illegal under U.S. federal law. It is also illegal to aid or abet such activities or to conspire to attempt to engage in such activities. Financing businesses in the cannabis industry may be deemed aiding and abetting an illegal activity under federal law. If such an action were brought, we may be forced to cease operations and our investors could lose their entire investment. Such an action would have a material negative effect on our business and operations.

The Company could face a number of operational risk and may not be adequately insured for such risks.

The Company will be affected by a number of operational risks and may not be adequately insured for certain risks, including: labor disputes, catastrophic accidents, fires, blockades or other acts of social activism, changes in the regulatory environment, impact of non-compliance with laws or regulations, natural phenomena, such as inclement weather conditions, floods, earthquakes and ground movements. There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, the Company's properties, grow facilities and extraction facilities, personal injury or death, environmental damage, adverse impacts on the Company's operations, costs, monetary losses, potential legal liability and adverse governmental action, any of which could have an adverse impact on the Company's future cash flows, earnings and financial condition.

Proceeds from the Company's financings could be considered proceeds of crime which may restrict the Company's ability to pay dividends or effect other distributions to its shareholders.

Currently, the Company engages in the manufacture, distribution, possession and sale of cannabis in the U.S. medical and recreational cannabis markets, and therefore the enforcement of U.S. federal laws is a significant risk to the Company. Unless and until the U.S. Congress amends the CSA (or the Drug Enforcement Agency ("**DEA**") reschedules or de-schedules cannabis), there is a risk that U.S. federal authorities, including the United States Attorney's Office for the District of Oregon and the District of Nevada, may enforce current federal law, and the Company may be deemed to be possessing, manufacturing, and trafficking marijuana in violation of U.S. federal law. Such activities also may serve as the basis for the prosecution of other crimes, such as those prohibited by the money laundering statutes, the unlicensed money transmitter statute, and the Bank Secrecy Act. Additionally, the Company may be deemed to be facilitating the sale or distribution of drug paraphernalia in violation of U.S. federal law with respect to the Company's current or proposed business operations. As to the timing or scope of any such potential amendments to the CSA, there can be no assurances to when or if any potential amendments will be enacted. Active enforcement of the current federal statutory laws and regulatory rules regarding cannabis may thus directly and/or indirectly and adversely affect the Company's future operations, cash flows, earnings, and financial condition.

The Company could face (i) seizure of its cash and other assets used to support or derived from its cannabis subsidiaries; and (ii) the arrest of its employees, directors, officers, managers and investors, who could face charges of ancillary criminal violations of the CSA for aiding and abetting and conspiring to violate the CSA by virtue of providing financial support to state-licensed or permitted cultivators, processors, distributors, and/or retailers of cannabis. Additionally, as has recently been affirmed by U.S. Customs and Border Protection, employees, directors, officers, managers and investors of the Company who are not U.S. citizens face the risk of being barred from entry into the United States for life.

Management may not be able to predict all new emerging risks or how such risks may impact actual results of the Company in the highly regulated, highly competitive and rapidly evolving U.S. cannabis industry.

As a result of the conflicting views between individual state governments and the U.S. federal government regarding cannabis, investments in U.S. cannabis businesses are subject to inconsistent legislation and regulation. Given the conflict of laws and regulations, there is no certainty as to how the DOJ, Federal Bureau of Investigation and other government agencies will handle cannabis matters in the future. There can be no assurance that the Trump Administration would not change the current enforcement policies, priorities and resources and choose to enforce the subject federal laws. The Company regularly monitors ongoing developments in this regard.

Violations of any laws and regulations could result in significant fines, penalties, administrative sanctions, forfeiture, 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 title (directly or indirectly) to cannabis licenses in the United States, the listing of its securities on various stock exchanges, its financial position, its operating results, and profitability or liquidity or the market price of its 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 the final resolution of such matters because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested and degree of enforcement by the applicable authorities involved, and such time or resources could be substantial.

As a company listed on the CSE, the Company accesses the Canadian capital markets on a public and private basis, and any capital raised may be utilized for the ongoing operations of its U.S. holdings that operate in the U.S. cannabis industry. There is no assurance that the Company will be successful, in whole or in part, in raising funds, particularly if the U.S. federal authorities change their position toward enforcing the CSA. Further, access to funding from residents, citizens, venture capital, private equity and banks in the United States may be limited due to their unwillingness to be associated with activities that violate U.S. federal laws. Notwithstanding the above, the SAFE Banking Act of 2019 would be a positive development for the industry and access to more affordable banking and lending.

Changes to current laws and regulation may impose substantial costs on the Company.

Local, state and federal cannabis laws and regulations in the United States are broad in scope and subject to evolving interpretations, which could require the Company to incur substantial costs associated with compliance or alter certain aspects of its business plan. In addition, violations of these laws, or allegations of such violations, could disrupt certain aspects of the Company's business plan and result in a material adverse effect on certain aspects of the Company's planned operations. Furthermore, it is possible that regulations may be enacted in the future that will be directly applicable to certain aspects of the Company's cannabis business. The Company cannot predict the nature of any future laws, rules, regulations, resolutions, declarations, policy positions, interpretations or applications, nor can it determine what affect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on the Company's business.

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 the federal government begins to enforce 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 would be materially adversely affected.

The cannabis industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants, including the Company.

The Company operates in a new industry which is highly regulated, highly competitive and evolving rapidly. As such, new risks may emerge, and management may not be able to predict all such risks. The Company incurs ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions of operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Further, the Company may be subject to a variety of claims and lawsuits. Adverse outcomes in some or all of these claims may result in significant monetary damages or injunctive relief that could adversely affect its ability to conduct its business.

Litigation and other claims are subject to inherent uncertainties and management's view of these matters may change in the future. A material adverse impact on the Company's financial statements could also occur for the period in which the effect of an unfavorable outcome becomes probable and reasonably estimable.

The cannabis industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the control of the Company and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce the Company's earnings on investments and could make future capital investments or the Company's operations uneconomic.

The cannabis industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants in the industry, such as the Company, which cannot be readily predicted.

Regulatory scrutiny of the Company's industry may negatively impact its ability to raise additional capital.

The Company's business activities rely on newly established and/or developing laws and regulations. These laws and regulations are rapidly evolving and subject to change with minimal notice. Regulatory changes may adversely affect the Company's profitability or cause it to cease operations entirely. The cannabis industry may come under the scrutiny or further scrutiny by the U.S. Food and Drug Administration, Securities and Exchange Commission, the DOJ, the Financial Industry Regulatory Authority or other federal, applicable state or nongovernmental regulatory authorities or self-regulatory organizations that supervise or regulate the production, distribution, sale or use of cannabis for medical or nonmedical purposes in the United States.

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 Company's 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 ability to raise additional capital, which could reduce, delay or eliminate any return on investment in the Company.

The Company's operations in the U.S. are subject to applicable anti-money laundering laws and regulations.

The Company is subject to a variety of laws and regulations domestically and in the United States that involve money laundering, financial record keeping 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, the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), as amended and the rules and regulations thereunder, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States 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 United States 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. This could restrict or otherwise jeopardize 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 C21's 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 United States) 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.

The Company's operations and any proceeds thereof may be considered proceeds of crime since cannabis remains illegal federally in the United States. This restricts the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while the Company has no current intention to declare or pay dividends on its shares in the foreseeable future, the Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time in response to factors outside of the Company's control.

Losing access to traditional banking could have a significant effect on our ability to conclude financings and achieve returns.

Since the use of cannabis is illegal under U.S. federal law, there is a strong argument that banks cannot accept for deposit funds from businesses involved with the cannabis industry. Consequently, businesses involved in the cannabis industry often have difficulty finding a bank willing to accept their business. The inability to open or maintain traditional bank accounts may make it difficult to operate the Company's cannabis business. Currently in the states of Oregon and Nevada, private credit union banks are being used by the Company for all its banking needs. Through these private credit union banks, the Company can access comprehensive banking services including cash management checking accounts, ACH transfer processing, cash pick-up and delivery services, debit card and credit card processing, online banking, and processing of bank wires and transfers. However, the Company may have limited or no access to banking or other financial services in the U.S. in the future and may have to operate the Company's U.S. business on a cash-only basis. The inability, onerous limitations or restrictions 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.

The Company's operations in the United States may be subject to heightened scrutiny.

The Company's existing operations in the United States cannabis market, and any future interests, may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies or 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 invest in the United States or any other jurisdiction.

Given the heightened risk profile associated with cannabis in the United States, it was previously reported by certain publications in Canada that the Canadian Depository for Securities Limited may implement policies that would see its subsidiary, CDS Clearing and Depository Services Inc. ("**CDS**"), refuse to settle trades for cannabis issuers that have investments in the United States. The TMX Group, the owner and operator of CDS, subsequently issued a statement on August 17, 2017, reaffirming that there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States, 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.

On February 8, 2018, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, the TMX Group announced the signing of a Memorandum of Understanding (the "**TMX MOU**") with Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange and the TSX Venture Exchange. The TMX 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 United States.

The TMX 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 no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented, 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 and until an alternative was implemented investors would have no ability to affect a trade of common shares through the facilities of a stock exchange.

Unfavorable publicity or consumer perception of cannabis may have an adverse effect on the demand for our products.

The Company believes the adult-use and medical cannabis industries are highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. Consumer perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cananbis 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 cannabis 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 cannabis 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 cannabis in general, or associating the consumption of adult-use and medical cannabis with illness or other negative effects or events, could have such a material adverse effect. There is no assurance that such adverse publicity reports, findings or other media attention will not arise.

Public opinion may result in a significant influence over the regulation of the cannabis industry in Canada, the United States or elsewhere. A negative shift in the public's perception of cannabis in the United States, or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical cannabis, thereby limiting the number of new state jurisdictions into which the Company could expand. Any limits on future expansion may have a material adverse effect on the Company's business, financial condition, and results of operations.

State and local laws and regulations may heavily regulate brands and forms of cannabis products and there is no guarantee that the Company's current and proposed brands and products will remain or be approved for sale and distribution in any state.

States generally only allow the manufacture, sale and distribution of cannabis products that are grown in that state and may require advance notice of such products. Certain states and local jurisdictions have promulgated certain requirements for approved cannabis products based on the form of the product and the concentration of the various cannabinoids in the product. While the Company will continue to follow the guidelines and regulations of each applicable state and local jurisdiction in preparing products for sale and distribution, there is no guarantee that such future products will be approved to the extent necessary. For the products that are approved, there is a risk that any state or local jurisdiction may revoke its approval for such products based on changes in laws or regulations or based on its discretion or otherwise.

The business premises of the Company are a target for theft, which may have an adverse impact on its financial condition and results of operations.

The business premises of the Company are a target for theft. While the Company has implemented security measures and continues to monitor and improve its security measures, its cultivation, processing, distribution and dispensary facilities could be subject to break-ins, robberies and other breaches in security. If there was a breach in security and the Company fell victim to a robbery or theft, the loss of cannabis plants, cannabis oils, cannabis flowers, cannabis products, cultivation and processing equipment, and cash could have a material adverse impact on the business, financials condition, results of operation and property of the Company.

As the Company's business involves the movement and transfer of cash which is collected from third parties or deposited into its bank, there is a risk of theft or robbery during the transport of cash. The Company engages security firms to provide armed guards and security in the transport and movement of large amounts of cash. While the Company has taken robust steps to prevent theft or robbery of cash during transport, there can be no assurance that there will not be a security breach during the transport and the movement of cash involving the theft of product or cash.

The Company has historically relied on access to both public and private capital in order to support its continuing operations, and the Company expects to continue to rely on the capital markets to finance its business.

Although such business carries a higher degree of risk, and despite the legal standing of cannabis businesses pursuant to U.S. federal laws, Canadian based issuers involved in the U.S. state-legal cannabis industry have been successful in raising substantial amounts of private and public financing. 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 CSA. Further, access to funding from U.S. residents may be limited due to their unwillingness to be associated with activities which violate U.S. federal laws.

As consumer perceptions of cannabis evolve, the Company may face unfavorable publicity or consumer perception.

The state-legal cannabis industry in the U.S. is at an early stage of its development. Cannabis has been, and will continue to be, a controlled substance for the foreseeable future. Consumer perceptions regarding legality, morality, consumption, safety, efficacy and quality of cannabis are mixed and evolving. Consumer perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for cannabis and on the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding cannabis in general or associating the consumption of cannabis with illness or other negative effects or

events, could have such a material adverse effect. Public opinion and support for medical and adult-use cannabis use has traditionally been inconsistent and varies from jurisdiction to jurisdiction. While public opinion and support appears to be rising for legalizing medical and adult-use cannabis, it remains a controversial issue subject to differing opinions surrounding the nature of legalization (for example, support for legalization of medical versus recreational cannabis). The Company's ability to maintain and increase market acceptance of its company and products may require substantial expenditures on investor relations, strategic relationships and marketing initiatives. There can be no assurance that such initiatives will be successful, and their failure may have an adverse effect on the Company.

Product liability claims or regulatory actions 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.

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 cananabis 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 cannabis alone or in combination with other medications or substances could occur. As a manufacturer, distributor and retailer of adult-use and medical cannabis, 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 cannabis, the Company may be subject to various product liability claims, including, among others, that the cannabis 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.

As the cannabis industry is nascent, expectations regarding the development of the market may not be accurate and may change.

Due to the early stage of the state-legal cannabis industry, forecasts regarding the size of the industry and the sales of products are inherently subject to significant unreliability. A failure in the demand for 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 and financial condition of the Company.

The cultivation, extraction and processing of cannabis and derivative products is dependent on a number of key inputs and their related costs.

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 and operating results of an operator. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a single source supplier were to go out of business, an operator might be unable to find a replacement for such source in a timely manner or at all. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of an operator, and consequently, the Company.

Operational and General Business Risks

The impact of the COVID-19 global pandemic may have a negative impact on the Company's operations and performance.

On March 11, 2020, the World Health Organization ("**WHO**") declared the coronavirus contagious disease outbreak and related adverse public health developments ("**COVID-19**") a global pandemic, and recommended containment and mitigation measures worldwide. While the ultimate severity of the outbreak and its impact on the economic environment is uncertain, the Company is monitoring this closely. While the precise impact of COVID-19 on the Company remains unknown and not possible to predict, rapid spread of COVID-19 may have a material adverse effect economic activity in

the United States and global economic activity, and can result in volatility and disruption to global supply chains, operations, mobility of people and the financial markets, which could affect interest rates, credit ratings, credit risk, inflation, business, financial conditions, results of operations and other factors relevant to the Company. The Company's priority during the COVID-19 pandemic is protecting the safety of its employees and customers and it is following the recommended guidelines of applicable government and health authorities. Despite being deemed as an essential retailer in its core markets, the Company has experienced a negative impact on sales in certain markets. Certain markets, such as Nevada, experienced a greater impact on sales due to reduced foot traffic in certain locations. Other markets, such as Oregon, have not been significantly impacted by COVID-19. To date, the Company has modified store operations in certain locations, with an increased focus on direct-to-consumer delivery and enabling a curbside pickup option for its customers.

The Company may pursue strategic acquisitions in the future, which may be unsuccessful or result in other costs to the Company.

As part of the Company's overall business strategy, the Company may pursue select strategic acquisitions which would provide additional product offerings, vertical integrations, additional industry expertise, and a stronger industry presence in both existing and new jurisdictions. Future acquisitions may expose the Company to potential risks, including risks associated with (a) the integration of new operations, services and personnel; (b) unforeseen or hidden liabilities; (c) the diversion of resources from the Company's existing business and technology; (d) potential inability to generate sufficient revenue to offset new costs; (e) the expenses of acquisition; or (f) the potential loss of or harm to relationships with both employees and existing users resulting from its integration of new business. In addition, any proposed acquisitions may be subject to regulatory approval.

While the Company intends to conduct reasonable due diligence in connection with such strategic acquisitions, there are risks inherent in any acquisition. Specifically, there could be unknown or undisclosed risks or liabilities of such entities or assets for which the Company is not sufficiently indemnified. Any such unknown or undisclosed risks or liabilities could materially and adversely affect the Company's financial performance and results of operations. The Company could encounter additional transaction and integration related costs or other factors such as the failure to realize all of the benefits from the acquisition. All of these factors could cause dilution to the Company's revenue per share or decrease or delay the anticipated accretive effect of the acquisition and cause a decrease in the market price of C21's common shares.

The Company may be ordered to pay a judgement in existing or future litigation from time to time in the ordinary course of business which could adversely affect its business.

Should any litigation in which the Company is or 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 its common shares. Even if the Company wins current or future litigation, such litigation can redirect significant resources

The Company may face further litigation, formal or informal complaints, enforcement actions, and inquiries by various federal, state, or local governmental authorities.

The Company's participation in the cannabis industry may lead to further litigation, formal or informal complaints, enforcement actions, and inquiries by various federal, state, or local governmental authorities against the Company. Litigation, complaints and enforcement actions involving the Company could consume considerable amounts of financial and other corporate resources, which could have an adverse effect on the Company's future cash flows, earnings, results of operations and financial condition.

The Company's operations are subject to environmental regulation in the various jurisdictions in which it operates, which may adversely affect the Company's operations.

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. 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 directors, officers and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

The Company is dependent on governmental approvals, licenses and permits to operate, and failure to obtain or maintain such approvals, licenses and permits may 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 or future operations. To the extent such approvals are required and not obtained or maintained, the Company may be curtailed or prohibited from its current or proposed production, manufacturing, processing, distribution or sale of cannabis 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 or manufacturing of cannabis, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in expenses, capital expenditures or production or manufacturing costs or reduction in levels of production or manufacturing or require abandonment or delays in development.

Further, should any state in which the Company considers a license important not grant, extend or renew such license or should it renew such license on different terms or decide to grant more than the anticipated number of licenses to the Company's competition, the Company could be materially adversely affected.

The Company's limited operating history makes evaluating its business and prospects difficult.

The Company has a limited operating history on which to base an evaluation of its business, financial performance and prospects. As such, the Company's business and prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in the early stage of development. As the Company is in an early stage and is introducing new products, the Company's revenues may be materially affected by the decisions, including timing decisions, of a relatively consolidated customer base. The Company has had limited experience in addressing the risks, expenses and difficulties frequently encountered by companies in their early stage of development, particularly companies in new and rapidly evolving industries such as the cannabis industry. There can be no assurance that the Company will be successful in addressing these risks, and the failure to do so in any one area could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

The Company is dependent upon existing management, its key research and development personnel and its growing and extraction personnel, and its business may be severely disrupted if it loses their service.

The Company's future success depends substantially on the continued services of its executive officers, its key research and development personnel and its key growing and extraction personnel. If one or more of its executive officers or key personnel were unable or unwilling to continue in their present positions, the Company might not be able to replace them easily or at all. In addition, if any of its executive officers or key employees joins a competitor or forms a competing company, the Company may lose know-how, key professionals and staff members. These executive officers and key employees could compete with and take customers away.

The Company will need to hire additional personnel in order to grow its business.

As the Company grows, it will need to hire additional human resources to continue to develop the business. However, experienced talent is difficult to source, and there can be no assurance that the appropriate individuals will be available or affordable to the Company. Without adequate personnel and expertise, the growth of the Company's business may suffer.

The Company may be exposed to infringement or misappropriation claims by third parties, which, if determined adversely to the Company, could subject the Company to significant liabilities and other costs.

The Company's success may likely depend on its ability to use and develop new extraction technologies, recipes, know-how and new strains of cannabis without infringing the intellectual property rights of third parties. The Company cannot assure that third parties will not assert intellectual property claims against it. The Company is subject to additional risks if entities licensing to its intellectual property do not have adequate rights in any such licensed materials. If third parties

assert copyright or patent infringement or violation of other intellectual property rights against the Company, it will be required to defend itself in litigation or administrative proceedings, which can be both costly and time consuming and may significantly divert the efforts and resources of management personnel. An adverse determination in any such litigation or proceedings to which the Company may become a party could subject it to significant liability to third parties, require it to seek licenses from third parties, to pay ongoing royalties or subject the Company to injunctions prohibiting the development and operation of its applications.

The Company may need to incur significant expenses to enforce its proprietary rights, and if the Company is unable to protect such rights, its competitive position could be harmed.

The Company regards proprietary methods and processes, domain names, trade names, trade secrets, recipes and other intellectual property as critical to its success. The Company's ability to protect its proprietary rights is critical for the success of its business and its overall financial performance. The Company has taken certain measures to protect its intellectual property rights. However, the Company cannot assure that such measures will be sufficient to protect its proprietary information and intellectual property. Policing unauthorized use of proprietary information and intellectual property is difficult and expensive. Any steps the Company has taken to prevent misappropriation of its proprietary technology may be inadequate. The validity, enforceability and scope of protection of intellectual property in the cannabis industry is uncertain and still evolving. In particular, the laws and enforcement procedures in some developing countries are uncertain and may not protect intellectual property rights in this area to the same extent as do the laws and enforcement procedures in Canada, the United States and other developed countries.

The Company may face increased competition in the marketplace for cannabis.

There can be no assurance that significant competition will not enter the marketplace and offer some number of similar products and services or take a similar approach. An increase in the companies competing in this industry could limit the ability of the Company to expand its operations. Current and new competitors may be better capitalized, have a longer operating history, have more expertise and be able to develop higher quality equipment or products, at the same or a lower cost. The Company cannot provide assurances that it will be able to compete successfully against current and future competitors. Such competition could have a material adverse effect on the growth potential of the Company's business by effectively dividing the existing market for its products. In addition, despite Canadian federal and U.S. state-level legislation of cannabis, illicit or "black market" operations remain abundant and present substantial competition to the Company. In particular, illicit operations are not required to comply with the extensive regulations that the Company must comply with to conduct business and, accordingly, may have significantly lower costs of operations.

The success of the Company will be dependent on its ability to manage growth.

The Company may experience a period of significant growth in the number of personnel that will place a strain upon its management systems and resources. Its future will depend in part on the ability of its officers and other key employees to implement and improve financial management controls, reporting systems and procedures on a timely basis and to expand, train, motivate and manage the workforce. The Company's current and planned personnel, systems, procedures and controls may be inadequate to support its future operations.

The Company faces significant costs in order to gain and increase market acceptance of its products.

The Company's ability to gain and increase market acceptance of its products depends on its ability to educate the public on the benefits of its cannabis products. It also requires 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 operations.

The Company may not have adequate insurance coverage, which may adversely impact the Company's business, results of operations and profitability.

The Company requires insurance coverage for a number of risks, including business interruption, environmental matters and contamination, product liability, personal injury and property damage. Although the Company believes that the events and amounts of liability covered by its insurance policies will be reasonable, considering the risks relevant to its business, and the fact that agreements with users contain limitations of liability, there can be no assurance that such coverage will be available or sufficient to cover claims to which the Company may become subject. If insurance coverage is unavailable or

insufficient to cover any such claims, the Company's financial resources, results of operations and prospects could be adversely affected. Further, because the Company is engaged in the cannabis industry, there may be additional difficulties and complexities associated with such insurance coverage that could cause the Company to suffer uninsured losses, which could adversely impact the Company's business, results of operations and profitability.

Results of future clinical research may negatively impact demand for the Company's products.

Research in Canada, the U.S. and internationally regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis or isolated cannabinoids remains in early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids. Although the Company believes that the articles, reports and studies to date support its beliefs regarding the benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding, and perceptions relating to, cannabis. Given these risks, uncertainties and assumptions, investors should not place undue reliance on such articles, reports and studies. Future research studies and clinical trials may draw opposing conclusions to those stated herein or reach negative conclusions regarding the 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.

The Company faces risks inherent in an agricultural business, including rising energy costs.

Adult-use and medical cannabis are agricultural products. There are risks inherent in the agricultural business, such as insects, plant diseases, forest fire and similar agricultural risks. Although some of the Company's cannabis flower is grown indoors under climate-controlled conditions, with conditions monitored, there can be no assurance that natural elements will not have a material adverse effect on the production of the Company's products.

Adult-use and medical cannabis growing operations consume considerable energy, making the Company potentially vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business, results of operations, financial condition or prospects of the Company.

The Company relies on third-party contractors to maintain its information technology systems.

We rely on information technology ("**IT**") systems and networks in our operations which are provided and maintained by third-party contractors. The availability, capacity, reliability and security of these IT systems could be subject to network disruptions caused by a variety of malicious sources, including computer viruses, security breaches, cyber-attacks and theft, as well as network and/or hardware disruptions resulting from unexpected failures such as human error, software or hardware defects, natural disasters, fire, flood or power loss. Our operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures.

The ability of the IT function to support our business in the event of any such failure and the ability to recover key systems from unexpected interruptions cannot be fully tested. There is a risk that if such an event were to occur, our response may not be adequate to immediately address all of the potential repercussions of the incident. In the event of a disaster affecting our head office, key systems may be unavailable for a number of days, leading to inability to perform some business processes in a timely manner. The failure of our IT systems or a component thereof could, depending on the nature, materially impact our financial condition, results of operations, reputation and share price.

Unauthorized access to our IT systems as a result of cyber-attacks could lead to exposure, corruption or loss of confidential information, and disruption to our communications, operations, business activities or our competitive position. Further, disruption of critical IT services, or breaches of information security, could expose us to financial losses and regulatory or legal action. Our 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 remain a priority.

We apply technical and process controls in line with industry-accepted standards to protect information, assets and systems. Although these measures are robust, they cannot possibly prevent all types of cyber-threat. There is no assurance that we will not suffer losses associated with cyber-security breaches in the future, and we may be required to expend

significant additional resources to investigate, mitigate and remediate any potential vulnerabilities. As cyber-threats continue to evolve, we may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

The size of the Company's target market is difficult to quantify, and investors will be reliant on their own estimates on the accuracy of market data.

Because the cannabis industry is in an early stage with uncertain boundaries, there is a lack of information about comparable companies available for potential investors to review in deciding about whether to invest in the Company and, few, if any, established companies whose business model the Company can follow or upon whose success the Company can build. Accordingly, investors will have to rely on their own estimates in deciding about whether to invest in the Company. There can be no assurance that the Company's estimates are accurate or that the market size is sufficiently large for its business to

The Company is a British Columbia corporation governed by the Business Corporations Act (British Columbia) ("BCBCA") and, as such, our corporate structure, the rights and obligations of shareholders and our corporate bodies may be different from those of the home countries of international investors.

Non-Canadian residents may find it more difficult and costlier to exercise shareholder rights. International investors may also find it costly and difficult to effect service of process and enforce their civil liabilities against us or some of our directors, controlling persons and officers.

The success of the Company may depend, in part, on the ability of an operator to maintain and enhance trade secret protection over its various existing and potential proprietary techniques and processes, or trademark and branding developed by it.

Each operator may also be vulnerable to competitors who develop competing technology, whether independently or as a result of acquiring access to the proprietary products and trade secrets of the operator. 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.

The Company may experience difficulty implementing its business strategy.

The growth and expansion of the Company is heavily dependent upon the successful implementation of its business strategy. There can be no assurance that the Company will be successful in the implementation of its business strategy.

Conflicts of interest involving the Company's directors and officers may arise and may be resolved in a manner that is unfavorable to the Company.

Certain of the Company's directors and officers are, and may continue to be, involved in other business ventures through their direct and indirect participation in corporations, partnerships, joint ventures, etc. that may become potential competitors of the technologies, products and services the Company intends to provide. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors and officers may conflict with or diverge from the Company's interests. In accordance with applicable corporate law, directors who have a material interest in or who is a party to a material contract or a proposed material contract with the Company are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors and officers are required to act honestly and in good faith with a view to the Company's best interests. However, in conflict of interest situations, the Company's directors and officers may owe the same duty to another company and will need to balance their competing interests with their duties to the Company. Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavourable to the Company

Currency fluctuations may have a material adverse effect on the Company's business, financial condition and operating results.

Due to the Company's present operations in the United States, and its intention to continue future operations outside Canada, the Company is expected to be exposed to significant currency fluctuations. All or substantially all of the Company's revenue will be earned in U.S. dollars, but operating expenses are incurred in both U.S. and Canadian dollars.

The Company does not have currency hedging arrangements in place, and there is no expectation that the Company will put any currency hedging arrangements in place in the future. Fluctuations in the exchange rate between the U.S. dollar and Canadian dollar may have a material adverse effect on the Company's business, financial condition and operating results. The Company may, in the future, establish a program to hedge a portion of its foreign currency exposure with the objective of minimizing the impact of adverse foreign currency exchange movements. However, even if the Company develops a hedging program, there can be no assurance that it will effectively mitigate currency risks.

Item 4. Information on the Company

A. History and Development of the Company

History

The Company was incorporated in the Province of British Columbia under the Company Act (British Columbia) on January 15, 1987 as Empire Creek Mines Inc. On May 11, 1987, the Company changed its name to Curlew Lake Resources Inc. Effective November 24, 2017, the Company changed its name to C21 Investments Inc.

On June 15, 2018, the common shares of the Company were delisted from the Toronto Stock Exchange ("**TSX**") Venture Exchange and on June 18, 2018 the common shares commenced trading on the Canadian Stock Exchange ("**CSE**") under the symbol "CXXI". The Company registered its common shares in the United States and on May 6, 2019, its common shares were cleared by FINRA for trading on the OTC Markets platform under the U.S. trading symbol "CXXIF".

The Company's corporate office and principal place of business is 19th Floor, 885 West Georgia Street, Vancouver, British Columbia, Canada V6C 3H4. The Company's telephone number is +1 833-289-2994 and its corporate website is www.cxxi.ca. The information contained on its website is not incorporated by reference into this Form 20-F.

Development

Since the Company changed its focus to the cannabis market on January 29, 2018, the Company has aggressively grown its business, completing five acquisitions in Nevada and Oregon in 2018 and 2019, and thereafter thoughtfully improved upon its Nevada operations and optimized its operations in Oregon.

As of January 31, 2020, the Company has closed its acquisitions of Silver State Relief LLC (retail) and Silver State Cultivation LLC (cultivation and extraction) located in Nevada, and Eco Firma Farms LLC (cultivation), Megawood Enterprises Inc (retail), Phantom Venture Group, LLC and Phantom Brands, LLC (cultivation, extraction and wholesale) and Swell Companies Limited (extraction and wholesale) located in Oregon.

In the current phase of C21's acquisition plan, the Company is focused primarily on improving and expanding its retail footprint in Nevada and continuing to integrate and optimize its Oregon assets. The Company may also entertain strategic opportunities in other jurisdictions, as such opportunities may arise.

The Company funded the acquisitions through private placement financings and convertible debentures.

Completed Acquisitions

Silver State Cultivation LLC and Silver State Relief LLC – Nevada, USA

On January 15, 2019, the Company completed the acquisition of 100% of the membership interests of both Silver State Relief LLC and Silver State Cultivation LLC (collectively "**Silver State**"), which are Nevada limited liability companies. The acquisition was made effective January 1, 2019. Silver State operates indoor cannabis cultivation and processing in a licensed facility in Sparks, Nevada, and owns two retail licenses that operate cannabis dispensaries in Sparks and Fernley, Nevada.

In consideration for 100% of the membership interests of Silver State, the Company paid total consideration of $49,105,048, which included a secured promissory note to the vendor, Sonny Newman, for $30,000,000 (the "**Newman Note**").

Mr. Newman was subsequently engaged by the Company to act as its President and Chief Executive Officer.

Promissory Note to Silver State Vendor

Effective November 21, 2019, Mr. Newman and the Company agreed to amend the terms of the Newman Note, with a remaining principal balance of $21,800,000. The December 1, 2019 principal payment of $800,000 was cancelled and the principal monthly payments thereafter were reduced to $600,000 per month. Further, the annual interest rate on the note was reduced from 10% to 9.5%. The remaining balance on the note was then due and payable on July 1, 2020.

Effective June 25, 2020, Mr. Newman and the Company agreed to further amend the terms of the Newman Note, with the remaining principal balance of $18,200,000. The maturity date of the Note was extended from July 1, 2020 to January 1, 2021, and all other terms of the Newman Note remained the same, including the monthly payment obligations of principal and interest.

Following the July 1, 2020 payment, the principal balance owing under the Newman Note is $17,600,000.

Silver State buildings

The Silver State businesses operate in three buildings, a cultivation/production warehouse and a dispensary, both located in Sparks, Nevada. The third building is the Fernley dispensary in Fernley, Nevada, which opened on January 15, 2019. The Company has the option, exercisable during the term of its leases, to acquire all three of the real estate assets of Silver State including: the land and 158,000 square-foot building ("**Stanford Way**") located in Sparks, Nevada that houses its cultivation and extraction facility; the land and 7,400 square foot retail dispensary building ("**Greg Street**") located in Sparks, Nevada, servicing more than 30,000 customers per month; and the 6,000 square foot dispensary and land located in Fernley, Nevada ("**Fernley**"), servicing more than 15,000 customers per month. The option price for Stanford Way is $12,700,000, payable in cash or common shares of the Company at $3.50 per common share, at the election of the landlord. The option price for Greg Street is $3,300,000, payable in cash. The option price for Fernley, extended on June 30, 2020, along with the lease term, to July 31, 2023, is $2,228,000, payable in cash.

Megawood Enterprises Inc – Oregon, USA

On January 23, 2019, the Company completed the acquisition of 100% of the common shares of Megawood Enterprises Inc ("**Pure Green**"), an Oregon corporation, which includes its retail location at 3738 Sandy Blvd. NE, Portland, OR. In consideration for 100% of the common shares of Pure Green, the Company paid total consideration of $794,888.

At January 31, 2020, it was determined that the goodwill amounts for Pure Green were impaired and should be written off. The Company has written off all the goodwill in relation to Pure Green ($689,328) for the year ended January 31, 2020.

On February 28, 2020, the Company restructured the final payment due to the vendors of Pure Green. The final payment consisted of a cash payment of $130,000 and the issuance of 95,849 common shares of the Company at a deemed price of C$0.6225/share.

The Pure Green operations were temporarily shut down in March 2020 due to the COVID-19 pandemic. The operations are in the process of reopening under new third-party management pursuant to a management agreement dated June 1, 2020, whereby the management company has assumed all leasehold liabilities and costs at the facility including the triple net real property lease.

Phantom Venture Group, LLC and Phantom Brands, LLC – Oregon, USA

On February 4, 2019, the Company completed its acquisition of 100% of the membership interests of Phantom, which encompasses the following limited liability companies: Phantom Venture Group, LLC, Phantom Distribution, LLC, 63353 Bend, LLC, 20727 ‑ 4 Bend, LLC, 4964 BFH, LLC, and Phantom Brands, LLC (collectively "**Phantom**"). Phantom operates two outdoor cannabis cultivation facilities totaling 80,000 square feet in southern Oregon. Phantom also operates a 5,600 square foot facility which includes a wholesale distribution warehouse and an extraction laboratory and a 7,700 square foot state-of-the-art indoor grow facility in Central Oregon.

In consideration for 100% of the membership interests of Phantom, the Company paid total consideration of $10,539,260 as follows:

(i) cash deposits on closing of $3,200,000

(ii) a promissory note for $290,000;

(iii) issuance of 2,670,000 common shares of the Company valued at C$1.23/common share;

(iv) issuance of 1,700,000 share purchase warrants of C21, each warrant exercisable for one common share at a price of C$1.50/common share; and,

(v) issuance of earnout shares of up to a maximum of 4,500,000 common shares of C21, to be issued over a period of seven years, contingent upon the achievement of certain stock price targets of C21 or change of control of C21 at certain stock price valuation targets (50% of the earnout shares issuable upon change of control of the Company at a valuation of C$3.00/common share or more; 100% of the earnout shares issuable upon change of control of the Company at a valuation of at least C$5.00/common share).

In an agreement signed contemporaneously, the Company committed to purchase SDP Development Group, LLC ("**SDP**") on October 15, 2020, which owned six real estate properties used in connection with Phantom Farms' cannabis cultivation, processing and wholesale distribution operations. The aggregate purchase price was $8,010,000 payable in cash, or, at the election of the vendors, in whole or in part by the issue of 2,670,000 shares at a deemed price of $3.00 per common share. Subsequently, the Company and SDP agreed to modify the terms of the SDP agreement as well as modify the leases subject to Phantom Farms' operations. On February 12, 2020, the parties agreed to the following modified terms: the Company purchased two Southern Oregon farms, constituting over 60 acres of real property housing the two outdoor cannabis cultivation facilities totaling 80,000 square feet of canopy, rent reduction on the three Phantom properties in Central Oregon to 7% of the assessed value (a reduction of the Company's total forward lease obligations in Phantom Farms locations by $370,000 per year), and a release from the obligation to purchase the sixth property in Southern Oregon. In exchange, the SDP vendors received 7,132,041 common shares of the Company at a deemed issue price of C$0.804 per share.

Two former owners of Phantom are among the members of SDP and were subsequently hired by the Company. Skyler Pinnick, Chief Marketing Officer and Board member, and Russell Rotondi, the Company's general counsel.

At January 31, 2020, it was determined that the goodwill amounts for Phantom were impaired and should be written off. The Company has written off $8,009,248 of goodwill in relation to Phantom for the year ended January 31, 2020.

Swell Companies Limited – Oregon, USA

On May 24, 2019, the Company completed its acquisition of 100% of the common shares of Swell Companies Limited ("**Swell**"), an Oregon corporation. Swell is a processor and wholesaler of THC and CBD products. Swell is recognized as a leader in the extraction and manufacturing of THC and CBD derived products. Swell's commitment to quality, innovation, and execution has established Swell as an early and dominant player in the competitive Oregon market. Raw oil, encapsulates and vape pens are distributed under its in-house brands: Dab Society Extracts and Hood Oil. The capacity of Swell's processing facility is 350,000 grams of high-quality raw oil per month.

In consideration for 100% of the common shares of Swell, the Company paid or agreed to pay total consideration of $18,812,683 as follows:

(i) cash deposits on closing of $5,050,000;

(ii) liabilities assumed of $1,070,907;

(iii) $1,000,000 in the form of a 2-year convertible note at 10% interest, upon close;

(iv) 1,266,667 common shares of C21 on closing;

(v) 1,200,000 warrants to purchase common shares of C21 with an exercise price of C$1.50/common share;

(vi) 456,862 common shares issuable on November 24, 2020;

(vii) 2,450,000 common shares issuable on May 24, 2021. Upon the vendors' election, up to $5 million in cash to be received 24 months from the closing date if the average closing price of the Company's shares over the 15 trading days

immediately preceding the payment date is less than C$3.75 per share. If the vendors elect to take cash, common shares issuable would be reduced to 783,333; and,

(viii) issuance of up to a maximum of 6,000,000 earn out common shares, to be issued over a period of seven years, contingent upon the achievement of certain stock price targets of C21, and 50% of the earnout shares issuable upon change of control of C21 and 100% of the earnout shares issuable upon change of control of C21 at a C21 valuation of at least C$5.00/common share.

During the year, the Company finalized an agreement with the former owners of Swell Companies Limited (the "**Swell Vendors")** to amend the terms of the Company's forward-cash obligations to the Swell Vendors. Pursuant to the terms of the amended agreement: (a) the cash sum due to the Swell Vendors through September 2019 under the original agreement, in the amount of $850,000, would be paid by the Company on or before November 15, 2019; and (b) the sum of $7,350,000 due to the Swell Vendors on May 24, 2021 under the original agreement (vii above), including the Swell Vendors' option to receive $5m of such sum in cash, was satisfied in full by the issuance of 7,015,238 common shares of C21 at a deemed issue price of $1.047 per share. The shares were issued into escrow December 27, 2019 to be released as follows: (a) twenty-five percent (25%) four-months-and-a-day from the date of issue; and (b) the remainder of the shares in three equal instalments of one-third every four months thereafter. Effective November 15, 2019, the parties executed an amendment with respect to the cash payment of $850,000, by which the maturity date was extended from November 15, 2019 to on or before July 1, 2020 with interest accruing from November 15, 2019 at 9.5%. Effective June 30, 2020, the parties executed a further amendment with respect to the cash payment of $850,000, by which the maturity date was extended from July 1, 2020 to on or before January 1, 2021, with all other terms to remain unchanged.

The Swell facility is currently under third-party management pursuant to a management agreement dated June 1, 2020 whereby the management company has assumed all leasehold liabilities and costs at the facility including the triple net real property lease.

At January 31, 2020, it was determined that the goodwill amounts for Swell were impaired and should be written off. The Company has written off $13,676,649 of goodwill in relation to Swell for the year ended January 31, 2020.

Eco Firma Farms LLC – Oregon, USA

On June 13, 2018, the Company completed the acquisition of 100% of the membership interests of Eco Firma Farms LLC ("**EFF**"), an Oregon limited liability company (former subsidiary of Proudest Monkey Holdings LLC), which owned and operated a cannabis production facility, and related assets, in Oregon. On June 28, 2018 and July 6, 2018, the Company announced certain post-closing adjustments with respect to the acquisition of EFF. In consideration for 100% of the membership interests of EFF, the Company paid total consideration of $7,849,684.

The vendors of Eco Firma Farms LLC can also earn up to 6,500,000 common shares of C21, at a deemed issue price of $1.00/common share, over a maximum seven-year period, if the EBITDA earned by the Company in relation to EFF satisfies certain agreed upon amounts ("**EFF Earn Out**"). Management has determined that the EFF Earn Out has no value.

On December 28, 2018, the Company restructured certain real estate rights connected with its EFF operations. Under the restructured arrangement, for a $3,800,000 purchase price, the Company formally acquired the real estate assets housing EFF's cultivation operations under a vendor finance arrangement that converted rental payments into mortgage interest payments. As part of the restructuring, two of the vendors of EFF agreed, among other things, to assign the rights to their 39.25% share of the EFF Earn Out to a wholly owned subsidiary of the Company.

At January 31, 2019, it was determined that the goodwill amounts for EFF were impaired and the Company wrote off $5,160,741 of goodwill in relation to EFF.

On May 10, 2019, the Company issued 3,983,886 common shares (the common shares were issued subject to escrow release in four consecutive monthly installments of 25% each commencing on September 14, 2019), at a deemed price of $0.825/common share, to settle the $3,800,000 purchase price for the real property used in EFF's operations, in addition to assuming the $513,294 balance under the first mortgage for the property.

At October 31, 2019 the Company has determined that the EFF real estate assets were impaired and the Company wrote off $4,139,522 of value from these assets.

Cultivation activities at the EFF facility were temporarily shuttered in October 2019. The EFF facility is currently under third-party management pursuant to a management agreement dated June 15, 2020, whereby the management company has assumed all costs at the facility including real property taxes and costs.

Restructure of Oregon Operations

With the closing of the final two Oregon acquisitions early in the fiscal year, the Company was able to move forward in the second half of 2019 with the integration, restructuring and optimization of the Oregon operations. By November 2019, the Company had reduced its aggregate annual run-rate through cost reductions in excess of $6 million. The Company centralized its processing and distribution business in Central Oregon at the Phantom Farms facilities. The indoor and outdoor cultivation, processing and wholesale distribution operations of Phantom Farms have been expanded and streamlined. The production of Hood Oil branded consumer packaged goods has been moved to the Phantom facilities with the shuttering of the processing operation in Portland in March 2020. The Pure Green dispensary was closed in March 2020 due to the COVID-19 pandemic. The Company has signed management agreements at the EFF, Swell and Pure Green facilities to further drive down costs, limit liability and seek to monetize redundant assets. Staffing levels in Oregon have been reduced from 86 in June 2019 to 22 in June 2020.

Employees

With the closing of the latest acquisition in May 2019, and the lack of availability of financing at that time in the public markets, the Company commenced a restructuring and integration of its operations, at which time the employee count was two-hundred and ten (210). As of the date of this report, the Company employs one-hundred and sixteen (116) FTE's, including seven (7) in corporate positions.

The Company's employees are highly talented individuals who have educational achievements ranging from Ph.D., Masters, and undergraduate degrees in a wide range of disciplines, as well as staff who have been trained on the job to uphold the highest standards as set by the Company. The Company hires and promotes individuals who are best qualified for each position, priding itself on using a process that identifies people who are trainable, cooperative and share the Company's core values.

The Company takes all reasonable steps to ensure staff are appropriately informed and trained to ensure a culture of health, safety, and continuous improvement, especially during these difficult times for public health and safety due to the COVID-19 pandemic. Wherever possible, the Company will continue to adopt generally accepted health and safety best practices from non-cannabis-related industries and follows all health and safety guidelines issued by the United States Centers for Disease Control ("**CDC**") and all orders from relevant provincial, state and local jurisdictions and authorities.

COVID-19

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. While the ultimate severity of the outbreak and its impact on the economic environment is uncertain, the Company is monitoring this closely. The Company's priority during the COVID-19 pandemic is protecting the safety of its employees and customers and it is following the recommended guidelines of applicable government and health authorities. Despite being deemed as an essential retailer in its core markets, the Company has experienced a negative impact on sales in certain markets. Certain markets, such as Nevada, experienced a greater impact on sales due to reduced foot traffic in certain locations. Other markets, such as Oregon, have not been significantly impacted by COVID-19. To date, the Company has modified store operations in certain locations, with an increased focus on direct-to-consumer delivery and enabling a curbside pickup option for its customers.

B. Business Overview

The Company is a vertically integrated cannabis company that cultivates, processes, and distributes quality cannabis and hemp-derived consumer products in the United States. The Company is focused on value creation through the disciplined acquisition and integration of core retail, manufacturing, and distribution assets in strategic markets, leveraging industry-leading retail revenues with high-growth potential multimarket branded consumer packaged goods.

The Company focuses on scalable opportunities in key markets that take advantage of its core competencies, including: (i) retail operational excellence and expanding its retail footprint through value-add acquisitions in existing markets, and ii) branded CPG expansion through both captive retail and developing wholesale channels. The Company focuses on acquiring businesses that provide immediate contribution to overall profitability, or have a path to profitability within twelve months, where it can leverage existing assets, brands, and domain expertise.

The Company currently holds licenses in Oregon and Nevada that span the entire cannabis supply chain within each market. The Company owns Silver State Relief and Silver State Cultivation in Nevada, and Phantom Farms, Swell Companies, Eco Firma Farms, and Pure Green in Oregon. These brands produce and distribute a broad range of THC and CBD products from cannabis flowers, pre-rolls, cannabis oil, vaporizer cartridges and edibles. Since the Company changed its focus to the cannabis market on January 29, 2018, the Company has been aggressively growing its business, having completed a number of acquisitions in the States of Oregon and Nevada in 2018 and 2019.

The Company is operated by a management team that has significant professional experience, including deep experience both within the cannabis industry and other fast-paced growth industries like technology, healthcare, and venture capital. The Company's management team also includes experts from more traditional industries like forestry, manufacturing, real estate, and capital markets.

On July 9, 2019, the Company announced that Sonny Newman had been appointed President and Chief Executive Officer ("**CEO**"), succeeding Robert Cheney, who remains on the Company's Board of Directors. On June 29, 2020, the Company announced that Mr. Newman had agreed to extend his term of employment for an additional three (3) years.

Cultivation and Processing

The Company currently owns and operates four cultivation facilities, totaling 105,000 square feet of active canopy yielding over 12,500 pounds of quality cannabis flower annually. The Company also currently owns and operates two (2) processing facilities, with approximately 365,000 grams per month of raw oil extraction capability.

Through Silver State in Nevada, the Company operates indoor cultivation and processing out of a 155,000 square foot facility with 11,104 square feet of active canopy and 1,200 square feet dedicated to volatile extraction. Silver State produces approximately 5,100 pounds of flower (2700 pounds) and trim (2400 pounds) annually which is primarily sold within the Company's Silver State dispensaries, with plans to expand production for future captive retail and wholesale distribution under the Silver State and partner brands. The Company has expanded Silver State's extraction capacity to support branded CPG expansion in both captive retail and wholesale channels. Hood Oil cartridges were released to the Nevada market in June 2019. For the quarter ending January 30, 2020, Silver State sold over 100,000 units generating $2,900,000 in revenue with a 54% gross margin. In January 2020, Hood Oil sold over 15,000 units, generating $445,000 in revenue. In fact, 11 of the top 25 SKUs sold at Silver State Relief were Hood Oil in January 2020. Phantom Farms pre-rolls were released to the wholesale market in September 2019 and are being carried in multiple dispensaries in the State. New Phantom flower strains and a new Phantom Farms CBD product line were released at Silver State Relief dispensaries in January.

Through Phantom in Southern Oregon, the Company operates outdoor and greenhouse active canopy totaling 80,000 square feet. Phantom also operates a 7,700 square foot state-of-the-art indoor grow facility in central Oregon, with 5,000 square feet of active canopy. Phantom cultivates cannabis using sustainable practices and volcanic filtered water in both its indoor and outdoor facilities and produces over 24 strains of cannabis, including some with award winning genetics. Phantom operates a 5,600 square foot facility which includes an extraction laboratory with a 90-liter supercritical CO2 system and a wholesale distribution warehouse in central Oregon.

Through EFF in Oregon, the Company owns an indoor cannabis cultivation facility with 3,000 square feet of available canopy. In October 2019, the Company temporarily halted operations at the EFF facility to streamline Oregon operations due to both economic and regulatory factors. The EFF facility is currently under third-party management pursuant to a management agreement dated June 15, 2020 whereby the management company has assumed all leasehold liabilities and costs at the facility, and the Company is evaluating the potential sale of the cultivation license, the building and the fixtures contained therein.

Through Swell in Oregon, the Company has a 10,000 square foot volatile and non-volatile extraction facility together with expansion rights for an additional adjacent 12,000 square feet. In April 2020, the Company temporarily shuttered the Swell facility and consolidated its processing and wholesale operations with the Phantom processing and wholesale operations in Central Oregon. The Swell facility is currently under third-party management pursuant to a management agreement dated June 1, 2020 whereby the management company has assumed all leasehold liabilities and costs at the facility, and the Company is evaluating the potential sale of the processing and wholesale licenses.

Retail

Through Silver State in Nevada, the Company operates two dispensaries, an 8,000-square foot retail dispensary, located in Sparks, and a 6,000-square foot dispensary located in Fernley, collectively servicing a total of more than 638,000 recreational and medical cannabis customers during the year ending January 30, 2020, with over 700 SKUs in each store and averaging more than $56.00 per transaction. Consistent quality, market-leading pricing, and superior customer service translate to industry-leading sales per square foot ($1,572/sq. ft. in Q4). Likewise, because of its substantial purchasing leverage, Silver State consistently offers customers among the lowest prices within the state. The Sparks dispensary captured 24% of Washoe County, Nevada sales during the year ending January 30, 2020, and sales from Silver State represented approximately 5% of the entire Nevada market, with more than 1,750 customer transactions per day.

On March 17, 2020 Nevada State Governor, Steve Sisolak announced the closure of all non-essential business starting at noon on March 18, 2020 for 30 days as part of the State's response to curb the threat of the spread of COVID-19. This shutdown was extended until June 1, 2020. On April 30, 2020 all retail cannabis dispensaries in Nevada were allowed to offer online ordering with curbside pick-up in addition to delivery and on May 7, 2020, as part of the State of Nevada's COVID-19 reopening plan, all dispensaries were allowed to reopen to the general public at significantly reduced number of customers allowed in the facility at the same time. All dispensaries are allowed to have a maximum of 50% of the dispensary location's fire rated occupancy level or 10 customers, whichever is less. The Company anticipates that the ongoing COVID-19 pandemic will continue to pose a potential material impact on its business in Q2 2020 from reduction in tourism in Wasatch County, the continued reduction in allowed customer traffic and potential additional business closures or shutdowns.

2021 fiscal year update

Despite the ongoing pandemic and COVID-19 business disruptions, Q1 2021 Nevada dispensary revenues were approximately 88% of Q4 levels and 98% of Q1 2019. This strong performance is attributed to a loyal customer base, which has enabled the Company and its Silver State dispensaries to fare better than many in-state peers who are more reliant on tourist traffic. In fact, the dispensaries experienced a record run rate for June 2020, which eclipsed its previous record month of August 2019. The run rate for June 2020 was 26% higher than the monthly average of that of Q1 2021. The Silver State Relief dispensaries also saw an increase in Nevada market share to 6% of the State, as well as 36% of Washoe County for the most recent monthly Nevada State data for Q1 2021 of this year.

Through Pure Green in Oregon, the Company has a 3,000 square foot retail dispensary located in Portland's vibrant Hollywood District. In March 2020, the Company temporarily shuttered the dispensary due to the COVID-19 pandemic. As of the date of this report, the dispensary is scheduled to re-open imminently pursuant to the aforementioned management agreement. As such, the Company is evaluating the potential sale of the retail license and assignment of the leasehold liabilities at the Pure Green dispensary.

Branding and Marketing

The Company utilizes consistent branding and messaging across its retail and wholesale channels under Phantom Farms, Hood Oil, Silver State Relief, Dab Society Extracts and Pure Green. The Company currently sells over 800 distinct SKUs, including the following product categories: CO2 vaporizer pens, live resin vaporizer pens, distillate vaporizer pens, live resin extract, cured resin extract, bulk flower, packaged flower, pre-rolls, CBD cured resin vaporizer pens, CBD CO2 vaporizer pens, and CBD cured resin extracts.

Banking and Processing

In Oregon, the Company deposits funds from its operations into its credit union accounts at Salal Credit Union (Washington State) and Maps Credit Union (Oregon). In Nevada, the Company deposits funds from its operations into its credit union accounts held at Partner Colorado Credit Union through Safe Harbor Private Banking services. The Company is fully transparent with its credit union partners regarding the nature of its business and the credit unions remain supportive of the Company's growth plans.

Product Selection and Offerings

Product selection decisions are currently made by the Company's buyers, who negotiate with potential vendors across all product categories including packaged and wholesale flower, vaporizer pens, cured extracts, edibles and pre-rolls. The Company bases its product selection decisions on product quality, margin potential, and scalability.

The Company's branded CPG and flower-based products are sold primarily through captive retail and wholesale channels in Oregon and Nevada. The Company's retail locations in Oregon and Nevada also offer third party branded CPG and flower-based products including a wide variety of THC and CBD based products, including vaporizer pens, cured resin extracts, bulk flower, packaged flower, pre-rolls, edibles, tinctures, and topicals.

In-Store Pickup, Curbside Delivery and Delivery

In addition to traditional point-of-sale retail as modified due to COVID-19, the Company's Nevada retail locations offer in-store pickup, curbside delivery and delivery utilizing the leading third-party service providers, a leading cannabis sales and fulfillment web-based application. The Company actively monitors the continued growth of a number of cannabis web-based sales and fulfillment platforms and is well poised to utilize strategic third-party service providers during the ongoing pandemic.

Inventory Management

The Company has comprehensive inventory management procedures, which are compliant with all applicable state and local laws, regulations, ordinances, and other requirements. These procedures ensure strict controls over the Company's cannabis flower and CPG inventory from its production, processing and distribution licensees through to ultimate sale to end consumers (or rare cases disposal as cannabis waste). Such inventory management procedures also include strong quality control and quality assurance measures to prevent in-process contamination and maintain the safety and quality of the products. The Company is committed to supplying safe, consistent, and high-quality cannabis flower and CPG products at a value-oriented price.

Competition

Across a modified and strategic cannabis value chain, the Company expects to continue to vigorously compete with other licensees in Oregon and Nevada. Because Oregon is an "open" license state (arguably one of the more free-market states with respect to both barriers to entry and regulation), the competitive landscape has been challenging since the inception of recreational cannabis. Nevada is a "limited" license state, therefore competition to date has been less challenging and the broader market dynamics are more favorable. While many of the Company's direct competitors continue to be small-scale local operators, market rationalization through consolidation is increasingly a trend. Of note is the increased participation of multi-state operators with national growth aspirations in both the Oregon and Nevada marketplaces. As more U.S. jurisdictions pass state legislation allowing the recreational use and sale of cannabis, the Company is assured an increased level of competition in U.S. markets. These increasingly competitive U.S. markets may adversely affect the financial condition and operations of the Company.

Intellectual Property

The Company has developed numerous proprietary genetics, processes, technologies and products. These assets include genetics, ERP and other software applications, cultivation and extraction technologies, as well as consumer brands. Whenever available and appropriate, the Company undertakes reasonable intellectual property protections to secure these assets.

To date, absent the availability of customary federal patent, trademark, and copyright protections for cannabis applications, the Company has relied on non-disclosure/confidentiality arrangements, common law trade secrets, and state-based trademark protections. The Company actively monitors and responds to all potentially material intellectual property infringements and maintains strict standards and controls regarding the use and dissemination of its intellectual property.

In addition, the Company owns nine (9) website domains including: www.cxxi.ca, www.phantom-farms.com, www.silverstaterelief.com, www.puregreenpdx.com, www.ecofirmafarms.com, www.be-swell.com,

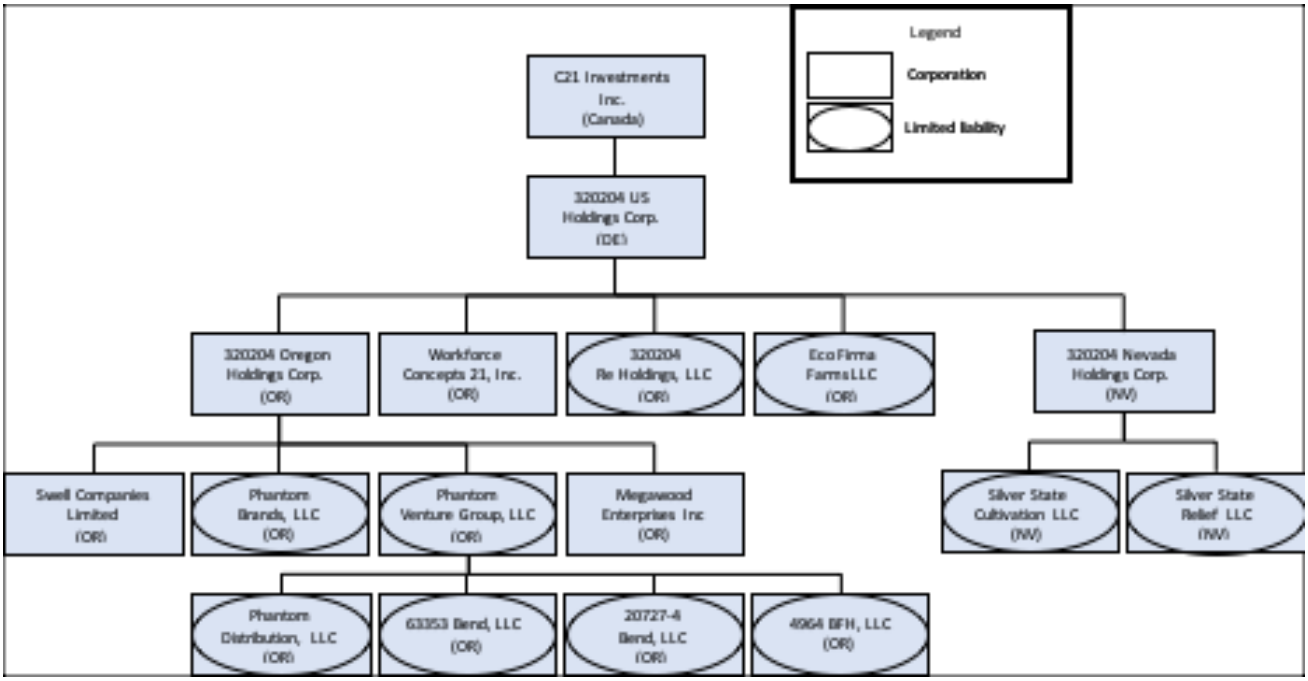
www.swellfeelings.com, www.dabsocietyextracts.com, and c21supply.co, along with numerous social media accounts across all major platforms.

C. Organizational Structure

The Company conducts its business through its sixteen (16) subsidiaries in the United States:

Name of Subsidiary	Country of Incorporation	Percentage Ownership	Functional Currency	Principal Activity
320204 US Holdings Corp.	USA	100%	USD	Holding Company
320204 Oregon Holdings Corp.	USA	100%	USD	Holding Company
320204 Nevada Holdings Corp.	USA	100%	USD	Holding Company
320204 Re Holdings, LLC	USA	100%	USD	Holding Company
Eco Firma Farms LLC	USA	100%	USD	Cannabis producer
Silver State Cultivation LLC	USA	100%	USD	Cannabis producer
Silver State Relief LLC	USA	100%	USD	Cannabis retailer
Swell Companies LTD	USA	100%	USD	Cannabis processor, distributor
Megawood Enterprises Inc.	USA	100%	USD	Cannabis retailer
Phantom Venture Group, LLC	USA	100%	USD	Holding Company
Phantom Brands, LLC	USA	100%	USD	Holding Company
Phantom Distribution, LLC	USA	100%	USD	Cannabis distributor
63353 Bend, LLC	USA	100%	USD	Cannabis producer
20727-4 Bend, LLC	USA	100%	USD	Cannabis processor
4964 BFH, LLC	USA	100%	USD	Cannabis producer
Workforce Concepts 21, Inc.	USA	100%	USD	Payroll and benefits services

The following organization chart of the Company sets out the primary subsidiaries of the Company. Unless otherwise noted, all lines represent 100% ownership of outstanding securities of the applicable subsidiary.



D. Property, Plants and Equipment

Our executive offices are located at 19th Floor, 885 West Georgia Street, Vancouver, BC, V6C 3H4. Our Canby, Oregon production facility is located at 24700 S Mulino Road, Canby, OR 97013 (this property is owned by the Company). Our Portland, Oregon corporate office is located at 4835 NE 107th Avenue, Suite 41, Portland, OR 97220. Our Portland, Oregon processing facility is located at 4814 NE 107th Avenue, Portland, OR 97220. Our Portland, Oregon dispensary is located at 3738 NE Sandy Boulevard, Portland, OR 97232. Our Bend, Oregon indoor production facility is located at 63353 Nels Anderson Road, Bend, Oregon, 97701. Our Bend, Oregon distribution facility is located at 20727 High Desert Court, Suite 5, Bend, Oregon, 97701. Our Bend, Oregon processing facility is located at 20727 High Desert Court, Suite 4, Bend, Oregon, 97701. Our Eagle Point, Oregon outdoor production facilities are located at 4962 and 4964 Butte Falls Highway, Eagle Point, Oregon, 97524 (these two properties are owned by the Company). Our Sparks, Nevada production and processing facility is located at 250 S Stanford Way, Sparks, NV 89431. Our Sparks, Nevada dispensary is located at 175 E Greg Street, Sparks, NV 89431. Our Fernley, Nevada dispensary is located at 1301 Financial Way, Fernley, NV 89408.

Item 4A. Unresolved Staff Comments

Not applicable.

Item 5. Operating and Financial Review and Prospects

A. Operating Results

The following table presents selected financial information for the last three fiscal years:

The following table presents selected financial information for the most recently prepared quarters:

	January 31, 2020	October 31, 2019	July 31, 2019	April 30, 2019
Total assets	61,450,085	88,350,852	94,829,941	82,283,665
Working capital (deficiency)	$ (26,954,549)	(22,183,831)	(14,712,253)	(26,925,929)
Shareholders' equity (deficiency)	13,579,554	30,770,235	35,575,028	22,659,668
Revenue	9,512,225	10,576,555	9,859,293	7,757,022
Net income (loss)	(21,307,833)	(5,155,945)	(2,964,862)	(3,126,993)
Net income (loss) per share	**(0.25)**	**(0.06)**	**(0.04)**	**(0.05)**
	January 31, 2019	**October 31, 2018**	**July 31, 2018**	**April 30, 2018**
Total assets	77,433,026	28,195,344	32,986,053	24,852,367
Working capital (deficiency)	(13,316,122)	16,198,947	19,760,429	24,208,202
Shareholders' equity (deficiency)	21,086,613	21,809,710	25,461,138	24,199,967
Revenue	2,178,233	301,243	106,035	-
Net income (loss)	(11,632,816)	(3,479,106)	(7,420,674)	(1,068,574)
Net income (loss) per share	**(0.38)**	**(0.19)**	**(0.46)**	**(0.23)**
	January 31, 2018	**October 31, 2017**	**July 31, 2017**	**April 30, 2017**
Total assets	279,552	392,591	471,847	47,582
Working capital (deficiency)	78,967	244,326	(326,019)	(393,780)
Shareholders' equity (deficiency)	70,194	290,468	(325,389)	(350,511)
Revenue	-	-	-	-
Net income (loss)	(217,393)	(337,058)	(33,428)	(11,592)
Net income (loss) per share	**(0.06)**	**(0.07)**	**(0.01)**	**(0.01)**

During the year ended January 31, 2020, revenues increased quarter over quarter from Q1 to Q3 primarily due to the acquisition of the Phantom and Swell businesses, the opening of the Fernley dispensary in Nevada and organic growth in both Nevada and Oregon. In Q4 ending Jan 31, 2020 revenues dropped in both Oregon and Nevada. This was the result of several factors including the vape crisis (discussed herein), restructuring of the Oregon operations, lack of new acquisitions and seasonality in both states. The Company's limited operating history within the cannabis industry is the primary driver for the large fluctuation of operational results quarter over quarter of the prior year. Cannabis operations commenced on June 13, 2018 with the completion of C21's acquisition of EFF. Prior to this date, the company was inactive operationally as management prepared for its new focus on cannabis and listing on the CSE.

The following table presents quarterly adjusted operating earnings excluding FV adjustments, depreciation and share based compensation expense. This also excludes all items below the "Income (loss) before undernoted items" on the income statement.

	Year ended Jan 31, 2020	Quarters ended Q4	Q3	Q2	Q1
Revenue	$ 37,705,095	$ 9,512,225	$ 10,576,555	$ 9,859,293	$ 7,757,022
Cost of sales before FV adjustments*	21,625,734	5,544,212	6,153,301	5,488,350	4,439,871
Gross profit	16,079,361	3,968,013	4,423,254	4,370,943	3,317,151
GP%	*43%*	*42%*	*42%*	*44%*	*43%*
Operating expenses	14,503,808	2,831,577	3,262,854	4,312,809	4,096,568
Income from operations	1,575,553	1,136,436	1,160,400	58,134	(779,417)
Add back: Depreciation and amortisation	3,405,116	512,115	956,980	889,470	1,046,551
Share based compensation	492,631	153,184	94,182	60,685	184,580
Adjusted operating earnings	5,473,300	1,801,735	2,211,562	1,008,289	451,714

**This excludes a $4,000,000 one-time non-cash charge related to the fair value of inventory acquired as part of the Silver State acquisition which closed on January 1, 2019. This inventory was fully sold during the first six months of the year ended January 31, 2020.*

The following table presents the Company's Nevada dispensary statistics for the year ended January 31, 2020 and through June 2020:

	Year ended January 31, 2021			Year ended January 31, 2020			
	June	May	Q1	Q4	Q3	Q2	Q1
$/transaction	$ 62.0	$ 70.7	$ 61.7	$ 47.3	$ 48.2	$ 48.9	$ 50.0
Sales $000/day	$ 96.5	$ 83.3	$ 76.8	$ 87.4	$ 90.4	$ 85.0	$ 78.3

Adjusted EBITDA is a non-IFRS financial measure, and as such there is no standardized definition for the term. The Company's adjusted EBITDA included below is unlikely to be comparable to similar measures presented by other issuers. See "Non-IFRS Measure" below for additional information.

Due to adoption of IAS 16 which requires the Company to capitalize most ordinary property leases, the Company must characterize most of its lease payments as amortization on the statement of loss and comprehensive loss. The Company adds back rent classified as lease amortization, to maintain the spirit of this metric in reflecting the Company's ongoing operational performance.

January 31, 2020	Oregon	Nevada	Corporate	Consolidated
Income (loss) before income taxes	$ (31,068,489)	$ 7,697,001	$ (5,469,479)	$ (28,840,967)
Adjustments				-
One-time non-cash fair value adjustment on acquisition of Silver State inventory, which was fully sold in the first 6 months of year ended Jan 31,2020	-	4,000,000	-	4,000,000
Net impact, fair value on biological assets	972,683	(2,216,023)	-	(1,243,340)
Depreciation and amortization	1,445,635	3,516,383	$ 37,237	4,999,255
Rent expense classified as lease amortization	(622,499)	(1,193,000)	(72,980)	(1,888,479)
Fair value changes on derivative instruments	-	-	(4,779,693)	(4,779,693)
Share based compensation	-	-	492,631	492,631
Interest expense, net	287,527	322,090	3,628,586	4,238,203
Accretion	-	-	434,331	434,331
Transaction costs	-	-	331,973	331,973
Impairments & other	28,051,007	-	-	28,051,007
Adjusted EBITDA	**$ (934,136)**	**$ 12,126,451**	**$ (5,397,394)**	**$ 5,794,921**

For further information, see Management's Discussion and Analysis, attached hereto as Exhibit 15.1.

B. Liquidity and Capital Resources

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity or debt issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board are actively involved in the review, planning and approval of significant expenditures and commitments.

The Company's consolidated financial statements for year ended January 31, 2020 have been prepared on a going concern basis, which assumes that the Company will be able to continue its operations and realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Company reports a net loss for the year ended January 31, 2020 of $32,555,633, and accumulated deficit of $70,510,384, and a working capital deficit of $26,954,549 as at January 31, 2020. In July 2019, the Company accelerated a restructuring and integration of operations that resulted in over $6M in annual run rate savings. While these efforts have resulted in positive cash flow from operations, they will not be sufficient on their own to fund payments on the short-term debt obligations owing to the Company's President and CEO, and other unsecured creditors, which are due on January 1, 2021. These material uncertainties cast significant doubt upon the Company's ability to continue as a going concern.

Historically, management has been successful in obtaining adequate funding for operating and capital requirements. The Company takes a disciplined approach to financing and intends to protect shareholder value by raising capital strategically. The Company is assessing various opportunities for additional financing through either debt or equity to be used to satisfy current obligations, for corporate working capital and possible future acquisitions. There is no assurance that the Company will be able to secure financing on acceptable terms or at all to cover its current obligations.

Further, there remains uncertainty about the U.S. federal government's position on cannabis with respect to cannabis-legal states. A change in its enforcement policies could impact the ability of the Company to continue as a going concern and have a material adverse impact on the business.

The following table is a summary of C21's balance sheet exposure to U.S. cannabis-related activities as of January 31, 2020:

	Operating Subsidiaries	Non-Controlling Investments	Total
Current Assets	$ 11,663,211	$ -	$ 11,663,211
Non-current Assets	49,786,874	-	49,786,874
Total Assets	**$ 61,450,085**	**$ -**	**$ 61,450,085**
Current Liabilities	$ 38,617,760	$ -	$ 38,617,760
Non-Current liabilities	9,252,771	-	9,252,771
Total Liabilities	**$ 47,870,531**	**$ -**	**$ 47,870,531**

The following represents the portion of certain assets on C21's consolidated balance sheet that pertain to U.S. Cannabis activity as of January 31, 2020:

- Inventory and Biological assets: 100%
- Property plant & equipment: 99%
- Intangible assets and goodwill: 100%
- Notes receivable and deposits: 99%

The Company's objectives when managing its capital are to ensure there are enough capital resources to continue operating as a going concern and maintain the Company's ability to ensure sufficient levels of funding to support its ongoing operations and development. The purpose of these objectives is to provide continued returns and benefits to the Company's shareholders. The Company's capital structure includes items classified in debt and shareholders' equity.

The Company manages its capital structure and makes adjustments to it in light of economic conditions and financial needs. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Board does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business considering changes in economic conditions and the risk characteristics of the Company's underlying assets.

The Company works with its capital advisors, Eight Capital Corp. based in Toronto, Canada, and CB1 Capital Advisors, LLC, organized in Delaware and based in New York, to identify the best strategic options to execute our corporate growth plans, as well as increasing financial flexibility in managing our debt.

The continued development of the Company will require additional financing. There is no guarantee that the Company will be able to achieve its business objectives. The Company intends to fund its business objectives by way of additional offerings of equity and/or debt financing. The failure to raise or procure such additional funds could result in the delay or indefinite postponement of current business objectives. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, will be on terms acceptable to the Company. If additional funds are raised by offering equity securities or convertible debt, existing shareholders could suffer significant dilution. Any debt financing secured in the future could involve the granting of security against assets of the Company and also contain restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. The Company will require additional financing to fund its operations until positive cash flow is achieved.

For further information, see Management's Discussion and Analysis, attached hereto as Exhibit 15.1.

C. Research and Development, Patents and Licenses, etc.

Through its research and development activities, the Company expects to create proprietary genetics, processes, technologies, and products from its existing Oregon and Nevada operations, as well as from future expansion in new markets. The Company may license these genetics, processes, technologies, and products as part of its future business. The Company may also seek appropriate federal patent, trademark, copyright, and other customary intellectual property protections when the same become available and/or are appropriate.

D. Trend Information

State Regulatory Trends

While currently a controlled substance under the CSA, cannabis is legalized and regulated by various states. As of the date of this Form 20-F, 30 states and Washington, DC have legalized medical cannabis. Nine states and Washington, DC have legalized adult recreational cannabis use. The trend across the United States has been to legalize cannabis for medicinal purposes in most cases, and recreational use in some cases.

During the November 8, 2016 election California, Maine, Massachusetts, and Nevada voted to legalize adult-use cannabis and Arkansas, Florida, Montana, and North Dakota voted to legalize medical cannabis. In June 2018 Oklahoma legalized medical cannabis. In November 2018, Utah and Missouri will vote on the legalization of medical cannabis, while Michigan and North Dakota will vote on legalizing cannabis for recreational use.

State Regulatory Infrastructure

The development of state programs for the regulation of medical or adult-use cannabis is state-specific. Following the approval of medical or adult-use cannabis, some states have developed the regulatory infrastructure quickly, while other states have taken several years to develop such systems. State-specific advisory boards and committees have been created with the mandate to manage the implementation of the new industries.

According to Marijuana Business Daily, the average amount of time that elapsed between the legalization of medical cannabis sales and the opening of the first dispensaries in six states that recently commenced sales was 28 months. Also, according to Marijuana Business Daily, there are signs that the industry is maturing, and states are increasingly able to efficiently and quickly establish regulatory frameworks following legalization, especially where adult-use cannabis is legalized in states where regulated medical-use cannabis systems are already in place. For example, according to

Marijuana Business Daily, the average amount of time that elapsed between voters approving adult-use cannabis production and sales to the opening of the first retail stores in Colorado, Washington, and Oregon was 15 months.

Even where regulatory frameworks for cannabis production and sales are in place, states tend to revise these rules over time. These revisions often impact sales, making it difficult to predict the potential of new markets. States may, for example, restrict the number of cannabis businesses permitted which can limit the growth of the cannabis industry in those states. Alternatively, states may relax their initial regulations relating to cannabis production and sales, which would likely accelerate the growth of the cannabis industry in such states.

Federal Legislative and Legal Trends

The political and administrative shift with the election of President Donald Trump created uncertainty about the future of the cannabis industry. In January 2018 U.S. Attorney General. Jefferson Sessions rescinded a trio of memos including the Cole Memorandum. The Cole Memorandum was a memo created during the Obama Administration, which provided states with legal cannabis protection from federal prosecution. Jeff Sessions said that the policy shift would be a "return to the rule of law" but did not provide details regarding pending prosecutions or the magnitude of a crackdown on legal cannabis companies.

In April 2018 Senator Cory Gardner revealed that President Trump vocalized he would support states enforcing their own cannabis laws without federal interference. This was the first time that there were differing viewpoints between President Trump and the Attorney General Jeff Sessions with regards to cannabis regulation. In June 2018 a new bipartisan bill called the "**STATES Act**" (Strengthening the Tenth Amendment Through Entrusting States) was introduced by Massachusetts Senator Elizabeth Warren and Colorado Senator Cory Gardner. If passed it would exempt federal prosecution in legal cannabis states, as well as provide banking to legal cannabis companies. The bill was re-introduced on April 4th, 2019. Current Attorney General, William Barr, has stated publicly that he would prefer this bill to the current situation.

In March 2019, a congressional committee approved the Secure and Fair Enforcement Act (the "**SAFE Act**"). Draft legislation of the SAFE Banking Act received a historic hearing in the House Consumer Protection and Financial Institutions Subcommittee in February 2019, where the National Cannabis Industry Association submitted written testimony along with the personal stories about the burdens and safety concerns created by the current banking situation from nearly 100 cannabis industry professionals. On September 25, 2019, the U.S House of Representatives passed the landmark legislation to reform federal cannabis laws and reduce the public safety risk in communities across the country. H.R. 1595 passed by a vote of 321 to 103. The bill generally prohibits a federal banking regulator from penalizing a depository institution for providing banking services to a legitimate marijuana-related business.

The Marijuana Opportunity Reinvestment and Expungement Act (the "**MORE Act**") is a proposed 2019 United States federal legislation to legalize cannabis and expunge prior cannabis-related convictions that was introduced into the Senate on July 23, 2019. This would remove cannabis from the Controlled Substances Act and impose a 5% tax on cannabis and cannabis products manufactured in or imported into the United States. This tax will be collected by the Treasury of the United States to create a trust fund to be known as the Opportunity Trust Fund, including: (a) the Community Reinvestment Grant, which would provide funding for services such as job training, reentry services, and legal aid; (b) the Cannabis Opportunity Grant, which would provide funds to assist small businesses in the cannabis industry; and (c) the Equitable Licensing Grant, which minimizes barriers to gain access to marijuana licensing and employment for those most impacted by the so-called war on drugs. The act would also establish a Cannabis Justice Office within the Department of Justice Office, responsible for administering the grants. On November 20, 2019, the MORE Act was passed in the House judiciary committee by a vote of 24 to 10.

Public Opinion

The increase in state legalization of cannabis use is largely a result of changing public opinion in the United States. According to an October 2017 poll conducted by Gallup, 64% of Americans think that the use of cannabis should be made

legal, the highest level in the 48 years that Gallup has conducted the poll. Further, in the 2016 Gallup poll, support among adults aged 18 to 34 increased from 35% to 77% between 2005 and 2016 and support among adults aged 35 to 54 increased from 35% to 61% over the same period. In addition, according to a recent Quinnipiac University Poll, 94% of U.S. voters support the medical use of cannabis if recommended by a physician.

Industry Outlook

Due to increases in state legalization and shifting public opinion, state-legal cannabis industry sales have grown substantially in recent years. According to ArcView Market Research (ArcView), 2018 legal cannabis sales are expected between $8.5 billion to $11 billion. Furthermore, sales are projected to reach $23.4 billion by 2022, which is over a 22% compound annual growth rate for the four years from 2018 to 2022. ArcView expects the distribution of industry sales between medical and adult-use to shift substantially between 2017 and 2022 as more states legalize adult-use cannabis. Adult-use sales were approximately $2.6 billion, equating to over 30% of total industry sales. By 2022, adult-use sales are expected to increase to $15.7 billion or 67% of total industry sales.

COVID-19

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. While the ultimate severity of the outbreak and its impact on the economic environment is uncertain, the Company is monitoring this closely. Certain markets are experienced a greater impact on sales due to reduced foot traffic in certain locations. To date, companies in the industry have had to follow shutdown or other government orders restricting their ability to conduct their business and modify operations including store operations in certain locations.

E. Off-balance Sheet Arrangements

The Company has no material off balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial condition.

F. Tabular Disclosure of Contractual Obligations

The below details of contractual obligations are as of January 31, 2020.

	Carrying amount	Contractual cash flows	Under 1 year	1-3 years	3-5 years	More than 5 years
As at January 31, 2020						
Trade and other payables	$ 3,488,274	$ 3,488,274	$ 3,488,274	$ -	$ -	$ -
Finance lease payments (1)	5,001,360	6,604,460	1,701,024	3,166,875	1,736,561	-
Convertible debt (2)	9,247,361	9,247,361	8,111,296	1,136,065	-	-
Consideration payable (3)	846,256	846,256	846,256	-	-	-
Notes and other borrowings (4)	21,820,336	21,820,336	21,326,184	68,854	58,456	366,845
Total	**$ 40,403,587**	**$ 42,006,687**	**$ 35,473,034**	**$ 4,371,794**	**$ 1,795,017**	**$ 366,845**

(1) Amounts in the table reflect minimum payments due for the Company's leased facilities and certain leased equipment under various lease agreements and purchase agreements.

(2) Amounts in the table reflect the contractually required principal payments payable under various convertible note and convertible debenture agreements.

(3) Amounts in the table reflect the contractually required consideration due to vendors under the purchase agreement for the acquisition of Swell Companies.

(4) Amounts in the table reflect the contractually required principal payments payable under a promissory note issued to the vendor that sold Silver State to the Company, and miscellaneous debt.

G. Safe Harbor

The Company seeks safe harbor for our forward-looking statements contained in Items 5.E and F. See the heading "Cautionary Note Regarding Forward-Looking Statements" above.

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

The size of the Company's board of directors (the "**Board**") is currently set at five. Our directors are elected annually by the shareholders and hold office until the net annual general meeting or until their successors are duly elected and qualified, unless their office is earlier vacated in accordance with the BCBCA and the Company's articles of incorporation. Our current directors and officers, and their respective current positons, are as follows:

Name	Position
Sonny Newman	President and Chief Executive Officer.
Michael Kidd	Chief Financial Officer and Director.
D. Bruce Macdonald	Director, Audit Committee Member, Corporate Governance and Compensation Committee Member, and Financial Expert.
Skyler Pinnick	Chief Marketing Officer, Director, Audit Committee Member, and Corporate Governance and Compensation Committee Member.
Robert Cheney	Director.
Leonard (Will) Werden	Director, Audit Committee Member, and Corporate Governance and Compensation Committee Member.
Russell Rotondi	General Counsel.

The following is biographical information on our directors and officers who are acting in the capacity of director or officer as of the date hereof:

***Sonny Newman**, Chief Executive Officer & President.* Sonny Newman is the Founder of Silver State Relief and Silver State Cultivation in Nevada, and has several other companies in electronics, manufacturing, electronics distribution, real estate development and an investment company. Mr. Newman was the sole owner of the Silver State companies when they were purchased by the Company in 2019 and today controls the largest shareholder of the Company. Mr. Newman's proven operational and financial discipline in the cannabis and other sectors shows his ability to build solid teams and make strategic investments into opportunistic markets.

***Michael Kidd**, Chief Financial Officer, Corporate Secretary & Director.* A native of Vancouver with international experience, Mr. Kidd brings an extensive background in finance with privately held firms in a variety of industries ranging from forestry to online retailing. Before joining the Company, Mr. Kidd was Chief Operating Officer and Chief Financial Officer at E.C.S. Electrical Cable Supply Ltd., a privately held leading distributor with operations in Canada and Dubai. Mr. Kidd graduated from the University of British Columbia with a Bachelor of Commerce.

***Skyler Pinnick**, Chief Marketing Officer & Director.* Mr. Pinnick is a founding partner and the CEO of Phantom Farms, one of the longest running and most reputable cannabis brands in Oregon. Mr. Pinnick began his career as a Producer and Senior Designer at Microsoft Studios. After Microsoft, Mr. Pinnick started and sold a successful tech venture, a video compression platform used by media giants like MTV, AOL, and NBC. Before starting Phantom, Mr. Pinnick focused on building his film business, Rage Productions, producing numerous films including award winning titles, Boom Varietal (2011) and Down Days (2008). Mr. Pinnick also produced a TV series for NBC Sports called Rally America and has

worked as a commercial director for companies such as Facebook, Nike, GoPro, RedBull, Garmin, and PetSmart. Mr. Pinnick graduated from The Art Institute of Seattle with a degree in Multimedia Design.

***Russell Rotondi**, General Counsel.* Mr. Rotondi has represented business clients and entrepreneurs in niche growth and regulated industries for most of his legal career. Formerly of the Portland, Oregon law firm Cosgrave Vergeer Kester LLP, Mr. Rotondi provides general counsel, corporate risk management, and strategic planning for C21 as its general counsel. Further, Mr. Rotondi draws on his experience in litigation and dispute resolution to offer a unique perspective to his position. Mr. Rotondi graduated from the University of Washington with a BFA in Industrial Design and the University of Arizona with a Juris Doctor.

***D. Bruce Macdonald**, Director.* Mr. Macdonald is a seasoned senior executive with more than 35 years of experience in financial services including extensive expertise in the capital markets sector. He has an impressive track record of leading innovative new business ventures in support of global growth strategies. Mr. Macdonald has exceptional expertise in building risk management and corporate governance control environments. Further, he serves on the boards of several Canadian corporations and associations and holds an ICD.D designation from the Institute of Corporate Directors.

***Robert Cheney**, Director.* Mr. Cheney is an entrepreneur and investor with a background in media, film, internet technology and telecommunications. His focus is building exceptional management teams and focusing on investment opportunities with strong growth potential. Mr. Cheney's early training as a corporate securities lawyer lends an advantageous skill-set in the execution of M & A transactions. Mr. Cheney graduated from Simon Fraser University (Bachelor of Arts) and the Peter A. Allard School of Law (University of British Columbia) with a law degree.

***Leonard (Will) Werden**, Director.* Mr. Werden has over 30 years of experience in global horticulture cultivation. He specializes in outdoor and indoor grow practices, facilities construction and design, lighting systems and practices, temperature and humidity control, and genetic strain selection. Having overseen large-scale grow operations with state-of-the-art technology, Mr. Werden brings a wealth of valuable knowledge to the Company. Mr. Werden was formerly a certified Millwright for over 30 years, and has been involved in numerous projects, including the Cyclotron Project for TRIUMF (Canada's national laboratory for particle and nuclear physics) at the University of British Columbia. Mr. Werden was also former CEO of Seashore Organic Marijuana Corp. (which transitioned to Veritas Pharma Inc.) until February 2016.

B. Compensation

Compensation Discussion and Analysis

Process for Determining Executive Compensation

To determine compensation payable, the Corporate Governance and Compensation Committee will generally review compensation paid for directors, CEOs and CFOs (or persons acting in a similar capacity to a CEO or a CFO) of companies of similar size and stage of development in the cannabis industry and determines an appropriate compensation reflecting the need to provide incentive and compensation for the time and effort expended by the directors and senior management while taking into account the financial and other resources of the Company. In setting the compensation, the independent director will annually review the performance of the CEO and the CFO in light of the Company's objectives and consider other factors that may have impacted the success of the Company in achieving its objectives.

Compensation Policies and Risk Management

The Board has not proceeded to an evaluation of the implications of the risks associated with the Company's compensation policies and practices.

The Company has not retained a compensation consultant during or subsequent to the most recently completed financial year.

The Company does not use a specific "benchmark group" to determine executive compensation levels.

Total compensation for executive officers includes consulting fees, long-term incentive stock options and performance milestone payments.

Hedging of Economic Risks in the Company's Securities

The Company has not adopted a policy forbidding directors or officers from purchasing financial instruments that are designed to hedge or offset a decrease in market value of the Company's securities granted as compensation or held, directly or indirectly, by directors or officers. The Company is not, however, aware of any directors or officers having entered into this type of transaction.

Incentive Plan Awards

The Company does not have any incentive plans, pursuant to which compensation that depends on achieving certain performance goals or similar conditions within a specified period is awarded, earned, paid or payable to its executive officers.

Pension Plan Benefits

The Company does not have a pension plan that provides for payments or benefits to its executive officers at, following, or in connection with retirement.

Compensation for Year Ending January 31, 2020

The following table sets forth all annual and long-term compensation for services in all capacities to the Company for the three most recently completed financial year of the Company ending on January 31, 2020 in respect of each of the individuals comprised of the Company's directors and members of it administrative, supervisory and management bodies for services provided by such persons to the Company and its subsidiaries. During the year ended January 31, 2020, the Company paid aggregate remuneration to its directors and officers as a group who served in the capacity of director or executive officer during such year of US$1,129,972.

Name and Principal Position	Salary, Consulting Fees, Retainer or Commission ($)	Share-Based Awards ($)	Option-Based Awards ($)	Non-Equity Incentive Plan Compensation ($)		Pension Value ($)	All Other Compensation ($)	Total Compensation ($)
				Annual Incentive Plans	Long-term Incentive Plans			
Robert Cheney[(1)], Director and Former CEO & President	70,574[(2)]	Nil	Nil	Nil	Nil	Nil	Nil	70,574
Sonny Newman[(3)], CEO & President	234,398	Nil	Nil	Nil	Nil	Nil	Nil	234,398
Michael Kidd, Director, CFO & Secretary	155,581[(4)]	Nil	95,613[(5)]	Nil	Nil	Nil	Nil	251,194
Russell Rotondi, General Counsel	151,924	Nil	Nil	Nil	Nil	Nil	Nil	151,924
Eric Shoemaker, President of U.S. Operations	63,938	Nil	Nil	Nil	Nil	Nil	Nil	63,938
Leonard (Will) Werden, Director	83,405[(6)]	Nil	Nil	Nil	Nil	Nil	Nil	83,405
Skyler Pinnick, CMO and Director	32,693[(7)]	Nil	Nil	Nil	Nil	Nil	Nil	32,693
Keturah Nathe, VP of Business Develompent & Director	241,846[(8)]	Nil	Nil	Nil	Nil	Nil	Nil	241,846
D. Bruce Macdonald, Director	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

(1) Robert Cheney ceased to be President and CEO of the Company on July 8, 2019.
(2) These amounts were paid as consulting fees to Mr. Cheney. Mr. Cheney was not paid any compensation for his role as director of the Company.
(3) Sonny Newman was appointed President and CEO of the Company on July 8, 2019.
(4) Michael Kidd was not paid any compensation for his role as director of the Company.
(5) On February 6, 2019, the Company granted Mr. Kidd options to purchase 190,000 common shares exercisable at C$1.11 per share on or before February 5, 2022. The Company used the Black-Scholes model as the methodology to calculate the grant date fair value, and relied on the following key assumptions and estimates for each calculation: expected life of 3 years; expected volatility of 100%; risk free interest rate of 1.82% and expected dividend yield rate of 0.
(6) Leonard (Will) Werden was not paid any compensation for his role as director of the Company.
(7) Skyler Pinnick was not paid any compensation for his role as director of the Company.
(8) Keturah Nathe was not paid any compensation for her role as director of the Company.

C. Board Practices

The Board currently consists of five directors. One of the five current members of the Board are considered independent directors. The independent director is D. Bruce Macdonald. Michael Kidd and Skyler Pinnick are not independent directors as they are executive officers of the Company. Leonard (Will) Werden and Robert Cheney are not independent directors as they were, within the last three years, executive officers of the Company. The size of the Company is such that all the Company's operations are conducted by a small management team. The Board considers that management is effectively supervised by the independent director on an informal basis as the independent director is involved in reviewing and supervising the operations of the Company and has full access to management.

Our directors are elected annually by the shareholders and hold office until the next annual general meeting or until their successors are duly elected and qualified, unless their office is earlier vacated in accordance with the BCBCA and the Company's articles of incorporation. The current term expires December 31, 2020.

The mandate of the Board, as prescribed by the BCBCA, is to manage or supervise the management of the business and affairs of the Company and to act with a view to the best interests of the Company. In doing so, the Board oversees the management of the Company's affairs directly and through its various committees. In fulfilling its mandate, the Board, among other matters, is responsible for reviewing and approving the Company's overall business strategies, reviewing and approving significant acquisitions and capital investments; reviewing major strategic initiatives to ensure that the Company's proposed actions accord with shareholder objectives; reviewing succession planning; assessing management's performance against industry standards; reviewing and approving the reports and other disclosure issued to shareholders; ensuring the effective operation of the Board; and safeguarding shareholders' equity interests through the optimum utilization of the Company's capital resources.

The Board is responsible for identifying individuals qualified to become new members of the Board and recommending to the Board, new director nominees for the next annual meeting of shareholders. New nominees must have a track record in general business management, special expertise in an area of strategic interest to the Company, the ability to devote the required time, show support for the Company's mission and strategic objectives, and a willingness to serve.

The Board also takes responsibility for identifying the principal risks of the Company's business and for ensuring these risks are effectively monitored and mitigated to the extent reasonably practicable. At this stage of the Company's development, the Board does not believe it is necessary to adopt a written mandate, as sufficient guidance is found in the applicable corporate legislation and regulatory policies. However, as the Company grows, the Board may determine it is appropriate to develop a formal written mandate.

In keeping with its overall responsibility for the stewardship of the Company, the Board is responsible for the integrity of the Company's internal control and management information systems and for the Company's policies respecting corporate disclosure and communications.

Each member of the Board understands that he is entitled, at the cost of the Company, to seek the advice of an independent expert if he reasonably considers it warranted under the circumstances. No director found it necessary to do so during the financial year ended July 31, 2019.

The Board does not, and does not consider it necessary to, have any formal structures or procedures in place to ensure that it can function independently of management. The Board of the Company briefs all new directors with respect to the policies of the Board and other relevant corporate and business information. The Board does not provide any continuing education.

The Board regularly monitors the adequacy of information given to directors, communications between the Board and management and the strategic direction and processes of the Board and its committees.

Directorships

The current directors of the Company are not presently directors of other reporting issuers in Canada or elsewhere. Other than by virtue of being an officer, there are no termination benefits for directors who serve on the Board.

Orientation and Continuing Education

The Company does not have formal orientation and training programs and does not consider these programs necessary at this stage of the Company's development. Board members are encouraged to communicate with management, auditors and technical consultants in order to keep themselves current with industry trends and developments and changes in legislation with management's assistance. Board members are also encouraged to attend related industry seminars and visit the Company's operations. Board members have full access to the Company's records.

Ethical Business Conduct

The Board views good corporate governance as an integral component to the success of the Company and to meet responsibilities to shareholders. The Company's reputation for integrity is an important asset. The Company has always set high standards of personal and business integrity for its employees, and intends to continue to conduct its business in accordance with those high standards. It is expected that the Company's business conduct and the personal actions of its employees reflect the spirit and intent of the laws under which the Company operates and its employees live. Common sense and judgment supported by a deeply ingrained tradition of integrity provides the Company's foundation.

The Board has found that the fiduciary duties placed on individual directors by the Company's governing corporate legislation and the common law and the restrictions placed by applicable corporate legislation on an individual director's participation in decisions of the Board in which the director has an interest have been sufficient to ensure that the Board operates independently of management and in the best interests of the Company.

Under corporate legislation, a director is required to act honestly and in good faith with a view to the best interests of the Company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. In addition, as some of the directors of the Company also serve as directors and officers of other companies engaged in similar business activities, directors must comply with the conflict of interest provisions of the BCBCA as well as the relevant securities regulatory instruments, in order to ensure that directors exercise independent judgment in considering transactions and agreements in respect of which a director or officer has a material interest. Any interested director would be required to declare the nature and extent of his interest and would not be entitled to vote at meetings of directors which evoke such a conflict.

Nomination of Directors

The Board as a whole has responsibility for identifying potential Board candidates. The Board has not formed a nominating committee or similar committee to assist the Board with the nomination of directors for the Company. Each of the directors has contacts he can draw upon to identify new members of the Board as needed from time to time.

The Board will continually assess its size, structure and composition, taking into consideration its current strengths, skills and experience, proposed retirements and the requirements and strategic direction of the Company. As required, directors will recommend suitable candidates for consideration as members of the Board.

Board Committees – Audit Committee; Corporate Governance and Compensation Committee

The current Company committees include the Audit Committee and Corporate Governance and Compensation Committee. The Board has no other standing committees.

Pursuant to NI 52-110, the Company's Audit Committee is required to have a charter. The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its financial oversight responsibilities by reviewing (1) the financial reports and other financial information provided by the Company to regulatory authorities and shareholders, (2) the Company's systems of internal controls regarding finance and accounting, and (3) the Company's auditing, accounting and financial reporting processes. Consistent with this function, the Committee encourages continuous improvement of, and fosters adherence to, the Company's policies, procedures and practices at all levels. As at the date of this 20-F, the following Board members sit on the Audit Committee, all of which are financially literate: Leonard (Will) Werden, D. Bruce Macdonald, and Skyler Pinnick. D. Brue Macdonald is the Chair of the Audit Committee.

Corporate Governance and Compensation Committee exercises the powers and carries out the obligations provided for in its mandate and in accordance with appticable regulatory standards and requirements and has the responsibility for

determining director and senior management compensation. As at the date of this 20-F, the following Board members sit on the Corporate Governance and Compensation Committee: Leonard (Will) Werden, D. Bruce Macdonald, and Skyler Pinnick. D. Brue Macdonald is the Chair of the Corporate Governance and Compensation Committee.

To determine compensation, the Corporate Governance and Compensation Committee reviews compensation paid for directors and CEOs (or persons acting in a similar capacity to CEO, such as Presidents) of companies of similar size and stage of development in oil and gas properties and mineral properties industries and determines an appropriate compensation reflecting the need to provide incentive and compensation for the time and effort expended by the directors and senior management, while taking into account the financial and other resources of the Company. In setting the compensation, the Corporate Governance and Compensation Committee annually reviews the performance of the CEO (or President) in light of the Company's objectives and considers other factors that may have impacted the success of the Company in achieving its objectives. Further information regarding director compensation appears above under "Executive Compensation".

Assessments

The Board does not consider that formal assessments would be useful at this stage of the Company's development. The Board conducts informal annual assessments of the Board's effectiveness, the individual directors and its Audit Committee. To assist in its review, the Board conducts informal surveys of its directors.

D. Employees

The following outlines the number of employees of the Company for the last three fiscal years, categorized by activity (operations or corporate) and geographic location (Vancouver, B.C., Oregon or Nevada):

Financial Year Ended	Vancouver Employees	Oregon Employees	Nevada Employees	Operations Employees	Corporate Employees	Total
January 31, 2020	2	15	99	109	7	116
January 31, 2019	6	34	100	111	29	140
January 31, 2018	2	0	0	0	2	2

E. Share Ownership

Share Capital

The Company is authorized to issue an unlimited number of common shares. As of January 31, 2020, there were 89,388,640 common shares issued and outstanding. As of the date of this 20-F, there were 96,616,531 common shares issued and outstanding. The holders of the common shares are entitled to one vote per share at all meetings of the shareholders of the Company. The holders of common shares are also entitled to dividends, if and when declared by C21's Board of Directors (the "**Board**") and the distribution of the residual assets of the Company in the event of a liquidation, dissolution or winding up of the Company.

The following table sets forth the share ownership of the persons set forth in the Compensation table at Item 6.B above, as of the date of this 20-F:

Names and Principal Position	No. of Shares Held	Percentage Ownership (capital and voting)	Percentage of holding on a fully diluted bases (capital and voting)
Robert Cheney, Former President and CEO; Director	2,570,000	2.66	2.01
Sonny Newman, President and CEO	12,500,000	12.94	9.76
Leonard (Will) Werden, Director	265,000	0.27	0.21
Michael Kidd, CFO and Director	20,000	0.02	0.02
D. Bruce Macdonald, Director	900,500	0.93	0.70
Skyler Pinnick, CMO and Director	1,305,404	1.35	1.02
Russell Rotondi, General Counsel	157,384	0.16	0.12

Options

On February 23, 2018, the Company's Board of Directors adopted a 10% rolling stock option plan (the "Option Plan"). A total of 505,000 options outstanding were issued under the Option Plan on inception as they were carried-forward from an older plan that was cancelled. The Option Plan provides that, subject to the requirements of the CSE, the aggregate number of common shares reserved for issuance pursuant to options granted under the Option Plan will not exceed 10% of the number of common shares of the Company that are issued and outstanding from time to time, less the aggregate number of common shares then reserved for issuance pursuant to any other equity compensation arrangement. The Company is authorized to grant options to executive officers and directors, employees and consultants, enabling them to acquire up to 10% of the issued and outstanding common shares of the Company, on a fully diluted basis. The exercise price of each option normally equals the market price of the Company's shares as calculated on the date of grant. The options can be granted for a maximum term of 10 years. Vesting is determined by the Board

The Option Plan is administered by the Board, which has full and final authority with respect to the granting of all options thereunder subject to express provisions of the Option Plan. Options may be granted under the Option Plan to such directors, officers, employees, consultants or management company employees of the Company and its subsidiaries as the Board may from time to time designate. The Option Plan is used to provide share purchase options to be granted in consideration of the level of responsibility of the executive as well as his or her impact or contribution to the longer-term operating performance of the Company. In determining the number of options to be granted to the executive officers, the Board will take into account the number of options, if any, previously granted to each executive officer, and the exercise price of any outstanding options to ensure that such grants were in accordance with the policies of CSE, and closely aligned the interests of the executive officers with the interests of shareholders. The directors of the Company will also be eligible to receive stock option grants under the Plan, and the Company will apply the same process for determining such awards to directors as with executives.

The exercise prices shall be determined by the Board, but shall not, in any event, be less than the greater of the closing market price of the listed security on the CSE on the trading day prior to the date of grant, and the closing market price on the date of grant, of the Options. The Option Plan complies with Section 2.25 of National Instrument 45-106 - Prospectus Exemptions and provides that the number of common shares which may be reserved for issuance on a yearly basis to any one related person upon exercise of all stock options held by such individual may not exceed 5% of the issued common shares calculated at the time of grant. As of January 31, 2020, there were 3,255,000 options outstanding to purchase common shares of which 2,465,000 had vested.

The following table sets forth the options, exercisable into common shares, owned by the persons set forth in the Compensation table at Item 6.B above, as of the date of this 20-F:

Names and Principal Position	No. of Options Held	No. of Shares Underlying the Options	Option Strike Price (C$)	Option Expiration Date
Robert Cheney, Former President and CEO; Director	125,000 210,000	125,000 210,000	0.65 2.80	Oct 15, 2020 June 25, 2021
Sonny Newman, President and CEO	N/A	N/A	N/A	N/A
Leonard (Will) Werden, Director	100,000 210,000	100,000 210,000	0.65 2.80	Oct 15, 2020 June 25, 2021
Michael Kidd, CFO and Director	125,000 190,000	125,000 190,000	2.80 1.11	June 25, 2021 Feb 5, 2022
D. Bruce Macdonald, Director	N/A	N/A	N/A	N/A
Skyler Pinnick, CMO and Director	100,000	100,000	2.80	June 25, 2021
Russell Rotondi, General Counsel	100,000	100,000	2.80	June 25, 2021

A copy of the Company's Option Plan is incorporated by reference into this Form 20-F as Exhibit 4.1.

Restricted Share Unit Plan

On July 17, 2018, the Company adopted a Restricted Share Unit Plan ("**RSU Plan**"). The RSU Plan provides for the grant of the right to acquire fully paid and non-assessable common shares ("**Restricted Share Units**" or "**RSUs**"), as applicable, in accordance with the terms of the RSU Plan to participants ("**Participants**"), being part-time or full-time employees or consultants of the Company or certain related entities, as a discretionary payment in consideration of past services to the Company or as an incentive for future services. The maximum aggregate number of common shares issuable under the RSU Plan is 750,000 common shares.

The aggregate number of common shares issuable to insiders pursuant to Restricted Share Units and all other security-based compensation arrangements, at any time, shall not exceed 10% of the total number of common shares then outstanding. The aggregate number of common shares issued to insiders pursuant to Restricted Share Units and all other security-based compensation arrangements, within a one-year period, shall not exceed 10% of the total number of common shares then outstanding. The aggregate number of common shares reserved for issuance upon the exercise of Restricted Share Units to any one person or entity within any one-year period under all security-based compensation arrangements shall not exceed 5% of the total number of common shares then outstanding.

The Board will determine the period of time during which a Restricted Share Unit is not vested and the Participant holding such Restricted Share Unit remains ineligible to receive common shares (the "**Restricted Period**") applicable to such Restricted Share Units. In addition, at the sole discretion of the Board, at the time of grant, the Restricted Share Units may be subject to performance conditions to be achieved by the Company, a class of Participants or by a particular Participant on an individual basis, within a Restricted Period, for such Restricted Share Units to entitle the holder thereof to receive the underlying common shares. Upon the expiry of the applicable Restricted Period (or on the deferred payment date (as described below), as applicable), a Restricted Share Unit shall be automatically settled and the underlying Common Share shall be issued to the holder of such Restricted Share Unit, which Restricted Share Unit shall then be cancelled. Any Restricted Share Unit which has been granted under the RSU Plan and which has been settled and cancelled in accordance with the terms of the RSU Plan will again be available under the RSU Plan.

Participants who are (i) employees; (ii) residents of Canada for the purposes of the Income Tax Act (Canada); and (iii) not subject to the provisions of the Internal Revenue Code may elect to defer to receive all or any part of their common shares until one or more deferred payment dates, which is the date after the Restricted Period, which is the earlier of (i) the date which the Participant has elected to defer receipt of common shares; and (ii) the date the Participant retires from employment with the Company or related entity. Any other Participants may not elect a deferred payment date.

As there is currently no compensation committee, the independent director of the Company has the responsibility to administer the compensation policies related to the executive management of the Company. The Company awarded options to the directors and executive officers during the most recently completed financial year.

As of January 31, 2020, there were no RSUs outstanding to purchase common shares.

A copy of the Company's RSU Plan is incorporated by reference into this Form 20-F as Exhibit 4.2.

Warrants

As of January 31, 2020, there were 5,694,748 warrants outstanding to purchase common shares.

On May 27, 2020, the Company extended the time period for exercise of 2,794,746 warrants at a price of CDN$1.83 per share for one year. The subject warrants were originally issued pursuant to a non-brokered private placement financing completed by the Company on May 29, 2019. The warrants were scheduled to expire on May 28, 2020; the new expiry date is May 28, 2021. All other terms and conditions of the warrants remain the same.

The following table sets forth the warrants, exercisable into common shares, owned by the persons set forth in the Compensation table at Item 6.B above, as of the date of this 20-F:

Names and Principal Position	Allotment Date	Expiration Date	Exercise Price (C$)	Total
Robert Cheney, Former President and CEO; Director	N/A	N/A	N/A	N/A
Sonny Newman, President and CEO	N/A	N/A	N/A	N/A
Leonard (Will) Werden, Director	N/A	N/A	N/A	N/A
Michael Kidd, CFO and Director	N/A	N/A	N/A	N/A
D. Bruce Macdonald, Director	N/A	N/A	N/A	N/A
Skyler Pinnick, CMO and Director	Feb 4, 2019	Feb 4, 2021	1.50	632,500
Russell Rotondi, General Counsel	Feb 4, 2019	Feb 4, 2021	1.50	367,500

For further information, see Management's Discussion and Analysis, attached hereto as Exhibit 15.1.

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

The Company's securities are recorded on the books of its transfer agent, Computershare, in registered form. The majority of such shares are, however, registered in the name of intermediaries such as brokerage houses and clearing-houses on behalf of their respective clients. The Company does not have knowledge of the beneficial owners thereof.

To the best of the Company's knowledge, there are no persons or companies who beneficially own, directly or indirectly, or exercise control or direction over, securities carrying more than 5% of the voting rights attached to any class of voting securities of the Company, other than (a) the Company's President and CEO, Sonny Newman, through his control of The Newman Family 1999 Trust (the "**Trust**"), and (b) SDP Development Group, LLC, of which director Skyler Pinnick is the statutory manager.

The Trust obtained all 12,500,000 shares as a result of the Company's acquisition of 100% of the membership interests of both Silver State Relief LLC and Silver State Cultivation LLC (collectively "**Silver State**"), which are Nevada limited liability companies, on January 15, 2019. The securities held by the Trust do not have different voting rights from those of the other securityholders of the same class of securities.

SDP Development Group, LLC obtained 7,132,041 common shares as discussed below in Item 7.B.

The following table shows the record and, where known to us, the beneficial ownership of our shares by each shareholder holding at least 5% of the common shares of the Company as at July 14, 2020. As used herein, the term beneficial ownership with respect to a security is defined by Rule 13d-3 under the Securities Exchange Act of 1934.

Name of Shareholder	No. of Shares Held	Percentage of Issued Shares
The Newman Family 1999 Trust	12,500,000	12.94%
SDP Development Group, LLC	7,132,041	7.38%

The Company is not owned directly or indirectly by another corporation, foreign government or any other natural person. There are no arrangements known to the Company, the operation of which may result in a change of control of the Company.

B. Related Party Transactions

Promissory Note to Silver State Vendor (Company President and CEO)

In consideration for 100% of the membership interests of Silver State, the Company paid total consideration of $49,105,048, which included a secured promissory note to the vendor and now Company President and CEO, Sonny Newman, for $30,000,000 (the "**Newman Note**"). Mr. Newman was at arm's length to the Company at the time of the transaction.

Effective November 21, 2019, Mr. Newman, and the Company agreed to amend the terms of the Newman Note, with a remaining principal balance of $21,800,000. The December 1, 2019 principal payment of $800,000 was cancelled and the principal monthly payments thereafter were reduced to $600,000 per month. Further, the annual interest rate on the Newman Note was reduced from 10% to 9.5%. The remaining balance on the Newman Note was then due and payable on July 1, 2020.

Effective June 30, 2020, Mr. Newman and the Company agreed to further amend the terms of the Newman Note, with the remaining principal balance of $18,200,200. The maturity date of the Newman Note was extended from July 1, 2020 to January 1, 2021, and all other terms of the Newman Note remained the same, including the monthly payment obligations of principal and interest. Following the July 1, 2020 payment, the principal balance owing under the Newman Note is $17.6m.

SDP Development Group, LLC Transaction

On February 4, 2019, the Company contracted to purchase an Oregon limited liability company, SDP Development Group, LLC ("**SDP**"), scheduled to close on October 15, 2020 (the "**SDP Agreement**"). SDP owned six (6) real estate

properties used in connection with Phantom Farms' cannabis cultivation, processing and wholesale distribution operations. The aggregate purchase price for SDP was $8,010,000 payable in cash, or, at the election of the vendors, in whole or in part by the issue of 2,670,000 shares at a deemed price of $3.00 per common share. Subsequently, the Company and SDP agreed to modify the terms of the SDP Agreement as well as modify the leases subject to Phantom Farms' operations. On February 12, 2020, the parties agreed to the following modified terms: the Company purchased two of SDP's Southern Oregon farm properties, constituting over 60 acres of real property housing the two outdoor cannabis cultivation facilities totaling 80,000 square feet of canopy, rent reduction on the three Phantom properties in Central Oregon to 7% of the assessed value (a reduction of the Company's total forward lease obligations in Phantom Farms locations by $370,000 per year), and a release from the obligation to purchase the sixth SDP property in Southern Oregon. In exchange, the SDP vendors received 7,132,041 common shares of the Company at a deemed issue price of C$0.804 per share.

Skyler Pinnick, Company CMO and Director, is the statutory manager of SDP and holds less than a fifty percent (50%) ownership and voting interest in SDP. Mr. Pinnick's father, mother, two brothers and sister are partial owners of SDP. Russell Rotondi, the Company's general counsel, is a less than five percent (5%) owner of SDP.

Silver State Real Estate Options

The Newman Family 1999 Trust in controlled by the Company President and CEO, Sonny Newman. The Trust owns the real property associated with Silver State. The Silver State businesses operate in three buildings, a cultivation/production warehouse and a dispensary, both located in Sparks, Nevada. The third building is the Fernley dispensary in Fernley, Nevada, which opened on January 15, 2019. The Company has the option, exercisable during the term of its leases, to acquire all three of the real estate assets of Silver State including: the land and 158,000 square-foot building ("**Stanford Way**") located in Sparks, Nevada that houses its cultivation and extraction facility; the land and 7,400 square foot retail dispensary building ("**Greg Street**") located in Sparks, Nevada, servicing more than 30,000 customers per month; and the 6,000 square foot dispensary and land located in Fernley, Nevada ("**Fernley**"), servicing more than 15,000 customers per month. The option price for Stanford Way is $12,700,000, payable in cash or common shares of the Company at $3.50 per common share, at the election of the landlord. The option price for Greg Street is $3.3m, payable in cash. The option price for Fernley, extended on June 30, 2020, along with the lease term, to July 31, 2023, is $2,228,000, payable in cash.

Rent Obligations

The Company has related party rent transactions for the use of land and buildings in both Oregon and Nevada. As at the date of this 20-F, the Company is contracted to make future minimum rent payments due to related parties in the amount of $4,320,000 over approximately the next forty-two (42) months.

For further information, see Management's Discussion and Analysis, attached hereto as Exhibit 15.1

C. Interests of Experts and Counsel

Not Applicable.

Item 8. Financial Information

A. Consolidated Statements and Other Financial Information

Financial Statements

See ''Item 18. Financial Statements'' for our Annual Audited Consolidated Financial Statements, related notes and other financial information filed with this annual report on Form 20-F.

Legal Proceedings

A complaint was filed in the Oregon State Circuit Court for Clackamas County, on April 29, 2019, by two current owners of Proudest Monkey Holdings, LLC (the former sole member of EFF) (the "Plaintiffs"), alleging contract, employment, and statutory claims with an amount in controversy of $1,837,500 against the Company, its wholly-owned subsidiaries 320204 US Holdings Corp, EFF, Swell Companies Limited, and Phantom Brands LLC, in addition to three directors, two officers, and one former employee. The Company and the other defendants wholly denied the allegations and claims made

in the lawsuit and is defending the lawsuit. On June 21, 2019, the Company filed Oregon Rule of Civil Procedure (ORCP) 21 motions to dismiss all of the Plaintiffs' claims against it, its wholly-owned subsidiaries, and other defendants; on May 6, 2020, the court granted the Company's Rule 21 motion in its entirety to dismiss all of Plaintiffs' claims pursuant to Oregon Rules of Civil Procedure 21A(1). Plaintiffs are disputing the form of judgment of dismissal and a hearing is scheduled on July 20, 2020 to resolve the dispute. Regardless of the outcome of the hearing, the court will enter a judgment dismissing the case. After that occurs, the Company will prepare and submit a petition to recover the costs and attorney fees incurred by the Company as the prevailing party in the matter. Whether that petition is granted, and the amount of costs and fees awarded, if any, cannot be guaranteed or predicted.

On or about September 13, 2019, the Company delivered a notice to the Plaintiffs of alleged breach and default under the purchase and sale agreement, due to unlawful, intentional acts and material misrepresentations before and after the completion of the purchase. As a result of such breach, the Company denied the Plaintiffs' tender of their share payment notes in connection with the agreement. On or about October 14, 2019, Proudest Monkey Holdings, LLC and one of its current owners, sued the Company in the Supreme Court of British Columbia to compel the issuance and delivery of the subject shares, including interests and costs. In connection with the Oregon lawsuit, the Company conducted an internal investigation regarding malfeasance by the Plaintiffs (discussed more fully below under Oregon Compliance). On November 8, 2019, the Company responded and counterclaimed for general, special and punitive damages, including interest and costs, related to breach of contract, repudiation of contract, breach of indemnity and fraudulent and negligent misrepresentation by the Plaintiffs. The Company's counterclaims included the malfeasance discovered during the internal investigation. Plaintiffs' filed a response to the Company's counterclaims on or about June 5, 2020. This action is at the pleading stage and it is too early to predict its resolution.

On or about May 30, 2019, Wallace Hill filed a civil claim in the Supreme Court of British Columbia alleging breach of contract and entitlement to 1,800,000 common shares of the Company, fully vested by March 1, 2019, and damages due to the lost opportunity to sell those shares after such date for a profit. On June 23, 2019, the Company circulated a letter to Wallace Hill terminating the agreement and accepting Wallace Hill's repudiation of the agreement based on Wallace Hill's previously published defamatory comments and termination of the agreement. Also, on June 23, 2019, the Company filed its response to the civil claim denying all claims and filed counterclaims alleging breach of contract, a declaratory judgment of termination of the agreement, defamation and an injunction from further defamatory comments. This action remains at the beginning of the discovery phase and it is too early to predict its resolution.

Dividends

The Company has not paid any dividends on our common shares during or after the fiscal year ending January 31, 2018. The Company management anticipates that we will retain all future earnings and other cash resources for the future operation and development of the business. The Company do not intend to declare or pay any cash dividends in the foreseeable future. Payment of any future dividends will be at the Board's discretion, subject to applicable law, after taking into account many factors including our operating results, financial condition and current and anticipated cash needs. However, if the Board declares dividends, all common shares will participate equally in the dividends, and, in the event of liquidation, in the net assets, of the Company.

B. Significant Changes

The Company has not experienced any significant changes since the date of the financial statements included with this Form 20-F, except as disclosed in this Form 20-F.

Item 9. The Offer and Listing

A. Offer and Listing

The Company's common shares are listed for trading on the CSE under the symbol "CXXI" and are quoted on the OTCQB marketplace in the United States under the symbol "CXXIF".

B. Plan of Distribution

Not Applicable.

C. Markets

The Company's common shares are listed for trading on the CSE under the symbol "CXXI" and are quoted on the OTCQB marketplace in the United States under the symbol "CXXIF".

D. Selling Shareholders

Not Applicable.

E. Dilution

Not Applicable.

F. Expenses of the Issue

Not Applicable.

Item 10. Additional Information

A. Share Capital

Not Applicable.

B. Articles

The Company is a British Columbia corporation existing under the BCBCA under incorporation number BC0320204. A copy of the Company's Articles is incorporated by reference into this Form 20-F as Exhibit 1.1.

The Company was incorporated in the Province of British Columbia under the Company Act (British Columbia) on January 15, 1987 as Empire Creek Mines Inc. On May 11, 1987, the Company changed its name to Curlew Lake Resources Inc. Effective November 24, 2017, the Company changed its name to C21 Investments Inc. with a focus on acquiring United States assets in the state-legal cannabis industry.

The Company's Articles do not limit the Company's objects and purposes and there are no restrictions on the business the Company may carry on in the Articles.

The Company is authorized to issue an unlimited number of common shares without par value. Each common share is entitled to one vote. All common shares of the Company rank equally as to dividends, voting power and participation in assets. No common shares have been issued subject to call or assessment. There are no pre-emptive or conversion rights and no provision for exchange, exercise, redemption and retraction, purchase for cancellation, surrender or sinking or purchase funds. Provisions as to modification, amendments or variation of such rights or such provisions are contained in the BCBCA and the Company's Articles.

A director or senior officer who has, directly or indirectly, a material interest in an existing or proposed material contract or transaction of the Company may not vote in respect of any such proposed material contract or transaction.

The directors may from time to time in their discretion authorize and cause the Company to:

(a) borrow money in such amount, in such manner, on such security, from such sources and upon such terms and conditions as they think fit;

(b) guarantee the repayment of money borrowed by any person or the performance of any obligation of any person;

(c) issue bonds, debentures, notes and other debt obligations either outright or as continuing security for any indebtedness or liability, direct or indirect, or obligation of the Company or of any other person; and

(d) mortgage, charge (whether by way of a specific or floating charge), grant a security interest in or give other security on the undertaking or on the whole or any part of the property and assets of the Company, both present and future.

There are no age considerations pertaining to the retirement or non-retirement of directors.

A director is not required to hold a share in the capital of the Company as qualification for his office but shall be qualified as required by the BCBCA, to become or act as a director.

A director may hold any office or appointment with the Company (except as auditor of the Company) in conjunction with his office of director for such period and on such terms (as to remuneration or otherwise) as the Board may determine. The Company must reimburse each director for the reasonable expenses that he may incur in and about the business of the Company. If a director performs any professional or other services for the Company that in the opinion of the directors are outside the ordinary duties of a director or shall otherwise be specially occupied in or about the Company's business, he may be paid remuneration to be fixed by the Board, or, at the option of such director, by ordinary resolution, and such remuneration may be either in addition to or in substitution for any other remuneration that he may be entitled to receive.

Subject to the provisions of the BCBCA, the Company may indemnify any person. The Company must, subject to the provisions of the BCBCA, indemnify a director, officer or alternate director or a former director, officer or alternate director of the Company or a person who, at the request of the Company, is or was a director, alternate director or officer of another corporation, at a time when the corporation is or was an affiliate of the Company or a person who, at the request of the Company, is or was, or holds or held a position equivalent to that of, a director, alternate director or officer of a partnership, trust, joint venture or other unincorporated entity (in each case, an "eligible party"), and the heirs and personal representatives of any such eligible party, against all judgments, penalties or fines awarded or imposed in, or an amount paid in settlement of, a legal proceeding or investigative action (whether current, threatened, pending or completed) in which such eligible party or any of the heirs and personal representatives of such eligible party, by reason of such eligible party being or having been a director, alternate director or officer or holding or having held a position equivalent to that of a director, alternate director or officer, is or may be joined as a party or is or may be liable for or in respect of a judgment, penalty or fine in, or expenses related to the proceeding.

All of the authorized common shares of the Company are of the same class and, once issued, rank equally as to dividends, voting powers, and participation in assets. Holders of common shares are entitled to one vote for each common share held of record on all matters to be acted upon by the shareholders. Holders of common shares are entitled to receive such dividends as may be declared from time to time by the Board, in its discretion, out of funds legally available therefore.

Upon liquidation, dissolution or winding up of the Company, holders of common shares are entitled to receive pro rata the assets of the Company, if any, remaining after payments of all debts and liabilities. No common shares have been issued subject to call or assessment. There are no pre-emptive or conversion rights and no provisions for redemption or purchase for cancellation, surrender, or sinking or purchase funds.

Provisions as to the modification, amendment or variation of such shareholder rights or provisions are contained in the BCBCA and the Articles. Unless the BCBCA or the Company's Articles otherwise provide, any action to be taken by a resolution of the shareholders may be taken by an ordinary resolution or by a vote of a majority or more of the shares represented at the shareholders' meeting.

The BCBCA contains provisions which require a "special resolution" for effecting certain corporate actions. Such a "special resolution" requires a two-thirds vote of shareholders rather than a simple majority for passage. The principle corporate actions that require a "special resolution" include:

(a) transferring the Company's jurisdiction from British Columbia to another jurisdiction;

(b) giving financial assistance under certain circumstances;

(c) certain conflicts of interest by directors;

(d) disposing of all or substantially all of the Company's undertakings;

(e) certain alterations of share capital;

(f) altering any restrictions on the Company's business; and

(g) certain reorganizations of the Company.

There are no restrictions on the repurchase or redemption of common shares of the Company while there is any arrearage in the payment of dividends or sinking fund installments.

There is no liability to further capital calls by the Company.

There are no provisions discriminating against any existing or prospective holder of securities as a result of such shareholder owning a substantial number of common shares.

No right or special right attached to issued shares may be prejudiced or interfered with unless the shareholders holding shares of the class or series of shares to which the right or special right is attached consent by a separate special resolution of those shareholders.

There are no limitations on the rights to own securities.

There is no provision of the Company's Articles that would have an effect of delaying, deferring or preventing a change in control of the Company and that would operate only with respect to a merger, acquisition or corporate restructuring involving the Company (or any of its subsidiaries).

Shareholder ownership must be disclosed to Canadian securities administrators and the CSE by any shareholder who owns more than 10% of the Company's outstanding common shares.

As a Canadian public company, the convocation of our annual general meetings and special meetings are governed by Canadian corporate and securities laws, including the BCBCA, National Instrument 51-102 — Continuous Disclosure Obligations, National Instrument 52-110 — Audit Committees and National Instrument 54-101 — Communication with Beneficial Owners of Securities of a Reporting Issuer.

C. Material Contracts

Except for contracts entered into in the ordinary course of business and other than those described in "Item 4. Information on the Company" or elsewhere in this annual report on Form 20-F, the only contracts entered into by the Company during the financial year ended January 31, 2019 and 2020 which are material are the following:

(i) Indenture dated December 31, 2018 between the Company and Alliance Trust Company. On December 31, 2018, the Company completed the first tranche of a brokered convertible debenture private placement of units for total gross proceeds of C$5,063,000, for which the Company paid C$664,001 in transaction costs. Each unit consists of one C$1,000 principal amount 10% unsecured convertible debenture and one-half of one debenture purchase warrant. The calculation of the debt considered a discount rate of 10%. Each whole warrant entitles the holder to purchase, for a period of 24 months from the date of issue, one additional C$1,000 principal amount 10% unsecured convertible debenture at an exercise price of C$1,000 per warrant debenture. The calculation of the debt considered a discount rate of 10%. The debentures are convertible to the Company's common shares at a price of C$0.80 per common share. The warrant debentures are convertible into the Company's common shares at a price of C$0.90 per common share. The debentures and warrant debentures mature two years from the date of issue. Each of the debentures and warrant debentures, as applicable, accrues interest at a rate of 10% per annum, compounded annually, and is fully due and payable on December 31, 2020. The Indenture is attached hereto as Exhibit 4.3.

(ii) Indenture dated January 30, 2019 between the Company and Alliance Trust Company. On January 30, 2019, the Company completed the second and final tranche of a brokered convertible debenture private placement of units for total gross proceeds of C$9,825,000, for which the Company paid C$619,389 in transaction costs. Each unit consists of one C$1,000 principal amount 10% unsecured convertible debenture and one-half of one debenture purchase warrant. Each whole warrant entitles the holder to purchase, for a period of 24 months from the date of issue, one additional C$1,000 principal amount 10% unsecured convertible debenture at an exercise price of C$1,000 per warrant debenture. The calculation of the debt considered a discount rate of 10%. The debentures are convertible to the Company's common shares at a price of C$0.80 per common share. The warrant debentures are convertible into the Company's common shares at a price of C$0.90 per common share. The debentures and warrant debentures mature two years from the date of issue. Each of the debentures and warrant debentures, as applicable, accrues interest at a rate of 10% per annum, compounded annually, and is fully due and payable on January 30, 2021. The Indenture is attached hereto as Exhibit 4.4.

(iii) Consulting Services Agreement (the "Consulting Agreement") dated September 1, 2019, between the Company and CB1 Capital Advisors LLC, a Delaware limited liability company ("CB1 Capital"). The Company engaged CB1 Capital for a 1-year term, which may be extended for successive 1-year terms by mutual agreement of the parties, to provide strategic and business development advice in exchange for: (a) a $20,000 monthly consulting fee paid by the Company to CB1 Capital; (b) an option award of 500,000 shares of common staock of the Company at an exercise price

equal to C$1.00 per share, exercisable for five years, but in no event greater than 12 months after the end of the termination of the Consulting Agreement; and (c) an origination fee related to loans or investments that arise from opportunities originated by CB1 Capital equal to one percent of the total amount of any such loan or investment. The Consulting Agreement is attached hereto as Exhibit 4.5.

D. Exchange Controls

Canada has no system of exchange controls. There are no Canadian restrictions on the repatriation of capital or earnings of a Canadian public company to non-resident investors. There are no laws in Canada or exchange restrictions affecting the remittance of dividends, profits, interest, royalties and other payments to non-resident holders of the Company's securities, except as discussed below under "Item 10. Additional Information – E. Taxation".

There are no limitations under the laws of Canada or in the organizing documents of the Company on the right of foreigners to hold or vote securities of the Company, except that the Investment Canada Act may require review and approval by the Minister of Industry (Canada) of certain acquisitions of "control" of the Company by a "non-Canadian". The threshold for acquisitions of control is generally defined as being one-third or more of the voting shares of the Company. "Non-Canadian" generally means an individual who is not a Canadian citizen, or a corporation, partnership, trust or joint venture that is ultimately controlled by non-Canadians.

E. Taxation

Certain United States Federal Income Tax Considerations

The following is a general summary of certain material U.S. federal income tax considerations applicable to a U.S. Holder (as defined below) arising from and relating to the acquisition, ownership, and disposition of common shares. This summary is for general information purposes only and does not purport to be a complete analysis or listing of all potential U.S. federal income tax considerations that may apply to a U.S. Holder arising from and relating to the acquisition, ownership, and disposition of common shares. In addition, this summary does not take into account the individual facts and circumstances of any particular U.S. Holder that may affect the U.S. federal income tax consequences to such U.S. Holder, including without limitation specific tax consequences to a U.S. Holder under an applicable tax treaty. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any U.S. Holder. This summary does not address the U.S. federal net investment income, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and foreign tax consequences to U.S. Holders of the acquisition, ownership, and disposition of common shares. In addition, except as specifically set forth below, this summary does not discuss applicable tax reporting requirements. Each prospective U.S. Holder should consult its own tax advisor regarding the U.S. federal, U.S. federal net investment income, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and foreign tax consequences relating to the acquisition, ownership, and disposition of common shares. No legal opinion from U.S. legal counsel or ruling from the Internal Revenue Service (the "**IRS**") has been requested, or will be obtained, regarding the U.S. federal income tax consequences of the acquisition, ownership, and disposition of common shares. This summary is not binding on the IRS, and the IRS is not precluded from taking a position that is different from, and contrary to, the positions taken in this summary. In addition, because the authorities on which this summary are based are subject to various interpretations, the IRS and the U.S. courts could disagree with one or more of the conclusions described in this summary.

Scope of this Summary

Authorities

This summary is based on the Internal Revenue Code of 1986, as amended (the "**Code**"), Treasury Regulations (whether final, temporary, or proposed), published rulings of the IRS, published administrative positions of the IRS, the Convention Between Canada and the United States of America with Respect to Taxes on Income and on Capital, signed September 26, 1980, as amended (the "**Canada-U.S. Tax Convention**"), and U.S. court decisions that are applicable and, in each case, as in effect and available, as of the date of this document. Any of the authorities on which this summary is based could be changed in a material and adverse manner at any time, and any such change could be applied on a retroactive or prospective basis which could affect the U.S. federal income tax considerations described in this summary. This summary does not discuss the potential effects, whether adverse or beneficial, of any proposed legislation.

U.S. Holders

For purposes of this summary, the term "**U.S. Holder**" means a beneficial owner of common shares that is for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the U.S.;
- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) organized under the laws of the U.S., any state thereof or the District of Columbia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust that (1) is subject to the primary supervision of a court within the U.S. and the control of one or more U.S. persons for all substantial decisions or (2) has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

U.S. Holders Subject to Special U.S. Federal Income Tax Rules Not Addressed

This summary does not address the U.S. federal income tax considerations applicable to U.S. Holders that are subject to special provisions under the Code, including, but not limited to, the following U.S. Holders that: (a) are tax-exempt organizations, qualified retirement plans, individual retirement accounts, or other tax-deferred accounts; (b) are financial institutions, underwriters, insurance companies, real estate investment trusts, or regulated investment companies; (c) are broker-dealers, dealers, or traders in securities or currencies that elect to apply a mark-to-market accounting method; (d) have a "functional currency" other than the US dollar; (e) own common shares as part of a straddle, hedging transaction, conversion transaction, constructive sale, or other integrated transaction; (f) acquired common shares in connection with the exercise of employee stock options or otherwise as compensation for services; (g) hold common shares other than as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment purposes); (h) are subject to special tax accounting rules; or (i) own, have owned or will own (directly, indirectly, or by attribution) 10% or more of the total combined voting power or value of the outstanding common shares of the Company. This summary also does not address the U.S. federal income tax considerations applicable to U.S. Holders who are: (a) U.S. expatriates or former long-term residents of the U.S.; (b) persons that have been, are, or will be a resident or deemed to be a resident in Canada for purposes of the Income Tax Act (Canada) (the "**Tax Act**"); (c) persons that use or hold, will use or hold, or that are or will be deemed to use or hold common shares in connection with carrying on a business in Canada; (d) persons whose common shares constitute "taxable Canadian property" under the Tax Act; or (e) persons that have a permanent establishment in Canada for the purposes of the Canada-U.S. Tax Convention. U.S. Holders that are subject to special provisions under the Code, including, but not limited to, U.S. Holders described immediately above, should consult their own tax advisor regarding the U.S. federal, U.S. federal net investment income, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and foreign tax consequences relating to the acquisition, ownership and disposition of common shares.

If an entity or arrangement that is classified as a partnership (or other "pass-through" entity) for U.S. federal income tax purposes holds common shares, the U.S. federal income tax consequences to such entity and the partners (or other owners) of such entity generally will depend on the activities of the entity and the status of such partners (or owners). This summary does not address the tax consequences to any such owner. Partners (or other owners) of entities or arrangements that are classified as partnerships or as "pass-through" entities for U.S. federal income tax purposes should consult their own tax advisors regarding the U.S. federal income tax consequences arising from and relating to the acquisition, ownership, and disposition of common shares.

Ownership and Disposition of Common Shares

The following discussion is subject to the rules described below under the heading "Passive Foreign Investment Company Rules".

Taxation of Distributions

A U.S. Holder that receives a distribution, including a constructive distribution, with respect to a common share will be required to include the amount of such distribution in gross income as a dividend (without reduction for any foreign income tax withheld from such distribution) to the extent of the current or accumulated "earnings and profits" of the Company, as computed for U.S. federal income tax purposes. To the extent that a distribution exceeds the current and accumulated "earnings and profits" of the Company, such distribution will be treated first as a tax-free return of capital to the extent of a U.S. Holder's tax basis in the common shares and thereafter as gain from the sale or exchange of such

common shares (see "Sale or Other Taxable Disposition of Common Shares" below). However, the Company may not maintain the calculations of its earnings and profits in accordance with U.S. federal income tax principles, and each U.S. Holder may have to assume that any distribution by the Company with respect to the common shares will constitute ordinary dividend income. Dividends received on common shares by corporate U.S. Holders generally will not be eligible for the "dividends received deduction". Subject to applicable limitations and provided the Company is eligible for the benefits of the Canada-U.S. Tax Convention, or the common shares are readily tradable on a United States securities market, dividends paid by the Company to non-corporate U.S. Holders, including individuals, generally will be eligible for the preferential tax rates applicable to long-term capital gains for dividends, provided certain holding period and other conditions are satisfied, including that the Company not be classified as a PFIC (as defined below) in the tax year of distribution or in the preceding tax year. The dividend rules are complex, and each U.S. Holder should consult its own tax advisor regarding the application of such rules.

Sale or Other Taxable Disposition of Common Shares

A U.S. Holder will recognize gain or loss on the sale or other taxable disposition of common shares in an amount equal to the difference, if any, between (a) the amount of cash plus the fair market value of any property received and (b) such U.S. Holder's tax basis in such common shares sold or otherwise disposed of. Any such gain or loss generally will be capital gain or loss, which will be long-term capital gain or loss if, at the time of the sale or other disposition, such common shares are held for more than one year.

Preferential tax rates apply to long-term capital gains of a U.S. Holder that is an individual, estate, or trust. There are currently no preferential tax rates for long-term capital gains of a U.S. Holder that is a corporation. Deductions for capital losses are subject to significant limitations under the Code.

Passive Foreign Investment Company ("PFIC") Rules

If the Company were to constitute a PFIC for any year during a U.S. Holder's holding period, then certain potentially adverse rules would affect the U.S. federal income tax consequences to a U.S. Holder resulting from the acquisition, ownership and disposition of common shares. The Company believes that it was not a PFIC for the tax year ended January 31, 2020. No opinion of legal counsel or ruling from the IRS concerning the status of the Company as a PFIC has been obtained or is currently planned to be requested. However, PFIC classification is fundamentally factual in nature, generally cannot be determined until the close of the tax year in question, and is determined annually. Additionally, the analysis depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. Consequently, there can be no assurance that the Company has never been and will not become a PFIC for any tax year during which U.S. Holders hold common shares.

In addition, in any year in which the Company is classified as a PFIC, a U.S. Holder will be required to file an annual report with the IRS containing such information as Treasury Regulations and/or other IRS guidance may require. A failure to satisfy such reporting requirements may result in an extension of the time period during which the IRS can assess a tax. U.S. Holders should consult their own tax advisors regarding the requirements of filing such information returns under these rules, including the requirement to file an IRS Form 8621.

The Company generally will be a PFIC under Section 1297 of the Code if, after the application of certain "look-through" rules with respect to subsidiaries in which the Company holds at least 25% of the value of such subsidiary, for a tax year, (a) 75% or more of the gross income of the Company for such tax year is passive income (the "income test") or (b) 50% or more of the value of the Company's assets either produce passive income or are held for the production of passive income (the "asset test"), based on the quarterly average of the fair market value of such assets. "Gross income" generally includes all sales revenues less the cost of goods sold, plus income from investments and from incidental or outside operations or sources, and "passive income" generally includes, for example, dividends, interest, certain rents and royalties, certain gains from the sale of stock and securities, and certain gains from commodities transactions. Active business gains arising from the sale of commodities generally are excluded from passive income if substantially all of a foreign corporation's commodities are stock in trade or inventory, depreciable property used in a trade or business or supplies regularly used or consumed in the ordinary course of its trade or business, and certain other requirements are satisfied.

If the Company were a PFIC in any tax year during which a U.S. Holder held common shares, such holder generally would be subject to special rules with respect to "excess distributions" made by the Company on the common shares and with respect to gain from the disposition of common shares. An "excess distribution" generally is defined as the excess of

distributions with respect to the common shares received by a U.S Holder in any tax year over 125% of the average annual distributions such U.S. Holder has received from the Company during the shorter of the three preceding tax years, or such U.S. Holder's holding period for the common shares. Generally, a U.S. Holder would be required to allocate any excess distribution or gain from the disposition of the common shares ratably over its holding period for the common shares. Such amounts allocated to the year of the disposition or excess distribution would be taxed as ordinary income, and amounts allocated to prior tax years would be taxed as ordinary income at the highest tax rate in effect for each such year and an interest charge at a rate applicable to underpayments of tax would apply.

While there are U.S. federal income tax elections that sometimes can be made to mitigate these adverse tax consequences (including the "QEF Election" under Section 1295 of the Code and the "Mark-to-Market Election" under Section 1296 of the Code), such elections are available in limited circumstances and must be made in a timely manner.

U.S. Holders should be aware that, for each tax year, if any, that the Company is a PFIC, the Company can provide no assurances that it will satisfy the record keeping requirements of a PFIC, or that it will make available to U.S. Holders the information such U.S. Holders require to make a QEF Election with respect to the Company or any subsidiary that also is classified as a PFIC.

Certain additional adverse rules may apply with respect to a U.S. Holder if the Company is a PFIC, regardless of whether the U.S. Holder makes a QEF Election. These rules include special rules that apply to the amount of foreign tax credit that a U.S. Holder may claim on a distribution from a PFIC. Subject to these special rules, foreign taxes paid with respect to any distribution in respect of stock in a PFIC are generally eligible for the foreign tax credit. U.S. Holders should consult their own tax advisors regarding the potential application of the PFIC rules to the ownership and disposition of common shares, and the availability of certain U.S. tax elections under the PFIC rules.

Additional Considerations

Receipt of Foreign Currency

The amount of any distribution paid to a U.S. Holder in foreign currency, or payment received on the sale, exchange or other taxable disposition of common shares, generally will be equal to the US dollar value of such foreign currency based on the exchange rate applicable on the date of receipt (regardless of whether such foreign currency is converted into US dollar at that time). A U.S. Holder will have a basis in the foreign currency equal to its US dollar value on the date of receipt. Any U.S. Holder who converts or otherwise disposes of the foreign currency after the date of receipt may have a foreign currency exchange gain or loss that would be treated as ordinary income or loss, and generally will be U.S. source income or loss for foreign tax credit purposes. Different rules apply to U.S. Holders who use the accrual method with respect to foreign currency received upon the sale, exchange or other taxable disposition of the common shares. Each U.S. Holder should consult its own U.S. tax advisor regarding the U.S. federal income tax consequences of receiving, owning, and disposing of foreign currency.

Foreign Tax Credit

Subject to the PFIC rules discussed above, a U.S. Holder that pays (whether directly or through withholding) Canadian income tax with respect to dividends paid on the common shares generally will be entitled, at the election of such U.S. Holder, to receive either a deduction or a credit for such Canadian income tax. Generally, a credit will reduce a U.S. Holder's U.S. federal income tax liability on a dollar-for-dollar basis, whereas a deduction will reduce a U.S. Holder's income subject to U.S. federal income tax. This election is made on a year-by-year basis and applies to all foreign taxes paid (whether directly or through withholding) by a U.S. Holder during a year. The foreign tax credit rules are complex and involve the application of rules that depend on a U.S. Holder's particular circumstances. Accordingly, each U.S. Holder should consult its own U.S. tax advisor regarding the foreign tax credit rules.

Backup Withholding and Information Reporting

Under U.S. federal income tax law and Treasury Regulations, certain categories of U.S. Holders must file information returns with respect to their investment in, or involvement in, a foreign corporation. For example, U.S. return disclosure obligations (and related penalties) are imposed on individuals who are U.S. Holders that hold certain specified foreign financial assets in excess of certain threshold amounts. The definition of specified foreign financial assets includes not only financial accounts maintained in foreign financial institutions, but also, unless held in accounts maintained by a financial institution, any stock or security issued by a non-U.S. person, any financial instrument or contract held for

investment that has an issuer or counterparty other than a U.S. person and any interest in a foreign entity. U.S. Holders may be subject to these reporting requirements unless their common shares are held in an account at certain financial institutions. Penalties for failure to file certain of these information returns are substantial. U.S. Holders should consult their own tax advisors regarding the requirements of filing information returns, including the requirement to file an IRS Form 8938.

Payments made within the U.S. or by a U.S. payor or U.S. middleman, of dividends on, and proceeds arising from the sale or other taxable disposition of, common shares will generally be subject to information reporting and backup withholding tax, at the rate of 24%, if a U.S. Holder (a) fails to furnish such U.S. Holder's correct U.S. taxpayer identification number (generally on Form W-9), (b) furnishes an incorrect U.S. taxpayer identification number, (c) is notified by the IRS that such U.S. Holder has previously failed to properly report items subject to backup withholding tax, or (d) fails to certify, under penalty of perjury, that such U.S. Holder has furnished its correct U.S. taxpayer identification number and that the IRS has not notified such U.S. Holder that it is subject to backup withholding tax. However, certain exempt persons generally are excluded from these information reporting and backup withholding rules. Backup withholding is not an additional tax. Any amounts withheld under the U.S. backup withholding tax rules will be allowed as a credit against a U.S. Holder's U.S. federal income tax liability, if any, or will be refunded, if such U.S. Holder furnishes required information to the IRS in a timely manner.

The discussion of reporting requirements set forth above is not intended to constitute a complete description of all reporting requirements that may apply to a U.S. Holder. A failure to satisfy certain reporting requirements may result in an extension of the time period during which the IRS can assess a tax, and under certain circumstances, such an extension may apply to assessments of amounts unrelated to any unsatisfied reporting requirement. Each U.S. Holder should consult its own tax advisor regarding the information reporting and backup withholding rules.

F. Dividends and Paying Agents

Not Applicable.

G. Statement by Experts

Not Applicable.

H. Documents on Display

The documents concerning the Company referred to in this Annual Report may be inspected at the Company's corporate office, located at 19th Floor, 885 West Georgia Street, Vancouver, British Columbia, Canada V6C 3H4. The Company may be reached at 1-833-289-2994. Documents filed with the Securities and Exchange Commission ("SEC") may also be read and copied at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms.

The Company is subject to reporting requirements as a "reporting issuer" under applicable securities legislation in Canada and as a "foreign private issuer" under the Securities Exchange Act of 1934 (the "**Exchange Act**"). As a result, we must file periodic reports and other information with the Canadian securities regulatory authorities and the Securities and Exchange Commission.

A copy of this Form 20-F Annual Report and certain other documents referred to in this Annual Report and other documents filed by us may be retrieved from the system for electronic document analysis and retrieval ("**SEDAR**") system maintained by the Canadian securities regulatory authorities at www.sedar.ca or from the Securities and Exchange Commission electronic data gathering, analysis and retrieval system ("**EDGAR**") at www.sec.gov/edgar.

As a foreign private issuer, we are exempt from the rules under the U.S. Exchange Act prescribing the furnishing and content of proxy statements to shareholders.

I. Subsidiary Information

Not Applicable.

Item 11. Quantitative and Qualitative Disclosures about Market Risk

The Company, through its financial assets and liabilities, is exposed to various risks. The Company has established policies and procedures to manage these risks, with the objective of minimizing any adverse effect that changes in these variables could have on these consolidated financial statements. The following analysis provides a measurement of risks as at the date of this 20-F:

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company deposits the majority of its cash with high credit quality financial institutions in the United States. The Company is not exposed to any significant credit risk.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity or debt issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board are actively involved in the review, planning and approval of significant expenditures and commitments.

The Company's consolidated financial statements for year ended January 31, 2020 have been prepared on a going concern basis, which assumes that the Company will be able to continue its operations and realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Company reports a net loss for the year ended January 31, 2020 of $32,555,633, and accumulated deficit of $70,510,384, and a working capital deficit of $26,954,549 as at January 31, 2020. In July 2019, the Company accelerated a restructuring and integration of operations that resulted in over $6M in annual run rate savings. While these efforts have resulted in positive cash flow from operations, they will not be sufficient on their own to fund payments on the short-term debt obligations owing to the Company's President and CEO, and other unsecured creditors, which are due on January 1, 2021. These material uncertainties cast significant doubt upon the Company's ability to continue as a going concern.

Historically, management has been successful in obtaining adequate funding for operating and capital requirements. The Company takes a disciplined approach to financing and intends to protect shareholder value by raising capital strategically. The Company is assessing various opportunities for additional financing through either debt or equity to be used to satisfy current obligations, for corporate working capital and possible future acquisitions. There is no assurance that the Company will be able to secure financing on acceptable terms or at all to cover its current obligations.

Further, there remains uncertainty about the U.S. federal government's position on cannabis with respect to cannabis-legal states. A change in its enforcement policies could impact the ability of the Company to continue as a going concern and have a material adverse impact on the business.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not subject to any interest rate volatility as its long-term debt instruments and convertible notes are carried at a fixed interest rate throughout their term.

Foreign Currency Risk

The Company is exposed to foreign currency risk from fluctuations in foreign exchange rates and the degree of volatility in these rates due to the timing of their accounts payable balances. The risk is mitigated by timely payment of creditors and monitoring of foreign exchange fluctuations by management. As at the date of this 20-F, the Company did not use derivative instruments to hedge its exposure to foreign currency risk.

Commodity Price Risk

The Company's operations do not involve the direct input or output of any commodities and therefore it is not subject to any significant commodity price risk. In addition, the Company does not have any equity investment in other listed public companies, and therefore it is not subject to any significant stock market price risk.

The Company is not a party to any foreign currency hedge contracts as at the date of this 20-F.

Item 12. Description of Securities Other than Equity Securities

A. – C.

Not Applicable.

D. American Depository Receipts

The Company does not have securities registered as American Depository Receipts.

PART II.

Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

No modifications or qualifications have been made to the instruments defining the rights of the holders of the Company's common shares and no material amount of assets securing the Company's securities has been withdrawn or substituted by the Company or anyone else, other than in the ordinary course of business.

Item 15. Controls and Procedures

(a) Disclosure Controls and Procedures

Under the supervision and with the participation of our senior management, including the Company's CEO and CFO, the Company conducted an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the *Securities Exchange Act of 1934*, as amended, (the "**Exchange Act**") as at January 31, 2020 (the "**Evaluation Date**").

The CEO and CFO concluded that the disclosure controls and procedures as at the Evaluation Date, were effective to give reasonable assurance that the information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and (ii) accumulated and communicated to management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

(b) Management's Annual Report on Internal Control Over Financial Reporting

The Company's management is responsible for designing, establishing and maintaining a system of internal controls over financial reporting (as defined in Exchange Act Rule 13a-15(f)) to provide reasonable assurance that the financial information prepared by the Company for external purposes is reliable and has been recorded, processed and reported in an accurate and timely manner in accordance with IFRS as issued by IASB. The Board is responsible for ensuring that management fulfills its responsibilities. The Audit Committee fulfills its role of ensuring the integrity of the reported information through its review of the interim and annual financial statements. Management reviewed the results of their assessment with the Company's Audit Committee.

Because of its inherent limitations, the Company's internal control over financial reporting may not prevent or detect all possible misstatements or frauds. Also, projections of any evaluation of effectiveness to future periods are subject to the

risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

To evaluate the effectiveness of the Company's internal control over financial reporting, management has used the Internal Control – Integrated Framework (2013), which is a suitable, recognized control framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management has assessed the effectiveness of the Company's internal control over financial reporting and concluded that such internal control over financial reporting is effective as of January 31, 2020.

The Company's management, including the CEO and CFO, does not expect that its Disclosure Controls or its Internal Controls will prevent all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed achieving its stated goals under all potential future conditions; over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

(c) Attestation Report of Registered Public Accounting Firm

This Annual Report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Under the Jumpstart Our Business & Startups Act ("**JOBS Act**"), emerging growth companies are exempt from Section 404(b) of the Sarbanes-Oxley Act, which generally requires public companies to provide an independent auditor attestation of management's assessment of the effectiveness of their internal control over financial reporting. The Company qualifies as an emerging growth company under the JOBS Act and therefore has not included an independent auditor attestation of management's assessment of the effectiveness of its internal control over financial reporting.

(d) Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal controls over financial reporting that occurred during the year ended January 31, 2020, that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

Item 16. [Reserved]

Item 16A. Audit Committee Financial Expert

The Board has determined that D. Bruce Macdonald qualifies as a financial expert and is independent (as determined under U.S. Exchange Act Rule 10A-3 and section 803A of the NYSE American Company Guide).

Item 16B. Code of Ethics

On February 4, 2019, the Company adopted a Code of Business Conduct and Ethics that applies to all employees of the Company, including its Chief Executive Officer and Chief Financial Officer. A copy of our Code of Ethics will be provided to any person requesting same without charge. To request a copy of our Code of Ethics, please make a written request to our Chief Financial Officer at the Company's corporate office, located at 19th Floor, 885 West Georgia Street, Vancouver, British Columbia, Canada V6C 3H4.

As at the date of this 20-F, the Company has not made any modification, material departure, waiver or implicit waiver of the Company's Code of Business Conduct and Ethics.

Item 16C. Principal Accountant Fees and Services

Davidson and Company LLP, Chartered Accountants, has been the external auditor of the Company since April 4, 2014. The aggregate fees billed by the Company's external auditor, Davidson & Company, in each of the last two financial years of the Company for services in each of the categories indicated are as follows:

Financial Year End	Audit Fees	Audit Related Fees[1]	Tax Fees[2]	All Other Fees[3]
January 31, 2020	C$200,000	C$13,285	C$16,642	Nil
January 31, 2019	C$165,045	C$190,478	C$3,250	Nil

(1) Pertains to assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and that are not reported under "Audit Fees". The nature of the services comprising the fees disclosed under this category relates to audit fees for companies being acquired.
(2) Pertains to professional services for tax compliance, tax advice and tax planning. The nature of the services comprising the fees disclosed under this category relates to T2 and AT1 tax returns.
(3) Pertains to products and services other than services reported under the other categories.

The Audit Committee has not adopted specific policies and procedures for the engagement of non-audit services, however the Company's external auditor has been approved by majority vote of the Audit Committee and 100% of the services described above were approved by the Audit Committee. At no time since February 1, 2018, was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Company's Board of Directors.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not Applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Not applicable.

Item 16F. Changes in Registrant's Certifying Accountant

Not applicable.

Item 16G. Corporate Governance

Not Applicable.

Item 16H. Mine Safety Disclosure.

Not Applicable.

PART III.

Item 17. Financial Statements

See "Item 18 – Financial Statements".

Item 18. Financial Statements

Document

Audited Financial Statements of the Company for the years ended January 31, 2020, 2019 and 2018.

Item 19. Exhibits

Exhibit Number	Name
1.1	Articles of Incorporation
1.2	Certificate of Incorporation and Certificates of name changes
2.1	Description of the Company's Securities Registered Under Section 12 of the Securities Exchange Act of 1934
4.1	Stock Option Plan
4.2	Restricted Share Unit Plan
4.3	Indenture dated December 31, 2018 between the Company and Alliance Trust Company
4.4	Indenture dated January 30, 2019 between the Company and Alliance Trust Company
4.5	Consulting Services Agreement dated September 1, 2019, between the Company and CB1 Capital Advisors LLC
8.1	List of Subsidiaries
12.1	Certification of the Principal Executive Officer pursuant to Rule 13a-14(a)
12.2	Certification of the Principal Financial Officer pursuant to Rule 13a-14(a)
13.1	Certificate of Principal Executive Officer pursuant to 18 U.S.C. Section 1350
13.2	Certificate of Principal Financial Officer pursuant to 18 U.S.C. Section 1350
15.1	Management's Discussion and Analysis for the Year Ended January 31, 2020

101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

The Registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and has duly caused and authorized the undersigned to sight this Annual Report on its behalf.

C21 Investments Inc.

By: /s/ Sonny Newman

Name: Sonny Newman

Title: President and Chief Executive Officer

Date: July 13, 2020

C21 INVESTMENTS INC.

Consolidated Financial Statements

For the years ended **January 31, 2020, 2019, and 2018**

(Expressed in U.S. Dollars)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Directors of
C21 Investments Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of C21 Investments Inc. (the "Company"), as of January 31, 2020 and 2019, and the related consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency), and cash flows for the years ended January 31, 2020, 2019, and 2018, and the related notes (collectively referred to as the "financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of January 31, 2020 and 2019, and the results of its operations and its cash flows for the years ended January 31, 2020, 2019, and 2018 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company reports a net loss for the year ended January 31, 2020 of $32,555,633, accumulated deficit of $70,510,384 and a working capital deficit of $26,954,549 as at January 31, 2020 that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatements of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company's auditor since 2014.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

July 13, 2020

Chartered Professional Accountants

A member of Nexia International

C21 INVESTMENTS INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT JANUARY 31,

(Expressed in U.S. dollars)

	Note	January 31, 2020 - $ -	January 31, 2019 - $ -
ASSETS			
Current assets			
Cash		3,076,493	9,067,095
Biological assets	10	1,408,271	1,870,540
Inventory	11	6,191,843	6,859,034
Prepaid expenses and deposits		543,482	608,002
Receivables	9	443,122	79,953
Total current assets		11,663,211	18,484,624
Property and equipment	13	3,834,131	2,082,010
Right-of-use assets	16	4,660,688	7,744,611
Intangible assets	14	12,704,626	13,368,580
Goodwill	14	28,541,323	29,230,651
Notes receivable and deposits	12	-	6,476,515
Restricted cash	8	46,106	46,035
TOTAL ASSETS		**61,450,085**	**77,433,026**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	15	3,488,274	4,981,116
Promissory note payable - current portion	18	21,200,000	21,000,000
Convertible promissory note - current portion	18	1,244,041	-
Convertible debentures - current portion	18	6,867,255	-
Income taxes payable	28	3,714,666	-
Consideration payable - current portion	25	846,256	1,375,268
Short-term debt	17	126,119	-
Derivative liability- current portion	21	-	23,097
Lease liabilities - current portion	16	1,131,149	4,421,265
Total current liabilities		38,617,760	31,800,746
Lease liabilities	16	3,870,211	3,486,700
Long-term debt	17	494,217	-
Convertible promissory note	18	1,136,065	1,845,830
Convertible debentures	18	-	10,159,653
Promissory note payable	18	-	9,000,000
Derivative liability	21	3,699,152	-
Reclamation obligation	19	53,126	53,484
TOTAL LIABILITES		**47,870,531**	**56,346,413**
SHAREHOLDERS' EQUITY			
Share capital	20	76,028,268	52,923,983
Commitment to issue shares	20	1,100,881	1,044,881
Reserves	20	8,008,176	5,435,551
Accumulated other comprehensive loss		(1,047,387)	(363,051)
Deficit		(70,510,384)	(37,954,751)
TOTAL SHAREHOLDERS' EQUITY		**13,579,554**	**21,086,613**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**61,450,085**	**77,433,026**

Nature of operations and going concern (Note 1)
Commitments (Note 24),Taxation (Note 28)
Contingencies (Note 31),Subsequent events (Note 32)
On behalf of the Board:

"Michael Kidd" Director *"Bruce Macdonald"* Director

C21 INVESTMENTS INC.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED JANUARY 31,

(Expressed in U.S. dollars)

		Twelve months ended Jan 31,		
		2020	2019	2018
	Note	-$-	-$-	-$-
Revenue		37,705,095	2,585,511	-
Inventory expensed to cost of sales (see Note 11)	11	25,625,734	2,681,864	-
Gross margin before the undernoted		12,079,361	(96,353)	-
Realized fair value adjustment on biological assets	10	(5,292,763)	405,170	-
Unrealized fair value adjustment on biological assets	10	6,536,103	(126,250)	-
Gross Profit		**13,322,701**	**182,567**	**-**
Expenses				
General and administration	27	9,485,132	6,326,591	340,575
Sales, marketing, and promotion		1,120,929	2,306,357	-
Depreciation and amortization	13 & 14	3,405,116	579,757	-
Share based compensation	20	492,631	2,996,710	258,896
Total expenses		**14,503,808**	**12,209,415**	**599,471**
Income (loss) before undernoted items		(1,181,107)	(12,026,848)	(599,471)
Interest expense		(3,866,420)	(391,961)	-
Accretion expense		(434,331)	(992,202)	-
Transaction costs	30	(331,973)	(4,973,991)	-
Impairment of property and equipment	13	(4,139,522)	-	-
Other Income (loss)		241,825	(673,226)	-
Impairment of goodwill and intangible assets	14	(23,911,485)	(5,160,741)	-
Loss on disposal of assets		-	(90,100)	-
Interest and other income		2,353	337,986	-
Gain on change in fair value of derivative liabilities	21	4,779,693	369,913	-
Loss before income taxes		(28,840,967)	(23,601,170)	(599,471)
Current income tax expense	28	(3,714,666)	-	-
NET LOSS		**(32,555,633)**	**(23,601,170)**	**(599,471)**
Other comprehensive loss				
Cumulative translation adjustment		(684,336)	(370,903)	32,048
LOSS AND COMPREHENSIVE LOSS		**(33,239,969)**	**(23,972,073)**	**(567,423)**
Basic and diluted loss per share		$ (0.42)	$ (0.76)	$ (0.11)
Weighted average number of common shares outstanding - basic and diluted		**76,683,895**	**31,001,645**	**5,004,353**

C21 INVESTMENTS INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)

(Expressed in U.S. dollars)

	Share capital		Reserves					
	Number of shares	Amount	Share based compensation	Equity component of convertible instuments	Commitment to issue shares	Accumulated other comprehensive income (loss)	Deficit	Total
Balance at January 31, 2017	**1,979,695**	**$ 12,820,278**	**$ 602,418**	**$ -**	**$ -**	**$ (24,196)**	**$ (13,754,110)**	**$ (355,610)**
Shares issued for cash	3,640,000	669,140	-	-	-	-	-	699,140
Shares issued for debt settlement	360,000	65,192	-	-	-	-	-	65,192
Share based compensation	-	-	258,896	-	-	-	-	258,896
Net loss and comprehensive loss for the year	-	-	-	-	-	32,048	(599,471)	(567,423)
Balance at January 31, 2018	**5,979,695**	**$ 13,554,610**	**$ 861,314**	**$ -**	**$ -**	**$ 7,852**	**$ (14,353,581)**	**$ 70,195**
Shares issued on conv. debenture subscription receipts, net	36,850,000	25,479,998	-	(2,958,335)	-	-	-	22,521,663
Shares issued for cash, net	2,082,000	3,919,162	-	-	-	-	-	3,919,162
Share based compensation - broker's warrants	-	-	233,275	-	-	-	-	233,275
Share based compensation - option issuance	-	-	2,996,710	-	-	-	-	2,996,710
Share based compensation - warrant issuance	-	-	1,394,883	-	-	-	-	1,394,883
Shares issued on settlement of loan	50,000	83,941	-	-	-	-	-	83,941
Shares issued on exercise of warrants	2,750	2,953	(840)	-	-	-	-	2,113
Shares issued on exercise of options	100,000	99,782	(49,791)	-	-	-	-	49,991
Shares issued on purchase of Silver State	12,500,000	8,951,375	-	-	-	-	-	8,951,375
Issuance of share payment note on EFF acquisition	-	-	-	-	1,877,043	-	-	1,877,043
Shares issued on exercise of EFF share payment note	940,810	832,162	-	-	(832,162)	-	-	-
Equity component of convertible debentures	-	-	-	2,958,335	-	-	-	2,958,335
Net loss and comprehensive loss for the year	-	-	-		-	(370,903)	(23,601,170)	(23,972,073)
Balance at January 31, 2019	**58,505,255**	**$ 52,923,983**	**$ 5,435,551**	**$ -**	**$ 1,044,881**	**$ (363,051)**	**$ (37,954,751)**	**$ 21,086,613**
Shares issued on purchase of Phantom Farms	2,670,000	2,507,138	-	-	-	-	-	2,507,138
Warrants issued on purchase of Phantom Farms	-	-	793,745	-	-	-	-	793,745
Share based compensation - option issuance	-	-	492,631	-	-	-	-	492,631
Shares issued on purchase of Swell Companies	1,266,667	1,130,363	-	-	-	-	-	1,130,363
Commitment to issue shares on purchase of Swell Companies	-	-	-	-	4,221,503	-	-	4,221,503
Subsequent shares issued on purchase of Swell Companies	7,015,238	3,796,815	-	-	(3,796,815)	-	-	-
Warrants issued on purchase of Swell Companies	-	-	786,284	-	-	-	-	786,284
Shares issued for real estate	3,983,886	4,136,646	-	-	-	-	-	4,136,646
Units issued for cash, net	5,589,493	4,895,379	828,076	-	-	-	-	5,723,455
Payment of EFF Share payment note	368,688	368,688	-	-	(368,688)	-	-	-
Shares issued on exercise of warrants	915,545	1,018,748	(289,159)	-	-	-	-	729,589
Shares issued on exercise of EFF convertible note	977,479	660,647	-	-	-	-	-	660,647
Shares issued on exercise of options	80,000	77,980	(38,952)	-	-	-	-	39,028
Shares issued on exercise of convertible debentures	8,016,388	4,539,991	-	-	-	-	-	4,539,991
Share issue costs	-	(28,110)	-	-	-	-	-	(28,110)
Net loss and comprehensive loss for the year	-	-	-	-	-	(684,336)	(32,555,633)	(33,239,969)
Balance at January 31, 2020	**89,388,639**	**$ 76,028,268**	**$ 8,008,176**	**$ -**	**$ 1,100,881**	**$ (1,047,387)**	**$ (70,510,384)**	**$ 13,579,554**

C21 INVESTMENTS INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JANUARY 31,

(Expressed in U.S. dollars)

	Note	Twelve months ended January 31, 2020 - $ -	2019 - $ -	2018 - $ -
Cash provided by (used in):				
OPERATING ACTIVITIES				
Net loss		(32,555,633)	(23,601,170)	(599,471)
Depreciation and amortization	13,14,16	4,981,575	623,022	-
Impairment of property and equipment	13	4,139,522	-	-
Net effect of fair value changes in biological assets	10	(1,243,340)	278,920	-
Share based compensation	20	492,631	2,996,710	258,896
Transaction cost - share based compensation		-	1,577,527	-
Impairment of goodwill and intangible assets	14	23,911,485	5,160,741	-
Interest expense		3,742,194	-	-
Lease amortization	16	-	256,354	-
Foreign exchange gain		75,721	-	-
Current income tax expense	28	3,714,666	-	-
Accretion expense	18	434,331	992,202	-
Gain on change in fair value of derivative liabilities	21	(4,779,693)	(369,913)	-
Loss on disposal of assets		-	90,100	-
Acquired fair value differences included in cost of sales	11	4,000,000	-	-
Changes in working capital items				
Inventory	11	1,401,762	37,160	-
Receivables	9	(36,022)	(176,490)	(5,293)
Accounts payable and accrued liabilities	15	(2,832,043)	1,272,139	(237,447)
Prepaid expenses and deposits		62,708	(504,155)	-
Cash (used)/provided by operating activities		5,509,864	(11,366,853)	(583,315)
INVESTING ACTIVITIES				
Change in restricted cash	8	-	-	(299)
Purchases of property and equipment	13	(509,624)	(208,079)	-
Loans to acquisition targets		-	(6,245,000)	-
Payment of Megawood consideration payable	25	(231,395)	-	-
Payment of liabilities assumed on EFF acquisition		-	(3,341,624)	-
Payment of liabilities assumed on Swell acquisition	4	(1,070,907)	-	-
Payment of Silver State consideration payable	25	(1,143,873)	-	-
Deposits on property and equipment		-	(4,880)	-
Net cash outflow on acquisition of subsidiaries	3,4	(1,586,942)	(8,876,776)	-
Cash used in investing activities		(4,542,741)	(18,676,359)	(299)
FINANCING ACTIVITIES				
Issuance of common shares, net		5,695,345	3,971,266	705,159
Issuance of convertible debentures		-	35,196,052	(11,908)
Issuance of convertible debentures on exercise of warrants		653,632	-	-
Payments on promissory notes payable	18	(9,090,000)	-	-
Cash proceeds from warrants		729,589	-	-
Cash proceeds from options		39,028	-	-
Payments of long term debt	17	(79,421)	-	-
Lease payments made		(1,758,391)		
Interest paid in cash		(3,291,295)	-	-
Cash provided by financing activities		(7,101,513)	39,167,318	693,251
Effect of foreign exchange on cash		143,788	(266,246)	99,532
(Decrease)/Increase in cash during the year		(5,990,602)	8,857,860	209,169
Cash, beginning of year		9,067,095	209,235	66
Cash, end of year		3,076,493	9,067,095	209,235

Supplementary disclosure with respect to cash flows (Note 23)

1. NATURE OF OPERATIONS AND GOING CONCERN

C21 Investments Inc. (the "Company" or "C21") was incorporated January 15, 1987, under the Company Act of British Columbia. The Company is a publicly traded company with its registered office is 1900-885 West Georgia Street, Vancouver, BC, V6C 3H4.

Pursuant to a change of business announced on January 29, 2018 to the Cannabis industry, the Company commenced acquiring and operating revenue-producing cannabis operations in the USA and internationally.

On June 15, 2018, the Company's common shares were delisted from the TSX Venture Exchange ("TSX-V") at the Company's request and on June 18, 2018 the Company commenced trading on the Canadian Securities Exchange ("CSE"), completed its change of business to the cannabis industry and commenced trading under the symbol CXXI. The Company registered its Common Shares in the United States and on May 6, 2019, its shares were cleared by FINRA for trading on the OTC Markets platform under the U.S. trading symbol CXXIF. On August 23, 2019 the Company announced it had been upgraded to the OTCQB® Venture Market

As at January 31, 2020, the Company operates in two segments, recreational cannabis in Oregon, USA and recreational and medical cannabis in Nevada, USA (Note 22).

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to continue its operations and realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Company reports a net loss for the year ended January 31, 2020 of $32,555,633, and accumulated deficit of $70,510,384, and a working capital deficit of $26,954,549 as at January 31, 2020. In July 2019, the Company accelerated a restructuring and integration of operations that resulted in significant cash savings. While these efforts have resulted in positive cash flow from operations, they will not be sufficient to fund payments on the short-term debt obligations owing to the Company's CEO (Notes 18, 29 and 32). The Company's working capital deficit position is due primarily to these short-term debt service payments which will require additional funding to satisfy by January 1, 2021 under the Company's current payment schedule. The ability of the Company to continue as a going concern is dependent on either raising additional financing or further restructuring of its current payment schedule with the Company's CEO, Sonny Newman, who is also the Company's majority secured debt holder and largest shareholder. These material uncertainties cast significant doubt upon the Company's ability to continue as a going concern.

Historically, management has been successful in obtaining adequate funding for operating and capital requirements. The Company takes a disciplined approach to financing and intends to protect shareholder value by raising capital strategically. The Company is assessing various opportunities for additional financing through either debt or equity to be used to satisfy current obligations, for corporate working capital and possible future acquisitions. There is no assurance that the Company will be able to secure financing on acceptable terms or at all to cover its current obligations.

In the United States, 34 states, the District of Columbia, and four U.S. territories allow the use of medical cannabis. Alaska, California, Colorado, Illinois Maine, Massachusetts, Michigan, Nevada, Oregon, Washington, Vermont, and the District of Columbia legalized the sale and adult-use of recreational cannabis. At the federal level, however, cannabis currently remains a Schedule I controlled substance under the Federal Controlled Substances Act of 1970 ("Federal CSA"). Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision. As such, even in those states in which marijuana is legalized under state law, the manufacture, importation, possession, use or distribution of cannabis remains illegal under U.S. federal law. This has created a dichotomy between state and federal law, whereby many states have elected to regulate and remove state-level penalties regarding a substance which is still illegal at the federal level.

There remains uncertainty about the US federal government's position on cannabis with respect to cannabis-legal states. A change in its enforcement policies could impact the ability of the Company to continue as a going concern.

1. NATURE OF OPERATIONS AND GOING CONCERN (CONTINUED)

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak and any related adverse public health developments may adversely affect workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

The consolidated financial statements were authorized for issuance on July 12, 2020 by the directors of the Company.

BASIS OF CONSOLIDATION

These consolidated financial statements as at and for the year ended January 31, 2020, incorporate the accounts of the Company and its wholly-owned subsidiaries as defined in IFRS 10 – *Consolidated Financial Statements* ("IFRS 10"). All consolidated entities were under common control during the entirety of the periods for which their respective results of operations were included in the consolidated statements (i.e., from the date of their acquisition). All intercompany balances and transactions are eliminated upon consolidation.

The following are the Company's wholly owned subsidiaries that are included in these consolidated financial statements as at and for the period ended January 31, 2020:

Name of Subsidiary	Country of Incorporation	Percentage Ownership	Functional Currency	Principal Activity
320204 US Holdings Corp.	USA	100%	USD	Holding Company
320204 Oregon Holdings Corp.	USA	100%	USD	Holding Company
320204 Nevada Holdings Corp.	USA	100%	USD	Holding Company
320204 Re Holdings, LLC	USA	100%	USD	Holding Company
Eco Firma Farms LLC	USA	100%	USD	Cannabis producer
Silver State Cultivation LLC	USA	100%	USD	Cannabis producer
Silver State Relief LLC	USA	100%	USD	Cannabis retailer
Swell Companies LTD	USA	100%	USD	Cannabis processor, distributor
Megawood Enterprises Inc.	USA	100%	USD	Cannabis retailer
Phantom Venture Group, LLC	USA	100%	USD	Holding Company
Phantom Brands, LLC	USA	100%	USD	Holding Company
Phantom Distribution, LLC	USA	100%	USD	Cannabis distributor
63353 Bend, LLC	USA	100%	USD	Cannabis producer
20727-4 Bend, LLC	USA	100%	USD	Cannabis processor
4964 BFH, LLC	USA	100%	USD	Cannabis producer
Workforce Concepts 21, Inc.	USA	100%	USD	Payroll and benefits services

BASIS OF PREPARATION

These consolidated financial statements have been prepared on an accrual basis and are based on historical costs, except for certain financial instruments and biological assets classified as fair value through profit or loss. The financial statements are presented in U.S. dollars unless otherwise noted. Amounts in comparative years may have been reclassified to conform with the current year's presentation.

STATEMENT OF COMPLIANCE

These consolidated financial statements are prepared in accordance with International Financial reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC").

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

FUNCTIONAL AND PRESENTATION CURRENCY

We have chosen to present these consolidated financial statements in U.S. dollars. The functional currency of the Company's subsidiaries is U.S. dollars. The parent company's functional currency is the Canadian dollar. All amounts presented are in U.S. dollars unless otherwise noted.

FOREIGN CURRENCY TRANSLATION

Foreign currency transactions are translated into U.S. dollars at exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate at the reporting date. All differences are recorded in the consolidated statement of loss and comprehensive loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Assets and liabilities of foreign operations are translated into U.S. dollars at year-end exchange rates and any revenue and expenses are translated at the average exchange rate for the year. The resulting exchange differences are recognized in other comprehensive income (loss).

BIOLOGICAL ASSETS

The Company's biological assets consist of cannabis plants. The Company capitalizes the direct and indirect costs incurred related to the biological transformation of the biological assets between the point of initial recognition and the point of harvest. The Company then measures the biological assets at fair value less costs to sell and complete up to the point of harvest, which becomes the basis for the cost of finished goods inventories after harvest. The effect of realized and unrealized gains or losses arising from changes in fair value less cost to sell during the year are included in the results of operations.

INVENTORIES

Raw materials, work in process, and finished goods inventories are valued at the lower of cost and net realizable value. Harvested raw material cannabis inventories are transferred from biological assets at their fair value less cost to sell at harvest, which becomes the initial deemed cost. Any subsequent post-harvest costs are capitalized to inventory insofar as cost is less than net realizable value. Inventories for resale, in addition to supplies and consumables, are valued at the lower of cost and net realizable value, with standard costing used to determine cost.

Inventories are measured at the lower of cost and net realizable value. Net realizable value is calculated as the estimated selling price in the ordinary course of business, less any estimated costs to complete and sell the goods. The cost of inventory includes expenditures incurred in acquiring raw materials, production and conversion costs, depreciation and other costs incurred in bringing inventory to its existing location and condition. The Company uses the standard costing method to track and cost inventory items. The Company maintains three categories of inventory: raw materials, work in process and finished goods.

PROPERTY AND EQUIPMENT

Property and equipment are measured at cost less accumulated depreciation and losses on impairment. Depreciation of property and equipment begins when an asset is in the location and condition necessary to operate as management intended. Upon the sale or disposition of the asset, cost and accumulated depreciation are removed from property and equipment, with any resulting gain or loss recognized in the consolidated statement of loss and comprehensive loss.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

Depreciation is provided on the straight-line basis over the useful lives of the assets as follows:

Buildings	45 years
Leasehold improvements	shorter of the life of the improvement or the remaining life of the lease
Furniture & fixtures	5 years
Computer equipment	3 years
Machinery & equipment	2-7 years

Depreciation of property and equipment begins when an asset is in the location and condition necessary to operate as management intended. Upon the sale or disposition of the asset, cost and accumulated depreciation are removed from property and equipment, with any resulting gain or loss recognized in the consolidated statement of loss and comprehensive loss, as determined by comparing the proceeds from disposal with the carrying amount of the item.

Each part of an item of property and equipment with a significant cost in relation to the total cost of the asset, are depreciated separately, except when the significant part has a similar useful life and depreciation method as another part of that same asset. Insignificant parts of the same asset are depreciated together in the remainder of the asset.

During each financial year, the Company reviews the residual value, useful life and depreciation method for property and equipment, and makes any adjustment prospectively, if applicable.

INTANGIBLE ASSETS AND GOODWILL

Intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets acquired in a business combination are measured at fair value at the acquisition date.

Intangible assets with finite useful lives are amortized on a straight-line basis over their estimated useful lives. Amortization of intangible assets begins when the asset becomes available for use. Brands, licenses, and customer relationships are amortized over 10 years as of November 1, 2019, which reflect the useful lives of the intangible assets. Prior to that the amortization period was 5 years on licenses and customer relationships. This change in estimate was treated prospectively.

At the end of each fiscal year, the Company reviews the intangible assets' estimated useful lives and amortization methods, with the effect of any changes in estimates accounted for on a prospective basis.

Goodwill represents the excess of the purchase price paid for the acquisition of subsidiaries over the fair value of the net intangible and tangible assets acquired. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. The Company has grouped the Goodwill and intangibles into cash generating units ("CGU"), specifically Oregon and Nevada.

Goodwill has an indefinite useful life, is not subject to amortization and is tested annually for any impairment, or more frequently in the case that events or circumstances indicate that they may be impaired.

CONVERTIBLE INSTRUMENTS

Convertible notes are compound financial instruments which are accounted for separately by their components: a financial liability and an equity instrument. The financial liability, which represents the obligation to pay coupon interest on the convertible notes in the future, is initially measured at its fair value and subsequently measured at amortized cost. The residual amount is accounted for as an equity instrument at issuance. The identification of convertible note components is based on interpretations of the substance of the contractual arrangement and therefore requires judgement from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

The determination of the fair value of the liability is also based on a number of assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.

IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets include intangible assets and property and equipment, which are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that an impairment has occurred. In assessing impairment, the Company compares the carrying amount of the long-lived asset to the recoverable amount. The recoverable amount is the fair value of the asset less its value in use and cost of disposal. An impairment loss is recognized whenever the carrying amount of the asset exceeds its recoverable amount and is recorded as in profit or loss equal to the amount by which the carrying amount exceeds the recoverable amount. In a subsequent period, if an impairment loss reverses, the carrying amount of the long-lived asset is increased to the lesser of the revised estimate of the recoverable amount, and the carrying amount that would have been recorded had no impairment loss been previously recognized.

LEASES

The Company leases some items of property and equipment. Under IFRS 16 *Leases* ("IFRS 16"), the Company assesses whether a contract to rent an item of property and equipment is, or contains, a lease. For contracts that are, or contain, leases, the Company recognizes a right-of-use asset and lease liability at the commencement date.

Pursuant to IFRS 16 lessee accounting model, the right-of-use asset is initially measured at cost, which includes the initial amount of the liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and estimates of costs to remove or dismantle the underlying asset or to restore the underlying asset or site on which the asset is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method. The lease liability is initially measured at the present value of the lease payments that are not paid as of the lease commencement date, discounted using the rate implicit in the lease or, if the implicit rate cannot be readily determined, the Company's incremental borrowing rate.

The measurement of lease liabilities includes the following types of lease payments:

1) fixed payments, including in-substance fixed payments;
2) variable lease payments that depend on an index or rate, initially measured using the index or rate as of the commencement date;
3) amounts expected to be payable under any residual value guarantees; and
4) exercise price for options that the Company is reasonably certain to exercise for an extension or option to buy, and penalties for early termination of a lease unless the Company is reasonably certain that it will not terminate the lease early. The lease liability is measured at amortized costs using the effective interest method.

The lease liability is remeasured in the following circumstances:

1) if there is a change in the future lease payments resulting from a change in index or rate;
2) if there is a change in the Company's estimation of the amount expected to be payable under a residual value guarantee; and
3) if the Company changes its assessment of whether it will exercise an option to purchase, extend or terminate.

The Company has elected not to recognize right-of-use assets and liabilities for short-term leases that have a term of 12 months or less and for low-value assets.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

FINANCIAL INSTRUMENTS

I. FINANCIAL ASSETS

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed, and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL, where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income/loss.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Receivables and notes receivable are measured at amortized cost with subsequent impairments recognized in profit or loss. Cash and restricted cash are classified as FVTPL.

II. IMPAIRMENT

An 'expected credit loss' impairment model applies that requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account, and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

III. FINANCIAL LIABILITIES

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Accounts payable and accrued liabilities, promissory notes payable, consideration payable, convertible debentures, lease liabilities, other debt, and convertible promissory notes, are classified as amortized cost and carried on the consolidated statement of financial position at amortized cost. Derivative liabilities are carried at FVTPL.

SHARE BASED COMPENSATION

The Company measures equity settled share based payments based on their fair value at their grant date and recognizes share based compensation expense over the vesting period based on the Company's estimate of equity instruments that will eventually vest. Consideration paid to the Company on the exercise of stock options is recorded as share capital and the related share based compensation is transferred from reserve to share capital.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

INCOME TAXES

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity in other comprehensive income (loss).

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect to previous years. Current income taxes are determined using the applicable tax rates and tax laws.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period, the Company reassess its unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the recovery of the Company's deferred tax asset.

EARNINGS (LOSS) PER SHARE

The Company presents basic and diluted loss per share data for its common shares. Basic loss per share is calculated using the weighted average number of shares outstanding during the respective years. Diluted loss per share is computed by dividing net loss by the weighted average shares outstanding adjusted for additional shares from the assumed exercise of stock options, restricted share units, or warrants, if dilutive. The number of additional shares is calculated by assuming the outstanding dilutive convertible instruments, options, and warrants are exercised and that the assumed proceeds are used to acquire common shares at the average market price during the year. Diluted loss per share figures for the years presented are equal to those of basic loss per share for the years since the effects of convertible instruments, stock options and warrants are anti-dilutive.

REVENUE RECOGNITION

Revenue comprises the fair value of consideration received or receivable, for the sale of goods and services in the ordinary course of the Company’s activities. Revenue is shown net of returns and discounts.

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognizes revenue when it transfers control over a good or service to a customer.

For product sales of cannabis and cannabis derivative products, the Company transfers control and satisfies its performance obligation when collection has taken place, compliant documentation has been signed, and the product was accepted by the buyer.

BUSINESS COMBINATIONS

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The Company measures goodwill as the fair value of the consideration, less the net recognized amount of the identifiable assets and liabilities assumed, all measured at fair value as of the acquisition date. Any excess of the fair value of the net assets acquired over the consideration, is a gain on business acquisition and would be recognized as a gain in the consolidated statement of loss and comprehensive loss.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

TRANSACTION COSTS

Transaction costs that are directly attributable to the acquisition of financial liabilities, other than those at FVTPL, are added to or deducted from the fair value of the financial liability on initial recognition, as appropriate. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately through profit and loss.

Transaction costs associated with a business combination, (i.e., other than those associated with the issuance of debt or equity,) are expensed as incurred as a line item in the consolidated statement of loss and comprehensive loss.

RECLAMATION OBLIGATION

The Company recognizes the fair value of a legal or constructive liability for a reclamation obligation in the year in which it is incurred and when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability. Changes in the liability for a rehabilitation obligation due to the passage of time will be recognized within accretion expense. The amount will be recognized as an increase in the liability and an accretion expense in the consolidated statement of loss and comprehensive loss. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset.

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from those estimates and judgments.

Areas requiring a significant degree of estimation and judgment relate to the determination of business combinations, impairment of long-lived assets, biological assets and inventory, fair value measurements, useful lives, depreciation and amortization of property, equipment and intangible assets, the recoverability and measurement of deferred tax assets and liabilities, and share based compensation.

I. BUSINESS COMBINATIONS

Judgment is used in determining whether the Company's acquisition is considered a business combination or an asset acquisition. Additionally, judgment is required to assess whether any amounts paid on the achievement of agreed upon milestones represents contingent consideration or compensation for post-acquisition services. Judgment is also required to assess whether contingent consideration arising from an acquisition should be classified as a liability or equity. Contingent consideration classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement by the Company is accounted for within equity. Contingent consideration classified as a liability is remeasured at subsequent reporting dates in accordance with IAS 39 – *Financial Instruments: Recognition and Measurement*, or IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets.*

II. IMPAIRMENT OF LONG-LIVED ASSETS

When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. The recoverable amount is the greater of value-in-use and fair value less costs of disposal. Determining the value-in-use requires the Company to estimate expected future cash flows associated with the assets and a suitable discount rate in order to calculate present value.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

As a result of this review, the Company's assessment of the goodwill associated with the Oregon CGU indicated an impairment in value. The goodwill and intangibles of the Oregon CGU has therefore been written down by $22,375,225 (goodwill) and $1,536,260 (intangibles) see Note 14.

III. BIOLOGICAL ASSETS AND INVENTORIES

In calculating the value of the biological assets and inventory, management is required to make a number of estimates, including estimating the stage of growth of cannabis up to the point of harvest, harvesting costs, selling costs, sales price, wastage and expected yields for the cannabis plant. In calculating final inventory values, management is required to determine an estimate of spoiled or expired inventory and compare the inventory cost versus net realizable value.

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

Effective July 1, 2019 the Company has begun utilizing the Nevada Department of Taxation ("NDOT") determined wholesale fair market value for the period of future sales in order to calculate the expected selling price of its biological assets at its Nevada operations. Previously, the Company relied on observational inputs in the Nevada market, but the Company believes the NDOT observed values are more consistent and has observed peer issuers adopting the same valuation input.

IV. FAIR VALUE MEASUREMENTS

Certain assets and liabilities held by the Company are measured at fair value. In estimating fair value, the Company uses market-observable data to the extent that such data is available. In certain situations where Level 1 inputs are not available, the Company engages qualified, third-party valuators to perform the valuation.

V. ESTIMATED USEFUL LIVES AND DEPRECIATION AND AMORTIZATION OF PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

The Company's depreciation and amortization of property, equipment and intangible assets are dependent on the estimation of the assets' useful lives, which requires management to exercise judgment. The Company's assessment of any impairment of assets is dependent on its estimation of recoverable amounts that consider various factors, including market and economic conditions and the assets' useful lives.

VI. INCOME TAXES

Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted. The Company has not recorded any deferred tax assets for the years presented.

VII. SHARE BASED COMPENSATION

The Company uses the Black-Scholes option pricing model to measure share-based compensation. The Company's estimate of share based compensation is dependent on measurement inputs including the share price on measurement date, exercise price of the option, volatility, risk-free rate, expected dividends, and the expected life.

(Expressed in U.S. dollars)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

NEW ACCOUNTING STANDARDS ADOPTED

Effective February 1, 2019 the Company adopted IFRIC 23 – *Uncertainty Over Income Tax Treatments, which* clarifies how to apply the recognition and measurement requirements in IAS 12 – *Income Taxes* when there is uncertainty over income tax treatments. It has been adopted here with no impact.

3. ACQUISITION OF PHANTOM FARMS

On February 4, 2019, the Company acquired all membership units of Phantom Farms, which encompasses the following limited liability companies: Phantom Venture Group, LLC, Phantom Distribution, LLC, 63353 Bend, LLC, 20727-4 Bend, LLC, 4964 BFH, LLC, and Phantom Brands, LLC. Phantom Farms has outdoor cannabis cultivation facilities in southern Oregon and a wholesale distribution warehouse, an extraction laboratory and an indoor grow facility in central Oregon. The Company acquired Phantom Farms for total consideration of $10,539,260 comprised of cash deposits on closing of $3,200,000, a promissory note for $290,000, common shares issued in the amount of $2,507,138, share purchase warrants issued in the amount of $793,745, and an earnout valued at $3,748,377.

This acquisition is being accounted for using the acquisition method, in accordance with IFRS 3 – *Business Combinations*, with the assets and liabilities acquired recorded at their fair values at the acquisition date. The Company is required to allocate the purchase price to tangible and identifiable intangible assets acquired and liabilities assumed based on their fair values. The excess of the purchase price over those fair values of the net assets acquired is recorded as goodwill.

The purchase price and allocation of the purchase price is as follows:

	- $ -
Cash	13,121
Receivables	166,346
Inventory	884,113
Biological assets	75,499
Other assets	52,234
Property and equipment	92,501
Right-of-use asset	2,251,451
Lease liability	(2,251,451)
Brand	622,308
Customer relationships	581,616
Licenses	156,750
Goodwill	8,009,248
Accounts payable and accrued liabilities	(114,476)
Total assets and liabilites acquired	**10,539,260**
Cash deposits on closing date	3,200,000
Common shares issued	2,507,138
Stock warrants issued**	793,745
Consideration payable *	3,748,377
Promissory note payable	290,000
Total consideration	**10,539,260**

*all of the consideration payable was recognized as derivative liability (Note 21)
**value based on acquisition date share price of $1.23, exercise price of $1.50, expected life of 2 years, volatility of 102.6%, risk free rate of 2.50%

In an agreement signed contemporaneously, the Company committed to purchase SDP Development Group, LLC ("SDP") on October 15, 2020, which owned six real estate properties used in connection with Phantom Farms'

(Expressed in U.S. dollars)

3. ACQUISITION OF PHANTOM FARMS (CONTINUED)

cannabis cultivation, processing and distribution operations. The transaction was restructured and completed in February 2020, see Note 32.

At January 31, 2020, it was determined that the goodwill amounts for Phantom were impaired and should be written off. The Company has written off $8,009,248 of goodwill in relation to Phantom for the year ended January 31, 2020 (Note 14).

If the acquisition had been made on February 1, 2019, revenues and net income would not be affected.

4. ACQUISITION OF SWELL COMPANIES

On May 24, 2019, the Company acquired all the common shares held in Swell Companies Limited ("Swell"). Swell operates an extraction laboratory, manufacturing, and wholesale facility in Oregon. The Company acquired Swell for total consideration of $18,812,683 comprised of cash deposits and notes receivable of $5,050,000, a convertible promissory note for $1,000,000, assumed liabilities of $1,070,907, common shares issued in the amount of $1,130,363, stock warrants issued in the amount of $786,284, and consideration payable of $9,775,129.

This acquisition is being accounted for using the acquisition method, in accordance with IFRS 3 – *Business Combinations*, with the assets and liabilities acquired recorded at their fair values at the date of acquisition. The Company is required to allocate the purchase price to tangible and identifiable intangible assets acquired and liabilities assumed based on their fair values. The excess of the purchase price over those fair values of the net assets acquired is recorded as goodwill.

The purchase price and allocation of the purchase price is as follows:

	- $ -
Cash	173,422
Receivables	160,801
Inventory	2,069,349
Other assets	13,565
Property and equipment	1,152,519
Right-of-use asset	611,890
Lease liability	(611,890)
Brand	709,496
Customer relationships	592,852
Licenses	915,000
Goodwill	13,676,649
Accounts payable and accrued liabilities	(650,970)
Total assets and liabilites acquired	**18,812,683**
Cash deposits and notes receivable	5,050,000
Convertible promissory note	1,000,000
Liabilities assumed	1,070,907
Common shares issued	1,130,363
Stock warrants issued**	786,284
Consideration payable *	9,775,129
Total consideration	**18,812,683**

*consideration payable includes $4,707,370 of derivative liabilities (Note 21)
**value based on acquisition date share price of $1.20, exercise price of $1.50, expected life of 5 years, volatility of 102.6%, risk free rate of 2.16%

During the year the Company finalized an agreement with the former owners Swell Companies Limited (the "Swell Vendors") to amend the terms of the Company's forward-cash obligations to the Swell Vendors. Pursuant to the

(Expressed in U.S. dollars)

4. ACQUISITION OF SWELL COMPANIES (CONTINUED)

terms of the amended agreement: (a) the cash sum due to the Swell Vendors through September 2019 under the original agreement, in the amount of $850,000, will be paid by the Company on or before July 1, 2020 with interest from Nov 15, 2020 at 9.5%.; and (b) the sum of $7,350,000 due to the Swell Vendors on May 24, 2021 under the original agreement, including the Swell Vendors' option to receive $5,000,000 of such sum in cash, will be satisfied in full by the issuance of 7,015,238 common shares of C21. The shares were issued into escrow on December 27, 2019 and will be released as follows: (a) twenty-five percent (25%) four-months-and-a-day from

October 4, 2019; and (b) the remainder of the shares in three equal instalments of one-third every four months thereafter.

At May 24, 2019, consideration payable included derivative liabilities of $4,707,370, cash consideration payable of $846,256 and commitment to issue shares of $4,221,503.

At January 31, 2020, it was determined that the goodwill and intangible amounts for Swell were impaired and should be written off. The Company has written off $13,676,649 of goodwill and $1,536,260 of intangibles for the year ended January 31, 2020 (Note 14).

If this acquisition had been in effect at February 1, 2019, estimated revenues would have been $1.37M higher and estimated net income $0.94M lower.

5. ACQUISITION OF SILVER STATE

On January 1, 2019, the Company acquired all membership units of Silver State Relief LLC and Silver State Cultivation LLC, which collectively form an integrated licensed cannabis operation comprised of two dispensary locations in Sparks and Fernley Nevada, and a cultivation and processing facility in Sparks Nevada (hereinafter called "Silver State"). The Company acquired Silver State for total consideration of $49,105,048 comprised of cash deposits upon closing of $9,009,800, consideration payable of $1,143,873, common shares issued in the amount of $8,951,375, and a promissory note for $30,000,000 (Note 18).

The purchase price and the allocation of the purchase price is as follows:

	- $ -
Cash	417,453
Inventory	5,903,468
Biological assets	2,113,917
Other assets	16,085
Property and equipment	569,518
Right-of-use assets	3,950,682
Lease liability	(3,857,682)
Customer relationships	1,540,447
Dispensary licenses	11,790,274
Cultivation license	100,000
Goodwill	28,541,323
Accounts payable and accrued liabilities	(1,980,437)
Total assets and liabilities acquired	**49,105,048**
Cash deposits on closing date	9,009,800
Consideration payable	1,143,873
Promissory note payable	30,000,000
Common shares issued	8,951,375
Total consideration	**49,105,048**

This acquisition is being accounted for using the acquisition method, in accordance with IFRS 3, with the assets and liabilities acquired recorded at their fair values at the acquisition date.

(Expressed in U.S. dollars)

5. ACQUISITION OF SILVER STATE (CONTINUED)

The Company is required to allocate the purchase price to tangible and identifiable intangible assets acquired and liabilities assumed based on their fair values. The excess of the purchase price over those fair values of the net assets acquired is recorded as goodwill.

If this acquisition had been in effect at February 1, 2018, estimated revenues would have been $22.8M higher and estimated net income $10M higher.

6. ACQUISITION OF MEGAWOOD ENTERPRISES

On January 23, 2019, the Company acquired all shares of Megawood Enterprises, Inc., a licensed cannabis retail operation located in Portland, Oregon for total consideration of $794,888 comprised of consideration paid/payable of $650,000, closing working capital deficit of $30,112, and a convertible promissory note for $175,000.

This acquisition is being accounted for using the acquisition method, in accordance with IFRS 3, with the assets and liabilities acquired recorded at their fair values at the acquisition date.

The Company is required to allocate the purchase price to tangible and identifiable intangible assets acquired and liabilities assumed based on their fair values. The excess of the purchase price over those fair values of the net assets acquired is recorded as goodwill.

The purchase price and the allocation of the purchase price is as follows:

	- $ -
Cash	38,570
Inventory	46,162
Other assets	10,705
Property and equipment	40,983
Right-of-use asset	221,007
Lease liability	(221,007)
Dispensary license	50,000
Goodwill	689,328
Accounts payable and accrued liabilities	(80,860)
Total assets and liabilities acquired	**794,888**
Cash consideration paid	280,000
Consideration payable	231,395
Convertible promissory note	175,000
Advances to vendor cancelled upon closing	138,605
Closing working capital deficit receivable	(30,112)
Total consideration	**794,888**

At January 31, 2020, it was determined that the goodwill amounts for Megawood were impaired and should be written off. The Company has written off $689,328 of goodwill in relation to Megawood for the year ended January 31, 2020 (Note 14).

7. ACQUISITON OF ECO FIRMA FARMS

On June 13, 2018, the Company acquired all membership units of EFF, a licensed recreational cannabis cultivation operation located outside of Portland, Oregon for total consideration of $7,849,684 comprised of assumed liabilities of $3,944,049, a convertible promissory note for $2,000,000 and a share payment note for $1,905,635. This acquisition is being accounted for using the acquisition method, in accordance with IFRS 3 – *Business Combinations* ("IFRS 3"), with the assets and liabilities acquired recorded at their fair values at the acquisition date. The Company is required to allocate the purchase price to tangible and identifiable intangible assets

(Expressed in U.S. dollars)

7. ACQUISITON OF ECO FIRMA FARMS (CONTINUED)

acquired and liabilities assumed based on their fair values. The excess of the purchase price over those fair values of the net assets acquired is recorded as goodwill.

The purchase price and the allocation of the purchase price is as follows:

	- $ -
Cash	65,572
Receivables	122,840
Inventory	723,170
Biological assets	184,617
Other assets	70,120
Property and equipment	1,736,628
Right-of-use asset	3,689,418
Lease liability	(3,689,418)
Cultivation license	120,000
Goodwill	5,160,741
Accounts payable and accrued liabilities	(334,004)
Total assets and liabilites acquired	**7,849,684**
Liabilities assumed	3,944,049
Convertible promissory note	2,000,000
Share payment note	1,905,635
Total consideration	**7,849,684**

On June 13, 2018, in conjunction with the acquisition of EFF, the Company issued a share payment note in the amount of $1,905,635 without interest, by the allotment and issuance of 2,142,000 common shares of C21, any time after October 15, 2018. The Company recognized the share payment note within equity.

On June 13, 2018, in conjunction with the acquisition of EFF, the Company issued a convertible promissory note for $2,000,000 maturing June 13, 2021. The value of the financial and derivative liability component was determined at the date of issuance in the amounts of $1,606,990 and $393,010 respectively (Note 21). Subsequent to the year ending January 31, 2019, one of the vendors that sold EFF, converted their portion of the convertible note to 977,479 common shares.

An earn-out amount was contemplated in the purchase agreement and amendment to the purchase agreement, in which the Company agreed to deliver to the vendors one common share of C21, at a deemed issue price of $1.00 per share if the EBITDA earned by the Company if upon satisfying the agreed upon amounts ("Earn Out") and average wholesale flower prices were in excess of $1,400 per pound. Management has determined that the Earn Out has $nil value.

At January 31, 2019, it was determined that the goodwill amounts for EFF were impaired and should be written off. The Company has written off $5,160,741 of goodwill in relation to EFF for the year ended January 31, 2019 (Note 14).

8. RESTRICTED CASH

The Company has cash on deposit with the Alberta Energy Regulator (“AER”) under the AER’s Liability Management programs to cover potential liabilities relating to its wells. The required security deposit with the AER is determined based on a monthly licensee management rating assessment.

(Expressed in U.S. dollars)

9. RECEIVABLES

as at January 31,	2020	2019	2018
Taxes receivable	$ 22,014	$ 65,476	$ 12,138
Trade receivable	423,083	69,692	-
Allowance for doubtful accounts	(1,975)	(55,215)	-
	$ 443,122	**$ 79,953**	**$ 12,138**

All of the Company's trade and other receivables have been reviewed for indicators of impairment. Accounts receivable more than 90 days past due totaled $40,911 at January 31, 2020 (January 31, 2019 – $6,000).

10. BIOLOGICAL ASSETS

The Company's biological assets consist of cannabis plants. The continuity for biological assets for the year ended January 31, 2020, was as follows:

Balance, January 31, 2018 & 2017	**$ -**
Acquired biological assets	2,298,534
Fair value adjustment on biological assets	(278,920)
Increase in biological assets due to capitalized costs	1,751,906
Transferred to inventory upon harvest	(1,900,980)
Balance, January 31, 2019	**$ 1,870,540**
Acquired biological assets	75,499
Fair value adjustment on biological assets	1,243,340
Increase in biological assets due to capitalized costs	7,615,455
Transferred to inventory upon harvest	(9,396,563)
Balance January 31, 2020	**$ 1,408,271**

Biological assets are valued in accordance with IAS 41 – *Agriculture* ("IAS 41") and are presented at their fair values less costs to sell up to the point of harvest. The Company's biological assets are primarily cannabis plants, and because there is no actively traded commodity market for plants or dried product, the valuation of these biological assets is obtained using valuation techniques where the inputs are based upon unobservable market data (Level 3).

The valuation of biological assets is based on a market approach where fair value at the point of harvest is estimated based on selling prices less the costs to sell at harvest. For in process biological assets, the fair value at point of harvest is adjusted based on the stage of growth. As at January 31, 2020, on average, the biological assets were 54% complete as to the next expected harvest date.

The significant unobservable inputs and their range of values are noted in the table below:

			Effect on Fair Value as of January 31:	
Significant Inputs and Assumptions	**Range of Inputs**	**Sensitivity**	**2020**	**2019**
Selling Price Per Gram	$1.99 to $5.29	Increase 5%	$ 71,297	12,001
		Decrease 5%	$ (71,658)	(9,200)
Estimated Yield Per Cannabis Plant	45.36 to 1,696.43 grams	Increase 5%	$ 70,423	91,756
		Decrease 5%	$ (70,423)	(91,756)

During the year ended January 31, 2020, the Company's biological assets produced 4,642,080 grams (2019 – 1,184,756 grams).

(Expressed in U.S. dollars)

11. INVENTORY

Inventories consist of:

as at January 31,	2020	2019	2018
Finished goods	$ 3,878,754	$ 2,283,439	
Work in progress	2,313,089	4,575,595	-
	$ 6,191,843	**$ 6,859,034**	**$ -**

Inventories expensed to cost of sales during the year ended January 31, 2020 was $25,625,734 (2019 - $2,681,864). Included in inventory expensed to cost of sales during the year ended January 31, 2020 were fair value adjustments recognised which increased cost of sales by $4,000,000 (2019 - $Nil). This one-time non-cash charge is related to the fair value of inventory acquired in the Silver State acquisition which closed January 1, 2019. This inventory was fully sold during the first six months of the year ended January 31, 2020.

In addition, at January 31, 2020, inventories included fair value adjustments of biological assets $1,383,411 (2019 $278,920).

12. NOTES RECEIVABLE AND DEPOSITS

Note receivable and deposits consist of:

as at January 31,	2020	2019	2018
Promissory notes receivable	$ -	$ 5,345,000	$ -
Deposit on acquisition	-	900,000	-
Accrued interest receivable	-	216,897	-
Additional advances	-	14,618	-
	$ -	**$ 6,476,515**	**$ -**

NOTES RECEIVABLE

During the year ended January 31, 2019, the Company entered into agreements for the following notes receivable from private companies in the cannabis industry:

a) the Company loaned a total of $3,845,000 to Swell Companies Ltd. ("Swell") by way of promissory notes. Subsequent to January 31, 2019, a further $1,055,000 was advanced to Swell on a $5,400,000 promissory note, which replaced all previous promissory notes. The note accrues interest at 0.833% monthly and is secured over all of the entity's fixed and floating assets. The principal amount of up to $5,400,000 plus any accrued and unpaid interest is due on or before May 30, 2019. Accrued interest on this note is $190,264 at January 31, 2019.

b) the Company loaned a total of $1,500,000 to Phantom Venture Group, LLC. ("Phantom") by way of promissory note. The note accrues interest at 0.333% monthly and is secured over all of the entity's fixed and floating assets, the principal amount plus any accrued and unpaid interest is due on or before March 31, 2019. (Note 31). Accrued interest on this note is $26,633 at January 31, 2019. An additional $14,618 was advanced to Phantom pre-acquisition for ongoing operational costs during the year ended January 31, 2019.

   During the year ended January 31, 2020, the Company completed transactions to acquire Swell (Note 4) and Phantom (Note 3) and applied these loans to the purchase price.

DEPOSITS ON ACQUISITIONS

Pursuant to a definitive agreement for the acquisition of Phantom, the Company made an advance deposit of $900,000 to be applied to the purchase consideration. The advance was made by the issuance of a promissory note that accrues interest at 0.333% monthly and is secured over all of the entity's fixed and floating assets.

During the year ended January 31, 2020 the Company completed the transaction to acquire Phantom (Note 3) and applied this loan to the purchase price.

(Expressed in U.S. dollars)

13. PROPERTY AND EQUIPMENT

	Land and building	Leasehold improvements	Furniture & fixtures	Computer equipment	Machinery & equipment	Total
Cost						
Balance, January 31, 2018 and 2017	$ -	$ -	$ -	$ -	$ -	$ -
Assets from acquisition	-	1,352,393	416,609	66,358	511,769	2,347,129
Additions	-	107,402	62,255	30,427	7,995	208,079
Disposals	-	-	-	-	(90,100)	(90,100)
Balance, January 31, 2019	$ -	$ 1,459,795	$ 478,864	$ 96,785	$ 429,664	$ 2,465,108
Assets from acquisition	-	522,279	50,388	25,846	646,507	1,245,020
Additions	4,675,389	97,956	12,350	-	560,328	5,346,023
Impairment	(3,305,176)	(709,064)	(125,282)	-	-	(4,139,522)
Balance, January 31, 2020	$ 1,370,213	$ 1,370,966	$ 416,320	$ 122,631	$ 1,636,499	$ 4,916,629
Accumulated Depreciation						
Balance, January 31, 2018 and 2017	$ -	$ -	$ -	$ -	$ -	$ -
Depreciation expense	-	(301,583)	(65,074)	(7,619)	(8,822)	(383,098)
Balance, January 31, 2019	$ -	$ (301,583)	$ (65,074)	$ (7,619)	$ (8,822)	$ (383,098)
Depreciation expense	(128,225)	(214,331)	(88,667)	(52,324)	(215,853)	$ (699,400)
Balance, January 31, 2020	$ (128,225)	$ (515,914)	$ (153,741)	$ (59,943)	$ (224,675)	$ (1,082,498)
Carrying amount, Jan. 31, 2019	$ -	$ 1,158,212	$ 413,790	$ 89,166	$ 420,842	$ 2,082,010
Carrying amount, Jan. 31, 2020	$ 1,241,988	$ 855,052	$ 262,579	$ 62,688	$ 1,411,824	$ 3,834,131

Total depreciation expense for the year ended January 31, 2020 is $699,400 (2019 - $383,098) (2018-Nil). Of the total expense, $479,662 was allocated to inventory during the year ended January 31, 2020 (2019 - $354,560) (2018-Nil).

Impairment of real estate assets in Canby, Oregon has been identified by way of an appraisal obtained in October 2019. The Company is evaluating this asset as part of its restructuring and integration of the Oregon assets.

14. INTANGIBLE ASSETS AND GOODWILL

	Licenses	Branding	Customer relationships	Start up costs	Total
Cost					
Balance, January 31, 2018 and 2017	$ -	$ -	$ -	$ -	$ -
Additions from acquisitions	12,060,274	-	1,540,447	7,783	13,608,504
Balance, January 31, 2019	$ 12,060,274	$ -	$ 1,540,447	$ 7,783	$ 13,608,504
Additions from acquisitions	1,071,750	1,331,804	1,174,468	-	3,578,022
Impairment of intangibles	(428,626)	(391,759)	(715,875)	-	(1,536,260)
Balance, January 31, 2020	$ 12,703,398	$ 940,045	$ 1,999,040	$ 7,783	$ 15,650,266
Accumulated Amortization					
Balance, January 31, 2018 and 2017	$ -	$ -	$ -	$ -	$ -
Amortization expense	(214,171)	-	(25,674)	(79)	(239,924)
Balance, January 31, 2019	(214,171)	-	(25,674)	(79)	(239,924)
Amortization expense	(2,228,051)	(33,295)	(443,641)	(729)	(2,705,716)
Balance, January 31, 2020	$ (2,442,222)	$ (33,295)	$ (469,315)	$ (808)	$ (2,945,640)
Carrying amount, January 31, 2019	**$ 11,846,103**	**$ -**	**$ 1,514,773**	**$ 7,704**	**$ 13,368,580**
Carrying amount, January 31, 2020	**$ 10,261,176**	**$ 906,750**	**$ 1,529,725**	**$ 6,975**	**$ 12,704,626**

Total amortization expense from intangible assets for the year ended January 31, 2020 is $2,705,716 (2019 - $239,924) (2018-Nil). Of the total expense, $309,633 was allocated to inventory during the years ended January 31, 2020 (2019 – Nil) (2018-Nil).

(Expressed in U.S. dollars)

14. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

The continuity of Goodwill for the years ending January 31, 2020, 2019 and 2018 is as follows:

	Eco Firma Farms, LLC Oregon	Phantom Farms Oregon	Silver State Companies Nevada	Megawood Enterprises Oregon	Swell Companies Oregon	Total
Balance, January 31, 2018 and 2017	$ -	$ -	$ -	$ -	$ -	$ -
Additions from acquisitions	5,160,741	-	28,541,323	689,328	-	$ 34,391,392
Impairment of Goodwill	(5,160,741)	-	-	-	-	$ (5,160,741)
Balance, January 31, 2019	-	-	28,541,323	689,328		29,230,651
Additions from acquisitions	-	8,009,248	-	-	13,676,649	21,685,897
Impairment of Goodwill	-	(8,009,248)	-	(689,328)	(13,676,649)	(22,375,225)
Balance, January 31, 2020	$ -	$ -	$ 28,541,323	$ -	$ -	$ 28,541,323

As a result of capitalized goodwill the Company tested each of the cash-generating units ("CGUs") for impairment at year end.

At January 31, 2020, the estimated recoverable amount of the Oregon geographic CGU was lower than the segment's carrying value. The Company recognized an impairment loss for the Oregon CGU totaling $22,375,225 of goodwill, and $1,536,260 of intangibles; this loss has been treated as Impairment of goodwill and intangible assets on the Consolidated Statement of Loss and Comprehensive Loss.

At January 31, 2019, the estimated recoverable amount of the Oregon geographic CGU was lower than the segment's carrying value. The Company recognized an impairment loss on goodwill for the Oregon CGU totaling $5,160,741; this loss has been treated as Impairment of goodwill and intangible assets on the Consolidated Statement of Loss and Comprehensive Loss.

15. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

as at January 31,	2020	2019	2018
Accounts payable	$ 1,136,955	$ 1,398,196	$ 85,014
Accrued liabilities	1,449,286	3,297,310	44,796
Interest payable	902,033	285,610	22,358
	$ 3,488,274	**$ 4,981,116**	**$ 152,168**

16. LEASE LIABILITIES AND RIGHT-OF-USE ASSETS

Under IFRS 16 – *Leases*, the Company assesses whether a contract is, or contains, a lease. For contracts that are, or contain, leases, the Company recognizes a right-of-use asset and lease liability at the commencement date. If the contract does not contain a lease, then the contract is classified as a service that is not reported on the statement of financial position.

The Company has identified ten contracts executed by the Company and its wholly owned subsidiaries that are leases as defined under IFRS 16. In analyzing the identified agreements, the Company applied the lessee accounting model pursuant to IFRS 16 and considered all of the facts and circumstances surrounding the inception of the contract (but not future events that are not likely to occur). Lease liabilities were calculated with discount rates ranging from 10-20%.

(Expressed in U.S. dollars)

16. LEASE LIABILITIES AND RIGHT-OF-USE ASSETS (CONTINUED)

Based on all the facts and circumstances at the inception of the contract, the Company has determined that all identified agreements contain a lease as defined by IFRS 16, including:

Entity Name/Lessee	Asset	Contains a lease?	Useful life (years)
C21 Investments Inc.	Office Suite	Yes	5
Swell Companies, LTD	Land/Building	Yes	5
Silver State Cultivation LLC	Land/Building	Yes	5
Silver State Relief LLC (Sparks)	Land/Building	Yes	5
Silver State Relief LLC (Fernley)	Land/Building	Yes	5
Megawood Enterprises Inc.	Land/Building	Yes	5
Phantom Distribution, LLC	Land/Building	Yes	5
63353 Bend, LLC	Land/Building	Yes	5
20727-4 Bend, LLC	Land/Building	Yes	5
4964 BFH, LLC	Land/Building	Yes	5

The financial statement effects concerning lease liabilities are as follows:

Maturity Analysis - contractual undiscounted cash flows		
Less than one year	$	1,701,024
One to five years		4,903,437
Total undiscounted lease liabilities at January 31, 2020	**$**	**6,604,464**
Lease liabilities included in the statement of financial position		
Current		1,131,149
Non-current		3,870,213
Balance, January 31, 2020	**$**	**5,001,362**
Amounts recognized in profit or loss		
Interest on lease liabilities	$	566,820
Total cash outflow for leases	**$**	**1,758,391**

The financial statement effects concerning right-of-use assets are as follows:

Cost		
Balance, January 31, 2018 and 2017		-
Right-of-use additions		7,861,107
Balance, January 31, 2019	$	7,861,107
Right-of-use additions		3,386,237
Adjustment*		(927,300)
Disposal**		(4,197,087)
Balance, January 31, 2020	**$**	**6,122,957**
Accumulated Amortization		
Balance, January 31, 2018	$	-
Amortization expense		(116,496)
Balance, January 31, 2019	$	(116,496)
Disposal		230,685
Amortization expense		(1,576,459)
Balance, January 31, 2020	$	(1,462,270)
Carrying Amount, January 31, 2019	**$**	**7,744,611**
Carrying Amount, January 31, 2020	**$**	**4,660,687**

*During the year ended January 31, 2020, the Company entered into amending lease agreements on six leases resulting in adjustments to ROU assets and lease liabilities of $927,300. The capitalisation rate was lowered on all six leases.

**During the year ended January 31, 2020, the Company derecognized ROU assets and lease liabiltiies of $3,800,000 on acquisition of land and building that was subject to lease. The Company terminated another $397,087 in leases during the same year resulting in decreases in lease liabilities and ROU assets. Accumulated amortization in these lease disposals of $230,685 was adjusted on disposal.

17. LONG TERM DEBT

	Mortgage on building	Equipment and Vehicle loans	Total
Balance, January 31, 2019, 2018 and 2017	$ -	$ -	$ -
Assumed in PP&E acquisitions	513,294	186,463	699,757
Payments	(16,910)	(62,511)	(79,421)
Balance, January 31, 2020	**$ 496,384**	**$ 123,952**	**$ 620,336**
Current portion	$ 23,707	$ 102,412	$ 126,119
Long-term portion	$ 472,677	$ 21,540	$ 494,217

18. CONVERTIBLE DEBENTURES AND PROMISSORY NOTES

Convertible notes (or debentures) are compound financial instruments that are accounted for based on their components of financial liability and equity. The financial liability component represents the Company's future obligation to pay coupon interest and principal. The liability component is initially measured at its net present value and subsequently measured at its amortized cost. After the net present value of the financial liability is determined, any residual amount is reported as an equity instrument at the convertible debentures' issuance date.

Transaction costs related to the issuance of convertible notes are apportioned to their respective financial liability and equity components in proportion to the allocation of proceeds as a reduction to the carrying amount of each component.

When valuing the financial liability component of the convertible notes, the Company used specific interest rates assuming no conversion features existed. The resulting liability component is accreted to its face value over the convertible note's term until its maturity date.

The following is the continuity of the Company's convertible debentures issued in Canadian dollars. All below disclosure is denominated in U.S. dollars:

	Convertible debentures			
	March 26, 2018 issuance	December 31, 2018 issuance	January 30, 2019 issuance	Total
Balance, January 31, 2018 and 2017	$ -	$ -	$ -	$ -
Issued	25,996,000	3,711,179	7,447,350	37,154,529
Equity portion	(2,958,335)	-	-	(2,958,335)
Conversion	(22,521,663)	-	-	(22,521,663)
Transaction costs	(938,271)	(550,709)	(469,497)	(1,958,477)
Interest paid	(452,956)	(31,807)	-	(484,763)
Accretion expense	875,225	53,137	-	928,362
Balance, January 31, 2019	-	3,181,800	6,977,853	10,159,653
New issuances	-	265,146	388,486	653,632
Conversions	-	(1,546,384)	(2,993,607)	(4,539,991)
Foreign exchange gain	-	8,318	67,403	75,721
Interest	-	322,348	559,398	881,746
Accretion expense	-	186,664	170,385	357,049
Interest paid-cash	-	(268,503)	(452,052)	(720,555)
Balance, January 31, 2020	**$ -**	**$ 2,149,389**	**$ 4,717,866**	**$ 6,867,255**
Current portion	$ -	$ 2,149,389	$ 4,717,866	$ 6,867,255
Long-term portion	$ -	$ -	$ -	$ -

18. CONVERTIBLE DEBENTURES AND PROMISSORY NOTES (CONTINUED)

The following transactions occurred during the year ending January 31, 2019:

(a) On March 26, 2018, the Company completed a non-brokered convertible debenture private placement in the total principal amount of C$33,500,000, in which the Company paid C$1,209,112 in transaction costs. Each convertible debenture accrues interest at a rate of 8% per annum, compounded annually, and is fully due and payable on March 26, 2020. The calculation of the debt considered a discount rate of 15%. The convertible debentures are convertible into common shares at a conversion price of C$1.00 per conversion share, which are subject to the Company being fully listed for trading on the CSE. Upon the Company receiving final approval to list its common shares on the CSE, the convertible debentures will be forced to convert into a total of 33,500,000 common shares of the Company. In connection with the private placement, the Company issued non-transferable share purchase warrants for the purchase of up to 765,795 common shares of the Company. The Warrants are exercisable at C$1.00 per share commencing on the date of listing of the Company on the CSE and will expire on March 25, 2019. On June 18, 2018, the Company listed on the CSE and forced conversion of the convertible debentures in the total principal amount of C$33,500,000 to 33,500,000 common shares and issued 3,350,000 common shares as a loan bonus.

(b) On December 31, 2018, the Company completed the first tranche of a brokered convertible debenture private placement of units for total gross proceeds of C$5,063,000, for which the Company paid C$664,001 in transaction costs. Each unit consists of one C$1,000 principal amount 10% unsecured convertible debenture and one-half of one debenture purchase warrant. The calculation of the debt considered a discount rate of 10%. Each whole warrant entitles the holder to purchase, for a period of 24 months from the date of issue, one additional C$1,000 principal amount 10% unsecured convertible debenture at an exercise price of C$1,000 per warrant debenture. The calculation of the debt considered a discount rate of 10%. The debentures are convertible to the Company's common shares at a price of C$0.80 per common share. The warrant debentures are convertible into the Company's common shares at a price of C$0.90 per common share. The debentures and warrant debentures mature two years from the date of issue. Each of the debentures and warrant debentures, as applicable, accrues interest at a rate of 10% per annum, compounded annually, and is fully due and payable on December 31, 2020.

(c) On January 30, 2019, the Company completed the second and final tranche of a brokered convertible debenture private placement of units for total gross proceeds of C$9,825,000, for which the Company paid C$619,389 in transaction costs. Each unit consists of one C$1,000 principal amount 10% unsecured convertible debenture and one-half of one debenture purchase warrant. Each whole warrant entitles the holder to purchase, for a period of 24 months from the date of issue, one additional C$1,000 principal amount 10% unsecured convertible debenture at an exercise price of C$1,000 per warrant debenture.

The calculation of the debt considered a discount rate of 10%. The debentures are convertible to the Company's common shares at a price of C$0.80 per common share.

The warrant debentures are convertible into the Company's common shares at a price of C$0.90 per common share. The debentures and warrant debentures mature two years from the date of issue. Each of the debentures and warrant debentures, as applicable, accrues interest at a rate of 10% per annum, compounded annually, and is fully due and payable on January 30, 2021.

The following transactions occurred during the year ending January 31, 2020:

(d) During the year, 359 warrants (2019-Nil) were exercised in connection with the convertible debentures issued on December 31, 2018, resulting in gross proceeds of C$359,000 and of those, 250 warrant debentures (2019-Nil) were converted into common shares of the Company. At January 31, 2020, 2,315 warrant were available to be exercised (2019-2,674).

(e) During the year, 526 warrants (2019-Nil) were exercised in connection with the convertible debentures issued on January 30, 2019, resulting in gross proceeds of C$526,000 and of those, 487 warrants debentures (2019-Nil) were converted into common shares of the Company. At January 31, 2020, 4,664 warrant were available to be exercised (2019-5,190).

18. CONVERTIBLE DEBENTURES AND PROMISSORY NOTES (CONTINUED)

The following is a continuity of the Company's convertible promissory notes denominated in U.S. dollars:

	Convertible promissory notes			
	June 13, 2018 issuance	January 23, 2019 issuance	May 24, 2019 issuance	Total
Balance, January 31, 2018 and 2017	$ -	$ -	$ -	$ -
Issued	2,000,000	175,000	-	2,175,000
Derivative liabilities	(393,010)	-	-	(393,010)
Accretion expense	63,840	-	-	63,840
Balance, January 31, 2019	1,670,830	175,000	-	1,845,830
Issued	-	-	1,000,000	1,000,000
Conversion	(660,647)	-	-	(660,647)
Interest	48,600	-	69,041	117,641
Accretion expense	77,282	-	-	77,282
Balance, January 31, 2020	**$ 1,136,065**	**$ 175,000**	**$ 1,069,041**	**$ 2,380,106**
Current portion	$ -	$ 175,000	$ 1,069,041	$ 1,244,041
Long-term portion	$ 1,136,065	$ -	$ -	$ 1,136,065

On June 13, 2018, the Company issued a convertible promissory note to the vendor that sold Eco Firma Farms, LLC to the Company in the principal amount of $2,000,000. The convertible note is convertible at a conversion price of $1.00 per share and $0.825 per conversion share dependent upon the vendor. The convertible note accrues interest at a rate of 4% per annum, compounded annually, and is fully due and payable on June 13, 2021, and subsequent to year ending January 31, 2019, one vendor converted their portion of the convertible note to 977,479 common shares. On issuance, the Company determined the conversion feature was a derivative liability (Note 16).

On January 23, 2019, the Company issued a convertible promissory note to the vendor that sold Megawood Enterprises, Inc. to the Company in the principal amount of $175,000. The convertible note is convertible into 35,000 common shares of the Company at a conversion price of C$5.00 per conversion share and may be converted at any time between October 24, 2019 and January 24, 2020. On issuance, the Company determined the conversion feature was a derivative liability (Note 16).

On May 24, 2019, the Company issued a two year unsecured convertible promissory note to a debtor of Swell Companies in the principal amount of $1,000,000. The convertible note accrues interest at 10% per annum compounded annually and payable at maturity. The holder of the note can accelerate payment to the first anniversary date of the note and therefore this is classified as a current liability. The note is convertible into common shares of the Company at a conversion price of US$1.56 per share and may be converted at the maturity date.

The following is a continuity of the Company's promissory notes denominated in U.S. dollars:

	Promissory notes payable		
	January 1, 2019 issuance	February 4, 2019 issuance	Total
Balance, January 31, 2018 and 2017	$ -	$ -	$ -
Issued	30,000,000	-	30,000,000
payments	-	-	-
Balance, January 31, 2019	30,000,000	-	30,000,000
Issued	-	290,000	290,000
Payments	(8,800,000)	(290,000)	(9,090,000)
Balance, January 31, 2020	**$ 21,200,000**	**$ -**	**$21,200,000**
Current portion	$ 21,200,000	$ -	$ 21,200,000
Long-term portion	$ -	$ -	$ -

18. CONVERTIBLE DEBENTURES AND PROMISSORY NOTES (CONTINUED)

On January 1, 2019, the Company issued a promissory note to the vendor that sold Silver State to the Company (Sonny Newman) in the principal amount of $30,000,000. The note is payable in the following principal installments: $3,000,000 on April 1, 2019, $6,000,000 on each of July 1, 2019, October 1, 2019, January 1, 2020, and April 1, 2020, and $3,000,000 on July 1, 2020. The note accrues interest at a rate of 10% per annum. The Note is secured by the all of the outstanding membership interests, and a security interest in all of the assets, of Silver State.

On July 1, 2019 the terms of the promissory note payable for the acquisition of Silver State were amended to call for immediate payment of $2,000,000 plus accrued interest on July 1, 2019 followed by payments of $800,000 plus accrued interest on the first of each of August, September, October, November, and December 2019.

Effective November 21, 2019 and June 25, 2020, Sonny Newman and the Company agreed to further amend the terms of the secured promissory note due to Mr. Newman. The December 1, 2019 principal payment of $800,000 was cancelled and the monthly principal payments thereafter were reduced to $600,000 per month. Further, the annual interest rate on the note was reduced from 10% to 9.5%. The remaining balance on the note is due and payable on January 1, 2021. This modification resulted in a gain of $nil. For the year ended January 31, 2020, interest expense was $2,511,770 (2019-$246,575) and interest paid was $2,391,562 (2019- $nil).

19. RECLAMATION OBLIGATION

The Company has recorded a decommissioning provision in connection with estimated reclamation costs on a previously written off property. The obligation is recognized based on the estimated future reclamation costs. The Company had two wells in Alberta which were determined to be uneconomic and costs have been incurred to plug these wells. Reclamation and remediation work is still required to bring the site back to its natural state.

(Expressed in U.S. dollars)

20. SHARE CAPITAL AND RESERVES

Share capital consists of one class of fully paid common shares, with no par value. The Company is authorized to issue an unlimited number of common shares. All shares are equally eligible to receive dividends and repayment of capital and represent one vote at the Company's shareholders' meetings.

The following table reflects the continuity of share capital from January 31, 2017 to January 31, 2020:

	Number of Shares		Amount
Balance, January 31, 2017	**1,979,695**	**$**	**12,820,278**
Shares issued - conversion of debentures (i)	3,640,000		669,140
Shares issued - to settle aged payables (ii)	360,000		65,192
Balance, January 31, 2018	**5,979,695**	**$**	**13,554,610**
Shares issued - conversion of debentures (iii)	36,850,000		25,479,998
Shares issued - to settle aged payables (iv)	50,000		83,941
Shares issued - private placement financing (v)	2,082,000		3,919,162
Shares issued - warrant exercises (vi)	2,750		2,953
Shares issued - option exercises (vii)	100,000		99,782
Shares issued - acquisition of Silver State (viii)	12,500,000		8,951,375
Shares issued - settle share payment note (ix)	940,810		832,162
Balance, January 31, 2019	**58,505,255**		**52,923,983**
Shares issued - acquisition of Phantom Farms (x)	2,670,000		2,507,138
Shares issued - conversion of promissory note (xi)	977,479		660,647
Shares issued - warrant exercises (xii)	915,545		1,018,748
Shares issued - option exercises (xiii)	80,000		77,980
Shares issued - acquisition of Swell (xiv)	8,281,905		4,927,178
Shares issued - acquisition of EFF building (xv)	3,983,886		4,136,646
Shares issued - partial settlement of EFF share payment note (xvi)	368,688		368,688
Shares issued - private placement (xvii)	5,589,493		4,895,379
Shares issued - conversion of debentures (xviii)	8,016,388		4,539,991
Share issue costs	-		(28,110)
Balance, January 31, 2020	**89,388,639**		**76,028,268**

On May 12, 2017, the Company consolidated its issued and outstanding shares on a 10:1 basis. All shares, options, warrants, and per share amounts have been retroactively restated to reflect the share consolidation.

(i) On May 30, 2017, the Company completed a private placement and issued 3,640,000 common shares at a price of C$0.25 per common share for gross proceeds of C$910,000

(ii) On May 30, 2017 the company settled C$90,000 of accounts payable and accrued liabilities through the issuance of 360,000 common shares.

(iii) On June 18, 2018, the Company forced conversion of its convertible debenture issued March 26, 2018 and accordingly issued 36,850,000 common shares, which included 3,350,000 bonus shares pursuant to the convertible debenture subscription agreement.

(iv) On July 6, 2018, the Company settled C$110,000 of accounts payable and accrued liabilities through the issuance of 50,000 common shares.

(v) On July 19, 2018, the Company completed a private placement and issued 2,082,000 units, at C$2.50 per unit, each unit consisting of one common share and one half share purchase warrant, each whole warrant entitling the holder to purchase one additional common share at C$5.00 per warrant on or before July 18, 2019 for gross proceeds of C$5,205,000. In connection to this private placement, the Company recorded C$11,532 in related costs.

(vi) On July 31, 2018, the Company issued 2,750 common shares upon the exercise of warrants.

(vii) On August 22, 2018, the Company issued 100,000 common shares upon exercise of stock options.

20. SHARE CAPITAL AND RESERVES (CONTINUED)

(viii) On January 15, 2019, the Company issued 12,500,000 shares as consideration for the purchase of Silver State (Note 5).

(ix) On January 25, 2019, the Company issued 940,810 shares to settle its modified share payment note as consideration for the purchase of EFF.

(x) On February 4, 2019, the Company issued 2,670,000 shares as consideration for the purchase of Phantom Farms (Note 3).

(xi) On February 7, 2019, the Company issued 977,479 shares to a vendor of EFF upon conversion of a portion of the convertible promissory note payable.

(xii) During the year ended January 31 ,2020, the Company issued 915,545 shares upon the exercise of warrants.

(xiii) During the year ended January 31, 2020, the Company issued 80,000 shares upon the exercise of stock options.

(xiv) On May 24 and December 27, 2019, the Company issued 1,266,667 shares and 7,015,238 shares as consideration for the purchase of Swell Companies (Note 4).

(xv) On May 10, 2019, the Company issued 3,983,886 shares as consideration for the purchase of the building and land that EFF was previously leasing.

(xvi) On June 12, 2019 the Company issued 368,688 shares to a vendor of EFF for a partial payment of the share payment note.

(xvii) On May 28, 2019, the Company completed a non-brokered private placement financing of 5,589,493 shares at C$1.38, for total gross proceeds of C$7,713,500. Each unit is comprised of one common share of the Company and one half of one common share purchase warrant. Each warrant is exercisable for one additional common share of the Company at an exercise price of C$1.83 per warrant share for a period of one year.

(xviii) During the year ended January 31, 2020 the Company issued 8,016,389 shares upon the conversion of debentures.

COMMITMENT TO ISSUE SHARES

The Company issued a promissory note payable to deliver 2,142,000 shares to the vendors of EFF in the amount of $1,905,635, without interest, any time after October 15, 2018. As at January 31, 2020 shares issued pursuant to this commitment total 676,193 shares.

The Company committed to issue 7,015,238 shares valued at 3,796,815 to the vendors of Swell companies at December 27, 2019. These shares were issued during the year ended January 31, 2020.

The Company committed to issue 424,688 shares valued at $424,688 to the vendors of Swell companies at October 24, 2020.

WARRANTS

On June 15, 2018, a total of 3,350,000 warrants were issued as compensation to employees, management, directors, and consultants, allowing them to purchase common shares exercisable, on or before June 14, 2019, at an exercise price of C$1.38 per share.

The Company paid a total of C$1,162,045 cash in share issuance costs. The Company also issued 765,795 non-transferable share purchase warrants as finders' fees on the March 2018 debenture financing valued at $233,275. The warrants are exercisable at C$1.00 per share and will expire on March 25, 2019.

(Expressed in U.S. dollars)

20. SHARE CAPITAL AND RESERVES (CONTINUED)

The following summarizes the Company's warrant activity for the years ended January 31, 2020, 2019 and 2018:

	Warrants outstanding		
	Warrants outstanding	Weighted average exercise price - C$ -	Weighted average remaining life (years)
Balance January 31, 2018 and 2017	-	-	-
Issued	5,156,795	2.05	
Exercised	(2,750)	1.00	
Balance January 31, 2019	5,154,045	2.05	0.86
Issued - Phantom Farms (Note 3)	1,700,000	1.50	
Issued - Swell Companies (Note 4)	1,200,000	1.50	
Issued - Private Placement (xvii)	2,794,748	1.83	
Exercised	(915,045)	1.06	
Expired	(4,239,000)	2.27	
Balance, January 31, 2020	5,694,748	1.66	0.74

As at January 31, 2020, the following warrants were outstanding and exercisable:

Expiry Date	Exercise Price - C$ -	Number of Warrants
February 5, 2021	1.50	1,700,000
May 23, 2021	1.50	1,200,000
May 29, 2020	1.83	2,794,748
		5,694,748

On May 28, 2020, the Company extended the expiry date of the C$1.83 warrants due to expire on May 29, 2020 to expire on May 29, 2021, all other terms remain the same.

STOCK OPTIONS

The Company is authorized to grant options to executive officers and directors, employees and consultants, enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. The exercise price of each option equals the market price of the Company's shares as calculated on the date of grant. The options can be granted for a maximum term of 10 years. Vesting is determined by the Board of Directors.

The Company adopted a Restricted Stock Unit plan (the "Plan") on July 17, 2018 but has not issued any units under the Plan. The Plan allows for up to 750,000 total units to be issued, adjustable upon approval by the compensation committee, but not to exceed 10% of common shares outstanding.

On October 16, 2017, a total of 515,000 stock options were granted to purchase common shares, exercisable on or before October 15, 2020, at an exercise price of C$0.65 per share. Value at grant date determined with the following assumptions: life of 3 years, volatility of 357%, risk free rate of return 1.57%, dividend yield of 0%, and forfeiture rate of 0%.

On June 26, 2018, a total of 1,940,000 stock options were granted to purchase common shares exercisable on or before June 25, 2021, at an exercise price of C$2.80 per share. Value at grant date determined with the following assumptions: life of 3 years, volatility of 111.61%, risk free rate of return 1.87%, dividend yield of 0%, and forfeiture rate of 0%.

On June 28, 2018, a total of 100,000 stock options were granted to purchase common shares exercisable on or before June 27, 2021, at an exercise price of C$2.80 per share. Value at grant date determined with the following assumptions: life of 3 years, volatility of 111.61%, risk free rate of return 1.91%, dividend yield of 0%, and forfeiture rate of 0%.

(Expressed in U.S. dollars)

20. SHARE CAPITAL AND RESERVES (CONTINUED)

On October 16, 2018, a total of 75,000 stock options were granted to purchase common shares, exercisable on or before October 15, 2020, at an exercise price of C$1.33 per share. Value at grant date determined with the following assumptions: life of 2 years, volatility of 111.61, risk free rate of return 1.91%, dividend yield of 0%, and forfeiture rate of 0%.

On February 6, 2019, the Company granted incentive stock options to purchase an aggregate of 710,000 common shares of the Company at an exercise price of C$1.11 vesting over a 1-year period, expiring at close of business on February 5, 2022. Value at grant date determined with the following assumptions: life of 3 years, volatility of 100%, risk free rate of return 1.82%, dividend yield of 0%, and forfeiture rate of 0%.

On October 10, 2019, the Company granted incentive stock options to purchase an aggregate of 1,020,000 common shares at exercise prices of C$1.00, C$1.11 and C$1.38 vesting over a 1-year period, expiring after 3 and 5 year periods. Value at grant date determined with the following assumptions: life of 3 or 5 years, volatility of 100%, risk free rate of return 1.48%, dividend yield of 0%, and forfeiture rate of 0%.

On January 24, 2020, the Company granted incentive stock options to purchase an aggregate of 100,000 common shares at an exercise prices of C$0.80 vesting over a 1-year period, expiring at close of business January 24, 2023. Value at grant date determined with the following assumptions: life of 3 years, volatility of 100%, risk free rate of return 1.46%, dividend yield of 0%, and forfeiture rate of 0%.

During the year ended January 31, 2020, 80,000 (2019 – 100,000) options were exercised for proceeds of $39,028 (2019 – $49,991). On exercise, the Company transferred $38,952 from reserves to share capital.

Details of the Company's stock option activity are as follows:

	Options outstanding and exercisable		
	Options outstanding and exercisable	Weighted average exercise price - C$ -	Weighted average remaining life (years)
Balance, January 31, 2017	-	-	
Granted	515,000	0.65	
Balance January 31, 2018	515,000	0.65	2.71
Granted	2,115,000	2.75	
Exercised	(100,000)	0.65	
Expired/Cancelled	(10,000)	0.65	
Balance January 31, 2019	2,520,000	2.41	2.30
Granted	1,830,000	1.14	
Exercised	(80,000)	0.65	
Expired/Cancelled	(1,015,000)	2.28	
Balance, January 31, 2020	3,255,000	1.78	2.18

As at January 31, 2020, the following stock options were outstanding and exercisable:

Expiry Date	Exercise Price - C$ -	Jan 31, 2020 Outstanding	Jan 31, 2020 Exerciseable
October 15, 2020	0.65	325,000	325,000
June 25, 2021	2.80	1,350,000	1,350,000
February 5, 2022	1.11	460,000	230,000
October 9, 2022	1.38	520,000	260,000
October 9, 2024	1.00	500,000	250,000
January 24, 2023	0.80	100,000	50,000
		3,255,000	**2,465,000**

(Expressed in U.S. dollars)

21. DERIVATIVE LIABILITY

The following reflects the continuity of derivative liability for years ended January 31, 2020, 2019, and 2018:

Balance, January 31, 2018 and 2017	**$ -**
On acquisition - June 13, 2018	393,010
On acquisition - January 23, 2019	-
Fair value adjustment on derivative liabilities	(369,913)
Balance, January 31, 2019	**$ 23,097**
On acquisition February 4, 2019	3,748,377
On acquisition May 24, 2019	4,707,370
Fair value adjustment on derivative liabilities	(4,779,693)
Balance, January 31, 2020	**$ 3,699,151**

Upon the February 4, 2019 acquisition of Phantom Farms the vendors can earn up to 4,500,000 'earn out' shares over a period of seven years. The conditions are based on C21 common shares exceeding certain share prices during the period. The liability is derived using a Monte Carlo simulation.

Upon the May 24, 2019 acquisition of Swell Companies the vendors can earn up to 6,000,000 'earn out' shares over a period of seven years. The conditions are based on C21 common shares exceeding certain share prices during the period. The liability is derived using a Monte Carlo simulation.

Inputs into the calculation of fair value adjustment are as follows:

	January 31, 2020	May 24, 2019	February 4, 2019	January 31, 2019	June 13, 2018
Discount rate	1.36%	2.50%	2.19%	1.91%	1.91%
Expected life in years	6.14	7.00	7.00	2.50	3.00
Expected stock volatility	100%	100%	100%	100%	112%
Expected volatility of foreign exchange	5.29%	5.29%	5.84%	5.84%	6.66%

22. SEGMENTED INFORMATION

The Company defines its major geographic operating segments as Oregon and Nevada. Due to the jurisdictional cannabis compliance issues ever-present in the industry, each state operation is by nature operationally segmented. Key decision makers primarily review revenue, cost of sales expense, and gross margin as the primary indicators of segment performance. As the Company continues to expand via acquisition, the segmented information will expand based on management's agreed upon allocation of costs beyond gross margin.

(Expressed in U.S. dollars)

22. SEGMENTED INFORMATION (CONTINUED)

Segmented operational activity and balances are as follows:

January 31, 2020	Oregon	Nevada	Corporate	Consolidated
Total revenue	$ 5,503,872	$ 32,201,223	$ -	$ 37,705,095
Gross profit (loss)	(1,006,077)	14,328,778	-	13,322,701
Operating expenses:				
General and administration	(1,143,995)	(3,622,312)	(4,718,825)	(9,485,132)
Sales, marketing, and promotion	(377,549)	(135,421)	(607,959)	(1,120,929)
Depreciation and amortization	(485,856)	(2,882,023)	(37,237)	(3,405,116)
Share based compensation	-	-	(492,631)	(492,631)
Impairment of goodwill, assets	(26,514,747)	-	-	(26,514,747)
Interest, accretion, and other	(1,540,265)	7,979	387,173	(1,145,113)
Net profit (loss) before taxes	**$ (31,068,489)**	**$ 7,697,001**	**$ (5,469,479)**	**$ (28,840,967)**
Assets	$ 9,646,005	$ 21,149,800	$ 30,654,280	$ 61,450,085
Liabilities	$ 3,079,174	$ 4,164,557	$ 40,626,799	$ 47,870,530

January 31, 2019	Oregon	Nevada	Corporate	Consolidated
Total revenue	$ 500,376	$ 2,085,135	$ -	$ 2,585,511
Gross profit (loss)	(1,456,382)	1,638,949	-	182,567
Operating expenses	(1,069,567)	(734,635)	(10,405,213)	(12,209,415)
Other losses	(1,562,927)	(34,821)	(9,976,574)	(11,574,322)
Net profit (loss)	**$ (4,088,876)**	**$ 869,493**	**$ (20,381,787)**	**$ (23,601,170)**
Assets	$ 6,578,366	$ 54,928,722	$ 15,925,938	$ 77,433,026
Liabilities	$ 7,976,115	$ 36,369,603	$ 12,000,695	$ 56,346,413

23. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

NON-CASH TRANSACTIONS DURING THE YEAR ENDED JANUARY 31, 2020

There were interest payments of $3,291,295
No income taxes were paid
The Company issued 2,670,000 common shares valued at $2,507,138 for the acquisition of Phantom Farms
The Company issued 1,266,667 common shares valued at $1,130,363 for the acquisition of Swell Companies
The Company issued 7,015,238 common shares valued at $3,796,815 for the acquisition of Swell Companies
The Company issued 3,983,886 common shares valued at $4,136,646 for the purchase of a building
The Company issued 368,688 common shares valued at $368,688 to settle a portion of a share payment note
The Company issued 8,016,388 common shares valued at $4,539,991 upon the conversion of debentures
The Company issued 977,479 common shares valued at $660,647 upon the conversion of a portion of a convertible promissory note.
Transfer from reserves to share capital of $289,159 and $38,952 on exercise of warrants and options respectively

NON-CASH TRANSACTIONS DURING THE YEAR ENDED JANUARY 31, 2019

The Company issued 765,795 non-transferable share purchase warrants as finders' fees valued at $233,275.
There were interest payments of $483,622.
No income taxes paid were paid.
The Company issued 50,000 common shares to settle debt of $83,941.
The Company issued 12,500,000 common shares valued at $8,951,375 for the acquisition of Silver State.
The Company issued 36,850,000 common shares valued at $25,479,998 upon the conversion of debentures.
The Company issued 940,810 common shares valued at $832,162 to settle a portion of a share payment note.

NON-CASH TRANSACTIONS DURING THE YEAR ENDED JANUARY 31, 2018

The Company issued 360,000 common shares to settle debt of $65,192

(Expressed in U.S. dollars, unless otherwise stated)

24. COMMITMENTS

The Company and its subsidiaries are committed under lease agreements with third parties and related parties, for land, office space, and equipment in Nevada, Oregon and British Columbia, as well as consulting agreements. At January 31, 2020, the Company has the following future minimum payments:

	Third Parties	Related Parties	Total
2021	$ 285,908	$ 1,253,192	$ 1,539,100
2022	$ 227,321	$ 1,128,192	$ 1,355,513
2023	$ 232,961	$ 1,128,192	$ 1,361,153
2024	$ 224,513	$ 1,053,192	$ 1,277,705
Thereafter	$ 522,473	-	522,473
	$ 1,493,176	**$ 4,562,768**	**$ 6,055,944**

25. CONSIDERATION PAYABLE

The following table reflects the continuity of consideration payable from January 31, 2017 to January 31, 2020:

Balance, January 31, 2018 and 2017	**$ -**
Silver State acquisition - January 1, 2019	1,143,873
Megawood acquisition - January 23, 2019	231,395
Balance, January 31, 2019	**$ 1,375,268**
Swell Companies acquisition - May 25, 2019 (Note 4)	846,256
Consideration paid-cash	(1,375,268)
Balance, January 31, 2020	**$ 846,256**
Current portion	846,256
Long term portion	-

26. FINANCIAL RISK MANAGEMENT

The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts, accounts receivable, and its notes receivable from acquisition targets. The Company's cash is deposited in bank accounts held with a major bank in Canada, a trust company in Canada, and two credit unions in Oregon and Colorado; and accordingly, there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies.

LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity or debt issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

(Expressed in U.S. dollars, unless otherwise stated)

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

	Carrying amount	Contractual cash flows	Under 1 year	1-3 years	3-5 years	More than 5 years
As at January 31, 2020						
Trade and other payables	$ 3,488,274	$ 3,488,274	$ 3,488,274	$ -	$ -	$ -
Lease payments	5,001,360	6,604,460	1,701,024	3,166,875	1,736,561	-
Convertible debt	9,247,361	9,247,361	8,111,296	1,136,065	-	-
Consideration payable	846,256	846,256	846,256	-	-	-
Notes and other borrowings	21,694,217	21,694,217	21,326,184	68,854	58,456	366,845
Total	**$ 40,277,468**	**$ 41,880,568**	**$ 35,473,034**	**$ 4,371,794**	**$ 1,795,017**	**$ 366,845**

INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not subject to any interest rate volatility as its long-term debt instruments and convertible notes are carried at a fixed interest rate throughout their term.

FOREIGN CURRENCY RISK

The Company has administration in Canada and operations in the U.S. and is exposed to foreign exchange risk due to fluctuations in the U.S. dollar and Canadian dollar. Foreign exchange risk arises from financial assets and liabilities denominated in currency other than the U.S. dollar. A change of 1% in the CAD/USD exchange rate would impact loss and comprehensive loss by $32,000.

CAPITAL MANAGEMENT

The Company's objectives when managing its capital are to ensure there are sufficient capital resources to continue operating as a going concern and maintain the Company's ability to ensure sufficient levels of funding to support its ongoing operations and development. The purpose of these objectives is to provide continued returns and benefits to the Company's shareholders. The Company's capital structure includes items classified in debt and shareholders' equity.

The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business considering changes in economic conditions and the risk characteristics of the Company's underlying assets.

As of January 31, 2020, the Company is not subject to externally imposed capital requirements, with the exception of restricted cash posted as a deposit (Note 8).

FAIR VALUE

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

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

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

The Company's financial instruments include cash, restricted cash, receivables, notes receivable, accounts payable and accrued liabilities, promissory notes, consideration payable, convertible debentures, other

(Expressed in U.S. dollars, unless otherwise stated)

26. FINANCIAL RISK MANAGEMENT (CONTINUED)

debts, derivative liabilities and convertible notes with a fair value measured at Level 1 hierarchy for cash. Accounts payable and accrued liabilities approximate fair value due to the short-term nature of these instruments. Derivative liabilities are measured at Level 3 hierarchy.

27. GENERAL AND ADMINISTRATIVE EXPENSE

Year-to-date general and administration expenses were comprised of the following:

General and Administrative	2020	2019	2018
Salaries and wages	$ 5,454,028	$ 2,423,350	$ 4,649
Professional Fees and consulting	$ 922,861	$ 926,511	$ 134,067
Accounting and legal	$ 596,984	$ 747,607	$ -
Travel and entertainment	$ 430,301	$ 880,828	$ 135,526
Foreign exchange	$ (34,883)	$ 484,550	$ -
License fees, taxes and insurance	$ 1,009,642	$ 422,331	$ -
Office Facilities and administrative	$ 551,153	$ 185,630	$ 27,862
Shareholder Communications	$ 7,237	$ 48,731	$ 20,754
Transfer agent and Filing Fees	$ 91,645	$ 38,158	$ 17,717
Other	$ 456,164	$ 168,895	$ -
Total	**$ 9,485,132**	**$ 6,326,591**	**$ 340,575**

28. TAXATION

The reconciliation of income taxes at statutory rates with the reported taxes is as follows for the years ended January 31, 2020, 2019 and 2018:

	2020	2019	2018
Loss for the year	$ (28,840,967)	$ (23,601,170)	$ (599,471)
Statutory Tax Rates	27%	27%	26%
Expected income tax (recovery)	(7,787,061)	(6,372,316)	(155,863)
Change in statutory, foreign tax, foreign exchange rates and other	3,135,069	1,297,693	-
Permanent differences	8,006,873	1,494,947	17,156
Share issue costs	(7,590)	(1,010,208)	-
Change in unrecognized deductible temporary differences	367,375	4,589,884	138,707
Total income tax expense	**$ 3,714,666**	**$ -**	**$ -**

Current income tax expense for the year ended January 31, 2020 is entirely foreign in nature and represents current and deferred taxation arising from business operations in the United States.

(Expressed in U.S. dollars, unless otherwise stated)

28. TAXATION (CONTINUED)

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows at January 31, 2020, 2019 and 2018:

	2020	2019	2018
Deferred tax assets (liabilities)			
Exploration and evaluation assets	$ 254,000	$ 974,824	$ 974,824
Property and equipment	1,012,000	47,452	-
Share issue costs	611,000	809,716	1,550
Biological assets	186,000	58,573	-
Intangible assets	619,000	197,810	-
Marketable securities	2,000	2,325	2,325
Asset retirement obligation	15,000	14,723	14,723
Allowable capital losses	36,000	93,018	56,568
Non-capital losses available for future period	3,918,000	5,241,525	375,052
	$ 6,653,000	$ 7,439,966	$ 1,425,042
Unrecognized deferred tax assets	(6,653,000)	(7,439,966)	(1,425,042)
Net deferred tax assets	**$ -**	**$ -**	**$ -**

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included in the consolidated statement of financial position are as follows at January 31, 2020, 2019 and 2018:

	2020	Expiry Date Range	2019	2018
Temporary Differences				
Exploration and evaluation assets	$ 942,000	No expiry date	$ 3,611,809	$ 3,611,809
Property and equipment	4,819,000	No expiry date	225,963	-
Share issue costs	2,262,000	2038 to 2041	2,998,633	5,424
Biological assets	886,000	No expiry date	278,920	-
Intangible assets	2,949,000	No expiry date	941,954	-
Marketable securities	15,000	No expiry date	15,498	15,498
Asset retirement obligation	54,000	No expiry date	54,243	54,243
Allowable capital losses	135,000	No expiry date	344,223	209,223
Non-capital losses available for future periods	14,511,000	Varies	19,751,990	1,389,396
Canada	$ 14,511,000	2026 to 2039	$ 18,228,212	$ 1,389,396
USA	$ -	No expiry date	$ 1,523,778	$ -

29. RELATED PARTY TRANSACTIONS

During the period ended January 31, 2020, the Company entered in the related party transactions as described below.

Balances due to related parties included in accounts payable, accrued liabilities, and promissory note payable at the years ended January 31:

	2020	2019	2018
Due to the President and CEO	$ 21,713,910	$ 484	$ 2,901
Due to directors and officers of the Company	1,476	316,261	-
Due to the CFO of the Company	64	1,888	-
Due to former executives of EFF	-	602,426	-
Due to significant shareholder	-	31,759,648	-
	$ 21,715,450	**$ 32,680,707**	**$ 2,901**

(Expressed in U.S. dollars, unless otherwise stated)

29. RELATED PARTY TRANSACTIONS (CONTINUED)

The Company had the following transactions with related parties during the years ended January 31:

	2020	2019	2018
Consulting fees paid to a director	$ 38,310	$ 98,583	$ -
Amounts paid to CEO or companies controlled by CEO	13,039,739	-	4,881
Salary paid to directors and officers	1,131,201	1,113,900	245,380
Share Compensation including warrants and stock options for directors and officers	95,613	2,824,852	-
Convertible debenture interest paid to directors and officers	27,230	41,504	-
Rents Paid to Significant Shareholder	-	93,000	-
	$ 14,332,093	**$ 4,171,839**	**$ 250,261**

On February 4, 2019, the Company acquired the Phantom Venture Group LLC and Phantom Brands, LLC of Oregon (together, "Phantom Farms"), a private company involved in the cannabis industry, of which, a Director of the Company is a principal owner, the Company paid $10,539,260 (Note 3). A second agreement signed contemporaneously involving the real estate of Phantom Farms was entered into the by the Company, this agreement was restructured as at February 12, 2020 with the payment by the Company of 7,132,041 common shares (Note 32).

On February 6, 2019, a director was granted a total of 190,000 stock options to purchase common shares exercisable on or before February 5, 2022, at an exercise price of C$1.11 per share. In connection to these options, the Company recorded a share-based compensation expense of C$126,113.

During the year ended January 31, 2019, the Company:

(i) granted a total of 965,000 stock options to purchase common shares exercisable on or before June 25, 2021, at an exercise price of C$2.80 per share. In connection to these options, the Company recorded share-based compensation expense of C$1,825,245.

(ii) granted a total of 100,000 stock options to purchase common shares exercisable on or before June 27, 2021, at an exercise price of C$2.80 per share. In connection to these options, the Company recorded share-based compensation expense of C$180,818.

(iii) Directors and officers of the Company subscribed to convertible debentures totaling a face value of $176,670.

(iv) Pursuant to a a definitive agreement for the acquisition of Phantom Venture Group LLC and Phantom Brands, LLC of Oregon (together, "Phantom Farms"), a private company involved in the cannabis industry, of which, a Director of the Company is a principal owner, the Company paid $900,000 to be applied to the purchase consideration (Note 12).

During the year ended January 31, 2018, the Company:

(v) Settled C$9,000 of accounts payable and accrued liabilities through the issuance of 36,000 common shares to the former CEO.

(vi) Settled C$12,000 of accounts payable and accrued liabilities through the issuance of 48,000 common shares to the former CFO.

(vii) Granted a total of 465,000 stock options to directors and officers in order to purchase commons shares, exercisable on or before December 15, 2020, at an exercise price of C$0.65 per share

(Expressed in U.S. dollars, unless otherwise stated)

30. TRANSACTION COSTS

Transaction costs for the years ended January 31:

	2020	2019	2018
Acquisition of subsidiaries	$ 331,973	$ 2,154,102	$ -
Financing commissions	-	2,819,889	-
	$ 331,973	**$ 4,973,991**	**$ -**

31. CONTINGENCIES

From time to time, the Company is involved in various litigation matters arising in the ordinary course of its business. Management is of the opinion that disposition of any current matter will not have a material adverse impact on the Company's financial position, results of operations, or the ability to carry on any of its business activities.

LEGAL PROCEEDINGS

A complaint was filed in the Oregon State Circuit Court for Clackamas County, on April 29, 2019, by two current owners of Proudest Monkey Holdings, LLC (the former sole member of EFF) (the "Plaintiffs"), alleging contract, employment, and statutory claims with an amount in controversy of $1,837,500 against the Company, its wholly-owned subsidiaries 320204 US Holdings Corp, EFF, Swell Companies Limited, and Phantom Brands LLC, in addition to three directors, two officers, and one former employee. The Company and the other defendants wholly deny the allegations and claims made in the lawsuit and is defending and may counterclaim through the lawsuit. As a procedural update, the Company has filed an Oregon Rule of Civil Procedure (ORCP) 21 motion to dismiss all of the Plaintiffs' claims against it, its wholly-owned subsidiaries, and other defendants; the Rule 21 motions are pending before the court. Further, the Company's recent internal investigation, findings and self-reporting of actions and alleged malfeasance by the Plaintiffs at the EFF facility (discussed more fully below under Oregon Compliance) should serve to bolster the Company's defense and potential counterclaims in the litigation. Given that this legal proceeding is in a premature stage and the Company wholly denies the claims, no provision was recorded.

On or about May 30, 2019, Wallace Hill filed a civil claim in the Supreme Court of British Columbia alleging breach of contract and entitlement to 1,800,000 common shares of the Company, fully vested by March 1, 2019, and damages due to the lost opportunity to sell those shares after such date for a profit. On June 23, 2019, the Company circulated a letter to Wallace Hill terminating the agreement and accepting Wallace Hill's repudiation of the agreement based on Wallace Hill's previously published defamatory comments and termination of the agreement. Also, on June 23, 2019, the Company filed its response to the civil claim denying all claims and filed counterclaims alleging breach of contract, a declaratory judgment of termination of the agreement, defamation and an injunction from further defamatory comments. The civil action is pending, and it is too early to predict its resolution.

EARN OUT SHARES

The Company has granted the opportunity for the vendors of certain acquisitions to earn shares of the Company if certain conditions are satisfied. The earn out shares available to the vendors of Eco Firma Farms are considered to have no value (Note 7). The earn out shares available to the vendors of both Swell Companies and Phantom Farms (Notes 3 and 4) are recorded as a derivative liability (Note 21).

32. SUBSEQUENT EVENTS

As to the acquisition of Swell companies (Note 4), the payment of $850,000 to the Swell Vendors (included in Consideration payable) is due on January 1, 2021 and interest at 9.5% has been charged on the balance commencing Nov 15, 2019.

On February 28, 2020 the Company restructured the final payment due in regard to the purchase of Megawood Enterprises Inc. (Note 18). The final payment was cash of $130,000 and the issuance of 95,849 common shares of the Company.

On February 19, 2020, the Company completed the restructuring of the purchase of Phantom Farms and related companies ("Phantom Farms"), including SDP Development Group LLC ("SDP"). The restructuring terms of the purchase agreement regarding the real estate assets of SDP group resulted in the Company electing to purchase the real estate of the Phantom Farms outdoor grow (two parcels), and SDP receiving 7,132,041 shares of C21 (Note 3).

On June 29, 2020 the Company announced that the Company and its CEO agreed to:

- Extend the Maturity date of the January 1, 2019 Promissory Note (Note 18) held by the CEO to January 1, 2021, on the existing terms and conditions
- Extend the term of the lease of the Fernley premises to July 1, 2023 on the existing terms and conditions including the option to purchase.
- Extend the CEO's employment for a term of three years

Exhibit 1.1

CURLEW LAKE RESOURCES INC.
(the "Company")

ADOPTION OF NEW ARTICLES
AS EFFECTED ON JULY 19, 2013

Pursuant to section 42(2)(a)(iv) of the British Columbia *Business Corporations Act*, the following is an extract of a special resolution of the shareholders of the Company passed at the annual general and special meeting of the shareholders of the Company held on July 17, 2013 (the "Meeting") approving the adoption of new Articles as set out herein. This extract is attached to the Articles of the Company and was received for deposit at the Company's records office on July 19, 2013, the effective date of the amendment.

The undersigned, Jurgen Wolf, President and Chief Executive Officer of the Company, hereby certifies that the following is a true and complete copy of a special resolution of the shareholders of the Company passed at the Meeting:

"**UPON MOTION IT WAS RESOLVED**, as a special resolution, that:

(a) the Company adopt the Articles in substitution for the existing articles of the Company;

(b) any Director or officer of the Company is authorized to execute and file such documents and take such further action, including any filings with the Registrar of Companies, that may be necessary to effect the amendment; and

(c) the Board of Directors is hereby authorized, at any time in its sole discretion, to determine whether or not to proceed with this resolution without further approval, ratification or confirmation by the shareholders."

DATED this 19th day of July, 2013

SIGNED: "Jurgen Wolf"
Jurgen Wolf,
President and Chief Executive Officer

CURLEW LAKE RESOURCES INC.
(the "Company")

The Company has as its articles the following articles.

Incorporation number: BC0320204

ARTICLES

1. INTERPRETATION

1.1 Definitions

In these Articles, unless the context otherwise requires:

(1) "board of directors", "directors" and "board" mean the directors or sole director of the Company for the time being;

(2) "*Business Corporations Act*" means the *Business Corporations Act* (British Columbia) from time to time in force and all amendments thereto and includes all regulations and amendments thereto made pursuant to that Act;

(3) "*Interpretation Act*" means the *Interpretation Act* (British Columbia) from time to time in force and all amendments thereto and includes all regulations and amendments thereto made pursuant to that Act;

(4) "legal personal representative" means the personal or other legal representative of a shareholder;

(5) "registered address" of a shareholder means the shareholder's address as recorded in the central securities register;

(6) "seal" means the seal of the Company, if any.

1.2 *Business Corporations Act* and *Interpretation Act* Definitions Applicable

The definitions in the *Business Corporations Act* and the definitions and rules of construction in the *Interpretation Act*, with the necessary changes, so far as applicable, and unless the context requires otherwise, apply to these Articles as if they were set out herein. If there is a conflict between a definition in the *Business Corporations Act* and a definition or rule in the *Interpretation Act* relating to a term used in these Articles, the definition in the *Business Corporations Act* will prevail in relation to the use of the term in these Articles. If there is a conflict or inconsistency between these Articles and the *Business Corporations Act*, the *Business Corporations Act* will prevail.

2. SHARES AND SHARE CERTIFICATES

2.1 Authorized Share Structure

The authorized share structure of the Company consists of shares of the class or classes and series, if any, described in the Notice of Articles of the Company.

2.2 Form of Share Certificate

Each share certificate issued by the Company must comply with, and be signed as required by, the *Business Corporations Act*.

2.3 Shareholder Entitled to Certificate or Acknowledgment or Written Notice

Unless the shares of which a shareholder is the registered owner are uncertificated shares, each shareholder is entitled, on request and at the shareholder's option, without charge, to (a) one share certificate representing the shares of each class or series of shares registered in the shareholder's name or (b) a non-transferable written acknowledgment of the shareholder's right to obtain such a share certificate, provided that in respect of a share held jointly by several persons, the Company is not bound to issue more than one share certificate or acknowledgment and delivery of a share certificate or acknowledgment to one of several joint shareholders or to a duly authorized agent of one of the joint shareholders will be sufficient delivery to all. Within a reasonable time after the issue or transfer of a share that is an uncertificated share, the Company must send to the shareholder a written notice containing the information required by the *Business Corporations Act*.

2.4 Delivery by Mail

Any share certificate, non-transferable written acknowledgment of a shareholder's right to obtain a share certificate or written notice of the issue or transfer of an uncertificated share may be sent to the shareholder by mail at the shareholder's registered address and neither the Company nor any director, officer or agent of the Company is liable for any loss to the shareholder because the share certificate, acknowledgement or written notice is lost in the mail or stolen.

2.5 Replacement of Worn Out or Defaced Certificate or Acknowledgement

If the directors are satisfied that a share certificate or a non-transferable written acknowledgment of the shareholder's right to obtain a share certificate is worn out or defaced, they must, on production to them of the share certificate or acknowledgment, as the case may be, and on such other terms, if any, as they think fit:

(1) order the share certificate or acknowledgment, as the case may be, to be cancelled; and

(2) issue a replacement share certificate or acknowledgment, as the case may be.

2.6 Replacement of Lost, Stolen or Destroyed Certificate or Acknowledgment

If a share certificate or a non-transferable written acknowledgment of a shareholder's right to obtain a share certificate is lost, stolen or destroyed, a replacement share certificate or acknowledgment, as the case may be, must be issued to the person entitled to that share certificate or acknowledgment, as the case may be, provided such person has complied with the requirements of the *Business Corporations Act*.

2.7 Splitting Share Certificates

If a shareholder surrenders a share certificate to the Company with a written request that the Company issue in the shareholder's name two or more share certificates, each representing a specified number of shares and in the aggregate representing the same number of shares as the share certificate so surrendered, the Company must cancel the surrendered share certificate and issue replacement share certificates in accordance with that request.

2.8 Certificate Fee

There must be paid as a fee to the Company for the issuance of any share certificate under Articles 2.5, 2.6 or 2.7, the amount, if any, determined by the directors, which must not exceed the amount prescribed under the *Business Corporations Act*.

2.9 Recognition of Trusts

Except as required by law or statute or these Articles, no person will be recognized by the Company as holding any share upon any trust, and the Company is not bound by or compelled in any way to recognize (even when having notice thereof) any equitable, contingent, future or partial interest in any share or fraction of a share or (except as required by law or statute or these Articles or as ordered by a court of competent jurisdiction) any other rights in respect of any share except an absolute right to the entirety thereof in the shareholder.

3. ISSUE OF SHARES

3.1 Directors Authorized

Subject to the *Business Corporations Act* and the rights, if any, of the holders of issued shares of the Company, the Company may issue, allot, sell or otherwise dispose of the unissued shares, and issued shares held by the Company, at the times, to the persons, including directors, in the manner, on the terms and conditions and for the issue prices (including any premium at which shares with par value may be issued) that the directors may determine. The issue price for a share with par value must be equal to or greater than the par value of the share.

3.2 Commissions and Discounts

The Company may at any time, pay a reasonable commission or allow a reasonable discount to any person in consideration of that person purchasing or agreeing to purchase shares of the Company from the Company or any other person or procuring or agreeing to procure purchasers for shares of the Company.

3.3 Brokerage

The Company may pay such brokerage fee or other consideration as may be lawful for or in connection with the sale or placement of its securities.

3.4 Conditions of Issue

Except as provided for by the *Business Corporations Act*, no share may be issued until it is fully paid. A share is fully paid when:

(1) consideration is provided to the Company for the issue of the share by one or more of the following:

   (a) past services performed for the Company;

   (b) property;

(c) money; and

(2) the directors in their discretion have determined that the value of the consideration received by the Company is equal to or greater than the issue price set for the share under Article 3.1.

3.5 Share Purchase Warrants and Rights

Subject to the *Business Corporations Act*, the Company may issue share purchase warrants, options, convertible debentures and rights upon such terms and conditions as the directors determine, which share purchase warrants, options, convertible debentures and rights may be issued alone or in conjunction with debentures, debenture stock, bonds, shares or any other securities issued or created by the Company from time to time.

4. SHARE REGISTERS

4.1 Central Securities Register and Any Branch Securities Register

As required by and subject to the *Business Corporations Act*, the Company must maintain a central securities register and may maintain a branch securities register. The directors may, subject to the *Business Corporations Act*, appoint an agent to maintain the central securities register or any branch securities register. The directors may also appoint one or more agents, including the agent which keeps the central securities register, as transfer agent for its shares or any class or series of its shares, as the case may be, and the same or another agent as registrar for its shares or such class or series of its shares, as the case may be. The directors may terminate such appointment of any agent at any time and may appoint another agent in its place.

4.2 Closing Register

The Company must not at any time close its central securities register.

5. SHARE TRANSFERS

5.1 Registering Transfers

A transfer of a share of the Company must not be registered unless the Company or the transfer agent or registrar for the class or series of share to be transferred has received:

(1) a duly signed instrument of transfer in respect of the share;

(2) if a share certificate has been issued by the Company in respect of the share to be transferred, that share certificate;

(3) if a non-transferable written acknowledgment of the shareholder's right to obtain a share certificate has been issued by the Company in respect of the share to be transferred, that acknowledgment; and

(4) such other evidence, if any, as the Company or the transfer agent or registrar for the class or series of share to be transferred may require to prove the title of the transferor or the

transferor's right to transfer the share, the due signing of the instrument of transfer and the right of the transferee to have the transfer registered.

For the purpose of this Article, delivery or surrender to the transfer agent or registrar which maintains the Company's central securities register or a branch securities register, if applicable, will constitute receipt by or surrender to the Company.

5.2 Form of Instrument of Transfer

The instrument of transfer in respect of any share of the Company must be either in the form, if any, on the back of the Company's share certificates or in any other form that may be approved from time to time by the directors or the transfer agent or registrar for the class or series of share to be transferred.

5.3 Transferor Remains Shareholder

Except to the extent that the *Business Corporations Act* otherwise provides, the transferor of shares is deemed to remain the holder of the shares until the name of the transferee is entered in a securities register of the Company in respect of the transfer.

5.4 Signing of Instrument of Transfer

If a shareholder, or his or her duly authorized attorney, signs an instrument of transfer in respect of shares registered in the name of the shareholder, the signed instrument of transfer constitutes a complete and sufficient authority to the Company and its directors, officers and agents to register the number of shares specified in the instrument of transfer or specified in any other manner, or, if no number is specified, all the shares represented by the share certificate(s) or set out in the written acknowledgments deposited with the instrument of transfer or, if the shares are uncertificated shares, then all of the uncertificated shares registered in the name of the shareholder:

(1) in the name of the person named as transferee in that instrument of transfer; or

(2) if no person is named as transferee in that instrument of transfer, in the name of the person on whose behalf the instrument is deposited for the purpose of having the transfer registered.

5.5 Enquiry as to Title Not Required

Neither the Company nor any director, officer or agent of the Company is bound to inquire into the title of the person named in the instrument of transfer as transferee or, if no person is named as transferee in the instrument of transfer, of the person on whose behalf the instrument is deposited for the purpose of having the transfer registered or is liable for any claim related to registering the transfer by the shareholder or by any intermediate owner or holder of the shares, of any interest in the shares, of any share certificate representing such shares or of any written acknowledgment of a right to obtain a share certificate for such shares.

5.6 Transfer Fee

There must be paid as a fee to the Company, in relation to the registration of any transfer, the amount, if any, determined by the directors.

6. TRANSMISSION OF SHARES

6.1 Legal Personal Representative Recognized on Death

In case of the death of a shareholder, the legal personal representative of the shareholder, or, in the case of shares registered in the shareholder's name and the name of another person in joint tenancy, the surviving joint holder will be the only person recognized by the Company as having any title to the shareholder's interest in the shares. Before recognizing a person as a legal personal representative of the shareholder, the directors may require a declaration of transmission made by the legal personal representative stating the particulars of the transmission, proof of appointment by a court of competent jurisdiction, a grant of letters probate, letters of administration or such other evidence or documents as the directors consider appropriate.

6.2 Rights of Legal Personal Representative

The legal personal representative of a shareholder has the same rights, privileges and obligations with respect to the shares as were held by the shareholder, including the right to transfer the shares in accordance with these Articles, provided the documents required by the *Business Corporations Act* and the directors have been deposited with the Company. This Article 6.2 does not apply in the case of the death of a shareholder with respect to shares registered in the shareholder's name and the name of another person in joint tenancy.

7. PURCHASE OF SHARES

7.1 Company Authorized to Purchase Shares

Subject to Article 7.2, the special rights and restrictions attached to the shares of any class or series and the *Business Corporations Act*, the Company may, if authorized by resolution of the directors, purchase, redeem or otherwise acquire any of its shares at the price and upon the terms determined by the directors.

7.2 Purchase When Insolvent

The Company must not make a payment or provide any other consideration to purchase, redeem or otherwise acquire any of its shares if there are reasonable grounds for believing that:

(1) the Company is insolvent; or

(2) making the payment or providing the consideration would render the Company insolvent.

7.3 Redemption of Shares

If the Company proposes to redeem some but not all of the shares of any class, the directors may, subject to any special rights and restrictions attached to such class of shares, determine the manner in which the shares to be redeemed shall be selected.

7.4 Sale and Voting of Purchased Shares

If the Company retains a share which it has redeemed, purchased or otherwise acquired, the Company may sell, gift or otherwise dispose of the share, but, while such share is held by the Company, it:

(1) is not entitled to vote the share at a meeting of its shareholders;

(2) must not pay a dividend in respect of the share; and

(3) must not make any other distribution in respect of the share.

8. BORROWING POWERS

8.1 Powers of the Company

The Company, if authorized by the directors, may:

(1) borrow money in the manner and amount, on the security, from the sources and on the terms and conditions that the directors consider appropriate;

(2) issue bonds, debentures and other debt obligations either outright or as security for any liability or obligation of the Company or any other person and at such discounts or premiums and on such other terms as they consider appropriate;

(3) guarantee the repayment of money by any other person or the performance of any obligation of any other person; and

(4) mortgage, charge, whether by way of specific or floating charge, grant a security interest in, or give other security on, the whole or any part of the present and future assets and undertaking of the Company.

8.2 Bonds, Debentures, Debt

Any bonds, debentures or other debt obligations of the Company may be issued at a discount, premium or otherwise, or with special privileges as to redemption, surrender, drawing, allotment of or conversion into or exchange for shares or other securities, attending and voting at general meetings of the Company, appointment of directors or otherwise and may, by their terms, be assignable free from any equities between the Company and the person to whom they were issued or any subsequent holder thereof, all as the directors may determine.

9. ALTERATIONS

9.1 Alteration of Authorized Share Structure

Subject to Article 9.2 and the *Business Corporations Act*, the Company may:

(1) by directors' resolution or by ordinary resolution, in each case as determined by the directors:

(a) create one or more classes or series of shares or, if none of the shares of a class or series of shares are allotted or issued, eliminate that class or series of shares;

(b) increase, reduce or eliminate the maximum number of shares that the Company is authorized to issue of any class or series of shares or establish a maximum number of shares that the Company is authorized to issue out of any class or series of shares for which no maximum is established;

(c) subdivide or consolidate all or any of its unissued, or fully paid issued, shares;

(d) if the Company is authorized to issue shares of a class of shares with par value:

(i) decrease the par value of those shares; or

(ii) if none of the shares of that class of shares are allotted or issued, increase the par value of those shares;

(e) change all or any of its unissued shares with par value into shares without par value or any of its unissued shares without par value into shares with par value or change all or any of its fully paid issued shares with par value into shares without par value; or

(f) alter the identifying name of any of its shares; and

(2) by ordinary resolution otherwise alter its shares or authorized share structure;

and, if applicable, alter its Notice of Articles and, if applicable, alter its Articles accordingly.

9.2 Special Rights and Restrictions

Subject to the *Business Corporations Act*, the Company may:

(1) by directors' resolution or by ordinary resolution, in each case as determined by the directors, create special rights or restrictions for, and attach those special rights or restrictions to, the shares of any class or series of shares if none of those shares have been issued; or vary or delete any special rights or restrictions attached to the shares of any class or series of shares if none of those shares have been issued; and

(2) by special resolution of the shareholders of the class or series affected, do any of the acts in (1) above if any of the shares of the class or series of shares have been issued,

and alter its Notice of Articles and Articles accordingly.

9.3 Change of Name

The Company may by directors' resolution or by ordinary resolution, in each case as determined by the directors, authorize an alteration of its Notice of Articles in order to change its name and may, by directors' resolution or ordinary resolution, in each case as determined by the directors, adopt or change any translation of that name.

9.4 Other Alterations

If the *Business Corporations Act* does not specify the type of resolution and these Articles do not specify another type of resolution, the Company may by directors' resolution or by ordinary resolution, in each case as determined by the directors, alter these Articles.

10. MEETINGS OF SHAREHOLDERS

10.1 Annual General Meetings

Unless an annual general meeting is deferred or waived in accordance with the *Business Corporations Act*, the Company must hold its first annual general meeting within 18 months after the date on which it was incorporated or otherwise recognized, and after that must hold an annual general meeting at least once in each calendar year and not more than 15 months after the last annual reference date at such time and place as may be determined by the directors.

10.2 Resolution Instead of Annual General Meeting

If all the shareholders who are entitled to vote at an annual general meeting consent by a unanimous resolution to all of the business that is required to be transacted at that annual general meeting, the annual general meeting is deemed to have been held on the date of the unanimous resolution. The shareholders must, in any unanimous resolution passed under this Article 10.2, select as the Company's annual reference date a date that would be appropriate for the holding of the applicable annual general meeting.

10.3 Calling of Meetings of Shareholders

The directors may, at any time, call a meeting of shareholders.

10.4 Location of Meetings of Shareholders

A meeting of the Company may be held:

(1) in the Province of British Columbia;

(2) at another location outside British Columbia if that location is:

  (a) approved by resolution of the directors before the meeting is held; or

  (b) approved in writing by the Registrar of Companies before the meeting is held.

10.5 Notice for Meetings of Shareholders

Subject to Article 10.2, the Company must send notice of the date, time and location of any meeting of shareholders (including, without limitation, any notice specifying the intention to propose a resolution as an exceptional resolution, a special resolution or a special separate resolution, and any notice to consider approving an amalgamation into a foreign jurisdiction, an arrangement or the adoption of an amalgamation agreement, and any notice of a general meeting, class meeting or series meeting), in the manner provided in these Articles, or in such other manner, if any, as may be prescribed by directors' resolution (whether previous notice of the resolution has been given or not), to each shareholder entitled to attend the meeting, to each director and to the auditor of the Company, unless these Articles otherwise provide, at least the following number of days before the meeting:

(1) if and for so long as the Company is a public company, 21 days;

(2) otherwise, 10 days.

10.6 Notice of Resolution to which Shareholders May Dissent

The Company must send to each of its shareholders, whether or not their shares carry the right to vote, a notice of any meeting of shareholders at which a resolution entitling shareholders to dissent is to be considered specifying the date of the meeting and containing a statement advising of the right to send a notice of dissent together with a copy of the proposed resolution at least the following number of days before the meeting:

(1) if and for so long as the Company is a public company, 21 days; or

(2) otherwise, 10 days.

10.7 Record Date for Notice

The directors may set a date as the record date for the purpose of determining shareholders entitled to notice of any meeting of shareholders. The record date must not precede the date on which the meeting is to be held by more than two months or, in the case of a general meeting requisitioned by shareholders under the *Business Corporations Act*, by more than four months. The record date must not precede the date on which the meeting is held by fewer than:

(1) if and for so long as the Company is a public company, 21 days; or

(2) otherwise, 10 days.

If no record date is set, the record date is 5 p.m. on the day immediately preceding the first date on which the notice is sent or, if no notice is sent, the beginning of the meeting.

10.8 Record Date for Voting

The directors may set a date as the record date for the purpose of determining shareholders entitled to vote at any meeting of shareholders. The record date must not precede the date on which the meeting is to be held by more than two months or, in the case of a general meeting

requisitioned by shareholders under the *Business Corporations Act*, by more than four months. If no record date is set, the record date is 5 p.m. on the day immediately preceding the first date on which the notice is sent or, if no notice is sent, the beginning of the meeting.

10.9 Failure to Give Notice and Waiver of Notice

The accidental omission to send notice of any meeting of shareholders to, or the non-receipt of any notice by, any of the persons entitled to notice does not invalidate any proceedings at that meeting. Any person entitled to notice of a meeting of shareholders may, in writing or otherwise, waive that entitlement or may agree to reduce the period of that notice. Attendance of a person at a meeting of shareholders is a waiver of entitlement to notice of the meeting unless that person attends the meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

10.10 Notice of Special Business at Meetings of Shareholders

If a meeting of shareholders is to consider special business within the meaning of Article 11.1, the notice of meeting or a circular prepared in connection with the meeting must:

(1) state the general nature of the special business; and

(2) if the special business includes considering, approving, ratifying, adopting or authorizing any document or the signing of or giving of effect to any document, have attached to it a copy of the document or state that a copy of the document will be available for inspection by shareholders:

   (a) at the Company's records office, or at such other reasonably accessible location in British Columbia as is specified in the notice; and

   (b) during statutory business hours on any one or more specified days before the day set for the holding of the meeting.

11. PROCEEDINGS AT MEETINGS OF SHAREHOLDERS

11.1 Special Business

At a meeting of shareholders, the following business is special business:

(1) at a meeting of shareholders that is not an annual general meeting, all business is special business except business relating to the conduct of or voting at the meeting;

(2) at an annual general meeting, all business is special business except for the following:

   (a) business relating to the conduct of or voting at the meeting;

   (b) consideration of any financial statements of the Company presented to the meeting;

   (c) consideration of any reports of the directors or auditor;

(d) the setting or changing of the number of directors;

(e) the election or appointment of directors;

(f) the appointment of an auditor;

(g) the setting of the remuneration of an auditor;

(h) business arising out of a report of the directors not requiring the passing of a special resolution or an exceptional resolution; and

(i) any other business which, under these Articles or the *Business Corporations Act*, may be transacted at a meeting of shareholders without prior notice of the business being given to the shareholders.

11.2 Special Majority

The majority of votes required for the Company to pass a special resolution at a general meeting of shareholders is two-thirds of the votes cast on the resolution.

11.3 Quorum

Subject to the special rights and restrictions attached to the shares of any class or series of shares, the quorum for the transaction of business at a meeting of shareholders is one person present or represented by proxy.

11.4 Persons Entitled to Attend Meeting

In addition to those persons who are entitled to vote at a meeting of shareholders, the only other persons entitled to be present at the meeting are the directors, the president (if any), the secretary (if any), the assistant secretary (if any), any lawyer for the Company, the auditor of the Company, any persons invited to be present at the meeting by the directors or by the chair of the meeting and any persons entitled or required under the *Business Corporations Act* or these Articles to be present at the meeting; but if any of those persons does attend the meeting, that person is not to be counted in the quorum and is not entitled to vote at the meeting unless that person is a shareholder or proxyholder entitled to vote at the meeting.

11.5 Requirement of Quorum

No business, other than the election of a chair of the meeting and the adjournment of the meeting, may be transacted at any meeting of shareholders unless a quorum of shareholders entitled to vote is present at the commencement of the meeting, but such quorum need not be present throughout the meeting.

11.6 Lack of Quorum

If, within one-half hour from the time set for the holding of a meeting of shareholders, a quorum is not present:

(1) in the case of a general meeting requisitioned by shareholders, the meeting is dissolved, and

(2) in the case of any other meeting of shareholders, the meeting stands adjourned to the same day in the next week at the same time and place.

11.7 Lack of Quorum at Succeeding Meeting

If, at the meeting to which the meeting referred to in Article 11.6(2) was adjourned, a quorum is not present within one-half hour from the time set for the holding of the meeting, the meeting shall be terminated.

11.8 Chair

The following individual is entitled to preside as chair at a meeting of shareholders:

(1) the chair of the board, if any; or

(2) if the chair of the board is absent or unwilling to act as chair of the meeting, the president, if any.

11.9 Selection of Alternate Chair

If, at any meeting of shareholders, there is no chair of the board or president willing to act as chair of the meeting or present within 15 minutes after the time set for holding the meeting, or if the chair of the board and the president have advised the secretary, if any, or any director present at the meeting, that they will not be present at the meeting, the directors present must choose a director, officer or corporate counsel to be chair of the meeting or if none of the above persons are present or if they decline to take the chair, the shareholders entitled to vote at the meeting who are present in person or by proxy may choose any person present at the meeting to chair the meeting.

11.10 Adjournments

The chair of a meeting of shareholders may, and if so directed by the meeting must, adjourn the meeting from time to time and from place to place, but no business may be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

11.11 Notice of Adjourned Meeting

It is not necessary to give any notice of an adjourned meeting of shareholders or of the business to be transacted at an adjourned meeting of shareholders except that, when a meeting is adjourned for 30 days or more, notice of the adjourned meeting must be given as in the case of the original meeting.

11.12 Decisions by Show of Hands or Poll

Subject to the *Business Corporations Act*, every motion put to a vote at a meeting of shareholders will be decided on a show of hands unless a poll, before or on the declaration of the result of the vote by show of hands, is directed by the chair or demanded by any shareholder entitled to vote who is present in person or by proxy.

11.13 Declaration of Result

The chair of a meeting of shareholders must declare to the meeting the decision on every question in accordance with the result of the show of hands or the poll, as the case may be, and that decision must be entered in the minutes of the meeting. A declaration of the chair that a resolution is carried by the necessary majority or is defeated is, unless a poll is directed by the chair or demanded under Article 11.12, conclusive evidence without proof of the number or proportion of the votes recorded in favour of or against the resolution.

11.14 Motion Need Not be Seconded

No motion proposed at a meeting of shareholders need be seconded unless the chair of the meeting rules otherwise, and the chair of any meeting of shareholders is entitled to propose or second a motion.

11.15 Casting Vote

In case of an equality of votes, the chair of a meeting of shareholders, either on a show of hands or on a poll, does not have a second or casting vote in addition to the vote or votes to which the chair may be entitled as a shareholder.

11.16 Manner of Taking Poll

Subject to Article 11.17, if a poll is duly demanded at a meeting of shareholders:

(1) the poll must be taken:

(a) at the meeting, or within seven days after the date of the meeting, as the chair of the meeting directs; and

(b) in the manner, at the time and at the place that the chair of the meeting directs;

(2) the result of the poll is deemed to be the decision of the meeting at which the poll is demanded; and

(3) the demand for the poll may be withdrawn by the person who demanded it.

11.17 Demand for Poll on Adjournment

A poll demanded at a meeting of shareholders on a question of adjournment must be taken immediately at the meeting.

11.18 Chair Must Resolve Dispute

In the case of any dispute as to the admission or rejection of a vote given on a poll, the chair of the meeting must determine the dispute, and his or her determination made in good faith is final and conclusive.

11.19 Casting of Votes

On a poll, a shareholder entitled to more than one vote need not cast all the votes in the same way.

11.20 No Demand for Poll on Election of Chair

No poll may be demanded in respect of the vote by which a chair of a meeting of shareholders is elected.

11.21 Demand for Poll Not to Prevent Continuance of Meeting

The demand for a poll at a meeting of shareholders does not, unless the chair of the meeting so rules, prevent the continuation of a meeting for the transaction of any business other than the question on which a poll has been demanded.

11.22 Retention of Ballots and Proxies

The Company must, for at least three months after a meeting of shareholders, keep each ballot cast on a poll and each proxy voted at the meeting, and, during that period, make them available for inspection during normal business hours by any shareholder or proxy holder entitled to vote at the meeting. At the end of such three month period, the Company may destroy such ballots and proxies.

12. VOTES OF SHAREHOLDERS

12.1 Number of Votes by Shareholder or by Shares

Subject to any special rights or restrictions attached to any shares and to the restrictions imposed on joint shareholders under Article 12.3:

(1) on a vote by show of hands, every person present who is a shareholder or proxy holder and entitled to vote on the matter has one vote; and

(2) on a poll, every shareholder entitled to vote on the matter has one vote in respect of each share entitled to be voted on the matter and held by that shareholder and may exercise that vote either in person or by proxy.

12.2 Votes of Persons in Representative Capacity

A person who is not a shareholder may vote at a meeting of shareholders, whether on a show of hands or on a poll, and may appoint a proxy holder to act at the meeting, if, before doing so, the

person satisfies the chair of the meeting, or the directors, that the person is a legal personal representative or a trustee in bankruptcy for a shareholder who is entitled to vote at the meeting.

12.3 Votes by Joint Holders

If there are joint shareholders registered in respect of any share:

(1) any one of the joint shareholders may vote at any meeting of shareholders, either personally or by proxy, in respect of the share as if that joint shareholder were solely entitled to it; or

(2) if more than one of the joint shareholders is present at any meeting of shareholders, personally or by proxy, and more than one of them votes in respect of that share, then only the vote of the joint shareholder present whose name stands first on the central securities register in respect of the share will be counted.

12.4 Legal Personal Representatives as Joint Shareholders

Two or more legal personal representatives of a shareholder in whose sole name any share is registered are, for the purposes of Article 12.3, deemed to be joint shareholders registered in respect of that share.

12.5 Representative of a Corporate Shareholder

If a corporation, that is not a subsidiary of the Company, is a shareholder, that corporation may appoint a person to act as its representative at any meeting of shareholders of the Company, and:

(1) for that purpose, the instrument appointing a representative must be received:

(a) at the registered office of the Company or at any other place specified, in the notice calling the meeting, for the receipt of proxies, at least the number of business days specified in the notice for the receipt of proxies, or if no number of days is specified, two business days before the day set for the holding of the meeting or any adjourned meeting; or

(b) by the chair of the meeting at the meeting or adjourned meeting or by a person designated by the chair of the meeting or adjourned meeting;

(2) if a representative is appointed under this Article 12.5:

(a) the representative is entitled to exercise in respect of and at that meeting the same rights on behalf of the corporation that the representative represents as that corporation could exercise if it were a shareholder who is an individual, including, without limitation, the right to appoint a proxy holder; and

(b) the representative, if present at the meeting, is to be counted for the purpose of forming a quorum and is deemed to be a shareholder present in person at the meeting.

Evidence of the appointment of any such representative may be sent to the Company by written instrument, fax or any other method of transmitting legibly recorded messages. Notwithstanding the foregoing, a corporation that is a shareholder may appoint a proxy holder.

12.6 Proxy Provisions Do Not Apply to All Companies

Articles 12.7 to 12.15 do not apply to the Company if and for so long as it is a public company or a pre-existing reporting company which has the Statutory Reporting Company Provisions as part of its Articles or to which the Statutory Reporting Company Provisions apply.

12.7 Appointment of Proxy Holders

Every shareholder of the Company, including a corporation that is a shareholder but not a subsidiary of the Company, entitled to vote at a meeting of shareholders may, by proxy, appoint up to two proxy holders to attend and act at the meeting in the manner, to the extent and with the powers conferred by the proxy.

12.8 Alternate Proxy Holders

A shareholder may appoint one or more alternate proxy holders to act in the place of an absent proxy holder.

12.9 When Proxy Holder Need Not Be Shareholder

A person must not be appointed as a proxy holder unless the person is a shareholder, although a person who is not a shareholder may be appointed as a proxy holder if:

(1) the person appointing the proxy holder is a corporation or a representative of a corporation appointed under Article 12.5;

(2) the Company has at the time of the meeting for which the proxy holder is to be appointed only one shareholder entitled to vote at the meeting; or

(3) the shareholders present in person or by proxy at and entitled to vote at the meeting for which the proxy holder is to be appointed, by a resolution on which the proxy holder is not entitled to vote but in respect of which the proxy holder is to be counted in the quorum, permit the proxy holder to attend and vote at the meeting.

12.10 Deposit of Proxy

A proxy for a meeting of shareholders must:

(1) be received at the registered office of the Company or at any other place specified, in the notice calling the meeting, for the receipt of proxies, at least the number of business days specified in the notice, or if no number of days is specified, two business days before the day set for the holding of the meeting or any adjourned meeting; or

(2) unless the notice provides otherwise, be received, at the meeting or any adjourned meeting, by the chair of the meeting or any adjourned meeting or by a person designated by the chair of the meeting or adjourned meeting.

A proxy may be sent to the Company by written instrument, fax or any other method of transmitting legibly recorded messages.

12.11 Validity of Proxy Vote

A vote given in accordance with the terms of a proxy is valid notwithstanding the death or incapacity of the shareholder giving the proxy and despite the revocation of the proxy or the revocation of the authority under which the proxy is given, unless notice in writing of that death, incapacity or revocation is received:

(1) at the registered office of the Company, at any time up to and including the last business day before the day set for the holding of the meeting or any adjourned meeting at which the proxy is to be used; or

(2) at the meeting or any adjourned meeting by the chair of the meeting or adjourned meeting, before any vote in respect of which the proxy has been given or has been taken.

12.12 Form of Proxy

A proxy, whether for a specified meeting or otherwise, must be either in the following form or in any other form approved by the directors or the chair of the meeting:

[name of company]
(the "Company")

The undersigned, being a shareholder of the Company, hereby appoints [name] or, failing that person, [name], as proxy holder for the undersigned to attend, act and vote for and on behalf of the undersigned at the meeting of shareholders of the Company to be held on [month, day, year] and at any adjournment of that meeting.

Number of shares in respect of which this proxy is given (if no number is specified, then this proxy is given in respect of all shares registered in the name of the undersigned):

_____
Signed [month, day, year]

_____
[Signature of shareholder]

_____
[Name of shareholder—printed]

12.13 Revocation of Proxy

Subject to Article 12.14, every proxy may be revoked by an instrument in writing that is received:

(1) at the registered office of the Company at any time up to and including the last business day before the day set for the holding of the meeting or any adjourned meeting at which the proxy is to be used; or

(2) at the meeting or any adjourned meeting, by the chair of the meeting or adjourned meeting, before any vote in respect of which the proxy has been given has been taken.

12.14 Revocation of Proxy Must Be Signed

An instrument referred to in Article 12.13 must be signed as follows:

(1) if the shareholder for whom the proxy holder is appointed is an individual, the instrument must be signed by the shareholder or his or her legal personal representative or trustee in bankruptcy;

(2) if the shareholder for whom the proxy holder is appointed is a corporation, the instrument must be signed by the corporation or by a representative appointed for the corporation under Article 12.5.

12.15 Production of Evidence of Authority to Vote

The chair of any meeting of shareholders may, but need not, inquire into the authority of any person to vote at the meeting and may, but need not, demand from that person production of evidence as to the existence of the authority to vote.

13. DIRECTORS

13.1 First Directors; Number of Directors

The first directors are the persons designated as directors of the Company in the Notice of Articles that applies to the Company when it is recognized under the *Business Corporations Act*. The number of directors, excluding additional directors appointed under Article 14.8, is set at:

(1) subject to paragraphs (2) and (3), the number of directors that is equal to the number of the Company's first directors;

(2) if the Company is a public company, the greater of three and the most recently set of:

  (a) the number of directors elected by ordinary resolution (whether or not previous notice of the resolution was given); and

  (b) the number of directors set under Article 14.4;

(3) if the Company is not a public company, the most recently set of:

(a) the number of directors elected by ordinary resolution (whether or not previous notice of the resolution was given); and

(b) the number of directors set under Article 14.4.

13.2 Change in Number of Directors

If the number of directors is set under Articles 13.1(2)(a) or 13.1(3)(a):

(1) the shareholders may elect or appoint the directors needed to fill any vacancies in the board of directors up to that number;

(2) if the shareholders do not elect or appoint the directors needed to fill any vacancies in the board of directors up to that number contemporaneously with the setting of that number, then the directors, subject to Article 14.8, may appoint, or the shareholders may elect or appoint, directors to fill those vacancies.

13.3 Directors' Acts Valid Despite Vacancy

An act or proceeding of the directors is not invalid merely because fewer than the number of directors set or otherwise required under these Articles is in office.

13.4 Qualifications of Directors

A director is not required to hold a share in the capital of the Company as qualification for his or her office but must be qualified as required by the *Business Corporations Act* to become, act or continue to act as a director.

13.5 Remuneration of Directors

The directors are entitled to the remuneration for acting as directors, if any, as the directors may from time to time determine. If the directors so decide, the remuneration of the directors, if any, will be determined by the shareholders. That remuneration may be in addition to any salary or other remuneration paid to any officer or employee of the Company as such, who is also a director.

13.6 Reimbursement of Expenses of Directors

The Company must reimburse each director for the reasonable expenses that he or she may incur in and about the business of the Company.

13.7 Special Remuneration for Directors

If any director performs any professional or other services for the Company that in the opinion of the directors are outside the ordinary duties of a director, or if any director is otherwise specially occupied in or about the Company's business, he or she may be paid remuneration fixed by the directors, or, at the option of that director, fixed by ordinary resolution, and such remuneration may be either in addition to, or in substitution for, any other remuneration that he or she may be entitled to receive.

13.8 Gratuity, Pension or Allowance on Retirement of Director

Unless otherwise determined by ordinary resolution, the directors on behalf of the Company may pay a gratuity or pension or allowance on retirement to any director or to his or her spouse or dependants and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance.

14. ELECTION AND REMOVAL OF DIRECTORS

14.1 Election at Annual General Meeting

At every annual general meeting and in every unanimous resolution contemplated by Article 10.2:

(1) the shareholders entitled to vote at the annual general meeting for the election of directors must elect, or in the unanimous resolution appoint, a board of directors consisting of the number of directors for the time being set under these Articles; and

(2) those directors whose term of office expires at the annual general meeting cease to hold office immediately before the election or appointment of directors under paragraph (1), but are eligible for re-election or re-appointment.

14.2 Consent to be a Director

No election, appointment or designation of an individual as a director is valid unless:

(1) that individual consents to be a director in the manner provided for in the *Business Corporations Act*;

(2) that individual is elected or appointed at a meeting at which the individual is present and the individual does not refuse, at the meeting, to be a director; or

(3) with respect to first directors, the designation is otherwise valid under the *Business Corporations Act*.

14.3 Failure to Elect or Appoint Directors

If:

(1) the Company fails to hold an annual general meeting, and all the shareholders who are entitled to vote at an annual general meeting fail to pass the unanimous resolution contemplated by Article 10.2, on or before the date by which the annual general meeting is required to be held under the *Business Corporations Act*; or

(2) the shareholders fail, at the annual general meeting or in the unanimous resolution contemplated by Article 10.2, to elect or appoint any directors;

then each director then in office continues to hold office until the earlier of:

(3) when his or her successor is elected or appointed; and

(4) when he or she otherwise ceases to hold office under the *Business Corporations Act* or these Articles.

14.4 Places of Retiring Directors Not Filled

If, at any meeting of shareholders at which there should be an election of directors, the places of any of the retiring directors are not filled by that election, those retiring directors who are not re-elected and who are asked by the newly elected directors to continue in office will, if willing to do so, continue in office to complete the number of directors for the time being set pursuant to these Articles until further new directors are elected at a meeting of shareholders convened for that purpose. If any such election or continuance of directors does not result in the election or continuance of the number of directors for the time being set pursuant to these Articles, the number of directors of the Company is deemed to be set at the number of directors actually elected or continued in office.

14.5 Directors May Fill Casual Vacancies

Any casual vacancy occurring in the board of directors may be filled by the directors.

14.6 Remaining Directors' Power to Act

The directors may act notwithstanding any vacancy in the board of directors, but if the Company has fewer directors in office than the number set pursuant to these Articles as the quorum of directors, the directors may only act for the purpose of appointing directors up to that number or of calling a meeting of shareholders for the purpose of filling any vacancies on the board of directors or, subject to the *Business Corporations Act*, for any other purpose.

14.7 Shareholders May Fill Vacancies

If the Company has no directors or fewer directors in office than the number set pursuant to these Articles as the quorum of directors, the shareholders may elect or appoint directors to fill any vacancies on the board of directors.

14.8 Additional Directors

Notwithstanding Articles 13.1 and 13.2, between annual general meetings or unanimous resolutions contemplated by Article 10.2, the directors may appoint one or more additional directors, but the number of additional directors appointed under this Article 14.8 must not at any time exceed:

(1) one-third of the number of first directors, if, at the time of the appointments, one or more of the first directors have not yet completed their first term of office; or

(2) in any other case, one-third of the number of the current directors who were elected or appointed as directors other than under this Article 14.8.

Any director so appointed ceases to hold office immediately before the next election or appointment of directors under Article 14.1(1), but is eligible for re-election or re-appointment.

14.9 Ceasing to be a Director

A director ceases to be a director when:

(1) the term of office of the director expires;

(2) the director dies;

(3) the director resigns as a director by notice in writing provided to the Company or a lawyer for the Company; or

(4) the director is removed from office pursuant to Articles 14.10 or 14.11.

14.10 Removal of Director by Shareholders

The Company may remove any director before the expiration of his or her term of office by special resolution. In that event, the shareholders may elect, or appoint by ordinary resolution, a director to fill the resulting vacancy. If the shareholders do not elect or appoint a director to fill the resulting vacancy contemporaneously with the removal, then the directors may appoint or the shareholders may elect, or appoint by ordinary resolution, a director to fill that vacancy.

14.11 Removal of Director by Directors

The directors may remove any director before the expiration of his or her term of office if the director is convicted of an indictable offence, or if the director ceases to be qualified to act as a director of a company and does not promptly resign, and the directors may appoint a director to fill the resulting vacancy.

15. ALTERNATE DIRECTORS

15.1 Appointment of Alternate Director

Any director (an "appointor") may by notice in writing received by the Company appoint any person (an "appointee") who is qualified to act as a director to be his or her alternate to act in his or her place at meetings of the directors or committees of the directors at which the appointor is not present unless (in the case of an appointee who is not a director) the directors have reasonably disapproved the appointment of such person as an alternate director and have given notice to that effect to his or her appointor within a reasonable time after the notice of appointment is received by the Company.

15.2 Notice of Meetings

Every alternate director so appointed is entitled to notice of meetings of the directors and of committees of the directors of which his or her appointor is a member and to attend and vote as a director at any such meetings at which his or her appointor is not present.

15.3 Alternate for More Than One Director Attending Meetings

A person may be appointed as an alternate director by more than one director, and an alternate director:

(1) will be counted in determining the quorum for a meeting of directors once for each of his or her appointors and, in the case of an appointee who is also a director, once more in that capacity;

(2) has a separate vote at a meeting of directors for each of his or her appointors and, in the case of an appointee who is also a director, an additional vote in that capacity;

(3) will be counted in determining the quorum for a meeting of a committee of directors once for each of his or her appointors who is a member of that committee and, in the case of an appointee who is also a member of that committee as a director, once more in that capacity; and

(4) has a separate vote at a meeting of a committee of directors for each of his or her appointors who is a member of that committee and, in the case of an appointee who is also a member of that committee as a director, an additional vote in that capacity.

15.4 Consent Resolutions

Every alternate director, if authorized by the notice appointing him or her, may sign in place of his or her appointor any resolutions to be consented to in writing.

15.5 Alternate Director Not an Agent

Every alternate director is deemed not to be the agent of his or her appointor.

15.6 Revocation of Appointment of Alternate Director

An appointor may at any time, by notice in writing received by the Company, revoke the appointment of an alternate director appointed by him or her.

15.7 Ceasing to be an Alternate Director

The appointment of an alternate director ceases when:

(1) his or her appointor ceases to be a director and is not promptly re-elected or re-appointed;

(2) the alternate director dies;

(3) the alternate director resigns as an alternate director by notice in writing provided to the Company or a lawyer for the Company;

(4) the alternate director ceases to be qualified to act as a director; or

(5) his or her appointor revokes the appointment of the alternate director.

15.8 Remuneration and Expenses of Alternate Director

The Company may reimburse an alternate director for the reasonable expenses that would be properly reimbursed if he or she were a director, and the alternate director is entitled to receive from the Company such proportion, if any, of the remuneration otherwise payable to the appointor as the appointor may from time to time direct.

16. POWERS AND DUTIES OF DIRECTORS

16.1 Powers of Management

The directors must, subject to the *Business Corporations Act* and these Articles, manage or supervise the management of the business and affairs of the Company and have the authority to exercise all such powers of the Company as are not, by the *Business Corporations Act* or by these Articles, required to be exercised by the shareholders of the Company.

16.2 Appointment of Attorney of Company

The directors may from time to time, by power of attorney or other instrument, under seal if so required by law, appoint any person to be the attorney of the Company for such purposes, and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the directors under these Articles and excepting the power to fill vacancies in the board of directors, to remove a director, to change the membership of, or fill vacancies in, any committee of the directors, to appoint or remove officers appointed by the directors and to declare dividends) and for such period, and with such remuneration and subject to such conditions as the directors may think fit. Any such power of attorney may contain such provisions for the protection or convenience of persons dealing with such attorney as the directors think fit. Any such attorney may be authorized by the directors to sub-delegate all or any of the powers, authorities and discretions for the time being vested in him or her.

17. INTERESTS OF DIRECTORS AND OFFICERS

17.1 Obligation to Account for Profits

A director or senior officer who holds a disclosable interest (as that term is used in the *Business Corporations Act*) in a contract or transaction into which the Company has entered or proposes to enter is liable to account to the Company for any profit that accrues to the director or senior officer under or as a result of the contract or transaction only if and to the extent provided in the *Business Corporations Act*.

17.2 Restrictions on Voting by Reason of Interest

A director who holds a disclosable interest in a contract or transaction into which the Company has entered or proposes to enter is not entitled to vote on any directors' resolution to approve that contract or transaction, unless all the directors have a disclosable interest in that contract or transaction, in which case any or all of those directors may vote on such resolution.

17.3 Interested Director Counted in Quorum

A director who holds a disclosable interest in a contract or transaction into which the Company has entered or proposes to enter and who is present at the meeting of directors at which the contract or transaction is considered for approval may be counted in the quorum at the meeting whether or not the director votes on any or all of the resolutions considered at the meeting.

17.4 Disclosure of Conflict of Interest or Property

A director or senior officer who holds any office or possesses any property, right or interest that could result, directly or indirectly, in the creation of a duty or interest that materially conflicts with that individual's duty or interest as a director or senior officer, must disclose the nature and extent of the conflict as required by the *Business Corporations Act*.

17.5 Director Holding Other Office in the Company

A director may hold any office or place of profit with the Company, other than the office of auditor of the Company, in addition to his or her office of director for the period and on the terms (as to remuneration or otherwise) that the directors may determine.

17.6 No Disqualification

No director or intended director is disqualified by his or her office from contracting with the Company either with regard to the holding of any office or place of profit the director holds with the Company or as vendor, purchaser or otherwise, and no contract or transaction entered into by or on behalf of the Company in which a director is in any way interested is liable to be voided for that reason.

17.7 Professional Services by Director or Officer

Subject to the *Business Corporations Act*, a director or officer, or any person in which a director or officer has an interest, may act in a professional capacity for the Company, except as auditor of the Company, and the director or officer or such person is entitled to remuneration for professional services as if that director or officer were not a director or officer.

17.8 Director or Officer in Other Corporations

A director or officer may be or become a director, officer or employee of, or otherwise interested in, any person in which the Company may be interested as a shareholder or otherwise, and, subject to the *Business Corporations Act*, the director or officer is not accountable to the Company for any remuneration or other benefits received by him or her as director, officer or employee of, or from his or her interest in, such other person.

18. PROCEEDINGS OF DIRECTORS

18.1 Meetings of Directors

The directors may meet together for the conduct of business, adjourn and otherwise regulate their meetings as they think fit, and meetings of the directors held at regular intervals may be held at the place, at the time and on the notice, if any, as the directors may from time to time determine.

18.2 Voting at Meetings

Questions arising at any meeting of directors are to be decided by a majority of votes and, in the case of an equality of votes, the chair of the meeting does not have a second or casting vote.

18.3 Chair of Meetings

The following individual is entitled to preside as chair at a meeting of directors:

(1) the chair of the board, if any;

(2) in the absence of the chair of the board or if designated by the chair, the president, a director or other officer; or

(3) any other director or officer chosen by the directors if:

  (a) neither the chair of the board nor the president is present at the meeting within 15 minutes after the time set for holding the meeting;

  (b) neither the chair of the board nor the president is willing to chair the meeting; or

  (c) the chair of the board and the president have advised the secretary, if any, or any other director, that they will not be present at the meeting.

18.4 Meetings by Telephone or Other Communications Medium

A director may participate in a meeting of the directors or of any committee of the directors:

(1) in person;

(2) by telephone; or

(3) with the consent of all directors who wish to participate in the meeting, by other communications medium;

if all directors participating in the meeting, whether in person or by telephone or other communications medium, are able to communicate with each other. A director who participates in a meeting in a manner contemplated by this Article 18.4 is deemed for all purposes of the *Business Corporations Act* and these Articles to be present at the meeting and to have agreed to participate in that manner.

18.5 Calling of Meetings

A director may, and the secretary or an assistant secretary of the Company, if any, on the request of a director must, call a meeting of the directors at any time.

18.6 Notice of Meetings

Other than for meetings held at regular intervals as determined by the directors pursuant to Article 18.1, reasonable notice of each meeting of the directors, specifying the place, day and time of that meeting must be given to each of the directors and the alternate directors by any method set out in Article 24.1 or orally or by telephone.

18.7 When Notice Not Required

It is not necessary to give notice of a meeting of the directors to a director or an alternate director if:

(1) the meeting is to be held immediately following a meeting of shareholders at which that director was elected or appointed, or is the meeting of the directors at which that director is appointed; or

(2) the director or alternate director, as the case may be, has waived notice of the meeting.

18.8 Meeting Valid Despite Failure to Give Notice

The accidental omission to give notice of any meeting of directors to, or the non-receipt of any notice by, any director or alternate director, does not invalidate any proceedings at that meeting.

18.9 Waiver of Notice of Meetings

Any director or alternate director may send to the Company a document signed by him or her waiving notice of any past, present or future meeting or meetings of the directors and may at any time withdraw that waiver with respect to meetings held after that withdrawal. After sending a waiver with respect to all future meetings and until that waiver is withdrawn, no notice of any meeting of the directors need be given to that director and, unless the director otherwise requires by notice in writing to the Company, to his or her alternate director, and all meetings of the directors so held are deemed not to be improperly called or constituted by reason of notice not having been given to such director or alternate director. Attendance of a director or alternate director at a meeting of directors is a waiver of notice of the meeting unless that director or alternate director attends the meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

18.10 Quorum

The quorum necessary for the transaction of the business of the directors may be set by the directors and, if not so set, is deemed to be set at a majority of directors or, if the number of directors is set at one, is deemed to be set at one director, and that director may constitute a meeting.

18.11 Validity of Acts Where Appointment Defective

Subject to the *Business Corporations Act*, an act of a director or officer is not invalid merely because of an irregularity in the election or appointment or a defect in the qualification of that director or officer.

18.12 Consent Resolutions in Writing

A resolution of the directors or of any committee of the directors may be passed without a meeting:

(1) in all cases, if each of the directors entitled to vote on the resolution consents to it in writing; or

(2) in the case of a resolution to approve a contract or transaction in respect of which a director has disclosed that he or she has or may have a disclosable interest, if each of the other directors who have not made such a disclosure consents in writing to the resolution.

A consent in writing under this Article may be by signed document, fax, e-mail or any other method of transmitting legibly recorded messages. A consent in writing may be in two or more counterparts which together are deemed to constitute one consent in writing. A resolution of the directors or of any committee of the directors passed in accordance with this Article 18.12 is effective on the date stated in the consent in writing or on the latest date stated on any counterpart and is deemed to be a proceeding at a meeting of directors or of the committee of the directors and to be as valid and effective as if it had been passed at a meeting of the directors or of the committee of the directors that satisfies all the requirements of the *Business Corporations Act* and all the requirements of these Articles relating to meetings of the directors or of a committee of the directors.

19. EXECUTIVE AND OTHER COMMITTEES

19.1 Appointment and Powers of Executive Committee

The directors may, by resolution, appoint an executive committee consisting of the director or directors that they consider appropriate, and this committee has, during the intervals between meetings of the board of directors, all of the directors' powers, except:

(1) the power to fill vacancies in the board of directors;

(2) the power to remove a director;

(3) the power to change the membership of, or fill vacancies in, any committee of the directors; and

(4) such other powers, if any, as may be set out in the resolution or any subsequent directors' resolution.

19.2 Appointment and Powers of Other Committees

The directors may, by resolution:

(1) appoint one or more committees (other than the executive committee) consisting of the director or directors that they consider appropriate;

(2) delegate to a committee appointed under paragraph (1) any of the directors' powers, except:

(a) the power to fill vacancies in the board of directors;

(b) the power to remove a director;

(c) the power to change the membership of, or fill vacancies in, any committee of the directors; and

(d) the power to appoint or remove officers appointed by the directors; and

(3) make any delegation referred to in paragraph (2) subject to the conditions set out in the resolution or any subsequent directors' resolution.

19.3 Obligations of Committees

Any committee appointed under Articles 19.1 or 19.2, in the exercise of the powers delegated to it, must:

(1) conform to any rules that may from time to time be imposed on it by the directors; and

(2) report every act or thing done in exercise of those powers at such times and in such manner and form as the directors may require.

19.4 Powers of Board

The directors may, at any time, with respect to a committee appointed under Articles 19.1 or 19.2:

(1) revoke or alter the authority given to the committee, or override a decision made by the committee, except as to acts done before such revocation, alteration or overriding;

(2) terminate the appointment of, or change the membership of, the committee; and

(3) fill vacancies in the committee.

19.5 Committee Meetings

Subject to Article 19.3(1) and unless the directors otherwise provide in the resolution appointing the committee or in any subsequent resolution, with respect to a committee appointed under Articles 19.1 or 19.2:

(1) the committee may meet and adjourn as it thinks proper;

(2) the committee may elect a chair of its meetings but, if no chair of a meeting is elected, or if at a meeting the chair of the meeting is not present within 15 minutes after the time set for holding the meeting, the directors present who are members of the committee may choose one of their number to chair the meeting;

(3) a majority of the members of the committee constitutes a quorum of the committee; and

(4) questions arising at any meeting of the committee are determined by a majority of votes of the members present, and in case of an equality of votes, the chair of the meeting does not have a second or casting vote.

20. OFFICERS

20.1 Directors May Appoint Officers

The directors may, from time to time, appoint such officers, if any, as the directors determine and the directors may, at any time, terminate any such appointment.

20.2 Functions, Duties and Powers of Officers

The directors may, for each officer:

(1) determine the functions and duties of the officer;

(2) entrust to and confer on the officer any of the powers exercisable by the directors on such terms and conditions and with such restrictions as the directors think fit; and

(3) revoke, withdraw, alter or vary all or any of the functions, duties and powers of the officer.

20.3 Qualifications

No officer may be appointed unless that officer is qualified in accordance with the *Business Corporations Act*. One person may hold more than one position as an officer of the Company. Any person appointed as the chair of the board or as the managing director must be a director. Any other officer need not be a director.

20.4 Remuneration and Terms of Appointment

All appointments of officers are to be made on the terms and conditions and at the remuneration (whether by way of salary, fee, commission, participation in profits or otherwise) that the directors thinks fit and are subject to termination at the pleasure of the directors, and an officer may in addition to such remuneration be entitled to receive, after he or she ceases to hold such office or leaves the employment of the Company, a pension or gratuity.

21. INDEMNIFICATION

21.1 Definitions

In this Article 21:

(1) "eligible penalty" means a judgment, penalty or fine awarded or imposed in, or an amount paid in settlement of, an eligible proceeding;

(2) "eligible proceeding" means a legal proceeding or investigative action, whether current, threatened, pending or completed, in which a director, former director or alternate director of the Company (an "eligible party") or any of the heirs and legal personal representatives of the eligible party, by reason of the eligible party being or having been a director or alternate director of the Company:

(a) is or may be joined as a party; or

(b) is or may be liable for or in respect of a judgment, penalty or fine in, or expenses related to, the proceeding;

(3) "expenses" has the meaning set out in the *Business Corporations Act*.

21.2 Mandatory Indemnification of Eligible Parties

Subject to the *Business Corporations Act*, the Company must indemnify a director, former director or alternate director of the Company and his or her heirs and legal personal representatives against all eligible penalties to which such person is or may be liable, and the Company must, after the final disposition of an eligible proceeding, pay the expenses actually and reasonably incurred by such person in respect of that proceeding. Each director and alternate director is deemed to have contracted with the Company on the terms of the indemnity contained in this Article 21.2.

21.3 Indemnification

Subject to any restrictions in the *Business Corporations Act* and these Articles, the Company may indemnify any person.

21.4 Non-Compliance with *Business Corporations Act*

The failure of a director, alternate director or officer of the Company to comply with the *Business Corporations Act* or these Articles or, if applicable, any former *Companies Act* or former Articles, does not invalidate any indemnity to which he or she is entitled under this Part.

21.5 Company May Purchase Insurance

The Company may purchase and maintain insurance for the benefit of any person (or his or her heirs or legal personal representatives) who:

(1) is or was a director, alternate director, officer, employee or agent of the Company;

(2) is or was a director, alternate director, officer, employee or agent of a corporation at a time when the corporation is or was an affiliate of the Company;

(3) at the request of the Company, is or was a director, alternate director, officer, employee or agent of a corporation or of a partnership, trust, joint venture or other unincorporated entity; or

(4) at the request of the Company, holds or held a position equivalent to that of a director, alternate director or officer of a partnership, trust, joint venture or other unincorporated entity;

against any liability incurred by him or her as such director, alternate director, officer, employee or agent or person who holds or held such equivalent position.

22. DIVIDENDS

22.1 Payment of Dividends Subject to Special Rights

The provisions of this Article 22 are subject to the rights, if any, of shareholders holding shares with special rights as to dividends.

22.2 Declaration of Dividends

Subject to the *Business Corporations Act*, the directors may from time to time declare and authorize payment of such dividends as they may deem advisable.

22.3 No Notice Required

The directors need not give notice to any shareholder of any declaration under Article 22.2.

22.4 Record Date

The directors may set a date as the record date for the purpose of determining shareholders entitled to receive payment of a dividend. The record date must not precede the date on which the dividend is to be paid by more than two months. If no record date is set, the record date is 5:00 p.m. on the date on which the directors pass the resolution declaring the dividend.

22.5 Manner of Paying Dividend

A resolution declaring a dividend may direct payment of the dividend wholly or partly in money or by the distribution of specific assets or of fully paid shares or of bonds, debentures or other securities of the Company or any other corporation, or in any one or more of those ways.

22.6 Settlement of Difficulties

If any difficulty arises in regard to a distribution under Article 22.5, the directors may settle the difficulty as they deem advisable, and, in particular, may:

(1) set the value for distribution of specific assets;

(2) determine that money in substitution for all or any part of the specific assets to which any shareholders are entitled may be paid to any shareholders on the basis of the value so fixed in order to adjust the rights of all parties; and

(3) vest any such specific assets in trustees for the persons entitled to the dividend.

22.7 When Dividend Payable

Any dividend may be made payable on such date as is fixed by the directors.

22.8 Dividends to be Paid in Accordance with Number of Shares

All dividends on shares of any class or series of shares must be declared and paid according to the number of such shares held.

22.9 Receipt by Joint Shareholders

If several persons are joint shareholders of any share, any one of them may give an effective receipt for any dividend, bonus or other money payable in respect of the share.

22.10 Dividend Bears No Interest

No dividend bears interest against the Company.

22.11 Fractional Dividends

If a dividend to which a shareholder is entitled includes a fraction of the smallest monetary unit of the currency of the dividend, that fraction may be disregarded in making payment of the dividend and that payment represents full payment of the dividend.

22.12 Payment of Dividends

Any dividend or other distribution payable in money in respect of shares may be paid by cheque, made payable to the order of the person to whom it is sent, and mailed to the registered address of the shareholder, or in the case of joint shareholders, to the registered address of the joint shareholder who is first named on the central securities register, or to the person and to the address the shareholder or joint shareholders may direct in writing. The mailing of such cheque will, to the extent of the sum represented by the cheque (plus the amount of the tax required by law to be deducted), discharge all liability for the dividend unless such cheque is not paid on presentation or the amount of tax so deducted is not paid to the appropriate taxing authority.

22.13 Capitalization of Retained Earnings or Surplus

Notwithstanding anything contained in these Articles, the directors may from time to time capitalize any retained earnings or surplus of the Company and may from time to time issue, as fully paid, shares or any bonds, debentures or other securities of the Company as a dividend representing the retained earnings or surplus so capitalized or any part thereof.

23. ACCOUNTING RECORDS AND AUDITORS

23.1 Recording of Financial Affairs

The directors must cause adequate accounting records to be kept to record properly the financial affairs and condition of the Company and to comply with the *Business Corporations Act*.

23.2 Inspection of Accounting Records

Unless the directors determine otherwise, or unless otherwise determined by ordinary resolution, no shareholder of the Company is entitled to inspect or obtain a copy of any accounting records of the Company.

23.3 Remuneration of Auditors

The directors may set the remuneration of the auditors. If the directors so decide, the remuneration of the auditors will be determined by the shareholders.

24. NOTICES

24.1 Method of Giving Notice

Unless the *Business Corporations Act* or these Articles provides otherwise, a notice, statement, report or other record required or permitted by the *Business Corporations Act* or these Articles to be sent by or to a person may be sent by any one of the following methods:

(1) mail addressed to the person at the applicable address for that person as follows:

(a) for a record mailed to a shareholder, the shareholder's registered address;

(b) for a record mailed to a director or officer, the prescribed address for mailing shown for the director or officer in the records kept by the Company or the mailing address provided by the recipient for the sending of that record or records of that class; or

(c) in any other case, the mailing address of the intended recipient;

(2) delivery at the applicable address for that person as follows, addressed to the person:

(a) for a record delivered to a shareholder, the shareholder's registered address;

(b) for a record delivered to a director or officer, the prescribed address for delivery shown for the director or officer in the records kept by the Company or the delivery address provided by the recipient for the sending of that record or records of that class; or

(c) in any other case, the delivery address of the intended recipient;

(3) sending the record by fax to the fax number provided by the intended recipient for the sending of that record or records of that class;

(4) sending the record by email to the email address provided by the intended recipient for the sending of that record or records of that class;

(5) making the record available for public electronic access in accordance with the procedures referred to as "notice-and-access" under National Instrument 54-101 and National Instrument 51-102, as applicable, of the Canadian Securities Administrators, or in accordance with any similar electronic delivery or access method permitted by applicable securities legislation from time to time; or

(6) physical delivery to the intended recipient.

24.2 Deemed Receipt

A notice, statement, report or other record that is:

(1) mailed to a person by ordinary mail to the applicable address for that person referred to in Article 24.1 is deemed to be received by the person to whom it was mailed on the day (Saturdays, Sundays and holidays excepted) following the date of mailing;

(2) faxed to a person to the fax number provided by that person referred to in Article 24.1 is deemed to be received by the person to whom it was faxed on the day it was faxed;

(3) e-mailed to a person to the e-mail address provided by that person referred to in Article 24.1 is deemed to be received by the person to whom it was e-mailed on the date it was e-mailed; and

(4) made available for public electronic access in accordance with the "notice-and-access" or similar delivery procedures referred to in Article 24.1(5) is deemed to be received by a person on the date it was made available for public electronic access.

24.3 Certificate of Sending

A certificate signed by the secretary, if any, or other officer of the Company or of any other corporation acting in that capacity on behalf of the Company stating that a notice, statement, report or other record was sent in accordance with Article 24.1 is conclusive evidence of that fact.

24.4 Notice to Joint Shareholders

A notice, statement, report or other record may be provided by the Company to the joint shareholders of a share by providing such record to the joint shareholder first named in the central securities register in respect of the share.

24.5 Notice to Legal Personal Representatives and Trustees

A notice, statement, report or other record may be provided by the Company to the persons entitled to a share in consequence of the death, bankruptcy or incapacity of a shareholder by:

(1) mailing the record, addressed to them:

(a) by name, by the title of the legal personal representative of the deceased or incapacitated shareholder, by the title of trustee of the bankrupt shareholder or by any similar description; and

(b) at the address, if any, supplied to the Company for that purpose by the persons claiming to be so entitled; or

(2) if an address referred to in paragraph (1)(b) has not been supplied to the Company, by giving the notice in a manner in which it might have been given if the death, bankruptcy or incapacity had not occurred.

24.6 Undelivered Notices

If on two consecutive occasions, a notice, statement, report or other record is sent to a shareholder pursuant to Article 24.1 and on each of those occasions any such record is returned because the shareholder cannot be located, the Company shall not be required to send any further records to the shareholder until the shareholder informs the Company in writing of his or her new address.

25. SEAL

25.1 Who May Attest Seal

Except as provided in Articles 25.2 and 25.3, the Company's seal, if any, must not be impressed on any record except when that impression is attested by the signatures of:

(1) any two directors;

(2) any officer, together with any director;

(3) if the Company only has one director, that director; or

(4) any one or more directors or officers or persons as may be determined by the directors.

25.2 Sealing Copies

For the purpose of certifying under seal a certificate of incumbency of the directors or officers of the Company or a true copy of any resolution or other document, despite Article 25.1, the impression of the seal may be attested by the signature of any director or officer or the signature of any other person as may be determined by the directors.

25.3 Mechanical Reproduction of Seal

The directors may authorize the seal to be impressed by third parties on share certificates or bonds, debentures or other securities of the Company as they may determine appropriate from time to time. To enable the seal to be impressed on any share certificates or bonds, debentures or other securities of the Company, whether in definitive or interim form, on which facsimiles of any of the signatures of the directors or officers of the Company are, in accordance with the *Business Corporations Act* or these Articles, printed or otherwise mechanically reproduced, there may be delivered to the person employed to engrave, lithograph or print such definitive or interim share certificates or bonds, debentures or other securities one or more unmounted dies reproducing the seal and such persons as are authorized under Article 25.1 to attest the Company's seal may in writing authorize such person to cause the seal to be impressed on such definitive or interim share certificates or bonds, debentures or other securities by the use of such dies. Share certificates or bonds, debentures or other securities to which the seal has been so impressed are for all purposes deemed to be under and to bear the seal impressed on them.

26. PROHIBITIONS

26.1 Definitions

In this Article 26:

(1) "designated security" means:

(a) a voting security of the Company;

(b) a security of the Company that is not a debt security and that carries a residual right to participate in the earnings of the Company or, on the liquidation or winding up of the Company, in its assets; or

(c) a security of the Company convertible, directly or indirectly, into a security described in paragraph (a) or (b);

(2) "security" has the meaning assigned in the *Securities Act* (British Columbia);

(3) "voting security" means a security of the Company that:

(a) is not a debt security, and

(b) carries a voting right either under all circumstances or under some circumstances that have occurred and are continuing.

26.2 Application

Article 26.3 does not apply to the Company if and for so long as it is a public company or a pre-existing reporting company which has the Statutory Reporting Company Provisions as part of its Articles or to which the Statutory Reporting Company Provisions apply.

26.3 Consent Required for Transfer of Shares or Designated Securities

No share or designated security may be sold, transferred or otherwise disposed of without the consent of the directors and the directors are not required to give any reason for refusing to consent to any such sale, transfer or other disposition.

Exhibit 1.2

CANADA
PROVINCE OF BRITISH COLUMBIA

NUMBER

320204

Province of British Columbia
Ministry of Consumer and Corporate Affairs
REGISTRAR OF COMPANIES

COMPANY ACT

Certificate of Incorporation

I HEREBY CERTIFY THAT

EMPIRE CREEK MINES INC.

HAS THIS DAY BEEN INCORPORATED UNDER THE COMPANY ACT

GIVEN UNDER MY HAND AND SEAL OF OFFICE

AT VICTORIA, BRITISH COLUMBIA,

THIS 15TH DAY OF JANUARY, 1987

B. BECKWITH
ASST. DEPUTY REGISTRAR OF COMPANIES

CANADA
PROVINCE OF BRITISH COLUMBIA

NUMBER

320204

Province of British Columbia
Ministry of Finance and Corporate Relations
REGISTRAR OF COMPANIES

COMPANY ACT

Certificate

I HEREBY CERTIFY THAT

EMPIRE CREEK MINES INC.

HAS THIS DAY CHANGED ITS NAME TO THE NAME

CURLEW LAKE RESOURCES INC.

GIVEN UNDER MY HAND AND SEAL OF OFFICE

AT VICTORIA, BRITISH COLUMBIA,

THIS 11TH DAY OF MAY, 1987

Roberta J. Lowdon

ROBERTA J. LOWDON
DEPUTY REGISTRAR OF COMPANIES

Number: BC0320204

CERTIFICATE
OF
CHANGE OF NAME

BUSINESS CORPORATIONS ACT

I Hereby Certify that CURLEW LAKE RESOURCES INC. changed its name to C21 INVESTMENTS INC. on November 24, 2017 at 12:01 AM Pacific Time.

Issued under my hand at Victoria, British Columbia
On November 24, 2017

CAROL PREST
Registrar of Companies
Province of British Columbia
Canada

ELECTRONIC CERTIFICATE

Exhibit 2.1

DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

As of the date of the Annual Report on Form 20-F of which this Exhibit 2.1 is a part, C21 Investments Inc. (the "**Company**", "**we**", "**us**" or "**our**") has only one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended: the Company's common shares (the "**Common Shares**").

Description of Common Shares

*The following description of our Common Shares is a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference to our articles (the "**Articles**"), as amended, which are incorporated by reference as an exhibit to the Annual Report on Form 20-F of which this Exhibit 2.1 is a part.*

We have 89,388,640 Common Shares outstanding as of January 31, 2020, and we are authorized to issue an unlimited number of Common Shares, without par value.

Basic Rights of our Common Shares

The holders of Common Shares are entitled to one vote per share on all matters voted on by shareholders, including the election of directors. All our Common Shares rank equally as to dividends (as may be declared from time to time by our board of directors from funds available for distribution to holders), voting power and participation in assets. Upon liquidation, dissolution or winding up of the Company, holders of our Common Shares are entitled to receive pro rata the assets of the Company, if any, remaining after payments of all debts and liabilities.

Our Common Shares are not subject to liability to further capital calls by the Company. There are no provisions in our Articles discriminating against any existing or prospective shareholder as a result of such shareholder owning a substantial number of our Common Shares, and non-resident or foreign holders of our Common Shares are not limited in having, holding or exercising the voting rights associated with Common Shares. Also, no provision or rights exist in our Articles regarding our Common Shares in connection with exchange, redemption, retraction, purchase for cancellation, surrender or sinking or purchase funds.

Pre-emptive Rights

Our Common Shares do not contain any pre-emptive purchase rights to any of our securities.

Transferability of Common Shares

Our Articles do not impose restrictions on the transfer of Common Shares by a shareholder. We will not, however, register a transfer of Common Shares until: (1) we receive a duly signed instrument in respect of the transfer of Common Shares; (2) a share certificate, if any, representing the transferred Common Shares has been surrendered to us; and (3) if a non-transferable written acknowledgment of the shareholder's right to obtain a share certificate has been issued by the Company in respect of the Common Shares to be transferred, that acknowledgement has been surrendered to us.

Action(s) to change Rights attaching to our Common Shares

Provisions as to the modification, amendment or variation of shareholder rights for holders of our Common Shares are contained in the British Columbia Business Corporation Act ("**BCBCA**"). The BCBCA requires a "special resolution" of shareholders for specific corporate actions, including certain alterations of our share capital, with such "special resolution" requiring an affirmative two-thirds vote of shareholders (rather than a simple majority) for passage. No right or special right attached to any of our issued shares may be prejudiced or interfered with unless the shareholders holding shares of such class or series of shares to which the right or special right is attached consent by a separate "special resolution" of those shareholders.

Change of Control restrictions for our Common Shares

Our Articles do not contain provisions that would have an effect of delaying, deferring or preventing a change in control of the Company which would operate with respect to a merger, acquisition or corporate restructuring involving the Company or any of its subsidiaries.

Ownership disclosure threshold for our Common Shares

Our Articles do not have any specific threshold requiring disclosure of ownership by holders of our Common Shares. However, Canadian securities regulators and the Canadian Stock Exchange ("**CSE**") do require disclosure of shareholder ownership by any shareholder owning more than 10% of our outstanding Common Shares.

Exhibit 4.1

C21 INVESTMENTS INC.

STOCK OPTION PLAN

Dated as of February 23, 2018

CORPORATE
COUNSEL
CORPORATE AND SECURITIES LAW
www.corpcounsel.ca
416.519.6886

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ARTICLE 1
DEFINITIONS AND INTERPRETATION

1.1 Defined Terms

For the purposes of this Plan, the following terms shall have the following meanings:

(a) "**Affiliate**" has the meaning ascribed thereto by the Exchange;

(b) "**Board**" means the Board of Directors of the Corporation or, as applicable, a committee consisting of not less than three (3) Directors of the Corporation duly appointed to administer this Plan;

(c) "**Common Shares**" means the common shares of the Corporation;

(d) "**Company**" unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual;

(e) "**Consultant**" means, in relation to an Corporation, an individual (other than an Employee or a Director of the Corporation) or Company that:

(i) is engaged to provide on an ongoing bona fide basis, consulting, technical, management or other services to the Corporation or to an Affiliate of the Corporation, other than services provided in relation to a distribution;

(ii) provides the services under a written contract between the Corporation or the Affiliate and the individual or the Company, as the case may be;

(iii) in the reasonable opinion of the Corporation, spends or will spend a significant amount of time and attention on the affairs and business of the Corporation or an Affiliate of the Corporation; and

(iv) has a relationship with the Corporation or an Affiliate of the Corporation that enables the individual to be knowledgeable about the business and affairs of the Corporation,

and includes a Company of which a Consultant is an employee or shareholder and a partnership of which a Consultant is an employee or partner;

(f) "**Corporation**" means C21 Investments Inc. and its successor entities;

(g) "**Director**" means a director of the Corporation or of an Affiliate;

(h) "**Disinterested Shareholder Approval**" means the passing of an ordinary resolution by the holders of Common Shares excluding the Common Shares held by, to the Corporation's knowledge at the time the information is provided, the Corporation, a Participant or an Eligible Person;

(i) "**Eligible Person**" means a Director, Officer, Employee or Consultant, and includes an issuer all the voting securities of which are owned by Eligible Persons;

(j) "**Employee**" means an individual who:

(i) is considered an employee of the Issuer or its subsidiary under the *Income Tax Act* (Canada) (and for whom income tax, employment insurance and CPP deductions must be made at source);

(ii) works full-time for an Issuer or its subsidiary providing services normally provided by an employee and who is subject to the same control and direction by the Issuer over the details and methods of work as an employee of the Issuer, but for whom income tax deductions are not made at source; or

(iii) works for an Issuer or its subsidiary on a continuing and regular basis for a minimum amount of time per week (the number of hours should be disclosed in the submission) providing services normally provided by an employee and who is subject to the same control and direction by the Issuer over the details and methods of work as an employee of the Issuer, but for whom income tax deductions are not made at source;

(k) "**Exchange**" means the Canadian Securities Exchange and any successor entity;

(l) "**Expiry Date**" means the last day of the term for an Option, as set by the Board at the time of grant in accordance with Section 5.2 and, if applicable, as amended from time to time;

(m) "**Insider**" means in respect of the Corporation: (a) a Director or senior officer of the Corporation, (b) a Director or senior officer of a Company that is an Insider or subsidiary of the Corporation; (c) a Person that beneficially owns or controls, directly or indirectly, Common Shares carrying more than 10% of the voting rights attached to all outstanding Common Shares of the Corporation, or (d) the Corporation itself if it holds any of its own securities;

(n) "**Investor Relations Activities**" means any activities, by or on behalf of an Corporation or shareholder of the Corporation, that promote or reasonably could be expected to promote the purchase or sale of securities of the Corporation, but does not include:

(i) the dissemination of information provided, or records prepared, in the ordinary course of business of the Corporation:

(A) to promote the sale of products or services of the Corporation; or

(B) to raise public awareness of the Corporation, that cannot reasonably be considered to promote the purchase or sale of securities of the Corporation;

(ii) activities or communications necessary to comply with the requirements of:

(A) applicable securities laws;

(B) Exchange requirements or the by-laws, rules or other regulatory instruments of any other self regulatory body or exchange having jurisdiction over the Corporation;

(iii) communications by a publisher of, or writer for, a newspaper, magazine or business or financial publication, that is of general and regular paid circulation, distributed only to subscribers to it for value or to purchasers of it, if:

(A) the communication is only through the newspaper, magazine or publication; and

(B) the publisher or writer receives no commission or other consideration other than for acting in the capacity of publisher or writer; or

(iv) activities or communications that may be otherwise specified by the Exchange;

(o) "**Management Company Employee**" means an individual who is employed by a person providing management services to the Corporation or an Affiliate which are required for the ongoing successful operation of the business enterprise of the Corporation or the Affiliate, but excluding a person providing Investor Relations Activities;

(p) "**Officer**" means an officer of the Corporation or of an Affiliate, and includes a Management Company Employee;

(q) "**Option**" means an option to purchase Common Shares pursuant to this Plan;

(r) "**Option Agreement**" means an agreement, in the form attached hereto as Schedule "A", whereby the Corporation grants to an Eligible Persons an Option.

(s) "**Other Share Compensation Arrangement**" means, other than this Plan and any Options, any stock option plan, stock options, employee stock purchase plan or other compensation or incentive mechanism involving the issuance or potential issuance of Common Shares, including but not limited to a purchase of Common Shares from treasury which is financially assisted by the Corporation by way of loan, guarantee or otherwise;

(t) "**Participant**" means an Eligible Person who has been granted an Option; and

(u) "**Plan**" means this Stock Option Plan.

1.2 Interpretation

(a) References to the outstanding Common Shares at any point in time shall be computed on a non-diluted basis.

ARTICLE 2
ESTABLISHMENT OF PLAN

2.1 Purpose

The purpose of this Plan is to advance the interests of the Corporation, through the grant of Options, by:

(a) providing an incentive mechanism to foster the interest of Eligible Persons in the success of the Corporation and its Affiliates;

(b) encouraging Eligible Persons to remain with the Corporation or its Affiliates; and

(c) attracting new Directors, Officers, Employees and Consultants.

2.2 Shares Reserved

(a) The aggregate number of Common Shares that may be reserved for issuance pursuant to Options shall not exceed 10% of the outstanding Common Shares at the time of the granting of an Option, **LESS** the aggregate number of Common Shares then reserved for issuance pursuant to any Other Share Compensation Arrangement. For greater certainty, if an Option is surrendered, terminated or expires without being exercised, the Common Shares reserved for issuance pursuant to such Option shall be available for new Options granted under this Plan.

(b) If there is a change in the outstanding Common Shares by reason of any share consolidation or split, reclassification or other capital reorganization, or a stock dividend, arrangement, amalgamation, merger or combination, or any other change to, event affecting, exchange of or corporate change or transaction affecting the Common Shares, the Board shall make, as it shall deem advisable and subject to the requisite approval of the relevant regulatory authorities, appropriate substitution and/or adjustment in:

(i) the number and kind of shares or other securities or property reserved or to be allotted for issuance pursuant to this Plan;

(ii) the number and kind of shares or other securities or property reserved or to be allotted for issuance pursuant to any outstanding unexercised Options, and in the exercise price for such shares or other securities or property; and

(iii) the vesting of any Options (subject to the approval of the Exchange if such vesting is mandatory under the policies of the Exchange), including the accelerated vesting thereof on conditions the Board deems advisable,

and if the Corporation undertakes an arrangement or is amalgamated, merged or combined with another corporation, the Board shall make such provision for the protection of the rights of Participants as it shall deem advisable.

(c) No fractional Common Shares shall be reserved for issuance under this Plan and the Board may determine the manner in which an Option, insofar as it relates to the acquisition of a fractional Common Share, shall be treated.

(d) The Corporation shall, at all times while this Plan is in effect, reserve and keep available such number of Common Shares as will be sufficient to satisfy the requirements of this Plan.

2.3 Non-Exclusivity

Nothing contained herein shall prevent the Board from adopting such other incentive or compensation arrangements as it shall deem advisable.

2.4 Effective Date

This Plan shall be subject to the approval of any regulatory authority whose approval is required, if any. Any Options granted under this Plan prior to such approvals being given, if required, shall be conditional upon such approvals being given, and no such Options may be exercised unless and until such approvals are given. If no such approvals are required then this Plan is effective on the date it is approved by the Board.

ARTICLE 3
ADMINISTRATION OF PLAN

3.1 Administration

(a) This Plan shall be administered by the Board. Subject to the provisions of this Plan, the Board shall have the authority:

(i) to determine the Eligible Persons to whom Options are granted, to grant such Options, and to determine any terms and conditions, limitations and restrictions in respect of any particular Option grant, including but not limited to the nature and duration of the restrictions, if any, to be imposed upon the acquisition, sale or other disposition of Common Shares acquired upon exercise of the Option, and the nature of the events and the duration of the period, if any, in which any Participant's rights in respect of an Option or Common Shares acquired upon exercise of an Option may be forfeited;

(ii) to interpret the terms of this Plan, to make all such determinations and take all such other actions in connection with the implementation, operation and administration of this Plan, and to adopt, amend and rescind such administrative guidelines and other rules and regulations relating to this Plan, as it shall from time to time deem advisable, including without limitation for the purpose of ensuring compliance with Section 3.3 hereof.

(b) The Board's interpretations, determinations, guidelines, rules and regulations shall be conclusive and binding upon the Corporation, Eligible Persons, Participants and all other persons.

3.2 Amendment, Suspension and Termination

The Board may amend, subject to the approval of any regulatory authority whose approval is required, suspend or terminate this Plan or any portion thereof. No such amendment, suspension or termination shall alter or impair any outstanding unexercised Options or any rights without the consent of such Participant. If this Plan is suspended or terminated, the provisions of this Plan and any administrative guidelines, rules and regulations relating to this Plan shall continue in effect for the duration of such time as any Option remains outstanding.

3.3 Compliance with Legislation

(a) This Plan, the grant and exercise of Options hereunder and the Corporation's obligation to sell, issue and deliver any Common Shares upon exercise of Options shall be subject to all applicable federal, provincial and foreign laws, policies, rules and regulations, to the policies, rules and regulations of any stock exchanges or other markets on which the Common Shares are listed or quoted for trading and to such approvals by any governmental or regulatory agency as may, in the opinion of counsel to the Corporation, be required. The Corporation shall not be obligated by the existence of this Plan or any provision of this Plan or the grant or exercise of Options hereunder to sell, issue or deliver Common Shares upon exercise of Options in violation of such laws, policies, rules and regulations or any condition or requirement of such approvals.

(b) No Option shall be granted and no Common Shares sold, issued or delivered hereunder where such grant, sale, issue or delivery would require registration or other qualification of this Plan or of the Common Shares under the securities laws of any foreign

jurisdiction, and any purported grant of any Option or any sale, issue and delivery of Common Shares hereunder in violation of this provision shall be void. In addition, the Corporation shall have no obligation to sell, issue or deliver any Common Shares hereunder unless such Common Shares shall have been duly listed, upon official notice of issuance, with all stock exchanges on which the Common Shares are listed for trading.

(c) Common Shares sold, issued and delivered to Participants pursuant to the exercise of Options shall be subject to restrictions on resale and transfer under applicable securities laws and the requirements of any stock exchanges or other markets on which the Common Shares are listed or quoted for trading, and any certificates representing such Common Shares shall bear, as required, a restrictive legend in respect thereof.

ARTICLE 4
OPTION GRANTS

4.1 Eligibility and Multiple Grants

Options shall only be granted to Eligible Persons. An Eligible Person may receive Options on more than one occasion and may receive separate Options, with differing terms, on any one or more occasions.

4.2 Option Agreement

Every Option shall be evidenced by an Option Agreement executed by the Corporation and the Participant, which shall, if the Participant is an Employee, Consultant or Management Company Employee, contain a representation and warranty by the Corporation and such Participant that such Participant is a bona fide Employee, Consultant or Management Company Employee, as the case may be, of the Corporation or an Affiliate. In the event of any discrepancy between this Plan and an Option Agreement, the provisions of this Plan shall govern.

4.3 Limitation on Grants and Exercises

(a) **Compliance with Securities Laws**. All grants of Options under this Plan will comply with Section 2.25 of National Instrument 45-106 – *Prospectus Exemptions* ("**NI 45-106**") as if the Corporation were an "unlisted reporting issuer".

(b) **To any one person.** The number of Common Shares reserved for issuance to any one person in any 12 month period under this Plan and any Other Share Compensation Arrangement shall not exceed 5% of the outstanding Common Shares at the time of the grant, unless the Corporation has obtained Disinterested Shareholder Approval to exceed such limit as required by Section 2.25(3) of NI 45-106.

(c) **To Consultants.** The number of Common Shares reserved for issuance to any one Consultant in any 12 month period under this Plan and any Other Share Compensation Arrangement shall not exceed 2% of the outstanding Common Shares at the time of the grant.

(d) **To persons conducting Investor Relations Activities.** The aggregate number of Common Shares reserved for issuance to all Eligible Persons conducting Investor Relations Activities in any 12 month period under this Plan and any Other Share Compensation Arrangement shall not exceed 2% of the outstanding Common Shares at the time of the grant.

(e) **To Insiders.** Unless the Corporation has received Disinterested Shareholder Approval to do so:

(i) the aggregate number of Common Shares reserved for issuance to Insiders under this Plan and any Other Share Compensation Arrangement shall not exceed 10% of the outstanding Common Shares at the time of the grant;

(ii) the aggregate number of Common Shares reserved for issuance to Insiders in any 12 month period under this Plan and any Other Share Compensation Arrangement shall not exceed 10% of the outstanding Common Shares at the time of the grant.

(f) **Exercises.** Unless the Corporation has received Disinterested Shareholder Approval to do so, the number of Common Shares issued to any Eligible Person within a 12 month period pursuant to the exercise of Options granted under this Plan and any Other Share Compensation Arrangement shall not exceed 5% of the outstanding Common Shares at the time of the exercise.

ARTICLE 5
OPTION TERMS

5.1 Exercise Price

(a) The Corporation must not grant Options with an exercise price lower than the greater of the closing market prices of the underlying securities on: (a) the trading day prior to the date of grant of the Options; and (b) the date of grant of the Options.

(b) If an Option is granted by the Corporation after its initial listing or after it has been recalled for trading following a suspension or halt, the Corporation must wait until a satisfactory market has been established before setting the exercise price for and granting the option, being at least ten trading days since the date of listing or the day on which trading in the Company's securities resumes, as the case may be.

(c) If Options are granted within ninety days of a distribution by the Corporation by prospectus, then the exercise price per Common Share for such Option shall not be less than the greater of the minimum exercise price calculated pursuant to subsection 5.1(a) herein and the price per Common Share paid by the public investors for Common Shares acquired pursuant to such distribution. Such ninety-day period shall begin:

(i) on the date the final receipt is issued for the final prospectus in respect of such distribution;

(ii) in the case of an IPO, on the date of listing; and

(iii) in the case of a prospectus that qualifies special warrants, on the closing date of the private placement in respect of such special warrants.

5.2 Expiry Date

(a) Every Option shall have a term not exceeding and shall therefore expire no later than 10 years after the date of grant, subject to extension where the Expiry Date falls within a blackout period as detailed in Section 5.2(b) below.

(b) The Expiry Date of an Option shall automatic extend if such Expiry Date falls within a period (a "**blackout period**") during which an the Corporation prohibits Optionees from exercising their Options to the extent that:

(i) the blackout period is formally imposed by the Corporation pursuant to its internal trading policies as a result of the bona fide existence of undisclosed Material Information. For greater certainty, in the absence of the Corporation formally imposing a blackout period, the Expiry Date of any Options will not be automatically extended in any circumstances;

(ii) the blackout period must expire upon the general disclosure of the undisclosed Material Information. The Expiry Date of the affected Options can be extended to no later than ten (10) business days after the expiry of the blackout period; and

(iii) the automatic extension of an Optionee's Options will not be permitted where the Optionee or the Corporation is subject to a cease trade order (or similar order under securities laws) in respect of the Corporation's securities.

5.3 Vesting

(a) Subject to the subsection (b) herein and otherwise in compliance with the policies of the Exchange, the Board shall determine the manner in which an Option shall vest and become exercisable.

(b) Options granted to Eligible Persons performing Investor Relations Activities shall vest over a minimum of 12 months with no more than 1/4 of such Options vesting in any 3-month period.

5.4 Non-Assignability

Options may not be assigned or transferred.

5.5 Ceasing to be Eligible Person

(a) If a Participant who is an Officer, Employee or Consultant is terminated for cause, each Option held by such Participant shall terminate and shall therefore cease to be exercisable upon such termination for cause.

(b) If a Participant dies prior to otherwise ceasing to be an Eligible Person, each Option held by such Participant shall terminate and shall therefore cease to be exercisable no later than the earlier of the Expiry Date and the date which is six months after the date of the Participant's death, always provided that the Board may, in its discretion, extend the date of such termination and the resulting period in which such Option remains exercisable to a date not exceeding the earlier of the Expiry Date and the date which is twelve months after the date of the Participant's death.

(c) If a Participant ceases to be an Eligible Person other than in the circumstances set out in subsection (a) or (b) herein, each Option held by such Participant shall terminate and shall therefore cease to be exercisable no later than the earlier of the Expiry Date and the date which is 30 days after such event, always provided that the Board may, in its discretion, extend the date of such termination and the resulting period in which such Option remains exercisable to a date not exceeding the earlier of the Expiry Date and the date which is twelve months after such event, and further provided that the Board may, in

its discretion, on a case-by-case basis and only with the approval of the Exchange, further extend the date of such termination and the resulting period in which such Option remains exercisable to a date exceeding the date which is after twelve months of such event.

(d) For greater certainty, if a Participant dies, each Option held by such Participant shall be exercisable by the legal representative of such Participant until such Option terminates and therefore ceases to be exercisable pursuant to the terms of Section 5.5(b).

(e) If any portion of an Option is not vested at the time a Participant ceases, for any reason whatsoever, to be an Eligible Person, such unvested portion of the Option may not be thereafter exercised by the Participant or its legal representative, as the case may be, always provided that the Board may, in its discretion further and subject to the approval of the Exchange where the vesting of the said Participant's options was a requirement of the Exchange's policies, thereafter permit the Participant or its legal representative, as the case may be, to exercise all or any part of such unvested portion of the Option that would have vested prior to the time such Option otherwise terminates and therefore ceases to be exercisable pursuant to the terms of this Section. For greater certainty, and without limitation, this provision will apply regardless of whether the Participant ceased to be an Eligible Person voluntarily or involuntarily, was dismissed with or without cause, and regardless of whether the Participant received compensation in respect of dismissal or was entitled to a notice of termination for a period which would otherwise have permitted a greater portion of an Option to vest.

ARTICLE 6
EXERCISE PROCEDURE

6.1 Exercise Procedure

An Option may be exercised from time to time, and shall be deemed to be validly exercised by the Participant only upon the Participant's delivery to the Corporation at its registered office:

(a) a written notice of exercise, in the form hereto attached as Schedule "B", addressed to the Corporate Secretary of the Corporation, specifying the number of Common Shares with respect to which the Option is being exercised;

(b) the originally signed Option Agreement with respect to the Option being exercised;

(c) a certified cheque or bank draft made payable to the Corporation for the aggregate exercise price for the number of Common Shares with respect to which the Option is being exercised;

(d) documents containing such representations, warranties, agreements and undertakings, including such as to the Participant's future dealings in such Common Shares, as counsel to the Corporation reasonably determines to be necessary or advisable in order to comply with or safeguard against the violation of the laws of any jurisdiction; and

(e) if the Participant is performing Investor Relations Activities for the Corporation, the Optionee must either: (i) deposit the Common Shares on exercise of an Option to a designated brokerage account as directed by the Board through which the Optionee conducts all trades in the Common Shares of the Corporation; or (ii) file insider trade reports with the Board when each trade is made with Common Shares in respect of exercised Options,

and on the business day following, the Participant shall be deemed to be a holder of record of the Common Shares with respect to which the Option is being exercised, and thereafter the Corporation shall, within a reasonable amount of time, cause certificates for such Common Shares to be issued and delivered to the Participant.

ARTICLE 7
AMENDMENT OF OPTIONS

7.1 Consent to Amend

The Board may amend any Option with the consent of the affected Participant and the Exchange, including any shareholder approval required by the Exchange. For greater certainty, Disinterested Shareholder Approval is required for any reduction in the exercise price of an Option if the Participant is an Insider at the time of the proposed amendment.

7.2 Amendment Subject to Approval

If the amendment of an Option requires regulatory or shareholder approval, such amendment may be made prior to such approvals being given, but no such amended Options may be exercised unless and until such approvals are given.

ARTICLE 8
MISCELLANEOUS

8.1 No Rights as Shareholder

Nothing in this Plan or any Option shall confer upon a Participant any rights as a shareholder of the Corporation with respect to any of the Common Shares underlying an Option unless and until such Participant shall have become the holder of such Common Shares upon exercise of such Option in accordance with the terms of the Plan.

8.2 No Right to Employment

Nothing in this Plan or any Option shall confer upon a Participant any right to continue in the employ of the Corporation or any Affiliate or affect in any way the right of the Corporation or any Affiliate to terminate the Participant's employment, with or without cause, at any time; nor shall anything in the Plan or any Option be deemed or construed to constitute an agreement, or an expression of intent, on the part of the Corporation or any Affiliate to extend the employment of any Participant beyond the time which the Participant would normally be retired pursuant to the provisions of any present or future retirement plan of the Corporation or any Affiliate, or beyond the time at which he would otherwise be retired pursuant to the provisions of any contract of employment with the Corporation or any Affiliate.

8.3 Governing Law

This Plan, all Option Agreements, the grant and exercise of Options hereunder, and the sale, issue and delivery of Common Shares hereunder upon exercise of Options shall be, as applicable, governed by and construed in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein. The Courts of the Province of British Columbia shall have the exclusive jurisdiction to hear and decide any disputes or other matters arising herefrom.

8.4 Approval

Approved by the Board of the Corporation on February 23, 2018.

SCHEDULE "A"
FORM OF STOCK OPTION PLAN OPTION AGREEMENT

This Option Agreement is entered into between C21 Investments Inc. (the "**Corporation**") and the Optionee named below pursuant to the 2018 Stock Option Plan (the "**Plan**"), a copy of which is attached hereto, and confirms that:

1. _____(the "**Grant Date**");

2. _____ (the "**Optionee**");

3. was granted the option (the "**Option**") to purchase _____ common shares (the "**Common Shares**") of the Corporation;

4. for the price (the "**Option Price**") of $_____ per Common Share;

5. which shall be exercisable ("**Vested**") in whole or in part in the following amounts on or after the following dates:

   (a) _____% on the Grant Date; and

   (b) _____% every _____ months thereafter;

6. terminating on _____ (the "**Expiry Date**"),

all on the terms and subject to the conditions set out in the Plan. For greater certainty, once Common Shares have become Vested, the shares continue to be exercisable until the termination or cancellation thereof as provided in this Option Agreement and the Plan.

The undersigned Optionee represents and warrants that he/she is engaged to provide on, an ongoing bona fide basis, consulting, technical, management or other services to the Corporation or to an Affiliate of the Corporation.

By signing this Option Agreement, the Optionee acknowledges that the Optionee has read and understandings the Plan and agrees to the terms and conditions of the Plan and this Option Agreement.

[REMAINDER INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF the parties hereto have executed this Option Agreement as of the____day of _____, 20___.

C21 INVESTMENTS INC.

Per: _____
Name:
Title:

SIGNED, SEALED, AND DELIVERED in the presence of	)	**OPTIONEE**
_____	)	_____
Witness	)	**«Name»**

SCHEDULE "B"
NOTICE OF EXERCISE

To Exercise the Option, Complete and Return this Form

The undersigned Optionee (or his or her legal representative(s) permitted under the Stock Option Plan of C21 Investments Inc. (the "**Corporation**") (as the same may be supplemented and amended from time to time) (the "**Plan**") hereby irrevocably elects to exercise the Option for the number of Shares as set forth below:

(a) Number of Options to be Exercised: _____

(b) Option Exercise Price per Share: $ _____

Aggregate Purchase Price [(a) multiplied by (b)]: $ _____

and hereby tenders a certified cheque or bank draft for such aggregate Exercise Price, and directs such Shares to be issued and registered in the name of the undersigned and that a Common Share certificate therefor be issued as directed in the Plan, all subject to and in accordance with the Plan. Unless otherwise defined herein, any capitalized terms used herein shall have the meaning ascribed to such terms in the Plan.

DATED: _____, 20___

SIGNED, SEALED, AND DELIVERED in the presence of	)	**OPTIONEE**
_____	)	_____
Witness	)	**«Name»**

Exhibit 4.2

C21 INVESTMENTS INC.
RESTRICTED SHARE UNIT PLAN

ARTICLE 1
DEFINITIONS AND INTERPRETATION

1.1 **Definitions**: For purposes of this Restricted Share Unit Plan, unless such word or term is otherwise defined herein or the context in which such word or term is used herein otherwise requires, the following words and terms with the initial letter or letters thereof capitalized shall have the following meanings:

(a) "**Act**" means the *Business Corporations Act* (British Columbia) or its successor, as amended from time to time;

(b) "**Affiliate**" means any corporation that is an Affiliated Entity of the Company;

(c) "**Affiliated Entity**" means with respect to the Company, a person or company that controls or is controlled by the Company or that is controlled by the same person or company that controls the Company. A company shall be deemed to be controlled by another person or company or by two or more companies if,

(i) voting securities of the first-mentioned company carrying more than 50 per cent of the votes for the election of directors are held, otherwise than by way of security only, by or for the benefit of the other person or company or by or for the benefit of the other companies; and

(ii) the votes carried by such securities are entitled, if exercised, to elect a majority of the board of directors of the first-mentioned company.

(d) "**Associate**" where used to indicate a relationship with any person or company, is as defined in the *Securities Act* (British Columbia), as may be amended from time to time;

(e) "**Board**" means the board of directors of the Company from time to time;

(f) "**Change of Control**" means the occurrence of any one or more of the following events:

(i) a consolidation, merger, amalgamation, arrangement or other reorganization or acquisition involving the Company or any of its Affiliates and another corporation or other entity, as a result of which the holders of Common Shares immediately prior to the completion of the transaction hold less than 50% of the outstanding shares of the successor corporation after completion of the transaction;

(ii) the sale, lease, exchange or other disposition, in a single transaction or a series of related transactions, of assets, rights or properties of the Company and/or any of its Subsidiaries which have an aggregate book value greater

than 30% of the book value of the assets, rights and properties of the Company and its Subsidiaries on a consolidated basis to any other person or entity, other than a disposition to a wholly-owned Subsidiary of the Company in the course of a reorganization of the assets of the Company and its Subsidiaries;

(iii) a resolution is adopted to wind-up, dissolve or liquidate the Company;

(iv) any person, entity or group of persons or entities acting jointly or in concert (an "**Acquiror**") acquires or acquires control (including, without limitation, the right to vote or direct the voting) of Voting Securities of the Company which, when added to the Voting Securities owned of record or beneficially by the Acquiror or which the Acquiror has the right to vote or in respect of which the Acquiror has the right to direct the voting, would entitle the Acquiror and/or Associates and/or affiliates of the Acquiror (as such terms are defined in the Act) to cast or to direct the casting of 20% or more of the votes attached to all of the Company's outstanding Voting Securities which may be cast to elect directors of the Company or the successor corporation (regardless of whether a meeting has been called to elect directors);

(v) as a result of or in connection with: (A) a contested election of directors, or; (B) a consolidation, merger, amalgamation, arrangement or other reorganization or acquisitions involving the Company or any of its affiliates and another corporation or other entity, the nominees named in the most recent management information circular of the Company for election to the Board (or replacements designated by such nominees) shall not constitute a majority of the Board; or

(vi) the Board adopts a resolution to the effect that a Change of Control as defined herein has occurred or is imminent.

(g) "**Committee**" means the Board or if the Board so determines in accordance with Section 2.3 of this Restricted Share Unit Plan, the committee of the Board authorized to administer this Restricted Share Unit Plan, which may include any compensation committee of the Board;

(h) "**Common Shares**" means the common shares of the Company to be issued from treasury, as adjusted in accordance with the provisions of Article 5 of this Restricted Share Unit Plan;

(i) "**Company**" means C21 Investments Inc., a corporation existing under the Act;

(j) "**Deferred Payment Date**" for a Participant means the date after the Restricted Period, which is the earlier of (i) the date which the Participant has elected to defer receipt of Restricted Shares in accordance with Section 3.5 of this Restricted Share Unit Plan; and (ii) the Participant's Retirement Date;

(k) "**Designated Affiliate**" means the subsidiaries of the Company designated by the Committee from time to time for the purposes of this Restricted Share Unit Plan;

(l) "**Eligible Contractors**" means individuals, other than Eligible Employees that (i) are engaged to provide, on a bona fide basis, consulting, technical, management or other services (other than services provided in relation to a distribution of securities) to the Company or any Designated Affiliates under a written contract between the Company or the Designated Affiliate and the individual or a company of which the individual consultant is an employee; and (ii) in the reasonable opinion of the Committee, spend or will spend a significant amount of time and attention on the affairs and business of the Company or a Designated Affiliate;

(m) "**Eligible Employees**" means full-time and part-time employees, including officers, whether directors or not, of the Company or any Designated Affiliate;

(n) "**Insider**" shall have the meaning ascribed thereto in the *Securities Act* (British Columbia), other than a person who is an Insider solely by virtue of being a director or senior officer of a Subsidiary of the Company and any Associate of an Insider;

(o) "**Market Value**" means the average closing price of the Common Shares on the Stock Exchange on the five trading days immediately prior to the date as of which Market Value is determined. If the Common Shares are not trading on the Stock Exchange, then the Market Value shall be determined based on the trading price on such stock exchange or over-the- counter market on which the Common Shares are listed and posted for trading as may be selected for such purpose by the Committee on the date as of which Market Value is determined. In the event that the Common Shares are not listed and posted for trading on any stock exchange or over-the-counter market, the Market Value shall be the fair market value of such Common Shares as determined by the Committee in its sole discretion;

(p) "**Participant**" means each Eligible Contractor, and Eligible Employee to whom Restricted Share Units are granted;

(q) "**Restricted Period**" means any period of time during which a Restricted Share Unit is not vested and the Participant holding such Restricted Share Unit remains ineligible to receive Restricted Shares, as determined by the Committee in its absolute discretion; however, such period of time may be reduced or eliminated from time to time and at any time and for any reason as determined by the Committee, including, but not limited to, circumstances involving death or disability of a Participant;

(r) "**Restricted Share Unit Grant Letter**" has the meaning ascribed thereto in Section 3.3 of this Restricted Share Unit Plan;

(s) "**Restricted Share Unit Plan**" means this restricted share unit plan, as further described in Article 3 hereof;

(t) "**Restricted Share Units**" has the meaning ascribed thereto in Section 3.2 of this Restricted Share Unit Plan;

(u) "**Restricted Shares**" means the Common Shares issuable in satisfaction of Restricted Share Units;

(v) "**Retirement**" in respect of a Participant means the Participant ceasing to hold any employment (including any directorships) with the Company or any Designated Affiliate after attaining a stipulated age in accordance with the Company's normal retirement policy, or earlier with the Company's consent;

(w) "**Retirement Date**" means the date that a Participant ceases to hold any employment (including any directorships) with the Company or any Designated Affiliate pursuant to such Participant's Retirement or Termination;

(x) "**Stock Exchange**" means, the Canadian Securities Exchange;

(y) "**Subsidiary**" means a corporation which is a subsidiary of the Company as defined under the Act;

(z) "**Termination**" means: (i) in the case of an Eligible Employee, the termination of the employment of the Eligible Employee with or without cause by the Company or a Designated Affiliate or cessation of employment of the Eligible Employee with the Company or a Designated Affiliate as a result of resignation or otherwise, other than the Retirement of the Eligible Employee; and (ii) in the case of an Eligible Contractor, the termination of the services of the Eligible Contractor by the Company or a Designated Affiliate; and

(aa) "**Voting Securities**" means Common Shares and/or any other securities (other than debt securities) that carry a voting right either under all circumstances or under some circumstances that have occurred and are continuing.

1.2 **Headings**: The headings of all articles, Sections, and paragraphs in this Restricted Share Unit Plan are inserted for convenience of reference only and shall not affect the construction or interpretation of this Restricted Share Unit Plan.

1.3 **Context, Construction**: Whenever the singular or masculine are used in this Restricted Share Unit Plan, the same shall be construed as being the plural or feminine or neuter or vice versa where the context so requires.

1.4 **References to this Restricted Share Unit Plan**: The words "hereto", "herein", "hereby", "hereunder", "hereof" and similar expressions mean or refer to this Restricted Share Unit Plan as a whole and not to any particular article, Section, paragraph or other part hereof.

1.5 **Canadian Funds**: Unless otherwise specifically provided, all references to dollar amounts in this Restricted Share Unit Plan are references to lawful money of Canada.

ARTICLE 2
PURPOSE AND ADMINISTRATION OF THE RESTRICTED SHARE PLAN

2.1 **Purpose of the Restricted Share Unit Plan**: This Restricted Share Unit Plan provides for the acquisition of Common Shares by Participants for the purpose of advancing the interests of the Company through the motivation, attraction and retention of employees and consultants of the Company and its Designated Affiliates, and to secure for the Company and the shareholders of the Company the benefits inherent in the ownership of Common Shares by key employees and consultants of the Company and its Designated Affiliates, it being generally recognized that restricted share unit plans aid in attracting, retaining and encouraging employees and consultants by offering them the opportunity to acquire a proprietary interest in the Company.

2.2 **Administration of the Restricted Share Unit Plan**: This Restricted Share Unit Plan shall be administered by the Committee and the Committee shall have full authority to administer this Restricted Share Unit Plan, including the authority to interpret and construe any provision of this Restricted Share Unit Plan and to adopt, amend and rescind such rules and regulations for administering this Restricted Share Unit Plan as the Committee may deem necessary in order to comply with the requirements of this Restricted Share Unit Plan. All actions taken and all interpretations and determinations made by the Committee in good faith shall be final and conclusive and shall be binding on the Participants and the Company. No member of the Committee shall be personally liable for any action taken or determination or interpretation made in good faith in connection with this Restricted Share Unit Plan and all members of the Committee shall, in addition to their rights as directors of the Company, be fully protected, indemnified and held harmless by the Company with respect to any such action taken or determination or interpretation made. The appropriate officers of the Company are hereby authorized and empowered to do all things and execute and deliver all instruments, undertakings and applications and writings as they, in their absolute discretion, consider necessary for the implementation of this Restricted Share Unit Plan and of the rules and regulations established for administering this Restricted Share Unit Plan. All costs incurred in connection with this Restricted Share Unit Plan shall be for the account of the Company.

2.3 **Delegation to Committee**: All of the powers exercisable hereunder by the Board may, to the extent permitted by applicable law and as determined by resolution of the Board, be exercised by a committee of the Board comprised of not less than three directors, including any compensation committee of the Board.

2.4 **Record Keeping**: The Company shall maintain a register in which shall be recorded:

(a) the name and address of each Participant in this Restricted Share Unit Plan;

(b) the number of Restricted Share Units granted to each Participant under this Restricted Share Unit Plan;

(c) the number of Restricted Shares issued to each Participant under this Restricted Share Unit Plan;

(d) the date on which the Restricted Share Units were granted and Restricted Shares were issued to each Participant; and

(e) the date of expiry of the Restricted Period or the Deferred Payment Date, as applicable.

2.5 **Determination of Participants and Participation**: The Committee shall from time to time determine the Participants who may participate in this Restricted Share Unit Plan. The Committee shall from time to time determine the Participants to whom Restricted Share Units shall be granted and the provisions and restrictions with respect to such grant(s), all such determinations to be made in accordance with the terms and conditions of this Restricted Share Unit Plan, and the Committee may take into consideration the present and potential contributions of and the services rendered by the particular Participant to the success of the Company and any other factors which the Committee deems appropriate and relevant.

2.6 **Maximum Number of Shares**: The maximum number of Common Shares made available for this Restricted Share Unit Plan shall be 750,000 Common Shares, subject to adjustments pursuant to Section 5.6. The aggregate number of Common Shares issuable to Insiders pursuant to Restricted Share Units and all other security based compensation arrangements, at any time, shall not exceed 10% of the total number of Common Shares then outstanding. The aggregate number of Common Shares issued to Insiders pursuant to Restricted Share Units and all other security based compensation arrangements, within a one year period, shall not exceed 10% of the total number of Common Shares then outstanding. The aggregate number of Common Shares reserved for issuance upon the exercise of Restricted Share Units to any one person or entity within any one year period under all security based compensation arrangements shall not exceed 5% of the total number of Common Shares then outstanding. For purposes of this Section 2.6, the number of Common Shares then outstanding shall mean the number of Common Shares outstanding on a non-diluted basis immediately prior to the proposed grant of the applicable Restricted Share Units.

ARTICLE 3
RESTRICTED SHARE PLAN

3.1 **Restricted Share Unit Plan**: A Restricted Share Unit Plan is hereby established for Eligible Employees and Eligible Contractors.

3.2 **Participants**: The Committee shall have the right to grant, in its sole and absolute discretion, to any Participant rights ("**Restricted Share Units**") to acquire from the Company any number of fully paid and non-assessable Common Shares as a discretionary payment in consideration of past services to the Company or as an incentive for future services, subject to this Restricted Share Unit Plan and with such provisions and restrictions as the Committee may determine. Each Restricted Share Unit entitles the holder to receive one Common Share, without payment of additional consideration, at the end of the Restricted Period or, if applicable, at a later Deferred Payment Date, if any, in satisfaction

of the holder's entitlement under the Restricted Share Unit, without any further action on the part of the holder of the Restricted Share Unit in accordance with this Article 3.

3.3 **Restricted Share Unit Grant Letter**: Each grant of a Restricted Share Unit under this Restricted Share Unit Plan shall be evidenced by a Restricted Share Unit grant letter (a "**Restricted Share Unit Grant Letter**") issued to the Participant by the Company in consideration for past and/or future services. Such Restricted Share Unit Grant Letter shall be subject to all applicable terms and conditions of this Restricted Share Unit Plan and may be subject to any other terms and conditions (including without limitation any recoupment, reimbursement or claw-back compensation policy as may be adopted by the Board from time to time) which are not inconsistent with this Restricted Share Unit Plan and which the Committee deems appropriate for inclusion in a Restricted Share Unit Grant Letter. The provisions of Restricted Share Unit Grant Letters issued under this Restricted Share Unit Plan need not be identical.

3.4 **Restricted Period**: In connection with the grant of Restricted Share Units to a Participant, the Committee shall determine the Restricted Period applicable to such Restricted Share Units. In addition, at the sole discretion of the Committee, at the time of grant, the Restricted Share Units may be subject to performance conditions to be achieved by the Company, a class of Participants or by a particular Participant on an individual basis, within a Restricted Period, for such Restricted Share Units to entitle the holder thereof to receive the underlying Restricted Shares. Upon the expiry of the applicable Restricted Period (or on the Deferred Payment Date, as applicable), a Restricted Share Unit shall be automatically settled and the underlying Restricted Share shall be issued to the holder of such Restricted Share Unit, which Restricted Share Unit shall then be cancelled. Any Restricted Share Unit which has been granted under the Restricted Share Unit Plan and which has been settled and cancelled in accordance with the terms of the Restricted Share Unit Plan will again be available under the Restricted Share Unit Plan.

3.5 **Deferred Payment Date**: Participants who are (i) Eligible Employees; (ii) residents of Canada for the purposes of the *Income Tax Act* (Canada); and (iii) not subject to the provisions of the Internal Revenue Code may elect to defer to receive all or any part of their Restricted Shares until one or more Deferred Payment Dates. Any other Participants may not elect a Deferred Payment Date.

3.6 **Prior Notice of Deferred Payment Date**: Participants who elect to set a Deferred Payment Date must give the Company written notice of the Deferred Payment Date(s) not later than 60 days prior to the expiration of the Restricted Period. For certainty, Participants shall not be permitted to give any such notice after the day which is 60 days prior to the expiration of the Restricted Period and a notice once given may not be changed or revoked.

3.7 **Retirement or Termination during Restricted Period**: In the event of the Retirement or Termination of a Participant during the Restricted Period, any Restricted Share Units held by the Participant shall immediately terminate and be of no further force or effect, provided that the Committee has the absolute discretion to waive such termination. Any Restricted Share Unit which has been granted under the Restricted Share Unit Plan and which has

been terminated in accordance with the terms of the Restricted Share Unit Plan will again be available under the Restricted Share Unit Plan.

3.8 **Retirement or Termination after Restricted Period**: In the event of the Retirement or Termination of the Participant following the Restricted Period and prior to a Deferred Payment Date, the Participant shall be entitled to receive and the Company shall issue forthwith Restricted Shares in satisfaction of the Restricted Share Units then held by the Participant. Any Restricted Share Unit which has been granted under the Restricted Share Unit Plan and which has been settled in accordance with the terms of the Restricted Share Unit Plan will again be available under the Restricted Share Unit Plan.

3.9 **Payment of Dividends**: Subject to the absolute discretion of the Committee, in the event that a dividend (other than share dividend) is declared and paid by the Company on the Common Shares, a Participant may be credited with additional Restricted Share Units. The number of such additional Restricted Share Units, if any, will be calculated by dividing (a) the total amount of the dividends that would have been paid to the Participant if the Restricted Shares issuable upon the settlement of Restricted Share Units had been outstanding Common Shares (and the Participant held no other Common Shares) on the dividend record date, by (b) the Market Value on the date on which such dividends were paid.

3.10 **Death or Disability of Participant**: In the event of the total disability or death of a Participant, any Restricted Share Units held by the Participant shall vest immediately and the Company shall issue Restricted Shares to the Participant or legal personal representatives of the Participant forthwith in full satisfaction thereof.

3.11 **Change of Control**: In the event of a Change of Control, all Restricted Share Units outstanding shall vest immediately prior to the Change of Control and be forthwith settled by issuance of Restricted Shares notwithstanding the Restricted Period and any applicable Deferred Payment Date.

3.12 **Necessary Approvals**: This Restricted Share Unit Plan shall be subject to the approval of the shareholders of the Company to be given by a resolution passed at a meeting of the shareholders of the Company or by a written resolution of all of the shareholders of the Company in accordance with the Act and acceptance by the Stock Exchange or any regulatory authority having jurisdiction over the securities of the Company.

3.13 **Optional Exercise Price**: Notwithstanding anything else herein, the Committee may determine an exercise price for the Restricted Share Units whereby such price must be paid by a Participant to receive its Restricted Share Units.

ARTICLE 4
WITHHOLDING TAXES

4.1 **Withholding Taxes**: The Company or any Designated Affiliate may take such steps as are considered necessary or appropriate for the withholding of any taxes or other amounts which the Company or any Designated Affiliate is required by any law or regulation of any governmental authority whatsoever to withhold in connection with any Restricted Share

Unit, Common Share, including, without limiting the generality of the foregoing, the withholding of all or any portion of any payment or the withholding of the issue of Common Shares to be issued under this Restricted Share Unit Plan, until such time as the Participant has paid the Company or any Designated Affiliate for any amount which the Company or Designated Affiliate is required to withhold by law with respect to such taxes or other amounts. Without limitation to the foregoing, the Committee may adopt administrative rules under the Plan, which provide for the automatic sale of Restricted Shares (or a portion thereof) in the market upon the issuance of such shares under this Restricted Share Unit Plan on behalf of the Participant to satisfy withholding obligations under the Plan.

ARTICLE 5
GENERAL

5.1 **Term of the Restricted Share Unit Plan**: This Restricted Share Unit Plan shall become effective on the date on which it is approved by the shareholders of the Company and shall remain in effect until it is terminated by the Board.

5.2 **Amendment of the Restricted Share Unit Plan**: The Committee may from time to time in the absolute discretion of the Committee (without shareholder approval) amend, modify and change the provisions of this Restricted Share Unit Plan, including, without limitation:

(a) amendments of a house keeping nature; and

(b) the change to the Restricted Period of any Restricted Share Unit.

(c) However, other than as set out above, any amendment, modification or change to the provisions of this Restricted Share Unit Plan which would:

(d) materially increase the benefits of the holder under this Restricted Share Unit Plan to the detriment of the Company and its shareholders;

(e) increase the number of Common Shares or maximum percentage of Common Shares, other than by virtue of Sections 5.6 and 5.8 of this Restricted Share Unit Plan, which may be issued pursuant to this Restricted Share Unit Plan;

(f) reduce the range of amendments requiring shareholder approval contemplated in this Section 5.2;

(g) change the insider participation limits which would result in shareholder approval to be required on a disinterested basis;

(h) permit Restricted Share Units to be transferred other than for normal estate settlement purposes; or

(i) materially modify the requirements as to eligibility for participation in this Restricted Share Unit Plan;

shall only be effective upon such amendment, modification or change being approved by the shareholders of the Company. In addition, any such amendment, modification or change of any provision of this Restricted Share Unit Plan shall be subject to the approval, if required, by any regulatory authority having jurisdiction over the securities of the Company.

5.3 **Non-Assignable:** Except as otherwise may be expressly provided for under this Restricted Share Unit Plan or pursuant to a will or by the laws of descent and distribution, no Restricted Share Unit and no other right or interest of a Participant is assignable or transferable.

5.4 **Rights as a Shareholder**: No holder of any Restricted Share Units shall have any rights as a shareholder of the Company by virtue of holding Restricted Share Units. Except as provided for in Section 3.9 and subject to Section 5.6, no holder of any Restricted Share Units shall be entitled to receive, and no adjustment shall be made for, any dividends, distributions or any other rights declared for shareholders of the Company.

5.5 **No Contract of Employment**: Nothing contained in this Restricted Share Unit Plan shall confer or be deemed to confer upon any Participant the right to continue in the employment of, or to provide services to, the Company or any Designated Affiliate nor interfere or be deemed to interfere in any way with any right of the Company or any Designated Affiliate to discharge any Participant at any time for any reason whatsoever, with or without cause. Participation in this Restricted Share Unit Plan by a Participant shall be voluntary. Notwithstanding the foregoing, unless a Participant otherwise informs the Company in writing, each Participant agrees to be bound by the terms of this Restricted Share Unit Plan and any applicable Restricted Share Unit Grant Letter with respect to Restricted Share Units granted to such Participant.

5.6 **Adjustment in Number of Shares Subject to the Restricted Share Unit Plan**: In the event there is any change in the Common Shares, whether by reason of a share dividend, consolidation, subdivision, reclassification or otherwise, an appropriate adjustment shall be made by the Committee in:

(a) the number of Common Shares available under this Restricted Share Unit Plan; and

(b) the number of Common Shares subject to any Restricted Share Units.

If the foregoing adjustment shall result in a fractional Common Share, the fraction shall be disregarded. All such adjustments shall be conclusive, final and binding for all purposes of this Restricted Share Unit Plan.

5.7 **No Representation or Warranty**: The Company makes no representation or warranty as to the future market value of any Common Shares issued in accordance with the provisions of this Restricted Share Unit Plan.

5.8 **Compliance with Applicable Law**: If any provision of this Restricted Share Unit Plan or any Restricted Share Unit contravenes any law or any order, policy, by-law or regulation

of any regulatory body having jurisdiction, then such provision shall be deemed to be amended to the extent necessary to bring such provision into compliance therewith.

5.9 **Interpretation**: This Restricted Share Unit Plan shall be governed by and construed in accordance with the laws of the Province of Ontario.

5.10 **Effective Date**: This Restricted Share Unit Plan is effective as of July 17, 2018.

Exhibit 4.3

EXECUTION VERSION

C21 INVESTMENTS INC.

and

ALLIANCE TRUST COMPANY

as Trustee

INDENTURE

Dated as of December 31, 2018

providing for the issue of 10.0% Unsecured Convertible Debentures

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THIS INDENTURE dated as of December 31, 2018.

BETWEEN: **C21 INVESTMENTS INC**., a corporation existing under the laws of British Columbia;

(the "**Corporation**")

AND: **ALLIANCE TRUST COMPANY**, a trust company existing under the laws of Alberta;

(the "**Trustee**")

RECITALS

A. The Corporation wishes to provide for the creation and issue of unsecured convertible debentures with the designation of "**10.0% Unsecured Convertible Debentures**" to be issued in connection with the offering of units of Corporation (the "**Units**") consisting of $1,000 principal amount 10% convertible debentures (the "**Initial Debentures**") and one-half of one warrant debenture (each whole warrant, a "**Warrant**"), with each Warrant entitling the holder thereof to purchase, for a period of 24 months from the date of issue, at an exercise price of $1,000 per Warrant Debenture (as defined herein), one additional $1,000 principal amount 10% Unsecured Convertible Debenture (a, "**Warrant Debenture**"), all upon the terms and conditions set forth in this Indenture (as hereinafter defined);

B. The Warrants shall be issued pursuant to and upon the terms set forth in a warrant indenture (the "**Warrant Indenture**") dated the same date hereof made between the Corporation and the Trustee;

C. The Corporation is proposing to issue up to 18,285 Debentures (as hereinafter defined) in aggregate principal amount of $18,285,000 (assuming the full exercise of the over-allotment option granted to the Agents (as defined in the Agency Agreement dated December 31, 2018 between the Corporation and a syndicate of agents (the "**Agency Agreement**") and including the Over-Allotment Debentures (as defined in the Agency Agreement) and the Over-Allotment Warrant Debentures (as defined in the Agency Agreement), and assuming the full exercise of the Agents' Compensation Warrants (as defined in the Agency Agreement) and including the Agents' Debentures (as defined in the Agency Agreement) and Agents' Warrant Debentures (as defined in the Agency Agreement)) Debentures pursuant to this Indenture, issuable pursuant to the offering of Units by a syndicate of agents;

D. As used in this Indenture, "**Debentures**" means, collectively or individually, as the context requires, the Initial Debentures, the Warrant Debentures, the Over-Allotment Debentures, the Over-Allotment Warrant Debentures, the Agents' Debentures and the Agents' Warrant Debentures;

A. All necessary acts and proceedings have been done and taken and all necessary resolutions have been passed to authorize the execution and delivery of this Indenture by the Corporation, to make the same effective and binding upon the Corporation, and to

make the Debentures, when certified by the Trustee and issued as provided in this Indenture, valid and legally binding obligations of the Corporation with the benefit and subject to the terms of this Indenture; and

B. The foregoing recitals are made as representations and statements of fact by the Corporation and not by the Trustee.

NOW THEREFORE, in consideration of the promises and mutual covenants hereinafter contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Corporation hereby appoints the Trustee to hold the rights, interests and benefits contained herein for and on behalf of those persons who from time to time become the holders of Debentures issued pursuant to this Indenture and the parties hereto agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Indenture and in the Debentures, unless there is something in the subject matter or context inconsistent herewith, the expressions below shall have the following meanings:

"Act" or **"Act of Holder(s)"**, when used with respect to any Holder(s), has the meaning ascribed thereto in Section 1.12(a);

"Additional Amounts" has the meaning ascribed thereto in Section 2.22(a);

"Affiliate" has the meaning ascribed thereto in the Securities Act (British Columbia);

"**Agency Agreement**" has the meaning ascribed thereto on the first page of this Indenture;

"Applicable Law" means, at any time, with respect to any Person, property, transaction, event or other matter, as applicable, all laws, rules, statutes, regulations, treaties, orders, judgments and decrees, and all official requests, directives, rules, guidelines, orders, policies, practices and other requirements of any Governmental Authority relating or applicable at such time to such Person, property, transaction, event or other matter, and shall also include any interpretation thereof by any Person having jurisdiction over it or charged with its administration or interpretation;

"Applicable Securities Law" means any Applicable Law in any jurisdiction in Canada regulating, or regulating disclosure with respect to, any sale or distribution of securities in, or to residents of, such jurisdiction;

"Applicants" has the meaning ascribed thereto in Section 2.25(b);

"Authenticated" means: (a) with respect to the issuance of a Certificated Debenture, one which has been duly signed by the Corporation and authenticated by manual signature of an authorized officer of the Trustee, (b) with respect to the issuance of an Uncertificated Debenture, one in respect of which the Trustee has completed all Internal Procedures such that the particulars of such Uncertificated Debenture are entered in the records of the Trustee, and **"Authenticate"**, **"Authenticating"** and **"Authentication"** have corresponding meanings;

"Beneficial Holder" means a Person who is the beneficial owner of a Debenture, as shown on a list maintained by a Participant or the Depository;

"Board of Directors" means either the Board of Directors of the Corporation, or any committee of that board duly authorized to make a decision on the matter in question;

"Board Resolution" means a copy of a resolution certified by a Responsible Officer of the Corporation to have been duly adopted by the Board of Directors and to be in full force and effect and unamended on the date of such certification;

"Business Day" means any day of the week, other than Saturday, Sunday or a statutory holiday in the Province of British Columbia or the Province of Alberta, on which banking institutions are open for business in the City of Vancouver, British Columbia or the City of Calgary, Alberta, respectively;

"Canadian Dollar" or **"Dollar"** or **"$"** means lawful currency of Canada;

"CDS" means CDS Clearing and Depository Services Inc., together with its successors from time to time;

"Certificated Debentures" means Debentures in the form of individual certificates in definitive fully registered form and substantially in the form of Schedule "A";

"Change of Control" means: (i) any event as a result of or following which any person, or group of persons "acting jointly or in concert" within the meaning of Applicable Securities Laws, beneficially owns or exercises control or direction over an aggregate of more than 50% of the then outstanding Common Shares; or (ii) the sale or other transfer of all or substantially all of the consolidated assets of the Corporation. For greater clarity, a Change of Control will not include a sale, merger, reorganization or other similar transaction if the previous holders of the Common Shares hold at least 50% of the voting shares of such merged, reorganized or other continuing entity;

"Change of Control Notice" has the meaning ascribed thereto in Section 3.1(b);

"Change of Control Offer" has the meaning ascribed thereto in Section 3.1(a)(ii);

"Change of Control Repurchase Date" means the date that is 30 days after the date of the Change of Control Notice;

"Change of Control Repurchase Notice" has the meaning ascribed thereto in Section 3.1(c);

"Change of Control Repurchase Price" has the meaning ascribed thereto in Section 3.1(a)(i);

"Common Share Reorganization" has the meaning ascribed thereto in Section 4.6(a);

"Common Shares" means the common shares in the share capital of the Corporation; provided that in the event of any reclassification, subdivision, consolidation, conversion, exchange or other modification thereto shall thereafter mean the shares or other securities or property resulting therefrom;

"Conversion Price" means: (i) in respect of the Initial Debentures, the Over-Allotment Debentures, and the Agents' Debentures, $0.80 per Common Share; and (ii) in respect of the Warrant Debentures, the Over-Allotment Warrant Debentures and the Agents' Warrant Debentures, $0.90 per Common Share, subject to adjustment in accordance with the provisions of Article 4;

"Corporate Trust Office" means the principal office or offices of the Trustee in the City of Calgary, Province of Alberta, at which at any particular time its corporate trust business shall be administered;

"Corporation" has the meaning ascribed thereto on the first page of this Indenture, until a successor corporation shall have become such pursuant to the applicable provisions of this Indenture, and thereafter, **"Corporation"** shall mean such successor corporation;

"Corporation Request" means a written request or order signed in the name of the Corporation by any Responsible Officer of the Corporation and delivered to the Trustee;

"Counsel to the Trustee" means any barrister, solicitor or other lawyer or firm of barristers, solicitors or other lawyers retained or employed by the Trustee which may be Counsel to the Corporation;

"Counsel to the Corporation" means any barrister, solicitor or other lawyer or firm of barristers, solicitors or other lawyers retained or employed by the Corporation;

"CSE" means the Canadian Securities Exchange;

"Current Market Price" for any date means the VWAP on the CSE for the 20 consecutive trading days ending on the fifth trading day preceding the date of the applicable event (or, if the Common Shares are not listed thereon, on such Recognized Stock Exchange on which the Common Shares are listed as may be selected by the Directors or, if the Common Shares are not listed on any Recognized Stock Exchange, then as determined by the Board of Directors, acting reasonably);

"Date of Conversion" has the meaning ascribed thereto in Section 4.4(b);

"Debentureholder(s)" or **"Holder(s)"** means the registered Holder(s) of Debentures for the time being;

"Debentures" has the meaning ascribed thereto on the first page of this Indenture;

"**deemed year**" has the meaning ascribed thereto in Section 2.3(a);

"Default" means any event or condition that constitutes an Event of Default or that would constitute an Event of Default with the giving of notice, passage of time, or both;

"Depository" means CDS;

"Directors" means the directors of the Corporation on the date hereof or such directors as may, from time to time, be appointed or elected directors of the Corporation pursuant to the Corporation's articles and by-laws, and applicable laws, and "**Director**" means any one of them, and reference to action by the Directors means action by the Directors as the Board of Directors;

"Distributed Securities" has the meaning ascribed thereto in Section 4.6(e);

"Event of Default" means any of the events identified in Section 6.1 as being an Event of Default;

"Exchange Offer" has the meaning ascribed thereto in Section 3.1(a)(ii);

"Exchanged Debentures" has the meaning ascribed thereto in Section 3.1(a)(ii);

"Excluded Holder" has the meaning ascribed thereto in Section 2.22(a);

"Expiration Date" has the meaning ascribed thereto in Section 4.6(f);

"Expiration Time" has the meaning ascribed thereto in Section 4.6(f);

"Extraordinary Resolution" has the meaning ascribed thereto in Section 9.8 and Section 9.11;

"Fair Market Value" means the value that would be paid by an informed and willing buyer to an arm's length informed and willing seller in a transaction not involving distress or necessity of either party, determined in by the Board of Directors of the Corporation acting reasonably and in good faith (unless otherwise provided in the Indenture);

"Fiscal Year" means any of the annual accounting periods of the Corporation ending on January 31 of each year;

"GAAP" means generally accepted accounting principles in Canada, consistently applied and any change therein from time to time, which for the Corporation is International Financial Reporting Standards;

"Governmental Authority" means, when used with respect to any Person, any government, parliament, legislature, regulatory authority, agency, tribunal, department, commission, board, instrumentality, court, arbitration board or arbitrator or other law, regulation or rule-making entity (including a Recognized Stock Exchange) having or purporting to have jurisdiction over such Person or the business or property of such Person pursuant to the laws of Canada or any country in which such Person is residing, incorporated, continued, amalgamated, merged or otherwise created or established or in which such Person carries on business or holds property, or any province, territory, state, municipality, district or political subdivision of any such country or of any such province, territory or state of such country;

"Indenture" means or refers to this Indenture as amended or supplemented by any indenture, deed or instrument supplemental or ancillary thereto;

"Indenture Documents" means this Indenture, the Debentures and each other document, instrument, application or agreement now or hereafter executed and delivered by or on behalf of the Corporation or under or pursuant to any of them;

"Initial Debentures" has the meaning ascribed thereto on the first page of this Indenture;

"Interest Payment Date" means the last day of June and the last day of December in each year and such other dates to which interest accrues and is payable pursuant to Section 2.3 commencing on June 30, 2019;

"Interest Period" has the meaning ascribed thereto in Section 2.3(a);

"Internal Procedures" means the minimum number of the Trustee's internal procedures customary at such time for the making of any one or more entries to, changes in or deletions of any one or more entries in the records of the Trustee (including without limitation, original issuance or registration of transfer of ownership) to be complete under the operating procedures followed at the time by the Trustee;

"Issue Date" means the date of issuance of any Debentures under this Indenture;

"Lien" means any hypothec, security interest, mortgage, lien, right of preference, pledge, assignment by way of security or any other agreement or encumbrance of any nature that secures the performance of an obligation, and a Person is deemed to own subject to a Lien any property or assets that it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital or synthetic lease or similar agreement (other than an operating lease) relating to such property or assets;

"Mandatory Conversion Date" has the meaning ascribed thereto in Section 4.5(b);

"Mandatory Conversion Notice" has the meaning ascribed thereto in Section 4.5(a);

"Material Adverse Effect" means a material adverse effect on: (a) the business, assets, operations, prospects or financial or other condition of the Corporation and its Subsidiaries considered as a whole, (b) the Corporation's performance of its obligations under the Indenture Documents, or (c) the Trustee's or any Debentureholder's rights and remedies under the Indenture;

"Maturity Account" has the meaning ascribed thereto in Section 2.10(a);

"Maturity Date" means December 31, 2020 or such other date on which the Debentures become due and payable as provided in this Indenture;

"NCI" means the non-certificated inventory system operated by CDS;

"NCI Letter of Instruction" means the NCI letter of instruction provided by CDS to the Trustee in connection with the conversion of the Debentures;

"Notice" shall mean any notice, document or other communication required or permitted to be given under this Indenture;

"Officer's Certificate" shall mean a certificate signed by any two officers of the Corporation, at least one of whom shall be the chief executive officer or the chief financial officer, (or officer holding a similar title) and delivered to the Trustee;

"Opinion of Counsel" means a written opinion addressed to the Trustee (among other addressees as applicable) by Counsel and in a form which, in each case, shall be reasonably satisfactory to the Trustee;

"Outstanding" when used with respect to the Debentures means, as of the date of determination, all Debentures theretofore certified and delivered by the Trustee under this Indenture, except:

(a) Debentures theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(b) Debentures for whose payment, purchase, or repurchase money in the necessary amount has been theretofore deposited with the Trustee under gratuitous deposit or set aside and segregated in trust by the Corporation (if the Corporation shall act as its own paying agent) for the Holders of such Debentures; and

(c) Debentures that have been surrendered to the Trustee pursuant to Section 2.23 or in exchange for or in lieu of which other Debentures have been certified and delivered pursuant to this Indenture, other than any such Debentures in respect of which there shall have been presented to the Trustee proof satisfactory to it that such Debentures are held by a bona fide purchaser in whose hands such Debentures are valid obligations of the Corporation; provided, however, that: (i) in determining whether the Holders of the requisite principal amount of the Debentures then

outstanding have taken any Act of Holders hereunder, Debentures owned by the Corporation or any Affiliate of the Corporation shall be disregarded and deemed not to be then Outstanding; (ii) in determining whether the Trustee shall be protected in acting and relying upon such Act of Holders, only Debentures of which the Trustee has actual notice that they are so owned shall be so disregarded; and (iii) that Debentures so owned that have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right to act with respect to such Debentures and that the pledgee is not the Corporation or any Affiliate of the Corporation;

"Participant" means, in relation to a Depository, a broker, dealer, bank or other financial institution or other Person on whose behalf such Depository or its nominee holds Debentures pursuant to a book- based system operated by such Depository;

"Payment Record Date" means: (i) with respect to the Maturity Date, 15 Business Days prior to such date and (ii) with respect to an Interest Payment Date, the date determined as the record date for the determination of the Holders to which interest on Debentures is payable on such Interest Payment Date, which date shall be the 15th day of the month in which such Interest Payment Date occurs (or if such day is not a Business Day, the immediately preceding Business Day);

"Person" means any natural Person, corporation, firm, partnership, joint venture, trustee, executor, liquidator of a succession, administrator, legal representative or other unincorporated association, trust, unincorporated organization, government or Governmental Authority and pronouns relating thereto have a similar extended meaning;

"Proceeding" means any suit, action or other judicial or administrative proceeding;

"Purchased Common Shares" has the meaning ascribed thereto in Section 4.6(f);

"Recognized Stock Exchange" means the CSE or, if the Common Shares are not listed on the CSE, any other national securities exchange or market on which the Common Shares are then listed and posted for trading;

"Regulation S" means Regulation S adopted by the United States Securities and Exchange Commission under the U.S. Securities Act;

"Repayment Offer" has the meaning ascribed thereto in Section 3.1(a)(i);

"Responsible Officer of the Corporation" means the Chairman, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice-President, the Secretary, any Assistant Secretary, or any other officer of the Corporation customarily performing functions similar to those performed by any of the above designated officers;

"Spinoff Securities" has the meaning ascribed thereto in Section 4.6(e);

"Spinoff Valuation Period" has the meaning ascribed thereto in Section 4.6(e);

"Stock" means all shares, options, warrants, general or limited partnership interests, membership interests or other equivalents (regardless of how designated) of or in a corporation, partnership, limited liability company or equivalent entity whether voting or non-voting, participating or non-participating, including common stock, preferred stock or any other equity security;

"Subject Transaction" has the meaning ascribed thereto in Section 10.1;

"Subsidiary" in relation to any specified Person, means: (a) any corporation, association or other business entity a majority of the outstanding Voting Securities of which are beneficially owned, directly or indirectly, by or for such Person and/or by or for any subsidiary or one or more of the other Subsidiaries of that Person (or a combination thereof), and (b) any partnership (i) the sole general partner or the sole managing general partner of which is such Person or a Subsidiary of such Person or (ii) the only general partners of which are the Person or one or more Subsidiaries of that Person (or any combination thereof);

"Successor Entity" has the meaning ascribed thereto in Section 10.1(a);

"Supplemental Indenture" has the meaning ascribed thereto in Section 12.4;

"Tax Act" has the meaning ascribed there to in Section 2.22(a);

"Taxes" has the meaning ascribed thereto in Section 2.22(a);

"Time of Expiry" has the meaning ascribed thereto in Section 4.1;

"Transfer Agent" means Computershare Investor Services Inc. or such other Person or Persons appointed as the transfer agent for the Common Shares, in such capacity, together with such Person's or Persons' successor from time to time in such capacity;

"Trustee" has the meaning ascribed thereto on the first page of this Indenture until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter, **"Trustee"** shall mean or include each Person who is then a Trustee hereunder;

"Uncertificated Debenture" means any Debenture which is issued under the Non Certificated Inventory System and which is not evidenced by a Certificated Debenture;

"United States" or **"U.S."** means the United States of America, its territories and possessions, any state of the United States, and the District of Columbia;

"**U.S. Marijuana Laws"** means certain United States federal laws relating to the cultivation, distribution or possession of marijuana in the United States and other related judgments, orders or decrees in effect from time to time that provide that such cultivation, distribution or possession is illegal;

"U.S. Person" means a "U.S. person" as that term is defined in Regulation S;

"U.S. Securities Act" means the United States Securities Act of 1933, as amended;

"VWAP" means the volume-weighted average trading price of the Common Shares for the applicable period (which must be calculated utilizing days in which the Common Shares actually trade). The VWAP shall be determined by dividing the aggregate sale price of all Common Shares sold on the applicable Recognized Stock Exchange or market, as the case may be, over the applicable period by the total number of Shares so sold;

"Voting Securities" means securities having under all circumstances voting power to elect the directors, managers or trustees of the corporation, association or other business entity, provided that securities which only carry the right to vote conditionally on the happening of an event shall not be considered to be

Voting Securities nor shall any securities be deemed to cease to be Voting Securities solely by reason of a right to vote accruing to shares of another class or classes by reason of the happening of such event;

"Warrant Debenture" has the meaning ascribed thereto on the first page of this Indenture;

"Wholly-Owned Subsidiary" means any Subsidiary of which the Corporation beneficially owns, directly or indirectly, all the Voting Securities and equity interests (other than qualifying equity interests required to be issued under Applicable Law) and a Subsidiary shall be deemed to beneficially own Voting Securities and equity interests beneficially owned by a Wholly-Owned Subsidiary and so on indefinitely; and

"written order of the Corporation", **"written request of the Corporation"**, **"written consent of the Corporation"** and **"certificate of the Corporation"** mean, respectively, a written order, request, consent and certificate signed in the name of the Corporation by its Chief Executive Officer or Chief Financial Officer, or a person acting in any such capacity for the Corporation; and may consist of one or more instruments so executed.

All other terms which are used herein but not otherwise defined herein, and that are defined in the *Securities Act* (British Columbia), either directly or by reference therein, shall have the meanings assigned to them therein.

1.2 **Interpretation**

(a) Words importing the singular number shall include the plural and vice versa and words importing gender shall include the masculine, feminine and neuter genders.

(b) The words "hereto", "herein", "hereof", "hereby", "hereunder", and other words of similar import refer to this Indenture as a whole and not to any particular article, section, subsection, paragraph, clause or other part of this Indenture.

(c) Except as otherwise provided herein, any reference in this Indenture to any act, statute, regulation, policy statement, instrument, agreement, or section thereof shall be deemed to be a reference to such act, statute, regulation, policy statement, instrument, agreement or section thereof as amended, re-enacted or replaced from time to time.

1.3 **Accounting Terms**

As used in this Indenture and in any certificate or other document made or delivered pursuant to this Indenture, accounting terms not defined in this Indenture, or in any such certificate or other document, and accounting terms partly defined in this Indenture or in any such certificate or other document to the extent not defined, shall have the respective meanings given to them under GAAP. To the extent that the definitions of accounting terms in this Indenture, or in any such certificate or other document are inconsistent with the meanings of such terms under GAAP, the definitions contained in this Indenture, or in any such certificate or other document shall prevail.

1.4 **Headings and Table of Contents**

The division of this Indenture, or any related document, into articles, sections, subsections, paragraphs, clauses and other subdivisions, the provision of a table of contents and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Indenture or any such related document.

1.5 Section and Schedule References

Unless something in the subject matter or context is inconsistent therewith, references in this Indenture to articles, sections, subsections, paragraphs, clauses, other subdivisions, exhibits, appendices or schedules are to articles, sections, subsections, paragraphs, clauses other subdivisions, exhibits, appendices or schedules of or to this Indenture.

1.6 Governing Law

The parties to this Indenture agree that any legal suit or proceeding arising with respect to this Indenture or the Debentures will be tried exclusively in the courts of the Province of British Columbia in the City of Vancouver, and the parties to this Indenture agree to submit to the jurisdiction of, and to venue in, such courts. This Indenture and each Debenture issued hereunder shall be governed by, and construed with, the laws of the Province of British Columbia and the federal laws of Canada applicable therein and shall be treated in all respects as British Columbia contracts.

1.7 Currency

Unless expressly provided to the contrary in this Indenture or in any Debenture, all monetary amounts in this Indenture or in such Debenture refer to Canadian Dollars.

1.8 Non-Business Day

Unless expressly provided to the contrary in this Indenture or in any Debenture, whenever any payment shall be due, any period of time shall begin or end, any calculation is to be made or any other action is to be taken on, or as of, or from a period ending on, a day other than a Business Day, such period of time shall begin or end and such calculation shall be made as of the day that is not a Business Day, but such actions shall be taken and such payment shall be made, as the case may be, on the next succeeding Business Day.

1.9 Time

Unless otherwise expressly stated in this Indenture or in any Debenture, all references to a time will mean Vancouver time. Time shall be of the essence of this Indenture.

1.10 Independence of Covenants

Each covenant contained in this Indenture shall be construed (absent an express provision to the contrary) as being independent of each other covenant, so that compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with any other covenant.

1.11 Form of Documents Delivered to Trustee

(a) In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

(b) Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

1.12 **Acts of Holders**

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in Person or by agents duly appointed in writing. Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may, alternatively, be embodied in and evidenced by the record of Debentureholders voting in favour thereof, either in Person or by proxies duly appointed in writing, at any meeting of Debentureholders duly called and held in accordance with the provisions of Article 9, or a combination of such instruments and any such record. Except as herein otherwise expressly provided, such action shall become effective when such requisite instrument or instruments are delivered to the Trustee and, where it is hereby expressly required, to the Corporation. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the **"Act of Holders"** of the **"Act"** of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and, subject to Section 8.1, conclusive in favour of the Trustee and the Corporation, if made in the manner provided in this Section 1.12. The record of any meeting of Debentureholders shall be provided in the manner specified in Section 9.7.

(b) If the Corporation or the Trustee shall solicit from the Debentureholders any Act, the Corporation or the Trustee, as the case may be, may, at its option, fix in advance a record date for the determination of Debentureholders entitled to take such Act, but the Corporation or the Trustee, as the case may be, shall have no obligation to do so. Any such record date shall be fixed at the Corporation's or the Trustee's discretion, as the case may be, provided that such record date shall be fixed on a date not more than 60 days prior to the Act. If such a record date is fixed, such Act may be sought or taken before or after the record date, but only the Debentureholders of record at the close of business on such record date shall be deemed to be Debentureholders for the purpose of determining whether Holders of the requisite proportion of Debentures Outstanding have authorized or agreed or consented to such Act, and for that purpose the Debentures Outstanding shall be computed as of such record date.

(c) Any Act of the Holder of any Debenture shall bind every future Holder of the same Debenture and the Holder of every Debenture issued upon the registration of transfer thereof or in exchange therefore or in lieu thereof in respect of anything done, suffered or omitted by the Trustee or the Corporation in reliance thereon, whether or not notation of such action is made upon such Debenture.

1.13 **Interest Payments and Calculations**

(a) The rate of interest stipulated in this Indenture or in any Debenture will be calculated on the basis of a 365 day year.

(b) For purposes of the Interest Act (Canada), (i) whenever any interest under this Indenture is calculated using a rate based on a year of 365 days, the rate determined pursuant to such calculation, when expressed as an annual rate, is equivalent to (x) the applicable rate based on a year of 365 days, (y) multiplied by the actual number of days in the calendar year in which the

period for which such interest or fee is payable (or compounded) ends, and (z) divided by 365; (ii) the principle of deemed reinvestment of interest does not apply to any interest calculation under this Indenture, and (iii) the rates of interest stipulated in this Indenture are intended to be nominal rates and not effective rates or yields.

(c) In calculating interest under this Indenture or under a Debenture for any period, unless otherwise specifically stated, the first day of such period shall be included and the last day of such period shall be excluded.

(d) If any provision in any Indenture Document would oblige the Corporation to make any payment of interest or other amount payable to the Trustee or any Holder in an amount or calculated at a rate which would be prohibited by law or would result in a receipt by the Trustee or that Holder of "interest" at a "criminal rate" (as such terms are construed under the Criminal Code (Canada)), then, notwithstanding such provision, such amount or rate shall be deemed to have been adjusted with retroactive effect to the maximum amount or rate of interest, as the case may be, as would not be so prohibited by Applicable Law or so result in a receipt by the Trustee or that Holder of "interest" at a "criminal rate", such adjustment to be effected, to the extent necessary (but only to the extent necessary), as follows:

(i) first, by reducing the amount or rate of interest to be paid to the Trustee or the affected Holder, as the case may be; and

(ii) thereafter, by reducing any fees, commissions, costs, expenses, premiums and other amounts required to be paid to the Trustee or the affected Holder, as the case may be, which would constitute interest for purposes of Section 347 of the Criminal Code (Canada).

1.14 **Successors and Assigns**

All covenants and agreements in this Indenture by the Corporation shall bind its successors and assigns, whether expressed or not.

1.15 **Severability Clause**

If any provision in this Indenture or in the Debentures shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

1.16 **Benefits of Indenture**

Nothing in this Indenture and in the Debentures, express or implied, shall give to any Person, other than the parties hereto, the Debentureholders, and their respective successors hereunder, any paying agent, any Person maintaining the record of the Debentureholders pursuant to Section 2.12, any Transfer Agent and the Holders, any benefit or any legal or equitable right, remedy or claim under this Indenture.

1.17 **Unclaimed Debentures**

Subject to Applicable Law, all amounts held or set aside for the payment of Debentures together with any interest thereon which remain unclaimed after a period of three calendar years from the Maturity Date shall be forfeited and shall revert to the Corporation.

1.18 **Schedules**

The attached Schedule "A" is incorporated into and forms part of this Indenture.

1.19 **Benefits of Indenture through Trustee**

For greater certainty, this Indenture is being entered into with the Trustee for the benefit of the Holders and the Trustee declares that it holds all rights, benefits and interests of this Indenture on behalf of and as the Person holding the power of attorney of, the Holders and each such Person who becomes a Holder of the Debentures from time to time.

1.20 **English Language**

The Corporation, the Trustee and, by their acceptance of Debentures and the benefits of this Indenture, the Holders acknowledge having consented to and requested that this Indenture, each Debenture and each document related hereto and thereto be drawn up in the English language only. La Société, le fiduciaire des débentures et, par leur acceptation des débentures et des avantages de la présente convention, les porteurs, reconnaissent avoir accepté et demandé que la présente convention, chaque débenture et chaque document relié à celles-ci soient rédigés en langue anglaise.

ARTICLE 2
THE DEBENTURES

2.1 **Limit of Issue and Designation of Debentures**

The Debentures authorized to be issued hereunder are limited to 18,285 Debentures in aggregate principal amount of $18,285,000 aggregate principal amount, which shall be designated as **"10.0% Unsecured Convertible Debentures due December 31, 2020"**.

2.2 **Form and Terms of Debentures**

(a) The Debentures shall be dated as of the Issue Date. The Debentures shall bear interest from and including the Issue Date at the rate of 10.0% per annum (after as well as before maturity, default and judgment, with interest on overdue interest at the said rate until the earlier of the dates set out in Section 2.3(a)(ii) to Section 2.3(a)(iv) below), payable in lawful money of Canada in equal semi-annual instalments in arrears on each Interest Payment Date, and the Debentures shall mature on the Maturity Date. The first Interest Payment Date on June 30, 2019 will include interest accrued from the Issue Date to, but excluding, June 30, 2019.

(b) Subject to the Debentures being converted in accordance with the terms of Article 4 or purchased prior to the Maturity Date in accordance with the terms of this Indenture, the outstanding principal of the Debentures will be payable to the Holder on the Maturity Date in lawful money of Canada against surrender thereof by said Holder at the Corporate Trust Office or at such place or places as may be designated by the Corporation for that purpose.

(c) The Debentures shall be issued as fully registered Debentures in denominations of $1,000 and integral multiples of $1,000, or as Uncertificated Debentures.

The Debentures and the certificate of the Trustee endorsed thereon shall be substantially in the form set forth in Schedule "A".

2.3 **Interest**

(a) Each Debenture issued hereunder, whether issued originally or in exchange for another Debenture, shall bear interest from the Issue Date, or from and including the last Interest Payment Date on which interest shall have been paid or made available for payment on the Debentures then Outstanding, whichever shall be the later, to but excluding the earlier of:

(i) the following Interest Payment Date;

(ii) if purchased in accordance with Section 3.1, the date of payment;

(iii) if converted in accordance with Article 4, the Conversion Date; and

(iv) the Maturity Date;

as the case may be (the "**Interest Period**"). The interest payable per $1,000 principal amount of Debentures in respect of an Interest Period other than an Interest Period that ends on an Interest Payment Date shall be calculated by multiplying $1,000 by the interest rate of 10.0% per annum, computed on the basis of a 365-day year. For the purposes of the *Interest Act* (Canada) and disclosure under such act, whenever interest to be paid is to be calculated on the basis of any period of time less than a calendar year (a "**deemed year**") such rate of interest shall be expressed as a yearly rate by multiplying such rate of interest for the deemed year by the actual number of days in the calendar year in which the rate is to be ascertained and dividing it by the number of days in the deemed year.

(b) Subject to the Debentures being converted in accordance with the terms of Article 4 or purchased prior to the Maturity Date in accordance with the terms of this Indenture, the Corporation shall pay to the Debentureholders on the Maturity Date all outstanding principal thereon and all accrued and unpaid interest thereto, up to but excluding the Maturity Date.

(c) All payments of interest in cash on the Uncertificated Debentures shall be made by electronic funds transfer or certified cheque made payable to the Depository or its nominee on the day interest is payable for subsequent payment to Beneficial Holders of the applicable Uncertificated Debentures, unless the Corporation and the Depository otherwise agree.

2.4 **Prescription**

The right of the Debentureholders to exercise their rights under this Indenture shall become void unless the Debentures are presented for payment within a period of two years from the Maturity Date. The Corporation shall have satisfied its obligations under the Debentures upon irrevocable remittance to the Trustee for the account of the Debentureholders, upon repurchase or at the Maturity Date, of any and all consideration due hereunder in cash and such remittance shall for all purposes be deemed a payment to the Debentureholders, and to that extent such Debentures shall thereafter not be considered as Outstanding and the Debentureholders shall have no right, except to receive payment out of the moneys so paid and deposited upon surrender of its Debentures.

2.5 **Issue of Debentures**

Debentures in such aggregate principal amounts as the Board of Directors shall determine in accordance with the terms hereof and in lawful money of Canada shall be executed by the Corporation from time to time and, forthwith after such execution, shall be delivered to the Trustee and shall be authenticated by the Trustee and delivered to the Corporation in accordance with the terms of Section 2.7. Other than as

contemplated by Section 2.13, the Trustee shall receive no consideration for the certification or Authentication of Debentures.

2.6 **Execution of Certificated Debentures**

All Certificated Debentures shall be signed (either manually or by electronic signature) by any one Responsible Officer of the Corporation holding office at the time of signing. An electronic signature upon a Certificated Debenture shall for all purposes of this Indenture be deemed to be the signature of the Person whose signature it purports to be. Notwithstanding that any Person whose signature, either manual or electronic, appears on a Certificated Debenture as a director or officer may no longer hold such office at the date of the Certificated Debenture or at the date of the certification and delivery thereof, such Certificated Debenture shall be valid and binding upon the Corporation and the registered holders thereof entitled to the benefits of this Indenture. In addition, any Uncertificated Debenture shall, subject to Section 2.7, be valid and binding upon the Corporation and the registered Holder thereof will be entitled to the benefits of this Indenture.

2.7 **Authentication**

(a) Only such Debentures as shall have been Authenticated shall be enforceable against the Corporation and entitled to the benefits of this Indenture at any time or be valid or obligatory for any purpose.

(b) Authentication by Trustee of any Certificated Debenture executed by the Corporation shall be conclusive evidence that the Holder is entitled to the benefits of this Indenture.

(c) No Debenture (which for greater certainty shall include any Debenture issued as an Uncertificated Debenture) shall be issued or, if issued, shall be valid for any purpose, enforceable against the Corporation or entitle the registered Holder to the benefit hereof or thereof until it has been Authenticated. Such Authentication shall be conclusive evidence that such Debenture is a valid and binding obligation of the Corporation and that the Holder is entitled to the benefits of this Indenture. The Authentication by the Trustee of any such Debenture hereunder shall not be construed as a representation or warranty by the Trustee as to the validity of this Indenture or of such Debenture or its issuance (except the due Authentication thereof) or as to the performance by the Corporation of its obligations under this Indenture and the Trustee shall in no respect be liable or answerable for the use made of the Debentures or any of them or the proceeds thereof.

2.8 **Uncertificated Debentures**

(a) Subject to the provisions hereof, at the Corporation's option, Debentures may be issued and registered in the name of CDS or its nominee as an Uncertificated Debenture and the deposit of which may be confirmed electronically by the Trustee to a particular Participant through CDS.

(b) If the Corporation issues Uncertificated Debentures, Beneficial Holders of such Debentures shall not receive Debenture certificates in definitive form and shall not be considered owners or holders thereof under this Indenture or any supplemental indenture. Beneficial interests in Debentures registered and deposited with CDS will be represented only through the NCI. Transfers of Debentures registered and deposited with CDS between Participants shall occur in accordance with the rules and procedures of CDS. Neither the Corporation nor the Trustee shall have any responsibility or liability for any aspects of the records relating to or payments made by CDS or its nominee, on account of the beneficial interests in Debentures registered and deposited

with CDS. Nothing herein shall prevent the Beneficial Holders of Uncertificated Debentures from voting such Debentures using duly executed proxies or voting instruction forms.

(c) All references herein to actions by, notices given or payments made to, Debentureholders shall, where Debentures are held through CDS, refer to actions taken by, or notices given or payments made to, CDS upon instruction from the Participants in accordance with its rules and procedures in the case of actions by CDS. For the purposes of any provision hereof requiring or permitting actions with the consent of or the direction of Debentureholders evidencing a specified percentage of the aggregate Debentures outstanding, such direction or consent may be given by Beneficial Holders acting through CDS and the Participants owning Debentures evidencing the requisite percentage of the Debentures. The rights of a Beneficial Holder whose Debentures are held established by law and agreements between such holders and CDS and the Participants upon instructions from the Participants. Each of the Trustee and the Corporation may deal with CDS for all purposes (including the making of payments) as the authorized representative of the respective Debentures or Debenture holders and such dealing with CDS shall constitute satisfaction or performance, as applicable, of their respective obligations hereunder.

(d) For so long as Debentures are held through CDS, if any notice or other communication is required to be given to Debentureholders, the Trustee will give such notices and communications to CDS.

(e) If CDS resigns or is removed from its responsibility as Depository and the Trustee is unable or does not wish to locate a qualified successor, CDS shall provide the Trustee with instructions for registration of Debentures in the names and in the amounts specified by CDS, and the Corporation shall issue and the Trustee shall certify and deliver the aggregate number of Debentures then outstanding in the form of Certificated Debentures representing such Debentures.

(f) The rights of Beneficial Holders who hold securities entitlements in respect of the Debentures through the NCI shall be limited to those established by Applicable Law and agreements between the Depository and the Participants and between such Participants and the Beneficial Holders who hold securities entitlements in respect of the Debentures through the NCI, and such rights must be exercised through a Participant in accordance with the rules and procedures of the Depository.

(g) Notwithstanding anything herein to the contrary, none of the Corporation nor the Trustee nor any agent thereof shall have any responsibility or liability for:

(i) the electronic records maintained by the Depository relating to any ownership interests or other interests in the Debentures or the depository system maintained by the Depository, or payments made on account of any ownership interest or any other interest of any Person in any Debenture represented by an electronic position in the NCI (other than the Depository or its nominee);

(ii) for maintaining, supervising or reviewing any records of the Depository or any Participant relating to any such interest; or

(iii) any advice or representation made or given by the Depository or those contained herein that relate to the rules and regulations of the Depository or any action to be taken by the Depository on its own direction or at the direction of any Participant.

(h) The Corporation may terminate the application of this Section 2.8 in its sole discretion in which case all Debentures shall be evidenced by Certificated Debenture registered in the name of a Person other than the Depository.

2.9 **Persons Entitled to Payment**

(a) Prior to due presentment for registration of transfer of any Debenture, the Corporation, the Trustee and any other Person, as the case may be, may treat the Person in whose name any Debenture is registered in the applicable register as the absolute and sole owner of such Debenture for all purposes including receiving payment of the principal of, and any premium, if any, interest or other amount on such Debenture, receiving any notice to be given to the Holder of such Debenture, and taking any Act of Holders with respect to such Debenture, whether or not any payment with respect to such Debenture shall be overdue, and none of the Corporation, the Trustee or any other Person, as the case may be, shall be affected by notice to the contrary.

(b) Delivery of a Debenture to the Trustee by or on behalf of the Holder thereof shall, upon payment of such Debenture, be a valid discharge to the Corporation of all obligations evidenced by such Debenture. None of the Corporation, the Trustee or any other Person shall be bound to inquire into the title of any such Holder.

(c) In the case of the death of one or more joint registered Holders of a Debenture, the principal of, and premium, if any, interest and any other amounts on such Debenture may be paid to the survivor or survivors of such registered Holders whose receipt of such payment, accompanied by the delivery of such Debenture, shall constitute a valid discharge to the Corporation and the Trustee.

2.10 **Payment of Principal and Interest on Debentures**

(a) Except as may otherwise be provided herein, payments of amounts due upon maturity of the Debentures will be made in the following manner: the Corporation will establish and maintain with the Trustee a maturity account for the Debentures (the "**Maturity Account**"). On or before 9:00 a.m. (Vancouver time) not less than one Business Day immediately prior to the Maturity Date the Corporation will deliver to the Trustee a certified cheque or wire transfer for deposit in the applicable Maturity Account in an amount sufficient to pay the cash amount payable in respect of such Debentures (including the principal amount together with any accrued and unpaid interest thereon less any tax required by law to be deducted). The Trustee, on behalf of the Corporation, will pay to each Holder entitled to receive payment the principal amount of and accrued and unpaid interest on the Debenture, upon surrender of the Debenture at any branch of the Trustee designated for such purpose from time to time by the Corporation and the Trustee. The delivery of such funds to the Trustee for deposit to the applicable Maturity Account will satisfy and discharge the liability of the Corporation for the Debentures to which the delivery of funds relates to the extent of the amount delivered (plus the amount of any tax deducted as aforesaid) and such Debentures will thereafter to that extent not be considered as outstanding under this Indenture and such Holder will have no other right in regard thereto other than to receive out of the money so delivered or made available the amount to which it is entitled. Unless any Debenture is converted or purchased in accordance with the terms of this Indenture prior to the Maturity Date, interest shall cease to accrue on the Debentures upon the Maturity Date provided the Trustee has received, by the Maturity Date, from the Corporation all the funds due and payable on the Debentures.

(b) As interest becomes due on each Debenture (except, on conversion or if purchased in accordance with the terms of this Indenture, when interest shall be paid by the Corporation upon surrender of such Debenture in accordance with the terms of this Indenture), the Corporation, either directly or through the Trustee or any agent of the Trustee, shall send or forward by prepaid ordinary mail, electronic transfer of funds or such other means as may be agreed to by the Trustee, payment of such interest to the order of the registered Holder of such Debenture appearing on the registers maintained by the Trustee at the close of business on the record date prior to the applicable Interest Payment Date and addressed to the Holder at the Holder's last address appearing on the register, unless such Holder otherwise directs. If payment is made by cheque, such cheque shall be forwarded at least three days prior to each date on which interest becomes due, and if payment is made by other means (such as electronic transfer of funds), the Trustee must receive confirmation of receipt of funds prior to being able to forward funds or cheques to holders and such payment shall be made in a manner whereby the Holder receives credit for such payment on the date such interest on such Debenture becomes due. The mailing of such cheque or the making of such payment by other means shall, to the extent of the sum represented thereby, plus the amount of any tax withheld as aforesaid, satisfy and discharge all liability for interest on such Debenture, unless in the case of payment by cheque, such cheque is not paid at par on presentation. In the event of non-receipt of any cheque for or other payment of interest by the person to whom it is so sent as aforesaid, the Corporation will issue to such person a replacement cheque or other payment for a like amount upon being furnished with such evidence of non-receipt as it shall reasonably require and upon being indemnified to its satisfaction. Notwithstanding the foregoing, if the Corporation is prevented by circumstances beyond its control (including, without limitation, any interruption in mail service) from making payment of any interest due on each Debenture in the manner provided above, the Corporation may make payment of such interest or make such interest available for payment in any other manner acceptable to the Trustee with the same effect as though payment had been made in the manner provided above.

(c) The Trustee is authorized by the Corporation to make payments of interest and principal to Holders, by electronic funds transfer, upon the request of such Holder and the reasonable and documented Trustee's fees in respect thereof will be for the account of the Holder.

(d) If a Debenture or a portion thereof is called or presented for conversion or purchase and the payment date is subsequent to a Payment Record Date but prior to the related Interest Payment Date, interest accrued on such Debenture will be paid upon presentation and surrender of such Debenture to the Corporate Trust Office up to but excluding the payment date.

(e) Subject to the foregoing provisions of this section, each Debenture delivered upon the transfer of or in exchange for or in lieu of any other Debenture shall carry the rights to interest accrued and unpaid, and to accrue, that were carried by such other Debenture.

2.11 **Rank**

The Debentures certified and issued under this Indenture rank pari passu with one another.

2.12 **Register and Transfer**

(a) The Corporation shall cause to be kept by and at the principal office of the Trustee in Calgary, Alberta and by the Trustee or such other registrar as the Corporation, with the approval of the Trustee, may appoint at such other place or places, if any, as the Corporation may designate with the approval of the Trustee, a register in which shall be entered the names and addresses of the

holders of Debentures and particulars of the Debentures held by them respectively and of all transfers of Debentures. Such registration shall be noted on any Certificated Debentures by the Trustee or other registrar unless a new Certificated Debenture shall be issued upon such transfer.

(b) No transfer of any Debenture shall be valid unless entered on the register referred to in Section 2.12(a), and upon surrender of any Certificated Debentures together with a duly executed form of transfer acceptable to the Trustee, or in the case of Uncertificated Debentures in accordance with the procedures prescribed by the Depositary and, if applicable, upon compliance with such other reasonable requirements as the Trustee or other registrar may prescribe. In the case of Certificated Debentures, the Trustee shall rely on the Form of Assignment in the form included in Schedule "A" signed by the transferor without further enquiry. Transfers within the systems of CDS are not the responsibility of the Trustee and will not be noted on the register maintained by the Trustee, provided however that the full position of Debentures held by or through CDS shall at all times appear on the register.

(c) None of the Corporation, the Trustee or any agent of the Trustee will be liable or responsible to any Person for any aspect of the records related to or payments made on account of beneficial interests in any Uncertificated Debenture or for maintaining, reviewing, or supervising any records relating to such beneficial interests.

2.13 **Certificated Debentures; Transfers and Exchanges**

(a) Any Certificated Debenture issued to a transferee upon transfers contemplated by Section 2.12 shall bear the appropriate legends, as required by applicable Securities Laws, as set forth in Section 2.26.

(b) The Trustee shall not register a transfer of a Certificated Debenture unless the transferor has provided the Trustee with the Debenture and the Form of Assignment, in the form included in Schedule "A".

2.14 **Uncertificated Debentures; Transfers and Exchanges**

(a) Notwithstanding any other provision of this Indenture, Uncertificated Debentures may be transferred in the following circumstances and Certificated Debentures may be issued to Beneficial Holders in the following circumstances or as otherwise specified in a resolution of the Board of Directors, Officers' Certificate, or supplemental indenture:

(i) Uncertificated Debentures may be transferred by a Depository to a nominee of such Depository or by a nominee of a Depository to such Depository or to another nominee of such Depository or by a Depository or its nominee to a successor Depository or its nominee;

(ii) Uncertificated Debentures may be transferred at any time after the Depository for such Uncertificated Debentures: (i) has notified the Trustee, or the Corporation has notified the Trustee, that it is unwilling or unable to continue as Depository for such Uncertificated Debentures, or (ii) ceases to be eligible to be a Depository, provided that at the time of such transfer the Corporation has not appointed a successor Depository for such Uncertificated Debentures;

(iii) Uncertificated Debentures may be transferred at any time after the Corporation has determined, in its sole discretion, to terminate the NCI in respect of such Uncertificated Debentures and has communicated such determination to the Trustee in writing;

(iv) Uncertificated Debentures may be transferred at any time after an Event of Default has occurred and is continuing with respect to the Debentures of the series issued as Uncertificated Debentures, provided that Beneficial Holders representing, in the aggregate, not less than 25% of the aggregate principal amount of the Debentures of such series advise the Depository in writing, through the Depository Participants, that the continuation of the NCI for such series of Debentures is no longer in their best interest and also provided that at the time of such transfer the Trustee has not waived the Event of Default pursuant to Section 6.3 and Section 12.3;

(v) Uncertificated Debentures may be transferred or exchanged for Certificated Debentures at any time after a Depository has determined, in its sole discretion, that such transfer or exchange is required to effect conversion rights in accordance with the terms hereof and has communicated such determination to the Trustee in writing;

(vi) Uncertificated Debentures may be transferred if required by Applicable Law;

(vii) Uncertificated Debentures may be transferred at any time after the NCI ceases to exist; or

(viii) if requested by a Beneficial Holder and provided that such transfer or exchange for Certificated Debentures is permitted by Applicable Law and conducted in accordance with any procedures required under the NCI,

following which Certificated Debentures shall be issued to the beneficial owners of such Debentures or their nominees, as directed by the Holder. The Corporation shall provide an Officer's Certificate giving notice to the Trustee of the occurrence of any event outlined in this Section 2.14.

(b) With respect to the Uncertificated Debentures, unless and until Certificated Debentures have been issued to Beneficial Holders pursuant to Section 2.14(a), Section 2.8 shall continue to apply.

2.15 **Transferee Entitled to Registration**

The transferee of a Debenture shall be entitled, after the appropriate form of transfer is lodged with the Trustee or other registrar and upon compliance with all other conditions in that behalf required by this Indenture or by law, to be entered on the register as the owner of such Debenture free from all equities or rights of set-off, compensation or counterclaim between the Corporation and the transferor or any previous Holder of such Debenture, save in respect of equities of which the Corporation is required to take notice by statute or by order of a court of competent jurisdiction.

2.16 **No Notice of Trusts**

Neither the Corporation nor the Trustee nor any registrar shall be bound to take notice of or see to the execution of any trust (other than that created by this Indenture) whether express, implied or constructive, in respect of any Debenture, and may transfer the same on the direction of the Person registered as the Holder thereof, whether named as trustee or otherwise, as though that Person were the beneficial owner thereof.

2.17 **Registers Open for Inspection**

The registers referred to in Section 2.12 shall be open for inspection by the Corporation, the Trustee or any Debentureholder. Every registrar, including the Trustee, shall from time to time when requested so to do by the Corporation or by the Trustee, in writing, furnish the Corporation or the Trustee, as the case may be, with a list of names and addresses of holders of registered Debentures entered on the register kept by them and showing the principal amount of the Debentures held by each such Holder, provided the Trustee shall be entitled to charge a reasonable fee to provide such a list.

2.18 **Exchanges of Debentures**

(a) Subject to Section 2.13 and Section 2.19, Certificated Debentures in any authorized form or denomination, may be exchanged for Certificated Debentures in any other authorized form or denomination, of the same series and date of maturity, bearing the same interest rate and of the same aggregate principal amount as the Certificated Debentures so exchanged.

(b) In respect of exchanges of Certificated Debentures permitted by Section 2.18(a), Certificated Debentures of any series may be exchanged only at the principal office of the Trustee in the city of Calgary, Alberta or at such other place or places, if any, as may be specified in the Debentures of such series and at such other place or places as may from time to time be designated by the Corporation with the approval of the Trustee. Any Certificated Debentures tendered for exchange shall be surrendered to the Trustee. The Corporation shall execute and the Trustee shall Authenticate all Certificated Debentures necessary to carry out exchanges as aforesaid. All Certificated Debentures surrendered for exchange shall be cancelled.

(c) Transfers of beneficial ownership of any Uncertificated Debenture will be effected only: (i) with respect to the interest of a Depositary Participant, through records maintained by the Depositary or its nominee for such Debentures, and (ii) with respect to the interest of any Person other than a Participant through records maintained by Depositary Participants.

2.19 **Closing of Registers**

(a) Neither the Corporation nor the Trustee nor any registrar shall be required to make transfers or exchanges of or convert any Debentures during the five preceding Business Days preceding any Interest Payment Date or the Maturity Date.

(b) Subject to any restriction herein provided, the Corporation with the approval of the Trustee may at any time close any register for any series of Debentures, other than those kept at the principal office of the Trustee in Calgary, Alberta, and transfer the registration of any Debentures registered thereon to another register (which may be an existing register) and thereafter such Debentures shall be deemed to be registered on such other register. Notice of such transfer shall be given to the holders of such Debentures.

2.20 **Charges for Registration, Transfer and Exchange**

For each Debenture exchanged, registered, transferred or discharged from registration, the Trustee or other registrar, except as otherwise herein provided, may make a reasonable charge for its services and in addition may charge a reasonable sum for each new Debenture issued (such amounts to be agreed upon from time to time by the Trustee and the Corporation), and payment of such charges and reimbursement of the Trustee or other registrar for any stamp taxes or governmental or other charges required to be paid shall be made by the party requesting such exchange, registration, transfer or discharge from registration

as a condition precedent thereto. Notwithstanding the foregoing provisions, no charge shall be made to a Debentureholder hereunder for any exchange of Uncertificated Debentures as contemplated in Section 2.14.

2.21 **Ownership of Debentures**

(a) Unless otherwise required by Applicable Law, the Person in whose name any registered Debenture is registered shall for all purposes of this Indenture be and be deemed to be the owner thereof and payment of or on account of the principal of and premium, if any, on such Debenture and interest thereon shall be made to such registered Holder.

(b) The registered Holder for the time being of any registered Debenture shall be entitled to the principal, premium, if any, and/or interest evidenced by such instruments, respectively, free from all equities or rights of set-off, compensation or counterclaim between the Corporation and the original or any intermediate Holder thereof and all Persons may act accordingly and the receipt of any such registered Holder for any such principal, premium or interest shall be a good discharge to the Trustee, any registrar and to the Corporation for the same and none shall be bound to inquire into the title of any such registered Holder.

(c) Where Debentures are registered in more than one name, the principal, premium, if any, and interest from time to time payable in respect thereof shall be paid to the order of all such holders, and the receipt of any one of such holders therefor shall be a valid discharge, to the Trustee, any registrar and to the Corporation.

(d) In the case of the death of one or more joint holders of any Debenture the principal, premium, if any, and interest from time to time payable thereon may, upon the delivery of such reasonable requirements as the Trustee may prescribe, be paid to the order of the survivor or survivors of such registered holders and the receipt of any such survivor or survivors therefor shall be a valid discharge to the Trustee and any registrar and to the Corporation.

2.22 **Additional Amounts**

(a) Any payments made by or on behalf of the Corporation under or with respect to the Debentures will be made free and clear of and without withholding or deduction for or on account of any present or future tax, duty, levy, impost, assessment or other governmental charge, excluding, in respect of a Holder or Beneficial Holder, branch profits taxes, franchise taxes and taxes imposed on net income or capital (collectively, "**Taxes**"), unless the Corporation or any other payor is required to withhold or deduct Taxes by Applicable Law or by the interpretation or administration thereof by a relevant Governmental Authority. If the Corporation or any other payor of any amount under or in respect of the Debentures (including any amount paid in respect or proceeds of disposition of the Debenture to a Debentureholder) is so required to withhold or deduct any amount for or on account of Taxes from any payment made under or with respect to the Debentures in respect of any such payment by the Corporation, the Corporation will make such withholding or deduction and will remit the full amount withheld or deducted to the relevant Governmental Authority as and when required by Applicable Law and the Corporation will pay to the Trustee or, in respect of any amount paid by any payor other than the Corporation of any amount under or in respect of the Debentures (including any amount paid in respect of proceeds of disposition of the Debentures to a Debentureholder) will pay to each Debentureholder such additional amounts (the "**Additional Amounts**") as may be necessary so that the net amount received by each Holder (including Additional Amounts) after such withholding or deduction will not be less than the amount such Holder would have received if such Taxes had not been withheld

or deducted; provided, however, that no Additional Amounts will be payable with respect to any payment to a Holder (an "**Excluded Holder**") in respect of a Beneficial Holder who is liable for such Taxes in respect of such Debentures: (i) by reason of such Holder or Beneficial Holder being a Person with whom the Corporation is not dealing at arm's length for the purposes of the *Income Tax Act* (Canada) (the "**Tax Act**") at the time of making such payment, (ii) by reason of the existence of any present or former connection between such Holder or Beneficial Holder and the jurisdiction imposing such Tax, other than, in either case, solely by reason of the Holder's activity in connection with purchasing the Debentures, the mere holding, deemed holding, use or ownership of the Debentures, or receiving payments under or enforcing any rights in respect of such Debentures, (iii) by reason of such Holder or Beneficial Holder being a "specified shareholder" of the Corporation (within the meaning of Section 18(5) of the Tax Act) at the time of payment or deemed payment, or by reason of such Holder or Beneficial Holder not dealing at arm's length for the purposes of the Tax Act with a "specified shareholder" of the Corporation at the time of payment or deemed payment; (iv) by reason of the failure of the Holder or Beneficial Holder of a Debenture to comply with certification, information or other reporting requirements if such compliance is required or imposed by a statute, treaty or regulation or administrative practice of the relevant Governmental Authority as a precondition to exemption from or reduction in all or part of such Taxes, deduction or withholding; or (v) for any estate, inheritance, gift, sales or any similar Taxes.

(b) Within 90 days after the date the payment of any Taxes is due pursuant to Applicable Law, the Trustee will furnish to the Corporation copies of tax receipts, if any, evidencing such payment by the Trustee.

(c) At least 30 days prior to each date on which any payment under or with respect to the Debentures is due and payable, if the Corporation to its knowledge will be obligated to pay Additional Amounts with respect to such payment, the Corporation will deliver to the Trustee an Officer's Certificate stating the fact that such Additional Amounts will be payable and the amounts so payable and will set forth such other information necessary to enable the Trustee to pay such Additional Amounts to Holders on the date payment is due.

(d) Whenever in this Indenture or in any Debenture there is mentioned, in any context, the payment of principal (and premium, if any), a purchase price pursuant to an offer to purchase, interest or any other amount payable under or with respect to any Debenture, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

(e) The Corporation will indemnify and hold harmless each Holder (other than an Excluded Holder) and upon written request reimburse each of the Holders for the amount of: (i) any Taxes so levied or imposed and paid by the Holder as a result of payments made under or with respect to the Debentures (including any amount paid by the Corporation in respect of proceeds of disposition of the Debenture to a Holder), and (ii) any Taxes levied or imposed and paid by the Holder with respect to reimbursement under (i) above, but excluding any Taxes on such Holder's net income or capital.

(f) If the Corporation pays any indemnity or Additional Amounts under this Section 2.22 to a Holder and the Holder or Beneficial Holder at any time thereafter receives a refund in respect of Taxes or a credit with respect to payment of Taxes, then such Holder or Beneficial Holder shall promptly pay to the Corporation the amount of such refund or credit net of all out-of-pocket expenses reasonably incurred by the Holder or Beneficial Holder to obtain such refund or credit.

2.23 **Cancellation of Debentures**

(a) All Debentures surrendered for payment of the final amount required to be paid thereon, or that have been surrendered to the Trustee for registration of exchange or transfer or surrendered in connection with a conversion or purchase by the Corporation in accordance with the terms of this Indenture, shall be promptly cancelled by the Trustee on receipt. The Trustee shall give prompt written notice to the Corporation of the particulars of any Debentures cancelled by it upon its request for this information, and the Corporation shall pay the Trustee's reasonable fees in connection therewith.

(b) The Corporation may, in its discretion at any time, deliver to the Trustee for cancellation any Debentures which the Corporation has purchased as provided for in this Indenture, and all such Debentures so delivered shall be cancelled by the Trustee.

(c) All Debentures which have been cancelled by the Trustee shall be destroyed by the Trustee in accordance with its standard practices, and the Trustee shall furnish to the Corporation a destruction certificate setting forth the numbers and denominations of the Debentures so destroyed.

2.24 **Mutilated, Lost, Stolen or Destroyed Debentures**

(a) If any Debenture has been mutilated or defaced or has or has been alleged to have been lost, stolen or destroyed, then, on application by the applicable Holder to the Trustee, the Corporation may, in its discretion, execute, and upon such execution the Trustee shall certify and deliver, a new Debenture of the same date and amount as the defaced, mutilated, lost, stolen or destroyed Debenture in exchange for and in place of the defaced or mutilated Debenture, and in lieu of and in substitution for the lost, stolen or destroyed Debenture. Notwithstanding the foregoing, no Debenture shall be delivered as a replacement for any Debenture which has been mutilated or defaced otherwise than upon surrender of the mutilated or defaced Debenture, and no Debenture shall be delivered as a replacement for any Debenture which has been lost, stolen or destroyed unless the applicant for the replacement Debenture has furnished to the Corporation and the Trustee evidence, satisfactory in form and substance to the Corporation and the Trustee, of its ownership of, and of such loss, theft or destruction of, such Debenture and has provided such a surety bond and indemnity to the Corporation and the Trustee in amount, form and substance satisfactory to each of them. Any instructions by the Corporation to the Trustee under this section shall include such indemnity for the protection of the Trustee as the Trustee may reasonably require.

(b) If any mutilated, defaced, lost, stolen or destroyed Debenture has become or is about to become due and payable, the Corporation, in its discretion, may, instead of executing a replacement Debenture, pay to the Holder thereof the full amount outstanding on such mutilated, defaced, lost, stolen or destroyed Debenture.

(c) Upon the issuance of a replacement Debenture, the Corporation may require the applicant for such replacement Debenture to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in relation to such issuance and any other expenses (including the fees and expenses of the Trustee and the Corporation) connected with such issuance.

(d) Each replacement Debenture shall bear a unique legend, if applicable, and be in a form otherwise identical to the Debenture it replaces and shall be entitled to the benefits of this Indenture to the same extent and in the same manner as the Debenture it replaces.

(e) Unless the Corporation instructs otherwise, the Trustee shall, in accordance with its practice, destroy each mutilated or defaced Debenture surrendered to and cancelled by it and in respect of which a replacement Debenture has been delivered or moneys have been paid and shall, as soon as reasonably practicable, furnish to the Corporation, upon its receipt of a written request, a certificate as to such destruction.

2.25 **Access to Lists of Holders**

(a) The register of Debentureholders maintained by the Trustee will, at all reasonable times during the regular business hours of the Trustee, be open for inspection by the Corporation.

(b) If any Beneficial Holder or group of Beneficial Holders, or such one or more Holders as may be permitted by Applicable Law (in each case, the **"Applicants"**) apply to the Trustee (with a copy to the Corporation), then the Trustee, after having been funded and indemnified to its reasonable satisfaction by such Applicants for its related costs and expenses, shall afford or shall cause the Corporation to afford the Applicants, access during normal business hours to the most recent list of Debentureholders within 10 Business Days after the receipt of such application by the Trustee. Such list shall be as of a date no more than 10 days (or such other date as may be mandated by Applicable Law) prior to the date of receipt of the Applicants' request.

2.26 **Canadian Legend on the Debentures and Common Shares**

(a) The certificates or other instruments representing the Debentures, and the stock certificates representing any Common Shares issued upon conversion of such Debentures, (if issued prior to the expiration of the applicable hold periods), if any, will bear the following legend in accordance with Applicable Securities Legislation:

"UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE [INSERT THE DATE THAT IS 4 MONTHS AND A DAY AFTER THE DISTRIBUTION DATE]."

provided that if, at any time, in the opinion of counsel to the Corporation, such legend is no longer necessary or advisable under Applicable Securities Laws, or the Holder of any such legended certificate, at the Holder's expense, provides the Corporation with evidence satisfactory in form and substance to the Corporation (which may include an opinion of counsel satisfactory to the Corporation) to the effect that such legend is not required, such legended certificate may thereafter be surrendered to the Corporation in exchange for a certificate which does not bear such legend.

(b) If issued as a Certificated Debenture issued in Canada and held by the Depository and each Debenture certificate issued in exchange therefor or in substitution thereof shall bear the following legend or such variations thereof as the Corporation may prescribe from time to time:

"**UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF CDS CLEARING AND DEPOSITORY SERVICES INC. ("CDS") TO C21 INVESTMENTS INC. (THE "ISSUER") OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IN RESPECT THEREOF IS REGISTERED IN THE NAME OF CDS & CO., OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF CDS (AND ANY PAYMENT IS MADE TO CDS & CO OR TO SUCH OTHER ENTITY AS IS REQUESTED BY**

AN AUTHORIZED REPRESENTATIVE OF CDS), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED HOLDER HEREOF, CDS & CO., HAS A PROPERTY INTEREST IN THE SECURITIES REPRESENTED BY THIS CERTIFICATE HEREIN AND IT IS A VIOLATION OF ITS RIGHTS FOR ANOTHER PERSON TO HOLD, TRANSFER OR DEAL WITH THIS CERTIFICATE."

ARTICLE 3
REPURCHASE AND CANCELLATION OF DEBENTURES

3.1 Repurchase of Debentures at Option of the Holder upon a Change of Control

(a) Upon the occurrence of a Change of Control prior to the Maturity Date, each Holder of Debentures has the right to require the Corporation to:

(i) repurchase for cash all or such portion of the Debentures of such Holders equal to $1,000 principal amount (or an integral multiple thereof) which are Outstanding immediately prior to such Change of Control, at a price equal to 105% of the principal amount of the Debentures then Outstanding plus any accrued and unpaid interest thereon (the "**Change of Control Repurchase Price**") on the Change of Control Repurchase Date (the "**Repayment Offer**"); or

(ii) if as a result of the Change of Control there is or will be a Successor Entity, subject to Applicable Law, exchange all or such portion of the Debentures of such Holders equal to $1,000 principal amount (or an integral multiple thereof) which are Outstanding immediately prior to such Change of Control into debentures of the Successor Entity (the "**Exchanged Debentures**"), with each $1,000 principal amount (or an integral multiple thereof) being exchanged for unsecured convertible debentures of the Successor Entity with a principal amount of $1,000 with interest, payment and maturity provisions that are economically equivalent to the Debentures (the "**Exchange Offer**" and together with the Repayment Offer, the "**Change of Control Offer**"),

provided that if 90% or more of the principal amount of all of the Debentures then Outstanding on the date of the Change of Control Notice are tendered for redemption pursuant to the Repayment Offer, the Exchange Offer shall be deemed to be withdrawn and the Corporation shall have the right, at its option, at any time within 30 days of the Change of Control Repurchase Date of such Change of Control Offer, to elect to redeem all, but not less than all, of the remaining Debentures that are then Outstanding, at the Change of Control Repurchase Price of such Repayment Offer.

(b) As promptly as practicable following the date on which the Corporation announces the Change of Control, but in no event less than 30 days prior to the anticipated date of completion of a Change of Control, the Corporation shall mail a written notice of the Change of Control to the Trustee and to each Holder (and to beneficial Holders as required by Applicable Securities Laws) (the "**Change of Control Notice**"). The Change of Control Notice shall include the form of a Change of Control Repurchase Notice (as defined below) to be completed by the Holder and shall state the Change of Control Offer and the following: (i) the events causing such Change of Control; (ii) the date (or expected date) of such Change of Control; (iii) the last date by which the Change of Control Repurchase Notice must be delivered to elect an option pursuant to this Section 3.1; (iv) the Change of Control Repurchase Date; (v) the Change of Control Repurchase

Price; (vi) the Holder's right to require the Corporation to purchase all or a portion of the Debentures or to exchange such Debentures for Exchanged Debentures pursuant to the Change of Control Offer; (vii) the name and address of the Trustee; (viii) the procedures that the Holder must follow to exercise rights under this Section 3.1.

At the Corporation's request, the Trustee shall give such Change of Control Notice in the Corporation's name, at the Corporation's expense, and within the notice period set out above; provided, that, in all cases, the text of such Change of Control Notice shall be prepared by the Corporation.

(c) A Holder may exercise its rights specified in this Section 3.1 upon delivery of a written notice and which may be delivered by letter, overnight courier, hand delivery, facsimile transmission or in any other written form and, in the case of Uncertificated Debenture, may be delivered electronically or by other means in accordance with the Depository's applicable procedures) of the exercise of such rights (a "**Change of Control Repurchase Notice**") to the Corporation or the Trustee at any time prior to the close of business on the Business Day next preceding the Change of Control Repurchase Date, subject to extension to comply with Applicable Laws.

(d) The Change of Control Repurchase Notice shall state: (i) the certificate number of the Debenture which the Holder will deliver to be purchased or exchanged (or, if the Debenture is in Uncertificated Debenture form, any other items required to comply with the applicable procedures), (ii) the portion of the principal amount of the Debenture which the Holder will deliver to be purchased or exchanged, in integral multiples of $1,000, and (iii) that such Debenture shall be purchased or exchanged as of the Change of Control Repurchase Date pursuant to the terms and conditions specified in the Debentures and in this Indenture.

(e) The delivery of a Debenture for which a Change of Control Repurchase Notice has been timely delivered to the Trustee and not validly withdrawn prior to, on or after the Change of Control Repurchase Date (together with all necessary endorsements) at the office of the Trustee shall be a condition to the receipt by the Holder of the Change of Control Repurchase Price or Exchanged Debentures therefor.

(f) The Corporation shall only be obliged to purchase or exchange, pursuant to this Section 3.1, a portion of a Debenture if the principal amount of such portion is $1,000 or an integral multiple of $1,000 (provisions of this Indenture that apply to the purchase of all of a Debenture also apply to the purchase of such portion of such Debenture).

(g) Notwithstanding anything herein to the contrary, any Holder delivering to the Trustee the Change of Control Repurchase Notice contemplated by this Section 3.1 shall have the right to withdraw such Change of Control Repurchase Notice in whole or in a portion thereof that is a principal amount of $1,000 or in an integral multiple thereof, at any time prior to the close of business on the Business Day prior to the Change of Control Repurchase Date by delivery of a written notice of withdrawal to the Trustee in accordance with the procedures set out in the Change of Control Notice or, if not set out therein, then in accordance with this Section 3.1(g).

(h) The Trustee shall promptly notify the Corporation of the receipt by it of any Change of Control Repurchase Notice or written withdrawal thereof.

(i) Anything herein to the contrary notwithstanding, in the case of Uncertificated Debentures, any Change of Control Repurchase Notice may be delivered or withdrawn and such securities may be

surrendered or delivered for purchase in accordance with the applicable procedures of the Depository as in effect from time to time.

(j) Upon receipt by the Trustee of a properly completed Change of Control Repurchase Notice from a Holder, the Holder of the Debenture in respect of which such Change of Control Repurchase Notice was given shall (unless such Change of Control Repurchase Notice is withdrawn as specified in Section 3.1(k)), thereafter be entitled to receive the Change of Control Repurchase Price or Exchanged Debentures, as the case may be, with respect to such Debenture, subject to there being no Event of Default then occurring including a continuation thereof (other than a default in the payment of the Change of Control Repurchase Price). The Change of Control Repurchase Price shall be paid or the Exchanged Debentures issued to such Holder promptly following the later of: (i) the Change of Control Repurchase Date and (ii) the time of delivery of such Debenture to the Trustee by the Holder thereof in the manner required by this Section 3.1.

(k) A Change of Control Repurchase Notice may be withdrawn by means of a written notice (which may be delivered by mail, overnight courier, hand delivery, facsimile transmission or in any other written form and, in the case of Uncertificated Debentures, may be delivered electronically or by other means in accordance with the applicable procedures of the Depository) of withdrawal delivered by the Holder to the Trustee at any time prior to the close of business on the Business Day immediately prior to the Change of Control Repurchase Date, specifying: (i) the principal amount of the Debenture or portion thereof (which must be a principal amount of $1,000 or an integral multiple of $1,000 in excess thereof), with respect to which such notice of withdrawal is being submitted, (ii) if Certificated Debentures have been issued, the certificate number of the Debentures being withdrawn in whole or in withdrawable part (or if the Debentures are not Uncertificated Debentures, such written notice must comply with the applicable procedures of the Depository) and (iii) the portion of the principal amount of the Debentures that will remain subject to the Change of Control Repurchase Notice, which portion must be a principal amount of $1,000 or an integral multiple thereof.

(l) On or before 12:00 p.m. (Vancouver time) on the Business Day following the applicable Change of Control Repurchase Date, the Corporation shall deposit with the Trustee an amount of money (in immediately available funds if deposited on or after such Change of Control Repurchase Date), sufficient to pay the aggregate Change of Control Repurchase Price of all the Debentures or portions thereof that are to be purchased as of such Change of Control Repurchase Date.

(m) If the Trustee holds, in accordance with the terms hereof, money sufficient to pay the Change of Control Repurchase Price of any Debenture for which a Change of Control Repurchase Notice has been tendered and not withdrawn in accordance with this Indenture then, on the Business Day following the applicable Change of Control Repurchase Date, such Debenture will cease to be outstanding, whether or not the Debenture is delivered to the Trustee, and interest shall cease to accrue, and the rights of the Holder in respect of the Debenture shall terminate (other than the right to receive the Change of Control Repurchase Price as aforesaid). The Corporation shall publicly announce the principal amount of Debentures repurchased on or as soon as practicable after the Change of Control Repurchase Date.

(n) The Trustee will promptly return to the respective Holders thereof any Debentures with respect to which a Change of Control Repurchase Notice has been withdrawn in compliance with this Indenture.

(o) If a Change of Control Repurchase Date falls after a Payment Record Date and on or before the related Interest Payment Date, then interest on the Debentures payable on such Interest Payment

Date will be payable to the Holders in whose names the Debentures are registered at the close of business on such Payment Record Date.

(p) Notwithstanding anything in this Section 3.1 to the contrary, the Corporation shall be entitled to withdraw the Change of Control Notice and, upon written order of the Corporation, the notice of Change of Control provided by the Trustee in accordance with Section 3.1(a) in the event that the anticipated Change of Control is terminated or does not occur. In such event, no Debentures shall be purchased hereunder and the Corporation shall be entitled to the return of any funds deposited as contemplated in Section 3.1(l) and any Debentures delivered by the Holders thereof to the Trustee shall be returned to such Holders.

3.2 **Purchase of Debentures**

Provided that no Event of Default has occurred and is continuing, the Corporation may at any time and from time to time purchase all or any of the Debentures in the market (which shall include purchase from or through an investment dealer or a firm holding membership on a Recognized Stock Exchange) or by tender or by private contract, at any price, subject to compliance with Applicable Securities Laws and the provisions of this Indenture. Debentures so purchased by the Corporation shall be submitted to the Trustee for cancellation in accordance with Section 2.23. If an Event of Default has occurred and is continuing, the Corporation will not have the right to purchase any Debentures except as permitted by this Indenture.

If, upon an invitation for tenders, more Debentures than the Corporation is prepared to accept are tendered at the same lowest price, the Debentures to be purchased by the Corporation will be selected by the Trustee on a pro rata basis and in consultation with the Corporation and in accordance with Applicable Securities Laws, from the Debentures tendered by each tendering Debentureholder who tendered at such lowest price. For this purpose the Trustee may make, and may from time to time amend, regulations with respect to the manner in which Debentures may be so selected, and regulations so made shall be valid and binding upon all Debentureholders, notwithstanding the fact that as a result thereof one or more such Debentures becomes subject to purchase in part only. The Holder of any Debenture of which a part only is purchased upon surrender of such Debenture for payment, shall be entitled to receive, without expense to such Holder, a replacement Debenture for and evidencing the same obligation as the unpurchased part so surrendered, and the Trustee shall certify and deliver such replacement Debenture upon receipt of the Debenture so surrendered.

3.3 **Debentures Purchased in Part**

Any Debenture that is to be purchased only in part pursuant to this Article 3 shall be surrendered at the office of the Trustee, and promptly after the date of such purchase, the Corporation shall execute and the Trustee shall authenticate and deliver to the Holder of such Debenture, without service charge, a new Debenture or Debentures, of such authorized denomination or denominations as may be requested by such Holder, in aggregate principal amount equal to, and in exchange for, the portion of the principal amount of the Debenture so surrendered that is not purchased.

3.4 **Compliance with Applicable Securities Law upon Purchase of Debentures**

In connection with any offer to purchase Debentures under this Article 3, the Corporation shall comply with all Applicable Securities Laws in connection with such offer to purchase or purchase of Debentures, all so as to permit the rights of the Holders and obligations of the Corporation under this Article 3 to be exercised in the time and in the manner specified therein. To the extent that compliance with any Applicable Securities Laws would result in a conflict with any of the terms thereof, this Indenture is

hereby modified to the extent required for the Corporation to comply with such Applicable Securities Laws.

3.5 **Repayment to the Corporation**

To the extent that the aggregate amount of cash deposited by the Corporation pursuant to the provisions of this Article 3 exceeds the aggregate purchase amount or portions thereof that the Corporation is obligated to purchase, then the Trustee shall return any such excess cash to the Corporation as soon as practicable following the completion of the applicable requirements hereunder.

3.6 **Cancellation of Purchased Debentures**

All Debentures purchased in whole or in part pursuant to this Article 3 shall be forthwith delivered to and cancelled by the Trustee and may not be reissued or resold and no Debentures shall be issued in substitution therefor.

ARTICLE 4
CONVERSION OF DEBENTURES

4.1 **Right to Convert**

(a) Upon and subject to the provisions and conditions of this Article 4 and other provisions hereof, the Holder of each Debenture shall have the right at such Holder's option at any time prior to the close of business on the earlier of: (i) the sixth Business Day immediately preceding the Maturity Date of the Debentures (the "**Time of Expiry**" in respect of the Debentures), and (ii) the date fixed for redemption pursuant to Section 3.1, to convert any part, being $1,000 or an integral multiple thereof, of the principal amount of a Debenture into Common Shares at the Conversion Price in effect on the Date of Conversion.

(b) Except as provided below, no adjustment in the number of Common Shares to be issued upon conversion will be made for dividends or distributions on Common Shares issuable upon conversion, the record date for the payment of which precedes the date upon which the Holder becomes a Holder of Common Shares in accordance with Article 4. No fractional Common Shares will be issued, any fraction of a Common Share that would otherwise be issued will be rounded down to the nearest whole number. The Conversion Price applicable to, and the Common Shares, securities or other property receivable on the conversion of, the Debentures is subject to adjustment pursuant to the provisions of Section 4.5.

(c) Holders converting Debentures will receive, in addition to the applicable number of Common Shares, accrued and unpaid interest in respect of the Debentures surrendered for conversion up to but excluding the Date of Conversion from, and including, the most recent Interest Payment Date in accordance with Section 4.4(e).

(d) Notwithstanding any other provisions of this Indenture, if a Debenture is surrendered for conversion on an Interest Payment Date or during the five preceding Business Days, the Person or persons entitled to receive Common Shares in respect of the Debenture so surrendered for conversion shall not become the Holder or holders of record of such Common Shares until the Business Day following such Interest Payment Date.

4.2 **Notice of Expiry of Conversion Privilege**

Notice of the expiry of the conversion privileges of the Debentures shall be given by or on behalf of the Corporation, not more than 60 days and not less than 30 days prior to the date fixed for the Time of Expiry, in the manner provided in Section 11.2.

4.3 **Revival of Right to Convert**

If the payment of the purchase price of any Debenture which has been tendered in acceptance of an offer by the Corporation to purchase Debentures for cancellation is not made on the date on which such purchase is required to be made then, provided the Time of Expiry has not passed, the right to convert such Debentures shall revive and continue as if such Debenture had not been tendered in acceptance of the Corporation's offer.

4.4 **Manner of Exercise of Right to Convert**

(a) The Holder of a Debenture desiring to convert such Debenture in whole or in part into Common Shares shall surrender such Debenture to the Trustee at its principal office in the City of Calgary, Alberta, together with the conversion notice set out in Schedule "A" or any other written notice in a form satisfactory to the Trustee, in either case duly executed by the Holder or his executors or administrators or other legal representatives or his or their attorney duly appointed by an instrument in writing in form and executed in a manner satisfactory to the Trustee, exercising his right to convert such Debenture in accordance with the provisions of this Article; provided that with respect to Uncertificated Debentures, the obligation to surrender a Debenture to the Trustee shall be satisfied if the Trustee is provided with all documentation which it may request. Thereupon such Debentureholder or, subject to payment of all applicable stamp or security transfer taxes or other governmental charges and compliance with all reasonable requirements of the Trustee, his nominee(s) or assignee(s) shall be entitled to be entered in the books of the Corporation as at the Date of Conversion (or such later date as is specified in Section 4.1 and Section 4.4(b)) as the Holder of the number of Common Shares into which such Debenture is convertible in accordance with the provisions of this Article and, as soon as practicable thereafter, the Corporation shall electronically deposit the Common Shares as directed by the Debentureholder or deliver to such Debentureholder or, subject as aforesaid, his nominee(s) or assignee(s), a certificate or certificates for such Common Shares and make or cause to be made any payment of interest to which such Holder is entitled in accordance with Section 4.4(e).

(b) For the purposes of Section 4.1, a Debenture shall be deemed to be surrendered for conversion on the date (the "**Date of Conversion**") on which it is so surrendered when the register of the Trustee is open and in accordance with the provisions of this Article or, in the case of Uncertificated Debentures which the Trustee received notice of and all necessary documentation in respect of the exercise of the conversion rights and, in the case of a Debenture so surrendered by post or other means of transmission, on the date on which it is received by the Trustee at its principal office specified in Section 4.4(a); provided that if a Debenture is surrendered for conversion on a day on which the register of Common Shares is closed, the Person or Persons entitled to receive Common Shares shall become the Holder or holders of record of such Common Shares as at the date on which such registers are next reopened.

(c) Any part, being $1,000 or an integral multiple thereof, of a Debenture in a denomination in excess of $1,000 may be converted as provided in this Article and all references in this Indenture to conversion of Debentures shall be deemed to include conversion of such parts.

(d) The Holder of any Debenture of which only a part is converted shall, upon the exercise of his, her or its right of conversion surrender such Debenture to the Trustee in accordance with Section 4.4(a), and the Trustee shall cancel the same and shall without charge forthwith Authenticate and deliver to the Holder a new Debenture or Debentures in an aggregate principal amount equal to the unconverted part of the principal amount of the Debenture so surrendered. It is understood and agreed by the parties hereto that, unless the Trustee is otherwise in a position to perform electronic conversions, in every instance where Uncertificated Debentures held through the NCI are to be converted in whole or in part, such Debentures being converted shall not be represented by Certificated Debentures, and it shall be sufficient for the Trustee to convert such Debentures upon receiving either the attached exercise form executed by the Depository or an NCI Letter of Instruction in a form agreed upon by the Trustee and the Depository, or such other form that they may require from time to time.

(e) The Holder of a Debenture surrendered for conversion in accordance with this Section 4.4 shall be entitled (subject to any applicable restriction on the right to receive interest on conversion of Debentures of any series) to receive accrued and unpaid interest in respect thereof from the date of the last Interest Payment Date up to but excluding the Date of Conversion (less applicable withholding taxes, if any), and the Common Shares issued upon such conversion shall rank only in respect of distributions or dividends declared in favour of shareholders of record on and after the Date of Conversion or such later date as such Holder shall become the Holder of record of such Common Shares pursuant to Section 4.4(b), from which applicable date they will for all purposes be and be deemed to be issued and outstanding as fully paid and non-assessable Common Shares.

4.5 **Mandatory Conversion**

(a) At any time following the date that is 4 months and one day following the Issue Date and in the event that the daily VWAP of the Common Shares is greater than $0.90 for any 10 consecutive trading days, the Corporation may force the conversion of the principal amount of the then Outstanding Debentures at the Conversion Price on not less than 30 days' notice (the "**Mandatory Conversion Notice**") to the Holders and the Trustee in accordance with Article 11 hereof. Concurrently with the issuance of the Mandatory Conversion Notice, the Corporation shall issue a press release with respect to thereof.

(b) The Mandatory Conversion Notice shall contain the date (the "**Mandatory Conversion Date**") on which the Outstanding Debentures shall be deemed to be surrendered for conversion; provided that the Mandatory Conversion Date shall be a date on which the register of the Trustee is open.

(c) On the Mandatory Conversion Date, the Trustee shall cancel the Outstanding Debentures held by the Debentureholders. Thereupon such Debentureholder or, subject to payment of all applicable stamp or security transfer taxes or other governmental charges and compliance with all reasonable requirements of the Trustee, his or her nominee(s) or assignee(s) shall be entitled to be entered in the books of the Corporation as at the Mandatory Conversion Date, as the Holder of the number of Common Shares into which such Debenture is convertible in accordance with the provisions of this Article and, as soon as practicable thereafter, the Corporation shall electronically deposit the Common Shares in the name of the Debentureholder or deliver to such Debentureholder a certificate or certificates for such Common Shares pursuant to the terms of this Indenture and make or cause to be made any payment of interest to which such Holder is entitled in accordance with Section 4.5(d) and Section 4.4(e).

(d) The Holder of a Debenture converted in accordance with Section 4.5 shall be entitled to receive accrued and unpaid interest in respect thereof from the date of the last Interest Payment Date up to but excluding the Mandatory Conversion Date (less applicable withholding taxes, if any), and the Common Shares issued upon such conversion shall rank only in respect of distributions or dividends declared in favour of shareholders of record on and after the Mandatory Conversion Date, from which date they will for all purposes be and be deemed to be issued and outstanding as fully paid and non-assessable Common Shares.

4.6 **Adjustment of Conversion Price**

Subject to the requirements of a Recognized Stock Exchange, the Conversion Price in effect at any date shall be subject to adjustment from time to time as set forth below.

(a) If and whenever at any time prior to the Time of Expiry the Corporation shall: (i) subdivide, redivide or change the outstanding Common Shares into a greater number of shares, (ii) reduce, combine or consolidate the outstanding Common Shares into a smaller number of shares, or (iii) issue Common Shares or securities convertible into Common Shares to the holders of all or substantially all of the outstanding Common Shares by way of a dividend or distribution (other than cash dividends or distributions for which an adjustment would be made under Section 4.6(b)) (a "**Common Share Reorganization**"), the Conversion Price in effect on the date of such subdivision, redivision, reduction, combination or consolidation or on the record date for such issue of Common Shares or securities convertible into Common Shares by way of a dividend or distribution, as the case may be, shall be adjusted effective immediately after the record date at which the holders of Common Shares are determined for the purpose of the Common Share Reorganization by multiplying the Conversion Price in effect immediately prior to such record date by a fraction: (1) the denominator of which shall be the number of Common Shares outstanding immediately after giving effect to such Common Share Reorganization (including, in the case where securities exchangeable for or convertible into Common Shares are distributed, the number of Common Shares that would have been outstanding had such securities been exchanged for or converted into Common Shares on such record date, assuming in any case where such securities are not then convertible or exchangeable but subsequently become so, that they were convertible or exchangeable on the record date on the basis upon which they first become convertible or exchangeable); and (2) the numerator of which shall be the number of Common Shares outstanding on such record date before giving effect to such Common Share Reorganization. Such adjustment shall be made successively whenever any event referred to in this Section 4.6 shall occur. Any such issue of Common Shares or securities convertible into Common Shares by way of a dividend or distribution shall be deemed to have been made on the record date for the dividend or distribution for the purpose of calculating the number of outstanding Common Shares under subsections (c) and (d) of this Section 4.6.

(b) If and whenever at any time prior to the Time of Expiry the Corporation shall fix a record date for the payment of a cash dividend or distribution to the holders of all or substantially all of the outstanding Common Shares in respect of any applicable period, the Conversion Price shall be adjusted immediately after such record date so that it shall be equal to the price determined by multiplying the Conversion Price in effect on such record date by a fraction, of which the denominator shall be the Current Market Price per Common Share on such record date and of which the numerator shall be the Current Market Price per Common Share on such record date minus the amount in cash per Common Share distributed to holders of Common Shares. Such adjustment shall be made successively whenever such a record date is fixed. To the extent that any such cash dividend or distribution is not paid, the Conversion Price shall be re-adjusted to the Conversion Price which would then be in effect if such record date had not been fixed.

(c) If and whenever at any time prior to the Time of Expiry the Corporation shall fix a record date for the issuance of options, rights or warrants to all or substantially all the holders of its outstanding Common Shares entitling them, for a period expiring not more than 45 days after such record date, to subscribe for or purchase Common Shares (or securities convertible into Common Shares) at a price per share (or having a conversion or exchange price per share) less than 95% of the Current Market Price of a Common Share on such record date, the Conversion Price shall be adjusted immediately after such record date so that it shall equal the price determined by multiplying the Conversion Price in effect on such record date by a fraction, of which the numerator shall be the total number of Common Shares outstanding on such record date plus a number of Common Shares equal to the number arrived at by dividing the aggregate price of the total number of additional Common Shares offered for subscription or purchase (or the aggregate conversion or exchange price of the convertible securities so offered) by such Current Market Price per Common Share, and of which the denominator shall be the total number of Common Shares outstanding on such record date plus the total number of additional Common Shares offered for subscription or purchase (or into which the convertible securities so offered are convertible). Such adjustment shall be made successively whenever such a record date is fixed. To the extent that any such options, rights or warrants are not so issued or any such options, rights or warrants are not exercised prior to the expiration thereof, the Conversion Price shall be re-adjusted to the Conversion Price which would then be in effect if such record date had not been fixed or to the Conversion Price which would then be in effect based upon the number of Common Shares (or securities convertible into Common Shares) actually issued upon the exercise of such options, rights or warrants were included in such fraction, as the case may be.

(d) If and whenever at any time prior to the Time of Expiry, there is a reclassification of the Common Shares or a capital reorganization of the Corporation other than as described in Section 4.6(a) or a consolidation, amalgamation, arrangement, binding share exchange, merger of the Corporation with or into any other Person or other entity or acquisition of the Corporation or other combination pursuant to which the Common Shares are converted into or acquired for cash, securities or other property; or a sale or conveyance of the property and assets of the Corporation as an entirety or substantially as an entirety to any other Person (other than a direct or indirect wholly-owned subsidiary of the Corporation) or other entity or a liquidation, dissolution or winding-up of the Corporation, any Holder of a Debenture who has not exercised its right of conversion prior to the date of such reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, share exchange, acquisition, combination, sale or conveyance or liquidation, dissolution or winding-up, upon the exercise of such right thereafter, shall be entitled to receive and shall accept, in lieu of the number of Common Shares then sought to be acquired by it, such amount of cash or the number of shares or other securities or property of the Corporation or of the Person or other entity resulting from such merger, amalgamation, arrangement, acquisition, combination or consolidation, or to which such sale or conveyance may be made or which holders of Common Shares receive pursuant to such liquidation, dissolution or winding-up, as the case may be, that such Holder of a Debenture would have been entitled to receive on such reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, share exchange, acquisition, combination, sale or conveyance or liquidation, dissolution or winding-up, if, on the record date or the date of this Indenture, as the case may be, the Holder had been the registered Holder of the number of Common Shares sought to be acquired by it and to which it was entitled to acquire upon the exercise of the conversion right. If determined appropriate by the Board of Directors, to give effect to or to evidence the provisions of this Section 4.6(d), the Corporation, its successor, or such purchasing Person or other entity, as the case may be, shall, prior to or contemporaneously with any such reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, share exchange, acquisition, combination, sale or conveyance or liquidation, dissolution or winding-up,

enter into an indenture which shall provide, to the extent possible, for the application of the provisions set forth in this Indenture with respect to the rights and interests thereafter of the Holder of Debentures to the end that the provisions set forth in this Indenture shall thereafter correspondingly be made applicable, as nearly as may reasonably be, with respect to any cash, shares or other securities or property to which a Holder of Debentures is entitled on the exercise of its acquisition rights thereafter. Any indenture entered into between the Corporation and the Trustee pursuant to the provisions of this Section 4.6(d) shall be a supplemental indenture entered into pursuant to the provisions of Section 12.4. Any indenture entered into between the Corporation, any successor to the Corporation or such purchasing Person or other entity and the Trustee shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided in this Section 4.6(d) and which shall apply to successive reclassifications, capital reorganizations, amalgamations, consolidations, mergers, share exchanges, acquisitions, combinations, sales or conveyances. Nothing in this Section 4.6(d) shall affect or reduce the requirement for any Person to make a Change of Control Purchase Offer.

(e) If the Corporation shall make a distribution to all holders of shares in the capital of the Corporation, other than Common Shares, or evidences of indebtedness or other assets of the Corporation, including securities (but excluding (x) any issuance of rights or warrants for which an adjustment was made pursuant to Section 4.5(c), and (y) any dividend or distribution paid exclusively in cash for which an adjustment was made pursuant to Section 4.5(b) (the "**Distributed Securities**"), then in each such case (unless the Corporation distributes such Distributed Securities to the holders of Debentures on such dividend or distribution date (as if each Holder had converted such Debenture into Common Shares immediately preceding the record date with respect to such distribution)) the Conversion Price in effect immediately preceding the ex-distribution date fixed for the dividend or distribution shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Price in effect immediately preceding such ex-distribution date by a fraction of which the denominator shall be the VWAP for the Common Shares for the five consecutive trading days immediately prior to the ex-distribution date and of which the numerator shall be the VWAP for the Common Shares for the first five consecutive trading days that occur immediately following ex-distribution date. Such adjustment shall be made successively whenever any such distribution is made and shall become effective five Business Days immediately following the ex-distribution date. In the event that such dividend or distribution is not so paid or made, the Conversion Price shall again be adjusted to be the Conversion Price that would then be in effect if such dividend or distribution had not been declared.

Notwithstanding the foregoing, if the securities distributed by the Corporation to all holders of its Common Shares consist of capital stock of, or similar equity interests in, a Subsidiary or other business of the Corporation (the "**Spinoff Securities**"), the Conversion Price shall be adjusted, unless the Corporation makes an equivalent distribution to the holders of Debentures, so that the same shall be equal to the rate determined by multiplying the Conversion Price in effect on the record date fixed for the determination of shareholders entitled to receive such distribution by a fraction, the denominator of which shall be the sum of: (A) the VWAP for the Common Shares for the 20 consecutive trading day period (the "**Spinoff Valuation Period**") commencing on and including the fifth trading day after the date on which ex-dividend trading commences for such distribution on a Recognized Stock Exchange or market on which the Common Shares are then listed or quoted and (B) the product of: (i) the weighted average trading price (calculated in substantially the same way as the Current Market Price is calculated for the Common Shares) over the Spinoff Valuation Period of the Spinoff Securities or, if no such prices are available, the Fair Market Value of the Spinoff Securities (which determination shall be conclusive and shall be evidenced by an Officer's Certificate delivered to the Trustee) multiplied by (ii) the number of

Spinoff Securities distributed in respect of one Common Share and the numerator of which shall be the VWAP for the Common Shares for the Spinoff Valuation Period, such adjustment to become effective immediately preceding the opening of business on the 25th trading day after the date on which ex-dividend trading commences; provided, however, that the Corporation may in lieu of the foregoing adjustment elect to make adequate provision so that each Holder of Debentures shall have the right to receive upon conversion thereof the amount of such Spinoff Securities that such Holder of Debentures would have received if such Debentures had been converted on the record date with respect to such distribution.

(f) If any issuer bid made by the Corporation or any of its Subsidiaries for all or any portion of Common Shares shall expire, then, if the issuer bid shall require the payment to shareholders of consideration per Common Share having a Fair Market Value (determined as provided below) that exceeds the Current Market Price per Common Share on the last date (the "**Expiration Date**") tenders could have been made pursuant to such issuer bid (as it may be amended) (the last time at which such tenders could have been made on the Expiration Date is hereinafter sometimes called the "**Expiration Time**"), the Conversion Price shall be adjusted so that the same shall equal the rate determined by multiplying the Conversion Price in effect immediately preceding the close of business on the Expiration Date by a fraction of which: (i) the denominator shall be the sum of (A) the Fair Market Value of the aggregate consideration (which determination shall be conclusive evidence of such Fair Market Value and which shall be evidenced by an Officer's Certificate delivered to the Trustee) payable to shareholders based on the acceptance (up to any maximum specified in the terms of the issuer bid) of all Common Shares validly tendered and not withdrawn as of the Expiration Time (the Common Shares deemed so accepted, up to any such maximum, being referred to as the "**Purchased Common Shares**") and (B) the product of the number of Common Shares outstanding (less any Purchased Common Shares and excluding any Common Shares held in the treasury of the Corporation) at the Expiration Time and the Current Market Price per Common Share on the Expiration Date and (ii) the numerator of which shall be the product of the number of Common Shares outstanding (including Purchased Common Shares but excluding any Common Shares held in the treasury of the Corporation) at the Expiration Time multiplied by the Current Market Price per Common Share on the Expiration Date, such increase to become effective immediately preceding the opening of business on the day following the Expiration Date. In the event that the Corporation is obligated to purchase Common Shares pursuant to any such issuer bid, but the Corporation is permanently prevented by applicable law from effecting any or all such purchases or any or all such purchases are rescinded, the Conversion Price shall again be adjusted to be the Conversion Price which would have been in effect based upon the number of Common Shares actually purchased, if any. If the application of this clause (f) of Section 4.6 to any issuer bid would result in a decrease in the Conversion Price, no adjustment shall be made for such issuer bid under this clause (f).

(g) In any case in which this Section 4.6 shall require that an adjustment shall become effective immediately after a record date for an event referred to herein, the Corporation may defer, until the occurrence of such event, issuing to the Holder of any Debenture converted after such record date and before the occurrence of such event the additional Common Shares issuable upon such conversion by reason of the adjustment required by such event before giving effect to such adjustment; provided, however, that the Corporation shall deliver to such Holder an appropriate instrument evidencing such Holder's right to receive such additional Common Shares upon the occurrence of the event requiring such adjustment and the right to receive any distributions made on such additional Common Shares declared in favour of holders of record of Common Shares on and after the Date of Conversion or such later date as such Holder would, but for the provisions of this Section 4.6(e), have become the Holder of record of such additional Common Shares pursuant to Section 4.4(b).

(h) The adjustments provided for in this Section 4.6 are cumulative and shall apply to successive subdivisions, redivisions, reductions, combinations, consolidations, distributions, issues or other events resulting in any adjustment under the provisions of this Section, provided that, notwithstanding any other provision of this Section, no adjustment of the Conversion Price shall be required unless such adjustment would require an increase or decrease of at least 1% in the Conversion Price then in effect; provided however, that any adjustments which by reason of this Section 4.6(h) are not required to be made shall be carried forward and taken into account in any subsequent adjustment.

(i) For the purpose of calculating the number of Common Shares outstanding, Common Shares owned by or for the benefit of the Corporation shall not be counted.

(j) In the event of any question arising with respect to the adjustments provided in this Section 4.6, such question shall be conclusively determined by a firm of nationally recognized chartered accountants appointed by the Corporation and acceptable to the Trustee (who may be the auditors of the Corporation); such accountants shall have access to all necessary records of the Corporation and such determination shall be binding upon the Corporation, the Trustee, and the Debentureholders.

(k) In case the Corporation shall take any action affecting the Common Shares other than action described in this Section 4.6, which in the opinion of the Board of Directors, adjusted in such manner and at such time, by action of the Board of Directors, subject to the requirements of a Recognized Stock Exchange on which the Common Shares are listed, as the Board of Directors, in their sole discretion acting reasonably and in good faith may determine to be equitable in the circumstances. Failure of the directors to make such an adjustment shall be conclusive evidence that they have determined that it is equitable to make no adjustment in the circumstances.

(l) Subject to the requirements of a Recognized Stock Exchange on which the Common Shares are listed, no adjustment in the Conversion Price shall be made in respect of any event described in Section 4.6(a), Section 4.6(b), Section 4.6(c), Section 4.6(e) or Section 4.6(f) other than the events described in Section 4.6(a)(i) or Section 4.6(a)(ii) if the holders of the Debentures are entitled to participate in such event on the same terms mutatis mutandis as if they had converted their Debentures prior to the date of this Indenture or record date, as the case may be, of such event.

(m) Except as stated above in this Section 4.6, no adjustment will be made in the Conversion Price for any Debentures as a result of the issuance of Common Shares at less than the Current Market Price for such Common Shares on the date of issuance or the then applicable Conversion Price.

4.7 **No Requirement to Issue Fractional Common Shares**

The Corporation shall not be required to issue fractional Common Shares upon the conversion of Debentures pursuant to this Article. If more than one Debenture shall be surrendered for conversion at one time by the same Holder, the number of whole Common Shares issuable upon conversion thereof shall be computed on the basis of the aggregate principal amount of such Debentures to be converted. If any fractional interest in a Common Share would, except for the provisions of this Section, be deliverable upon the conversion of any principal amount of Debentures, any fraction of a Common Share that would otherwise be issued will be rounded down to the nearest whole number. For clarity, the Corporation will not be required to make any cash payment to any Debentureholder in respect of the conversion of Debentures in respect of any fractional Common Shares unless such amount is greater than $20.

4.8 **Corporation to Reserve Common Shares**

The Corporation covenants with the Trustee that it will at all times reserve and keep available out of its authorized Common Shares (if the number thereof is or becomes limited), solely for the purpose of issue upon conversion of Debentures as in this Article provided, and conditionally allot to Debentureholders who may exercise their conversion rights hereunder, such number of Common Shares as shall then be issuable upon the conversion of all Outstanding Debentures. The Corporation covenants with the Trustee that all Common Shares which shall be so issuable shall be duly and validly issued as fully-paid and non-assessable.

4.9 **Cancellation of Converted Debentures**

Subject to the provisions of Section 4.4 as to Debentures converted in part, all Debentures converted in whole or in part under the provisions of this Article shall be forthwith delivered to and cancelled by the Trustee and no Debenture shall be issued in substitution for those converted.

4.10 **Certificate as to Adjustment**

The Corporation, pursuant to a Board Resolution, shall from time to time immediately after the occurrence of any event which requires an adjustment or readjustment as provided in Section 4.6, deliver an Officer's Certificate to the Trustee specifying the nature of the event requiring the same and the amount of the adjustment necessitated thereby and setting forth in reasonable detail the method of 25% of the principal amount of the Debentures then outstanding notify the Trustee that they do not agree with such determination within 14 days of such determination being communicated to all the holders, such certificate and the amount of the adjustment specified therein shall be verified by an opinion of a firm of nationally recognized chartered accountants appointed by the Corporation and acceptable to the Trustee (who may be the auditors of the Corporation) and shall be conclusive and binding to all parties in interest. When so approved, the Corporation shall, except in respect of any subdivision, redivision, reduction, combination or consolidation of the Common Shares, forthwith give notice to the Debentureholders in the manner provided in Section 11.2 specifying the event requiring such adjustment or readjustment and the results thereof, including the resulting Conversion Price.

4.11 **Notice of Special Matters**

The Corporation covenants with the Trustee that so long as any Debenture remains outstanding, it will give notice to the Trustee, and to the Debentureholders in the manner provided in Section 11.2, of its intention to fix a record date for any event referred to in Section 4.6(a), Section 4.6(b), Section 4.6(c) or Section 4.6(e) (other than the subdivision, redivision, reduction, combination or consolidation of its Common Shares) which may give rise to an adjustment in the Conversion Price, and, in each case, such notice shall specify the particulars of such event and the record date and the date of this Indenture for such event; provided that the Corporation shall only be required to specify in such notice such particulars of such event as shall have been fixed and determined on the date on which such notice is given. Such notice shall be given not less than 7 days in each case prior to such applicable record date.

In addition, the Corporation covenants with the Trustee that so long as any Debenture remains outstanding, it will give notice to the Trustee, and to the Debentureholders in the manner provided in Section 11.2, at least 30 days prior to the: (i) date of any transaction referred to in Section 4.6(d) stating the consideration into which the Debentures will be convertible after the date of this Indenture of such transaction; and (ii) Expiration Date of any transaction referred to in Section 4.6(f) stating the consideration paid per Common Share in such transaction.

4.12 **Protection of Trustee**

Subject to Section 8.1, the Trustee:

(a) shall not at any time be under any duty or responsibility to any Debentureholder to determine whether any facts exist which may require any adjustment in the Conversion Price, or with respect to the nature or extent of any such adjustment when made, or with respect to the method employed in making the same;

(b) shall have no duty to determine when an adjustment under this Article 4 should be made, how it should be made or what such adjustment should be, but may accept as conclusive evidence of the fact or the correctness of any such adjustment, and shall be protected in acting and relying upon, an Officers' Certificate with respect thereto;

(c) shall not be accountable with respect to the validity or value (or the kind or amount) of any Common Shares or of any shares or other securities or property which may at any time be issued or delivered upon the conversion of any Debenture; and

(d) shall not be responsible for any failure of the Corporation to make any cash payment or to issue, transfer or deliver Common Shares or share certificates upon the surrender of any Debenture for the purpose of conversion, or to comply with any of the covenants contained in this Article.

4.13 **Reserved.**

4.14 **Canadian Private Placement Legend on Common Shares**

Each certificate representing Common Shares issued upon conversion of Debentures (or in lieu of cash as interest thereon), shall have imprinted or otherwise reproduced thereon such legend or legends substantially in the following form, unless not required by Applicable Securities Laws in order to permit the Holder to freely trade such Common Shares:

> **"UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE [INSERT THE DATE THAT IS 4 MONTHS AND A DAY AFTER THE DISTRIBUTION DATE]."**

provided that if, at any time, in the opinion of counsel to the Corporation, such legend is no longer necessary or advisable under Applicable Securities Laws, or the Holder of any such legended certificate, at the Holder's expense, provides the Corporation with evidence satisfactory in form and substance to the Corporation (which may include an opinion of counsel satisfactory to the Corporation) to the effect that such legend is not required, such legended certificate may thereafter be surrendered to the Corporation in exchange for a certificate which does not bear such legend.

ARTICLE 5
COVENANTS AND REPRESENTATIONS

As long as any Debentures remain outstanding, the Corporation hereby covenants and agrees with the Trustee for the benefit of the Trustee and the Holders of the then Outstanding Debentures, as follows (unless and for so long as the Corporation and/or one or more of its Subsidiaries are the only Holders (or

Beneficial Holders) of the Outstanding Debentures, in which case the following provisions of this Article 5 shall not apply):

5.1 **Payment of Principal, Premium and Interest**

The Corporation shall duly and punctually pay the principal of (and premium, if any), and interest on the Debentures in accordance with their terms and this Indenture.

5.2 **Existence; Books of Account**

The Corporation shall do or cause to be done all things reasonably necessary to preserve and keep in full force and effect the corporate, partnership or other legal existence, as applicable, and the corporate, partnership or other legal power and capacity, as applicable, of the Corporation to own its properties and assets. The Corporation will keep or cause to be kept proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of the Corporation in accordance with GAAP.

5.3 **Notice of Default**

The Corporation shall promptly notify the Trustee upon becoming aware of the occurrence of any Default or Event of Default.

5.4 **Compliance Certificate**

The Corporation shall deliver to the Trustee within 120 days after the end of each Fiscal Year (and at any other reasonable time upon demand by the Trustee) beginning with the Fiscal Year ending January 31, 2019 an Officer's Certificate stating that the Corporation has compiled with all requirements of the Corporation contained in the Indenture Documents and stating whether or not a Default or an Event of Default has occurred. If a Default or an Event of Default shall have occurred, the certificate shall describe the nature and particulars of the Default of Event of Default and its current status and steps taken or proposed to be taken to eliminate such circumstances and remedy such Event of Default, as the case may be.

5.5 **Compliance with Applicable Laws**

The Corporation represents and warrants:

(a) that it currently operates, and will continue to operate, in compliance with all applicable securities guidance, laws and regulations, all applicable anti-money laundering laws and all applicable government marijuana-related laws and regulations within Canada and the United States (save and except for applicable U.S. marijuana-related federal laws and laws implicated by the violation of U.S. marijuana-related federal laws);

(b) that U.S. businesses that the Corporation invests in operate in compliance with applicable marijuana-related licensing requirements and the regulatory framework enacted by the applicable U.S. State; and

(c) that to the best of its knowledge, after due inquiry, that U.S. customers or suppliers with which the Corporation transacts in cannabis products are licensed pursuant to applicable State law.

5.6 **Conduct of Business**

The Corporation shall do or cause to be done all things reasonably required to carry on its business in a commercially reasonable manner in accordance with normal industry standards and Applicable Law, except for U.S. Marijuana Laws (and laws implicated by the violation of U.S. marijuana-related federal laws). The Corporation will notify the Trustee in the event of any material change in their marijuana-related business activity including, but not limited to, a notice of merger, acquisition, intent to enter the recreational marijuana business in Canada, an intent to operate in the United States in a state where medical or recreational marijuana is not legal at the state level. The Corporation will notify the Trustee in the event it receives notice of any regulatory, governmental or criminal citation, notice of violation, investigation or proceeding that may have an impact on the Corporation's license, business activities or operations..

5.7 **No Distribution on Shares if Event of Default**

The Corporation shall not declare or pay any distribution to the holders of its issued and outstanding shares after the occurrence of an Event of Default unless and until such default shall have been cured or waived or shall have ceased to exist.

5.8 **Payment of Trustee's Remuneration**

The Corporation will pay on demand the Trustee's reasonable remuneration for its services as Trustee hereunder (including reimbursements for distributions which include legal services) and will repay to the Trustee on demand all moneys which shall have been paid by the Trustee out of its own funds in and about the execution of the trusts hereby created. The said remuneration shall continue to be payable until the trusts hereof are finally wound up and whether or not the trusts of this Indenture shall be in course of administration by or under the direction of the court. This Section 5.8 shall survive the resignation of the Trustee or the termination of this Indenture. Notwithstanding the foregoing, the Corporation need not pay or reimburse the Trustee for expenses, disbursements or advances if the Trustee incurred such expenses, disbursements or advances as a result of its bad faith, willful misconduct or gross negligence of a right, duty or obligation by the Trustee.

5.9 **Further Instruments and Acts**

Upon reasonable request of the Trustee, the Corporation will execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purposes of this Indenture.

5.10 **Performance of Covenant by Trustee**

If the Corporation fails to perform any of its covenants contained in this Indenture, the Trustee may itself perform any of such covenants capable of being performed by it, but will be under no obligation to do so. All sums expended or advanced by the Trustee for such purpose will be repayable as provided in Section 5.8 of this Indenture. No such performance or advance by the Trustee shall relieve the Corporation of any default hereunder or its continuing obligations hereunder.

ARTICLE 6
EVENTS OF DEFAULT AND REMEDIES

6.1 Events of Default and Enforcement

(a) If and when any one or more of the following events (each, an "**Event of Default**") shall happen on or after the date of this Indenture, namely:

(i) a default in payment of any principal amount with respect to the Debentures, when the same becomes due and payable;

(ii) a default in payment of interest on any Debentures when due and payable and the continuance of such default for 10 days;

(iii) a default by the Corporation in performing or observing any other covenants, agreements or obligations of the Corporation as described herein, and the continuance of such default for 30 days after the earlier of the Corporation becoming aware of same and written notice to the Corporation by the Trustee requiring the same to be remedied;

(iv) a decree, judgment, or order by a court having jurisdiction in the premises shall have been entered adjudging the Corporation bankrupt or insolvent or approving as properly filed a petition seeking reorganization, readjustment, arrangement composition or similar relief for the Corporation, under the *Bankruptcy and Insolvency Act* (Canada), *Companies' Creditors Arrangement Act* (Canada) or any other similar bankruptcy, insolvency or analogous applicable law to include proceedings in desastre and/or the grant of a preliminary vesting order in saisie proceedings, in each case and such decree, judgment or order of a court having jurisdiction in the premises for the appointment of a receiver, liquidator, administrator, controller or trustee or assignee in bankruptcy or insolvency of the Corporation or of a substantial part of its property, or for the winding up or liquidation of its affairs, shall have remained in force for a period of 30 consecutive days;

(v) the Corporation shall institute proceedings to be adjudicated a voluntary bankrupt, or shall consent to the filing of a bankruptcy proceeding against it, or shall file a petition or answer or consent seeking reorganization, readjustment, arrangement, composition or similar relief under the *Bankruptcy and Insolvency Act* (Canada), *Companies' Creditors Arrangement Act* (Canada) or any other similar bankruptcy, insolvency or analogous applicable law or shall consent to the filing or any such petition in each case, or shall consent to the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency for it or of a substantial part of its property, or shall make an assignment for the benefit of creditors, or shall be unable, or admit in writing its inability, to pay its debts generally as they become due, or corporate action shall be taken by the Corporation in furtherance of any of the aforesaid actions;

(vi) if a resolution is passed for the winding-up or liquidation of the Corporation except in the course of carrying out or pursuant to a transaction in respect of which the conditions of Section 10.1 are duly observed and performed; or

(vii) if any judgment or court order for the payment of money in excess of $5,000,000 in the aggregate (or the equivalent amount in any other currency) is rendered against the Corporation that is not discharged in accordance with its terms or in respect of which

such cash collateral or other security satisfactory to the Trustee in the amount of the judgment or court order has not been deposited with the Trustee to be set aside to pay such judgment or court order;

then, and in each and every such case which has happened and is continuing (other than an Event of Default specified in clause (d) or (e) above), the Trustee may, in its discretion, and shall, upon the written request of the holders of, collectively, not less than 25% in principal amount of the Outstanding Debentures at such time, declare the principal of (and premium, if any) together with accrued interest on all such Debentures to be due and payable immediately, by a Notice in writing to the Corporation (and to the Trustee if given by the Holders), and upon any such declaration such principal amount and premium, if any, together with accrued interest thereon, shall become immediately due and payable. If the Trustee fails to notify in writing the Corporation pursuant to the terms hereof, the Debentureholders having provided the written request to the Trustee may do so. If an Event of Default specified in clause (d) or (e) occurs, then the principal of (and premium, if any) together with accrued interest on all Outstanding Debentures shall immediately become due and payable without delivery of any Notice or other act on the part of either the Trustee of any Holder.

6.2 **Notice of Event of Default**

The Trustee shall, within five Business Days after the Trustee becomes aware of the occurrence of an Event of Default, give to the Holders by way of written Notice, Notice of every Event of Default so occurring and continuing at the time the Notice is given to the Holders. When a Notice of the occurrence of an Event of Default is given by the Trustee pursuant to this Section 6.2 and the Event of Default is thereafter cured, the Trustee shall, within five Business Days after the Corporation provides written Notice to the Trustee that the Event of Default has been cured and is no longer outstanding, give to all Holders to whom Notice of the occurrence of the Event of Default was given, Notice that the Event of Default is no longer outstanding. The Trustee shall not be deemed to have notice of any Default or Event of Default unless written notice of any event which is in fact such a Default is received by the Trustee at the Corporate Trust Office of the Trustee, and such notice references this Indenture. Delivery of reports to the Trustees shall not constitute actual knowledge of, or notice to, the Trustees of the information contained therein.

6.3 **Waiver of Default**

(a) The holders of, collectively, more than 50% in aggregate principal amount of the Outstanding Debentures, may on behalf of the holders of all Debentures, by written Notice to the Trustee approved by an instrument in writing signed in one or more counterparts by such holders or their duly appointed proxies or agents, instruct the Trustee to waive any past Default or Event of Default hereunder and its consequences, except a Default:

(i) in the payment of the principal of (or premium, if any) or interest on any Debentures; or

(ii) in respect of a covenant or provision hereof that under Section 12.2 cannot be modified or amended without approval by Extraordinary Resolution.

(b) Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

6.4 **Waiver of Acceleration**

At any time after a declaration of acceleration with respect to the Debentures has been made pursuant to this Article 6 and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter provided, the holders of, collectively, more than 50% in aggregate principal amount of Outstanding Debentures by written Notice to the Trustee approved by an instrument in writing signed in one or more counterparts by such holders or their duly appointed proxies or agents, may instruct the Trustee to thereupon rescind and annul such declaration and its consequences if:

(a) the Corporation has paid or deposited with the Trustee a sum sufficient to pay:

(i) all overdue interest on all Debentures;

(ii) the principal of (and premium, if any on), any of the Debentures which have become due otherwise than by such declaration of acceleration and interest thereon at the rate or rates prescribed therefore in such Debentures; and

(iii) to the extent that payment of such interest is lawful and applicable, interest upon overdue instalments of interest at the rate or rates prescribed therefor in such Debentures;

(b) all Events of Default with respect to the Debentures, other than the non-payment of the principal of (and premium, if any), and interest on, such Debentures which have become due solely by such declaration of acceleration, have been cured or waived in accordance with the provisions of this Indenture; and

(c) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

6.5 **Other Remedies**

(a) If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of principal of (and premium, if any) or interest on Debentures or to enforce the performance of any terms of the Debentures or this Indenture.

(b) The Trustee may maintain a Proceeding even if it does not possess any Debentures or does not produce any of them in the Proceeding. A delay or omission by the Trustee or any Holder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default.

6.6 **Application of Money Collected**

Any money collected by the Trustee pursuant to this Article 6 in respect of Debentures shall (subject to any claims having priority under Applicable Law) be applied in the following order, at the dates fixed by the Trustee and, in case of the distribution of such money on account of principal of (and premium, if any) or interest, upon presentation of Debentures and the notation thereon of the payment (if only partially paid) and upon surrender thereof (if fully paid):

(a) first, to the payment of all amounts due to the Trustee of its compensation, costs, charges, expenses, borrowing, advances or other moneys furnished or provided under this Indenture with respect to such Debentures;

(b) second, to the payment of accrued interest on such Debentures;

(c) third, to the payment of the principal of (and premium, if any) on such Debentures;

(d) fourth, to the payment of any other amounts with respect to such Debentures; and

(e) fifth, to whomever may be lawfully entitled to receive the balance of such money.

6.7 **Control by Holders**

(a) The holders of, collectively, at least a majority in principal amount of the Outstanding Debentures may:

(i) direct the time, method and place in the Province of British Columbia of conducting any Proceeding for any remedy available to the Trustee or exercising any trust or power conferred on it with respect to the Debentures; and

(ii) take any other action authorized to be taken by or on behalf of the holders of any specified aggregate principal amount of Debentures under any provisions of this Indenture or under Applicable Law.

(b) The Trustee may refuse, however, to follow any direction pursuant to section 6.8(a) that Counsel to the Trustee advises conflicts with Applicable Law or this Indenture.

6.8 **Limitation on Suits**

(a) No Holder of any Debenture will have any right to pursue any remedy (including any action, suit or proceeding authorized or permitted by this Indenture or pursuant to Applicable Law, except actions for payment of overdue principal, premium, if any, or interest with respect to this Indenture or the Debentures unless: (i) the Holder gives to the Trustee notice of a continuing Event of Default; (ii) the holders of, collectively, at least 25% in principal amount of the then Outstanding Debentures make a request in writing to the Trustee to pursue the remedy; (iii) such Holder or Holders offer or provide to the Trustee sufficient funding and indemnity in form satisfactory to the Trustee against any loss, liability or expense; (iv) the Trustee does not comply with the request within 30 days after receipt of such request and indemnity; and (v) during such 30-day period the holders of, collectively, a majority in principal amount of Outstanding Debentures do not give the Trustee a direction inconsistent with the request.

(b) Holders may not use this Indenture to prejudice the rights of another Holder or to obtain a preference or priority over another Holder.

6.9 **Collection Suit by Trustee**

If an Event of Default occurs and is continuing, the Trustee may recover judgment in its own name and as trustee against the Corporation for the whole amount of principal (and premium, if any) and interest remaining unpaid on the Debentures and any other amounts owing under the terms of this Indenture.

6.10 **Trustee May File Proofs of Claim**

The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and the Holders lodged or allowed in any judicial proceedings relative to the Corporation, its creditors or its property.

6.11 **Undertaking for Costs**

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defences made by the party litigant. This Section 6.11 does not apply to a suit by the Trustee, a suit by a Holder pursuant to Section 6.8, or a suit by any Holder, group of Holders, of, collectively, more than 50% in aggregate principal amount of the Outstanding Debentures.

6.12 **Delay or Omission Not Waiver**

No delay or omission of the Trustee or of any Holder of any Debenture to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

6.13 **Remedies Cumulative**

No remedy herein conferred upon or reserved to the Trustee or upon or to the Holders is intended to be exclusive of any other remedy, but each remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now existing or hereafter to exist by law or statute.

6.14 **Judgment Against the Corporation**

The Corporation covenants and agrees with the Trustee that, in case of any Proceeding to obtain judgment for payment of the principal of, premium, if any, or interest, if any, on the Debentures, judgment may be rendered against it in favour of the Holders or in favour of the Trustee, as Holder of a power of attorney for the Holders, for the amount which may remain due in respect of the Debentures and the interest and premium, if any, thereon.

6.15 **Rights of Holders to Receive Payment**

Notwithstanding any other provision of this Indenture, the right of any Holder of a Debenture to receive payment of the principal amount and interest, if any, in respect of the Debentures held by such Holder, on or after the respective due dates expressed in the Debentures and this Indenture (whether upon repurchase or otherwise), and to bring suit for the enforcement of any such payment on or after such respective due dates is, subject to compliance with the provisions of Section 6.8, absolute and unconditional and shall not be impaired or affected without the consent of the Holder.

ARTICLE 7
SATISFACTION AND DISCHARGE

7.1 Non-Presentation of Debentures

If any Debentureholder fails to present any Debentures for payment on the date on which the principal of, premium, if any, or interest thereon, becomes payable, whether on a payment date, Maturity Date or any other repayment date, or shall not accept payment on account thereof and give such receipt therefore, if any, as the Trustee may require:

(a) the Corporation shall thereafter be entitled to pay or deliver to the Trustee and direct the Trustee to set aside; or

(b) in respect of moneys in the hands of the Trustee which may or should be applied to the payment of the Debentures, the Corporation shall thereafter be entitled to direct the Trustee to set aside;

the principal of, premium, if any, and interest on such Holder's Debentures, in trust to be paid to such Debentureholder upon due presentation or surrender of such Debenture in accordance with the provisions of this Indenture; and thereupon the principal of, premium, if any, and interest payable on each Debenture in respect whereof such moneys have been set aside shall be deemed to have been paid and the Holder thereof shall thereafter have no right in respect thereof except to receive delivery and payment of the moneys so set aside by the Trustee upon due presentation and surrender thereof, subject to the provisions of Section 2.4.

7.2 Discharge

The Trustee shall at the written request of the Corporation release and discharge this Indenture and execute and deliver such instruments as it shall be advised by Counsel are requisite for that purpose and release the Corporation from its covenants herein contained (other than the provisions relating to the indemnification of the Trustee), upon proof being given to the reasonable satisfaction of the Trustee that the principal of, premium, if any, and interest on (including interest on amounts in default, if any) all of the Debentures and all other moneys payable hereunder have been paid or satisfied or that, all of the Debentures having matured, payment of the principal of, premium, if any, and interest (including interest on amounts in default, if any) on such Debentures and all other moneys payable hereunder have been duly and effectually provided for in accordance with the provisions hereof.

ARTICLE 8
CONCERNING THE TRUSTEE

8.1 Duties of Trustee

In the exercise of its rights, duties and obligations prescribed or conferred by this Indenture, the Trustee shall act honestly and in good faith and shall exercise that degree of care, diligence and skill that a reasonably prudent corporate trustee would exercise in comparable circumstances. Subject to the foregoing, the Trustee shall be liable only for an act or failure to act arising from or in connection with dishonesty, bad faith, wilful misconduct, gross negligence or reckless disregard of a right, duty or obligation by the Trustee. The Trustee shall not be liable for any act or default on the part of any agent employed by it or for permitting any agent or co-trustee to receive and retain any moneys payable to the Trustee under this Indenture, except as aforesaid. The Trustee shall not be required to exercise any powers and shall not have any responsibilities except as expressly provided in this Indenture and shall have no

obligation to recognize nor have any liability or responsibility arising under any other document or agreement to which the Trustee is not a party, notwithstanding that reference thereto may be made herein.

8.2 **Employ Agents**

The Trustee may, but is not required to employ (at the expense of the Corporation) such Counsel, agents and other assistants as it may reasonably require for the proper determination and discharge of its duties under this Indenture, and shall not be responsible for any negligence or misconduct on the part of any such Counsel, agent or other assistant or for any liability incurred by any Person as a result of not employing such Counsel, agent or other assistant, and may pay reasonable remuneration for all services performed for it with respect to this Indenture, and shall be entitled to receive reimbursement for all reasonable disbursements, costs, liabilities and expenses made or incurred by it with respect to this Indenture. All such disbursements, costs, liabilities and expenses in relation to this Indenture and all expenses incidental to the preparation, execution, creation and issuance of the Debentures, whether done or incurred at the request of the Trustee or the Corporation, shall bear interest at the posted annual rate of interest charged by the Trustee from time to time to its corporate trust customers from the date which is 30 days following receipt by the Corporation of an invoice from the Trustee with respect to such expenses until the date of reimbursement and shall (together with such interest) be paid by the Corporation immediately upon receipt of such invoice.

8.3 **Reliance on Evidence of Compliance**

The Trustee may conclusively rely upon any document believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Corporation, personally or by agent or attorney at the sole cost of the Corporation and shall incur no liability or additional liability of any kind by reason of such inquiry or investigation. Unless otherwise specifically provided in this Indenture, any demand, request, direction or notice from the Corporation shall be sufficient if signed by an Officer of the Corporation. The Trustee may request that the Corporation deliver an Officer's Certificate setting forth the names of the individuals and/or title of officers authorized at such time to take specified actions pursuant to this Indenture.

Before the Trustee acts or refrains from acting, it may, acting reasonably, require an Officer's Certificate or an opinion of counsel or both. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Officer's Certificate or opinion of counsel. The Trustee may consult with counsel of its selection (including counsel to the Corporation) and the advice of such counsel or any opinion of counsel shall be full and complete authorization and protection from liability in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon. The Trustee may act through its attorneys and agents and shall not be responsible for the misconduct or negligence of any agent or attorney appointed with due care.

8.4 **Advice of Experts**

The Trustee may act or not act and rely or not rely, and shall be protected in acting or not acting and relying or not relying in good faith, on the opinion, advice or information (including the Opinion of Counsel) obtained from any counsel, auditor, valuer, engineer, surveyor or other expert, whether obtained by the Trustee or by the Corporation, in relation to any matter arising in the administration of the trusts hereof and the Trustee shall not be responsible for any misconduct on the part of any of them or for any loss occasioned by so acting unless such action was taken in bad faith or such action constitutes

negligence or wilful misconduct, and, if acting in good faith, may rely as to the truth of the statements and the accuracy of the opinions expressed in any report or opinion furnished by such Person and may obtain such assistance as may be necessary to the proper determination and discharge of its duties and may pay proper and reasonable compensation for all such legal and other advice or assistance as aforesaid, including the disbursements of any legal or other advisor or assistants.

8.5 **Trustee May Deal in Debentures**

In its personal capacity or any other capacity, the Trustee, and each Affiliate of the Trustee, may buy, sell, lend upon, become a pledgee of and deal in the Debentures and generally contract and enter into financial transactions with the Corporation and any Affiliate of the Corporation without being liable to account for any profits made thereby.

8.6 **Conditions Precedent to Trustee's Obligation to Act**

(a) The Trustee shall not be bound to give any notice, or to do, observe or perform or see to the observance or performance by the Corporation of any of the obligations imposed under this Indenture or to supervise or interfere with any of the activities of the Corporation, or to do or take any act, action or Proceeding by virtue of the powers conferred on it by this Indenture, unless and until it shall have been required to do so under the terms of this Indenture; nor shall the Trustee be required to take notice of any Default or Event of Default, other than in payment of any moneys required by this Indenture to be paid to the Trustee, unless and until notified in writing of such Default or Event of Default by the Corporation or by any Holder, which notice shall distinctly specify such Default or Event of Default, and in the absence of any such notice the Trustee may conclusively assume that no Default or Event of Default has occurred. Any such notice or requisition shall in no way limit any discretion given to the Trustee in this Indenture to determine whether or not to take action with respect to any Default or Event of default or with respect to any such requisition.

(b) The obligation of the Trustee to do any of the actions referred to in (1), including to commence or to continue any Proceeding or any right of the Trustee or the Holders, shall be conditional upon the Holders furnishing, when required by notice in writing by the Trustee, sufficient funds to commence or continue such action and an indemnity satisfactory to the Trustee to protect and hold harmless the Trustee against the costs, charges, expenses and liabilities which may result from such action and any loss and damage the Trustee may suffer by reason of such action.

8.7 **Trustee Not Required to Give Security**

The Trustee shall not be required to give any bond or surety in respect of the performance of its powers and duties hereunder.

8.8 **Resignation or Removal of Trustee; Conflict of Interest**

(a) The Trustee represents and warrants to the Corporation that at the time of the execution and delivery of this Indenture no material conflict of interest exists with respect to the Trustee's role as a fiduciary hereunder.

(b) The Trustee may resign as trustee hereunder by giving not less than 60 days notice in writing to the Corporation or such shorter notice as the Corporation may accept as sufficient. The Trustee shall resign if a material conflict of interest arises with respect to its role as trustee under this Indenture that is not eliminated within 90 days after the Trustee becomes aware of such conflict

of interest. Immediately after the Trustee becomes aware that it has a material conflict of interest it shall provide the Corporation with written notice of the nature of that conflict. Upon any such resignation, the Trustee shall be discharged from all further duties and liabilities under this Indenture. None of the validity and enforceability of this Indenture or the Debentures shall be affected in any manner whatsoever by reason only of the existence of a material conflict of interest on the part of the Trustee (whether arising prior to or after the date of this Indenture). If the Trustee does not comply with this section, any Holder or the Corporation may apply to the Supreme Court of British Columbia in Vancouver for an order that the Trustee be replaced as trustee under this Indenture.

(c) In the event of the Trustee resigning or being removed by the Holders by Extraordinary Resolution or by the Corporation or being dissolved, becoming insolvent or bankrupt, going into liquidation or otherwise becoming incapable of acting as trustee under this Indenture, the Corporation shall immediately appoint a successor Trustee unless a successor Trustee has already been appointed by the Holders; failing such appointment by the Corporation, the retiring Trustee or any other Holder may apply (at the expense of the Corporation) to a judge of the Supreme Court of British Columbia in Vancouver for, on such notice as such judge may direct, for the appointment of a successor Trustee. The successor Trustee so appointed by the Corporation or by such court shall be subject to removal by the Holders by way of an Act of Holders. Any successor Trustee appointed under any provision of this section shall be a corporation authorized to carry on the business of a trust company in Canada or in any province thereof. On any appointment of the successor Trustee, the successor Trustee shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named in this Indenture as Trustee. The expenses of all acts, documents and Proceedings required under this section will be paid by the Corporation in the same manner as if the amount thereof were fees payable to the Trustee under this Indenture.

(d) Any successor Trustee shall, immediately upon appointment, become vested with all the estates, properties, rights, powers and trusts of its predecessor in the trusts under this Indenture, with like effect as if originally named as Trustee hereunder. Nevertheless, upon the written request of the successor Trustee or of the Corporation and upon payment of all outstanding fees and expenses, the Trustee ceasing to act shall execute and deliver a document assigning and transferring to such successor Trustee, upon the trusts expressed in this Indenture, all the rights, powers and trusts of the Trustee so ceasing to act, and shall duly assign, transfer and deliver all property (including money) held by such Trustee to the successor Trustee in its place. Should any deed, conveyance or other document in writing from the Corporation be required by any successor Trustee for more fully and certainly vesting in and confirming to it such estates, properties, rights, powers and trusts, then any and all such deeds, conveyances and other documents in writing shall, on the request of the successor Trustee, be made, executed, acknowledged and delivered by the Corporation.

(e) Any corporation into which the Trustee is amalgamated or with which it is consolidated or to which all or substantially all of its corporate trust business is sold or is otherwise transferred or any corporation resulting from any consolidation or amalgamation to which the Trustee is a party shall be a successor Trustee under this Indenture without the execution of any document or any further act; provided that such successor Trustee is a corporation qualified to carry on the business of a trust company in Canada or any province thereof and shall not have a material conflict of interest in its role as a fiduciary under this Indenture.

8.9 **Authority to Carry on Business; Resignation**

The Trustee represents and warrants to the Corporation that at the date of execution and delivery by it of this Indenture it is authorized to carry on the business of a trust company in Alberta. If the Trustee ceases to be so authorized to carry on business, the validity and enforceability of this Indenture and the Debentures issued hereunder shall not be affected in any manner by reason only of such event but the Trustee shall, within 90 days after ceasing to be authorized to carry on the business of a trust company in Canada or a province thereof, either become so authorized or resign in the manner and with the effect specified in Section 8.8.

8.10 **Protection of Trustee**

By way of supplement to any Applicable Law from time to time relating to trustees and in addition to any other provision of this Indenture for the relief of the Trustee, it is expressly agreed that:

(a) the Trustee shall not be liable for or by reason of any statements of fact or recitals in this Indenture or in the Debentures (except the representations and warranties contained in Section 8.1 and Section 8.11 which are being given by the Trustee in its personal capacity) or required to verify the same, but all such statements or recitals are and shall be deemed to be made by the Corporation;

(b) the Trustee shall not be bound to give to any Person notice of the execution of this Indenture unless and until an Event of Default and declaration of acceleration has occurred, and the Trustee has determined or become obliged to enforce the same;

(c) the Trustee shall not incur any liability or be in any way responsible for the consequence of any breach on the part of the Corporation of any of the covenants contained in this Indenture or of any acts of the agents or servants of the Corporation;

(d) the permissive rights of a Trustee enumerated herein shall not be construed as duties;

(e) in addition to and without limiting any other protection of the Trustee hereunder, or otherwise by law, the Corporation indemnifies and saves harmless the Trustee and its officers, directors and employees and agents from and against any and all liabilities, losses, costs, claims, actions, expenses (including legal fees and disbursements on a solicitor and client basis) or demands whatsoever which may be brought against the Trustee or which it may suffer or incur as a result of or arising out of the performance of its duties and obligations under this Indenture including, without limitation, those arising out of or related to actions taken or omitted to be taken by the Trustee contemplated by this Indenture, and including legal fees and disbursements on a solicitor and client basis and costs and expenses incurred in connection with the enforcement of this indemnity, which the Trustee may suffer or incur, whether at law or in equity, in any way caused by or arising, directly or indirectly, in respect of any act, deed, matter or thing whatsoever made, done, acquiesced in or omitted in or about or in relation to the execution of its duties as Trustee, save only in the event of the gross negligence or reckless disregard in acting or failing to act, or the wilful misconduct, dishonesty or bad faith of the Trustee. It is understood and agreed that this indemnification shall survive the termination or discharge of this Indenture or the resignation or removal of the Trustee;

(f) without limiting the generality of (e), the Corporation will indemnify and hold harmless the Trustee and upon written request reimburse the Trustee for the amount of: (i) any taxes levied or imposed and paid by the Trustee as a result of payments made under or with respect to the

Debentures, (ii) any liability (including penalties and interest) arising therefrom or with respect thereto paid by the Trustee as a result of payments made under or with respect to the Debentures and (iii) any taxes levied or imposed and paid by the Trustee with respect to reimbursement under clauses (i) and (ii) of this Section 8.10(f), but excluding any taxes on the Trustee's net income arising from fees for acting as the trustee hereunder or in respect of the Trustee's capital.

(g) the rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, the right to be indemnified, are extended to, and shall be enforceable by, Alliance Trust Company, and each agent, custodian and other Person employed to act hereunder;

(h) in no event shall the Trustee be responsible or liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether such Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action;

(i) the Trustee may, in the exercise of all or any of the trusts, powers and discretion vested in it under this Indenture, act by the responsible officers of the Trustee; the Trustee may delegate to any Person the performance of any of the trusts and powers vested in it by this Indenture, and any delegation may be made upon such terms and conditions and subject to such regulations as the Trustee may think to be in the best interest of the Holders;

(j) the Trustee shall not be required to take notice or be deemed to have notice or actual knowledge of any matter under this Indenture, unless the Trustee shall have received from the Corporation or a Holder written notice stating the matter in respect of which the Trustee should have notice or actual knowledge; and

(k) the Trustee shall not be responsible for any error made or act done by it resulting from reliance upon the signature of any Person on behalf of the Corporation or of any Person on whose signature the Trustee may be called upon to act or refrain from acting under this Indenture.

8.11 **Additional Representations and Warranties of Trustee**

The Trustee represents and warrants to the Corporation that:

(a) the Trustee is a trust company validly existing under the laws of its jurisdiction of incorporation;

(b) the Trustee has full power, authority and right to execute and deliver and perform its obligations under this Indenture, and has taken all necessary action to authorize the execution, delivery and performance by it of this Indenture; and

(c) this Indenture has been duly executed and delivered by the Trustee.

8.12 **Third Party Interests**

The Corporation hereby represents to the Trustee that any account to be opened by, or interest to be held by, the Trustee in connection with this Indenture for or to the credit of the Corporation, either: (i) is not intended to be used by or on behalf of any third party; or (ii) is intended to be used by or on behalf of a third party, in which case the Corporation agrees to complete and execute forthwith a declaration in the Trustee's prescribed form as to the particulars of such third party.

8.13 **Trustee Not Bound to Act**

The Trustee shall retain the right not to act and shall not be liable for refusing to act if, due to a lack of information or for any other reason whatsoever, the Trustee, in its sole judgment, determines that such act might cause it to be in non- compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline. Further, should the Trustee, in its sole judgment, determine at any time that its acting under this Indenture has resulted in its being in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline, then it shall have the right to resign on 10 days' written notice to the Corporation provided: (i) that the Trustee's written notice shall describe the circumstances of such non-compliance to the extent permitted under applicable anti-money launder or anti-terrorist legislation, regulation or guideline; and (ii) that if such circumstances are rectified to the Trustee's satisfaction within such 10-day period, then such resignation shall not be effective.

8.14 **Compliance with Privacy Laws**

The parties acknowledge that federal and/or provincial legislation that addresses the protection of individuals' personal information (collectively, the "**Privacy Laws**") applies to obligations and activities under this Indenture. Despite any other provision of this Indenture, no party to this Indenture shall take or direct any action that would contravene, or cause the other to contravene, applicable Privacy Laws. The Corporation shall, prior to transferring or causing to be transferred personal information to the Trustee, obtain and retain required consents of the relevant individuals to the collection, use and disclosure of their personal information, or shall have determined that such consents either have previously been given upon which the parties can rely or are not required under the Privacy Laws. The Trustee shall use commercially reasonable efforts to ensure that its services hereunder comply with Privacy Laws. Specifically, the Trustee agrees: (a) to have a designated chief privacy officer; (b) to maintain policies and procedures to protect personal information and to receive and respond to any privacy complaint or inquiry; (c) to use personal information solely for the purposes of providing its services under or ancillary to this Indenture and not to use it for any other purpose except with the consent of or direction from the Corporation or the individual involved; (d) not to sell or otherwise improperly disclose personal information to any third party; and (e) to employ administrative, physical and technological safeguards to reasonably secure and protect personal information against loss, theft, or unauthorized access, use or modification.

ARTICLE 9
MEETINGS OF DEBENTUREHOLDERS

9.1 **Purposes for Which Meetings May be Called**

A meeting of Debentureholders may be called at any time and from time to time pursuant to this Article to make, give or take any Act provided by this Indenture to be made, given or taken by Debentureholders.

9.2 **Call, Notice and Place of Meetings**

(a) The Trustee may at any time and from time to time and shall, on receipt of a Corporation Request or a requisition in writing made by the Holders of, collectively, at least 25% in principal amount of the Outstanding Debentures, call a meeting of Debentureholders for any purpose specified in Section 9.1, to be held at such time and at such place in the City of Vancouver, Province of British Columbia, as the Trustee shall determine. Notice of every meeting of Debentureholders, setting forth the time and place of such meeting and in general terms the action proposed to be taken at such meeting, shall be given, in the manner provided in Section 11.2, not less than 21 or more than 60 days prior to the date fixed for the meeting.

(b) If at any time the Corporation, pursuant to a Board Resolution, or the Holders of, collectively, at least 25% in principal amount of the Outstanding Debentures shall have requested the Trustee to call a meeting of the Debentureholders for any purpose specified in Section 9.1, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have made the mailing of the notice of such meeting within 30 days after receipt of such request or shall not thereafter proceed to cause the meeting to be held as provided herein, then the Corporation or the Debentureholders in the amount above specified, as the case may be, may determine the time and the place in the City of Vancouver, Province of British Columbia, for such meeting and may call such meeting for such purposes by giving notice thereof as provided in (a).

9.3 **Proxies**

A Debentureholder may be present and vote at any meeting of Debentureholders, and may sign written resolutions and other instruments in writing in lieu of a meeting as contemplated in Section 9.8, by an authorized representative. The Corporation with the approval of the Trustee may, from time to time, make and vary regulations as it shall think fit providing for and governing any or all the following matters for the purpose of enabling the Debentureholders to vote at any such meeting by proxy:

(a) the form of the instrument appointing a proxy, which shall be in writing, and the manner in which the same shall be executed and the production of the authority of any Person signing on behalf of a Debentureholder;

(b) the deposit of instruments appointing proxies at such place as the Trustee, the Corporation or the Debentureholder convening the meeting, as the case may be, may in the notice convening the meeting, direct and the time, if before the holding of the meeting or any adjournment thereof by which the same must be deposited; and

(c) the deposit of instruments appointing proxies at such approved place or places other than the place at which the meeting is to be held and enabling particulars of such instruments appointing proxies to be mailed, faxed, or sent by other electronic communication before the meeting to the Corporation or to the Trustee at the place where the same is to be held and for the voting of proxies so deposited as though the instruments themselves were produced at the meeting.

9.4 **Persons Entitled to Vote at Meetings**

To be entitled to vote at any meeting of Debentureholders, a Person shall be: (a) a Holder of one or more Outstanding Debentures; or (b) a Person appointed by an instrument in writing as proxy for a Holder or holders of one or more Outstanding Debentures by such Holder or holders. The only persons who shall be entitled to be present or to speak at any meeting of Debentureholders shall be the persons entitled to vote at such meeting and their counsel, any representatives of the Trustee and its Counsel and any representatives of the Corporation and its Counsel.

9.5 **Quorum; Action**

(a) Two or more persons entitled to vote 25% in principal amount of Outstanding Debentures shall constitute a quorum for a meeting of Debentureholders. In the absence of a quorum within 30 minutes of the time appointed for any such meeting, the meeting shall, if convened at the request of Debentureholders, be dissolved. In the absence of a quorum in any other case the meeting may be adjourned for a period of not less than 10 days as determined by the chairman of the meeting prior to the adjournment of such meeting. In the absence of a quorum at any such adjourned

meeting, the Debentureholders present or represented at such adjourned meeting shall constitute the quorum and the business for which the meeting was adjourned may be transacted. Notice of the reconvening of any adjourned meeting shall be given as provided in (1), except that such notice need be given not less than five days prior to the date on which the meeting is scheduled to be reconvened.

(b) Except as limited by Section 12.2, any resolution presented to a meeting or adjourned meeting duly reconvened at which a quorum is present as aforesaid may be adopted only by the affirmative vote of holders of, collectively, a majority in principal amount of the Debentures present or represented by proxy at such meeting or adjourned meeting; provided, however, that, except as limited by Section 12.2, any resolution with respect to any Act that this Indenture expressly provides may be made, given or taken by the Holders of a specified percentage, which is less than a majority, in principal amount of Outstanding Debentures may be adopted at a meeting or an adjourned meeting duly reconvened and at which a quorum is present as aforesaid by the affirmative vote of the holders of such specified percentage in principal amount of Outstanding Debentures.

(c) Any resolution passed or decision taken at any meeting of Debentureholders duly held in accordance with this Section 9.5 will be binding on all Debentureholders, whether or not present or represented at the meeting.

9.6 **Determination of Voting Rights Chairman; Conduct and Adjournment of Meetings**

(a) Notwithstanding any other provisions of this Indenture, the Trustee or the Corporation, with the approval of the Trustee, may make and from time to time may vary such reasonable regulations as it may deem advisable for any meeting of Debentureholders in regard to proof of the holding of Debentures and the appointment of proxies and in regard to the appointment and duties of scrutineers of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem appropriate. Except as otherwise permitted by any such regulations, the holding of Debentures shall be proved in the manner specified in Section 1.12 and the appointment of any proxy shall be proved in the manner specified in Section 1.12.

(b) The Trustee shall, by an instrument in writing, appoint a chairman and secretary of the meeting, unless the meeting shall have been called by the Corporation or by Debentureholders as provided in Section 1.12, in which case the Corporation or the Debentureholders calling the meeting, as the case may be, shall in like manner appoint a chairman and secretary.

(c) At any meeting of Debentureholders each Holder of a Debenture or proxy shall be entitled to one vote for each one thousand Dollars ($1,000) principal amount of Debentures held or represented by such Holder; provided, however, that no vote shall be cast or counted at any meeting in respect of any Debenture challenged as not Outstanding and ruled by the chairman of the meeting to be not Outstanding. The chairman of the meeting shall have no right to vote, except as a Holder of a Debenture or proxy.

(d) Any meeting of Debentureholders duly called pursuant to Section 9.2 at which a quorum is present may be adjourned from time to time by Persons entitled to vote, collectively, a majority in principal amount of Outstanding Debentures represented at the meeting and the meeting may be held as so adjourned without further notice.

9.7 **Counting Votes and Recording Action of Meetings**

The vote upon any resolution submitted to any meeting of Debentureholders shall be by written ballots on which shall be inscribed the signatures of the Debentureholders or of their representatives by proxy and the principal amounts and serial numbers of Outstanding Debentures held or represented by them if such Debentures are not Uncertificated Debentures. The chairman of the meeting shall appoint a scrutineer of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in triplicate of all votes cast at the meeting. A record of the proceedings of each meeting of Debentureholders shall be prepared by the secretary of the meeting and there shall be attached to said record the reports of the scrutineer of votes on any vote by ballot taken thereat.

9.8 **Instruments in Writing**

All actions which may be taken and all powers which may be exercised by the Holders at a meeting held as hereinbefore in this Article 9 may also be taken and exercised: (i) by the holders of, collectively, a majority in principal amount of Outstanding Debentures by an instrument in writing signed in one or more counterparts by such Holders or their duly appointed proxies or agents with respect to resolutions which are not Extraordinary Resolutions and (ii) by the holders of, collectively, not less than 66⅔% in principal amount of Outstanding Debentures by an instrument in writing signed in one or more counterparts by such holders or their duly appointed proxies or agents with respect to resolutions which are Extraordinary Resolutions and the expression "**Extraordinary Resolution**" when used in this Indenture shall include an instrument so signed.

9.9 **Holdings by the Corporation Disregarded**

In determining whether Holders holding Debentures evidencing the required number of Debentures are present at a meeting of Holders for the purpose of determining a quorum or for the purpose of determining whether Holders have concurred in any consent, waiver, resolution or other action under this Indenture, the Debentures owned legally or beneficially by the Corporation shall be disregarded.

9.10 **Persons Entitled to Attend Meetings**

The Corporation and the Trustee, by their respective directors, officers and employees, the auditors of the Corporation and the legal advisers of the Corporation, the Trustee or any Debentureholder may attend and speak at any meeting of the Debentureholders but shall have no vote as such.

9.11 **Meaning of "Extraordinary Resolution"**

(a) The expression "Extraordinary Resolution" when used in this Indenture means, subject to the provisions of Section 9.8, and except as hereinafter in this Article provided, a resolution proposed to be passed as an Extraordinary Resolution at a meeting of Debentureholders (including an adjourned meeting) duly convened for the purpose and held in accordance with the provisions of this Article at which the holders of, collectively, not less than 25% of the aggregate principal amount of the Debentures then outstanding are present in Person or by proxy and passed by the favourable votes of the holders of, collectively, not less than 66⅔% of the aggregate principal amount of the Debentures present or represented by proxy at the meeting and voted upon on a poll on such resolution.

(b) If, at any such meeting, the holders of, collectively, not less than 25% of the aggregate principal amount of the Debentures then outstanding are not present in Person or by proxy within 30

minutes after the time appointed for the meeting, then the meeting, if convened by or on the requisition of Debentureholders, shall be dissolved but in any other case it shall stand adjourned to such date, being not less than 21 nor more than 60 days later, and to such place and time as may be appointed by the chairman. Not less than 10 days' notice shall be given of the time and place of such adjourned meeting in the manner provided in Section 9.3. Such notice shall state that at the adjourned meeting the Debentureholders present in Person or by proxy shall form a quorum. At the adjourned meeting the Debentureholders present in Person or by proxy shall form a quorum and may transact the business for which the meeting was originally convened and a resolution proposed at such adjourned meeting and passed thereat by the affirmative vote of holders of, collectively, not less than 66⅔% of the aggregate principal amount of the Debentures present or represented by proxy at the meeting and voted upon on a poll shall be an Extraordinary Resolution within the meaning of this Indenture, notwithstanding that the holders of, collectively, not less than 25% in the aggregate principal amount of the Debentures then outstanding are not present in Person or by proxy at such adjourned meeting.

(c) Votes on an Extraordinary Resolution shall always be given on a poll and no demand for a poll on an Extraordinary Resolution shall be necessary.

9.12 **Powers Cumulative**

Any one or more of the powers in this Indenture stated to be exercisable by the Debentureholders by Extraordinary Resolution or otherwise may be exercised from time to time and the exercise of any one or more of such powers from time to time shall not be deemed to exhaust the rights of the Debentureholders to exercise the same or any other such power or powers thereafter from time to time.

ARTICLE 10
AMALGAMATION, CONSOLIDATION, CONVEYANCE, TRANSFER OR LEASE

10.1 **Amalgamation and Consolidations of Corporation and Conveyances Permitted Subject to Certain Conditions**

The Corporation shall not consolidate with, amalgamate or merge into any other Person or enter into any reorganization or arrangement or effect any conveyance, sale, transfer or lease of all or substantially all of its assets (any such transaction, a "**Subject Transaction**"), other than with or into one or more of the Corporation's Wholly-Owned Subsidiaries and other than such transactions as are permitted under this Indenture, unless in any such case:

(a) the Corporation shall be the continuing Person, or if not, in the case of a successor Person (or the Person that leases or that acquires by conveyance, sale or transfer all or substantially all of the assets of the Corporation) (such Person being referred to as the "**Successor Entity**"), such Successor Entity shall expressly assume the due and punctual payment of the principal of, the premium, if any, and interest on all Outstanding Debentures, according to their tenor (or issue Exchanged Debentures pursuant to Section 3.1). Such Successor Entity shall in all instances expressly assume the due and punctual performance and observance of all the covenants and conditions of this Indenture to be performed by the Corporation by supplemental indenture satisfactory to the Trustee, executed and delivered to the Trustee by the Successor Entity;

(b) in the case where the Successor Entity is a successor Person to the Corporation, the Debentures will be valid and binding obligations of the Successor Entity entitling the Holders thereof, as against the Successor Entity, to all the rights of Debentureholders under this Indenture;

(c) there shall not immediately after the date of this Indenture of the Subject Transaction be a Default or Event of Default; and

(d) if the Corporation will not be the continuing Person, the Corporation shall have, at or prior to the date of this Indenture of the Subject Transaction delivered to the Trustee an Officer's Certificate stating that the Subject Transaction complies with this Section 10.1 and, if a supplemental indenture is required in connection with the Subject Transaction, such supplemental indenture complies with this Article, and that all conditions precedent herein provided for and relating to the Subject Transaction have been complied with.

Upon the assumption of the Corporation's obligations by the Successor Entity in such circumstances, the Corporation shall be discharged from all obligations under the Debentures and this Indenture.

10.2 **Rights and Duties of Successor Entity**

(a) In case of any Subject Transaction and upon any such assumption by the Successor Entity, such Successor Entity shall agree to be bound by the terms of this Indenture as principal obligor in place of the Corporation with the same effect as if it had been named herein as the Corporation and shall take all such steps as are necessary to make effective the Exchange Offer pursuant to Section 3.1. Such Successor Entity to the Corporation thereupon may cause to be signed, and may issue either in its own name or in the name of the Corporation, any or all Debentures which theretofore shall not have been signed by the Corporation and delivered to the Trustee. All Debentures so issued shall in all respects have the same legal rank and benefit under this Indenture as Debentures theretofore or thereafter issued in accordance with the terms of this Indenture as though all of such Debentures have been issued at the date of the execution hereof.

(b) In the case of any Subject Transaction, such changes in phraseology and form (but not in substance) may be made in Debentures thereafter to be issued as may be appropriate.

ARTICLE 11
NOTICES

11.1 **Notice to Corporation**

Any Notice to the Corporation shall be in writing and shall be valid and effective if delivered, sent by electronic transmission (with receipt confirmed), or mailed to the Corporation, at:

C21 Investments Inc.
595 Howe Street, Suite 303
Vancouver, BC V6C 2T5

Attention: Robert Cheney, Chief Executive Officer
Email: cheney.robert@gmail.com

With a copy to:

Koffman Kalef LLP
885 West Georgia Street, Suite 1900
Vancouver, BC V6C 3H4

Attention: Douglas Side
Email: das@kkbl.com

and such Notice shall be deemed to have been received by the Corporation, where given by delivery, on the day of delivery, where sent by electronic transmission (with receipt confirmed), on the day of transmittal of such Notice if sent before 5:00 p.m. (Vancouver time) on a Business Day and on the next succeeding Business Day if not sent before 5:00 p.m. (Vancouver time) on a Business Day, and, where mailed, on the fifth Business Day following the mailing date, but only if sent by first class mail from a destination within Canada, or only airmail, postage prepaid, if sent from a destination outside Canada. The Corporation may from time to time notify the Trustee of a change in address or electronic mail address by Notice given as provided in Section 11.3.

11.2 **Notice to Holders**

(a) Any Notice to Debentureholders may be effectively given if delivered, sent by electronic or facsimile transmission (with receipt confirmed), or mailed, in each case at post office address appearing in the relevant register and such Notice shall be deemed to have been received by a Holder, where given by delivery, on the day of delivery, where sent by electronic or facsimile transmission (with receipt confirmed) on the day of transmittal of such Notice if sent before 5:00 p.m. (Vancouver time) on a Business Day, and, where mailed, on the fifth Business Day following the mailing date, but only if sent by first class mail to a destination within Canada or only by airmail, postage prepaid if sent to a destination outside Canada.

(b) If the regular mail service is suspended or for any other reason it shall be impracticable to give Notice to Debentureholders by mail, then such notification to Debentureholders may be given by the publication of the Notice once in a daily newspaper with national circulation in Canada or in any other manner approved by the Trustee, and it shall constitute sufficient Notice to such Holders for every purpose hereunder. In any case where Notice to Debentureholders is given by mail, neither the failure to mail such Notice nor any defect in any Notice so mailed to any particular Holder shall affect the sufficiency of such Notice with respect to other Debentureholders.

(c) Any Notice sent to the Debentureholders as provided above shall be effective notwithstanding that any such Notice has accidentally or inadvertently not been delivered or mailed to one or more such Holders.

11.3 **Notice to Trustee**

Any Notice to the Trustee shall be in writing and shall be valid and effective if delivered, sent by facsimile transmission (with receipt confirmed), or mailed to Alliance Trust Company, at:

Alliance Trust Company
407 - 2nd Street S.W., Suite 1010
Calgary, AB T2P 2Y3

Attention: Zinat Damji
Telephone: (403) 237-6111
Email: zinat@alliancetrust.ca

and such Notice shall be deemed to have been received by Alliance Trust Company, where given by delivery, on the day of delivery, where sent by electronic or facsimile transmission (with receipt confirmed), on the day of transmittal of such Notice if sent before 5:00 p.m. (Vancouver time) on a Business Day and on the next succeeding Business Day if not sent before 5:00 p.m. (Vancouver time) on

a Business Day, and, where mailed, on the third Business Day following the mailing date. The Trustee may from time to time notify the Corporation of a change in address or facsimile number by Notice given as provided in Section 11.1.

11.4 **Mail Service Interruption**

If by reason of any interruption of mail service, actual or threatened, any notice to be given to the Trustee would reasonably be unlikely to reach its destination by the time notice by mail is deemed to have been given pursuant to Section 11.3, such notice shall be valid and effective only if delivered at the appropriate address in accordance with Section 11.3.

ARTICLE 12
AMENDMENTS, SUPPLEMENTS AND WAIVERS

12.1 **Without Consent of Holders**

The Corporation and the Trustee may amend or supplement this Indenture or the Debentures without notice to or consent of any Debentureholder for the purpose of:

(a) evidencing a successor to the Corporation and the assumption by that successor of the Corporation's obligations under this Indenture and the Debentures;

(b) evidence and provide for the acceptance of an appointment under the Indenture of a successor trustee; provided that the successor trustee is otherwise qualified and eligible to act as such under the terms of this Indenture;

(c) curing any ambiguity, omission, inconsistency or correcting or supplementing any defective provision contained in this Indenture; or

(d) making any other changes to this Indenture that do not adversely affect the interest of the Holders in any material respect, based on an opinion of counsel (and in the case of a change affecting the rights of the Trustee, with its consent).

12.2 **With Consent of Holders**

(a) Subject to Section 12.1 and except as otherwise provided in this Section 12.2, the Corporation and the Trustee may amend or supplement this Indenture or the Debentures with the approval of the Holders of, collectively, at least a majority in aggregate principal amount of the Debentures then outstanding. However, without approval thereof by Extraordinary Resolution, an amendment, supplement or waiver may not:

(i) alter the manner of calculation or rate of accrual of interest on the Debentures or change the time of payment;

(ii) change the Maturity Date of the Debentures or reduce the principal amount, with respect to the Debentures;

(iii) make any change that adversely affects the rights of Holders to require the Corporation to purchase the Debentures at the option of Holders or make any change to any other covenant that adversely affects the rights of the Holders;

(iv) change the currency of payment of principal of, or interest on, the Debentures; or

(v) change the provisions in this Indenture that relate to modifying or amending this Indenture.

(b) After an amendment, supplement or waiver under this Section 12.2 becomes effective, the Corporation shall promptly mail to the Holders affected thereby a notice briefly describing the amendment, supplement or waiver. Any failure of the Corporation to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such amendment, supplement or waiver.

12.3 **Additional Powers Exercisable by Extraordinary Resolution**

In addition to the powers conferred upon them by any other provisions of this Indenture (including under Section 12.2) or by law, a meeting of the Debentureholders shall have the following powers exercisable from time to time by Extraordinary Resolution, subject to receipt of the prior approval of the applicable Recognized Stock Exchange, where required:

(a) power to authorize the Trustee to grant extensions of time for payment of any principal, premium or interest on the Debentures, whether or not the principal, premium or interest, the payment of which is extended, is at the time due or overdue;

(b) power to sanction any modification, abrogation, alteration, compromise or arrangement of the rights of the Debentureholders or, subject to the consent of the Trustee, the Trustee against the Corporation, or against its property, whether such rights arise under this Indenture or the Debentures or otherwise;

(c) power to assent to any modification of or change in or addition to or omission from the provisions contained in this Indenture or any Debenture which shall be agreed to by the Corporation and to authorize the Trustee to concur in and execute any indenture supplemental hereto embodying any modification, change, addition or omission;

(d) power to sanction any scheme for the reconstruction, reorganization or recapitalization of the Corporation or for the consolidation, amalgamation or merger of the Corporation with any other Person or for the sale, leasing, transfer or other disposition of all or substantially all of the undertaking, property and assets of the Corporation or any part thereof, provided that no such sanction shall be necessary in respect of any such transaction if the provisions of Article 10 shall have been complied with;

(e) power to direct or authorize the Trustee to exercise any power, right, remedy or authority given to it by this Indenture in any manner specified in any such Extraordinary Resolution or to refrain from exercising any such power, right, remedy or authority;

(f) power to waive, and direct the Trustee to waive, any default hereunder or to cancel any declaration made by the Trustee pursuant to Section 6.1 which is not permitted to be waived or cancelled, as the case may be, in Section 6.3 by holders of, collectively, more than 50% of the principal amount of the Outstanding Debentures, either unconditionally or upon any condition specified in such Extraordinary Resolution;

(g) power to restrain any Debentureholder from taking or instituting any suit, action or proceeding for the purpose of enforcing payment of the principal, premium or interest on the Debentures, or for the execution of any trust or power hereunder;

(h) power to direct any Debentureholder who, as such, has brought any action, suit or proceeding, to stay or discontinue or otherwise deal with the same, if the taking of such suit, action or proceeding shall have been permitted by Article 6, upon payment of the costs, charges and expenses reasonably and properly incurred by such Debentureholder in connection therewith;

(i) power to assent to any compromise or arrangement with any creditor or creditors or any class or classes of creditors, whether secured or otherwise, and with holders of any Voting Securities or other securities of the Corporation;

(j) power to appoint a committee with power and authority (subject to such limitations, if any, as may be prescribed in the resolution) to exercise, and to direct the Trustee to exercise, on behalf of the Debentureholders, such of the powers of the Debentureholders as are exercisable by Extraordinary Resolution or other resolution as shall be included in the resolution appointing the committee. The resolution making such appointment may provide for payment of the expenses and disbursements of and compensation to such committee. Such committee shall consist of such number of persons as shall be prescribed in the resolution appointing it and the members need not be themselves Debentureholders. Every such committee may elect its chairman and may make regulations respecting its quorum, the calling of its meetings, the filling of vacancies occurring in its number and its procedure generally. Such regulations may provide that the committee may act at a meeting at which a quorum is present or may act by minutes signed by the number of members thereof necessary to constitute a quorum. All acts of any such committee within the authority delegated to it shall be binding upon all Debentureholders. Neither the committee nor any member thereof shall be liable for any loss arising from or in connection with any action taken or omitted to be taken by them in good faith;

(k) power to remove the Trustee from office and to appoint a new Trustee or Trustees provided that no such removal shall be effective unless and until a new Trustee or Trustees shall have become bound by this Indenture; and

(l) power to amend, alter or repeal any Extraordinary Resolution previously passed or sanctioned by the Debentureholders or by any committee appointed pursuant to (j).

12.4 **Execution of Supplemental Indentures**

In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article 12 (a "**Supplemental Indenture**") or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and subject to Section 8.1, shall be fully protected in acting and relying upon, an Opinion of Counsel stating that the execution of such Supplemental Indenture is authorized or permitted by this Indenture, is not inconsistent herewith, is a valid and binding obligation of the Corporation, enforceable in accordance with its terms, subject to enforceability being limited by bankruptcy, insolvency or other laws affecting the enforcement of creditor's rights generally and equitable remedies including the remedies of specific performance and injunction being granted only in the discretion of a court of competent jurisdiction and, in connection with a Supplemental Indenture executed pursuant to this Section 12.4, that the Trustee is authorized to execute and deliver such Supplemental Indenture without the consent of the Holders and, in connection with a Supplemental Indenture executed pursuant to Section 12.4, that the requisite consents of the Holders have been validly obtained in accordance with Section 12.2 hereof. The Trustee may, but shall not be obligated to, enter into

any such Supplemental Indenture that adversely affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

12.5 **Effect of Supplemental Indentures**

Upon the execution of any Supplemental Indenture under this Article 12, this Indenture shall be modified in accordance therewith, and such Supplemental Indenture shall form a part of this Indenture for all purposes, unless otherwise so specified; and every Holder theretofore or thereafter certified and delivered under this Indenture shall be bound by the Supplemental Indenture.

12.6 **Reference in Debentures to Supplemental Indentures**

Debentures certified and delivered after the execution of any Supplemental Indenture pursuant to this Article 12 may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such Supplemental Indenture. If the Corporation shall so determine, new Debentures so modified as to conform, in the opinion of the Trustee and the Board of Directors, to any such Supplemental Indenture may be prepared and executed by the Corporation and certified and delivered by the Trustee in exchange for Outstanding Debentures.

12.7 **Prior Approval of Recognized Stock Exchange**

Notwithstanding anything to the contrary in this Indenture, any supplement or amendment to the terms of the Debentures or to this Indenture shall be made in accordance with the requirements of a Recognized Stock Exchange, as required.

ARTICLE 13
MISCELLANEOUS PROVISIONS

13.1 **Acceptance of Trusts**

The Corporation and the Trustee hereby specifically acknowledge and agree that the Trustee is acting hereunder in its capacity as the Person holding the power of attorney of the Holders for the purposes of this Indenture and in conformity with and subject to the terms and conditions of this Indenture. Each Holder, by its acceptance thereof, accepts and confirms the appointment of the Trustee as the Person holding the power of attorney of such Holder for the purposes of this Indenture and in conformity with and subject to the terms and conditions of this Indenture.

13.2 **Protection of Trustee**

None of the provisions of this Indenture shall require a Trustee to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers if it shall have reasonable grounds for believing that repayment of such funds or indemnity satisfactory to it against such risk or liability is not assured to it.

13.3 **Counterparts and Formal Date**

This Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all of which shall together constitute one and the same instrument and notwithstanding their date of execution shall be deemed to bear a date as of the date hereof. Without limiting the foregoing, if the signatures on behalf of one party to this Indenture are on different

counterparts, this shall be taken to be, and have the same effect as, signatures on the same counterpart and on a single copy of this Indenture.

[Signature page follows]

IN WITNESS WHEREOF the parties hereto have executed this Indenture as of the date first written above.

C21 INVESTMENTS INC.

By: _____
Name: Robert Cheney
Title: Chief Executive Officer

By: _____
Name: Michael Kidd
Title: Chief Financial Officer

ALLIANCE TRUST COMPANY, as Trustee.

By: _____
Name: Debbie LeBlanc
Title: Director, Securities & Special Projects

By: _____
Name: Miguel Lahud
Title: Senior Trust Officer, Client Services

SCHEDULE "A"
FORM OF DEBENTURE

[If issued as a Certificated Debenture] UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF CDS CLEARING AND DEPOSITORY SERVICES INC. ("CDS") TO C21 INVESTMENTS INC. (THE "ISSUER") OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IN RESPECT THEREOF IS REGISTERED IN THE NAME OF CDS & CO., OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF CDS (AND ANY PAYMENT IS MADE TO CDS & CO OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF CDS), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED HOLDER HEREOF, CDS & CO., HAS A PROPERTY INTEREST IN THE SECURITIES REPRESENTED BY THIS CERTIFICATE HEREIN AND IT IS A VIOLATION OF ITS RIGHTS FOR ANOTHER PERSON TO HOLD, TRANSFER OR DEAL WITH THIS CERTIFICATE."

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE [INSERT THE DATE THAT IS 4 MONTHS AND A DAY AFTER THE DISTRIBUTION DATE].

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CA12675QAC56

No. ◆ $◆

C21 INVESTMENTS INC.

(A corporation incorporated under the laws of British Columbia)

10.0% UNSECURED CONVERTIBLE DEBENTURE

C21 INVESTMENTS INC. (the "**Corporation**"), for value received, hereby acknowledges itself indebted and promises to pay to the order of the registered Holder on December 31, 2020 (the "**Maturity Date**"), or on such earlier date as the principal amount hereof may become due in accordance with the provisions of the Indenture hereinafter mentioned, the principal sum of

[insert amount],

in lawful money of Canada, on presentation and surrender of this Debenture (as defined below) at the principal office of the Trustee (defined below) in the manner specified in the Indenture (as defined below), in the City of Vancouver, Province of British Columiba, and to pay interest on the principal amount then Outstanding (as defined in the Indenture) at the rate of 10.0% per annum from the Issue Date (as defined in the Indenture) or from the most recent Interest Payment Date to which interest has been paid or made available for payment on the Debentures then outstanding, whichever is later, at the option of the Corporation, in like money, in equal semi-annual instalments in arrears on the last day of June and December in each year (each such date an "**Interest Payment Date**"), commencing on June 30, 2019 with overdue interest, if any, at the same rate after as well as before maturity and after as well as before default in payment of principal or interest. The first interest payment will include interest accrued from December 31, 2018 to but excluding June 30, 2019.

As interest on this Debenture becomes due, the Corporation (subject to early repurchase or redemption pursuant to the terms of the Indenture (as defined below)) shall forward or cause to be forwarded by ordinary post to the registered address of the registered Holder of the Debenture for the time being, or in the case of joint Holders to the registered address of one of such joint Holders, a cheque or electronic funds transfer for such interest, payable to the order of such Holder or Holders. The forwarding of such cheque or electronic funds transfer shall satisfy and discharge the liability for interest on this Debenture to the extent of the sum represented thereby, unless such cheques, if any, be not paid on presentation.

For the purposes of disclosure under the *Interest Act* (Canada), whenever interest is computed under this Debenture on the basis of a year (the "**deemed year**") which contains fewer days than the actual number of days in the calendar year of calculation, such rate of interest shall be expressed as a yearly rate by multiplying such rate of interest by the actual number of days in such calendar year of calculation and dividing it by the number of days in the deemed year.

This Debenture is one of the 10.0% Unsecured Convertible Debentures due December 31, 2020 (the **"Debentures"**) created and issued under an Indenture (the **"Indenture"**) dated as of December 31, 2018 made between, *inter alia*, the Corporation and Alliance Trust Company, as trustee (the **"Trustee"**). Reference is hereby made to the Indenture for a description of the rights of the holders of the Debentures, the Corporation and the Trustee and of the terms and conditions upon which the Debentures are issued and held, all to the same effect as if the provisions of the Indenture were herein set forth, to all of which provisions the Holder of this Debenture, by acceptance hereof, agrees. To the extent that the terms and conditions stated in this Debenture conflict with the terms and conditions of the Indenture, the latter shall prevail. All capitalized terms used herein have the meaning ascribed thereto in the Indenture unless otherwise indicated.

The Debentures are issuable as fully registered Debentures in denominations of $1,000 and integral multiples of $1,000. The Debentures of any authorized denomination may be exchanged, as provided in the Indenture, for Debentures in equal aggregate principal amount, provided that Debentures tendered for exchange must be equal to $1,000 principal amount or any integral thereof.

Any part, being $1,000 or an integral multiple thereof, of the principal of this Debenture, provided that the principal amount of this Debenture is in a denomination in excess of $1,000, is convertible, at the option of the Holder hereof, upon surrender of this Debenture at the principal office of the Trustee in Vancouver, British Columbia, at any time prior to the close of business on the Business Day immediately preceding the Maturity Date into Common Shares (without adjustment for interest accrued hereon or for dividends or distributions on Common Shares issuable upon conversion) at the Conversion Price, all subject to the terms and conditions and in the manner set forth in the Indenture, including adjustment to the Conversion Price in accordance with the Indenture. No Debenture may be converted during the five Business Days preceding and including June 30 and December 31 in each year, commencing June 30, 2019 as the registers of the Trustee will be closed during such periods. The Indenture makes provision for the adjustment of the Conversion Price in the events therein specified. No fractional Common Shares will be issued on any conversion and any fraction of a Common Share that would otherwise be issued will be rounded down to the nearest whole number. Holders converting their Debentures will receive accrued and unpaid interest thereon. If a Debenture is surrendered for conversion on an Interest Payment Date or during the five preceding Business Days, the Person or Persons entitled to receive Common Shares in respect of the Debenture so surrendered for conversion shall not become the Holder or holders of record of such Common Shares until the Business Day following such Interest Payment Date.

This Debenture and all other Debentures certified and issued under the Indenture rank pari passu with one another, in accordance to their tenor without discrimination, preference or priority. The Indenture contains restrictions on the Corporation's ability to pay dividends.

Upon the giving of notice by the Trustee of the occurrence of an Event of Default in accordance with the Indenture, the Debentures will become immediately due and payable.

Upon the occurrence of a Change of Control, prior to the Maturity Date, each Holder of the Debentures has the right to require the Corporation to make an offer to repurchase the Debentures then Outstanding by notice to the Holders thereof and the Trustee. The Change of Control Repurchase Price payable to the Holders will be, depending on the date upon which the Change of Control occurs, determined in accordance with the provisions of the Indenture, plus accrued and unpaid interest thereon, if any.

At any time following the date that is 4 months and one day following the Issue Date and in the event that the daily VWAP of the Common Shares is greater than $0.90 for any 10 consecutive trading days, the Corporation may force the conversion of the principal amount of the then Outstanding Debentures at the Conversion Price on not less than 30 days' notice.

Any payments made by or on behalf of the Corporation with respect to the Debentures will be made free and clear of and without withholding or deduction for or on account of any Taxes, unless the Corporation or any other payor is required to withhold or deduct Taxes by Applicable Law or by the interpretation or administration thereof by the relevant Governmental Authority. If the Corporation is so required to withhold or deduct any amount for or on account of Taxes from any payment made under or with respect to the Debentures, the Trustee will make such withholding or deduction and will remit the full amount withheld or deducted to the relevant Governmental Authority as and when required by Applicable Law, and the Corporation will pay to the Trustee such Additional Amounts as may be necessary so that the net amount received by each Holder (including Additional Amounts) after such withholding or deduction will not be less than the amount such Holder would have received if such Taxes had not been withheld or deducted.

The Indenture contains provisions for the holding of meetings of Debentureholders and rendering certain resolutions passed at such meetings by, or by instruments in writing signed by, the holders of, collectively, not less than a majority, or in the case of matters requiring approval by Extraordinary Resolution, not less than 66⅔%, in aggregate principal amount of the Outstanding Debentures, binding upon all Debentureholders, subject to the provisions of the Indenture.

This Debenture may only be transferred upon compliance with the conditions precedent in the Indenture on the register kept at the principal office of the Trustee and at such other place or places, if any, and/or by such other registrar or registrars, if any, as the Corporation with the approval of the Trustee may designate, and may be exchanged at any such place, by the Holder hereof or his executors or administrators or other legal representatives or his or their attorney duly appointed by an instrument in writing in form and execution satisfactory to the Trustee, and upon compliance with such reasonable requirements as the Trustee and/or registrar may prescribe, and such transfer shall be duly noted thereon by the Trustee or other registrar.

Neither the Debentures nor the Common Shares issuable upon conversion of the Debentures have been or will be registered under the U.S. Securities Act or any state securities laws of the United States.

This Debenture shall not become obligatory for any purpose until it shall have been certified by the Trustee for the time being under the Indenture.

This Debenture shall be governed by and construed in accordance with the laws of the province of British Columbia and the federal laws of Canada applicable thereto.

The Holder of this Debenture, by receiving and holding same, hereby accepts and agrees to be bound by the terms, and to be entitled to the benefits of this Debenture and of the Indenture and confirms the appointment of the Trustee and of the Indenture, the whole in accordance with and subject to the respective provisions thereof.

The Corporation will furnish to any Holder, upon written request and without charge, a copy of the Indenture.

[signature page follows]

IN WITNESS WHEREOF C21 INVESTMENTS INC. has caused this debenture to be signed by an authorized signing officer.

DATED as of _____, 2018.

C21 INVESTMENTS INC.

By:_____
Name:
Title:

TRUSTEE'S CERTIFICATE

This Debenture is one of the 10.0% Unsecured Debentures due December 31, 2020 referred to in the within-mentioned Indenture.

ALLIANCE TRUST COMPANY, as Trustee

By:_____
Authorized Signatory
Date of Certification:

FORM OF ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____, whose address and social insurance number, if applicable, are set forth below, this Debenture (or $ principal amount hereof*) of **C21 INVESTMENTS INC.** (the **"Corporation"**) standing in the name(s) of the undersigned in the register maintained by the registrar appointed by the Corporation with respect to such Debenture and does hereby irrevocably appoint _____ as its attorney to transfer such Debenture in such register, with full power of substitution in the premises.

Dated: _____

Address of Transferee: _____

_____

(Street Address, City, Province and Postal Code)

Social Insurance Number of Transferee, if applicable: _____

*If less than the full principal amount of the within Debenture is to be transferred, indicate in the space provided above the principal amount (which must be equal to $1,000 principal amount or any integral thereof) to be transferred.

The signature(s) to this assignment must correspond with the name(s) as written upon the face of this Debenture in every particular without alteration or any change whatsoever. The signature(s) on this form must be guaranteed by one of the following methods:

Canada: A Signature Guarantee obtained from a major Canadian Schedule I chartered bank. The Guarantor must affix a stamp bearing the actual words "Signature Guaranteed". Signature Guarantees are not accepted from Treasury Branches, Credit Unions or Caisses Populaires unless they are members of a Medallion Signature Guarantee Program.

Outside North America: For holders located outside North America, present the certificate(s) and/or document(s) that require a guarantee to a local financial institution that has a corresponding Canadian or American affiliate which is a member of an acceptable Medallion Signature Guarantee program. The corresponding affiliate will arrange for the signature to be over-guaranteed.

The registered Holder of this Debenture is responsible for the payment of any documentary, stamp or other transfer taxes that may be payable in respect of the transfer of this Debenture.

Signature of Guarantor:

_____

Authorized Officer Signature of transferring registered Holder

_____

Name of Institution

FORM OF NOTICE OF CONVERSION

TO: C21 INVESTMENTS INC. (the "**Corporation**")

c/o Alliance Trust Company
407 - 2nd Street S.W., Suite 1010
Calgary, Alberta T2P 2Y3

Attention: Securities Department
Facsimile: 403-237-6181
Email: inquiries@alliancetrust.ca

Note: All capitalized terms used herein have the meaning ascribed thereto in the indenture (the "**Indenture**") dated as of December 31, 2018 between the Corporation and Alliance Trust Company, as trustee, unless otherwise indicated.

The undersigned registered Holder of 10.0% Unsecured Convertible Debentures (the "**Debentures**") irrevocably elects to convert such Debentures (or $ principal amount thereof*) in accordance with the terms of the Indenture referred to in such Debentures and tenders herewith the Debentures, and, if applicable, directs that the Common Shares of the Corporation issuable upon a conversion be issued and delivered to the person indicated below. (If Common Shares are to be issued in the name of a person other than the Holder, all requisite transfer taxes must be tendered by the undersigned).

Dated: _____ _____
(Name of Registered Holder)

_____
(Signature of Registered Holder)

* If less than the full principal amount of the Debentures, indicate in the space provided the principal amount (which must $1,000 integral multiples thereof).

NOTE: If Common Shares are to be issued in the name of a person other than the Holder, the signature must be guaranteed by a chartered bank, a trust company or by a member of an acceptable Medallion Guarantee Program. The Guarantor must affix a stamp bearing the actual words: "SIGNATURE GUARANTEED".

(Print name in which Common Shares are to be issued, delivered and registered)

Name: _____

_____
(Address)

_____
(City, Province and Postal Code)

Name of guarantor: _____

Authorized signature: _____

Exhibit 4.4

EXECUTION VERSION

C21 INVESTMENTS INC.

and

ALLIANCE TRUST COMPANY

as Trustee

INDENTURE

Dated as of January 30, 2019

providing for the issue of 10.0% Unsecured Convertible Debentures

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TABLE OF CONTENTS

THIS INDENTURE dated as of January 30, 2019.

BETWEEN: **C21 INVESTMENTS INC**., a corporation existing under the laws of British Columbia;

(the "**Corporation**")

AND: **ALLIANCE TRUST COMPANY**, a trust company existing under the laws of Alberta;

(the "**Trustee**")

RECITALS

A. The Corporation wishes to provide for the creation and issue of unsecured convertible debentures with the designation of "**10.0% Unsecured Convertible Debentures**" to be issued in connection with the closing of the second tranche of the offering of units of Corporation (the "**Units**") consisting of $1,000 principal amount 10% convertible debentures (the "**Initial Debentures**") and one-half of one warrant debenture (each whole warrant, a "**Warrant**"), with each Warrant entitling the holder thereof to purchase, for a period of 24 months from the date of issue, at an exercise price of $1,000 per Warrant Debenture (as defined herein), one additional $1,000 principal amount 10% Unsecured Convertible Debenture (a, "**Warrant Debenture**"), all upon the terms and conditions set forth in this Indenture (as hereinafter defined);

B. The Warrants shall be issued pursuant to and upon the terms set forth in a warrant indenture (the "**Warrant Indenture**") dated the same date hereof made between the Corporation and the Trustee;

C. The Corporation is proposing to issue up to 19,155 Debentures (as hereinafter defined) in aggregate principal amount of $19,155,000 (assuming the full exercise of the Over-Allotment Option granted to the Agents (as defined in the Agency Agreement dated December 31, 2018, as amended by an amendment to the Agency Agreement dated January 30, 2019, between the Corporation and a syndicate of agents, (as so amended, the "**Agency Agreement**") and including the Over-Allotment Debentures (as defined in the Agency Agreement) and the Over-Allotment Warrant Debentures (as defined in the Agency Agreement), and assuming the full exercise of the Agents' Compensation Warrants (as defined in the Agency Agreement) and including the Agents' Debentures (as defined in the Agency Agreement) and Agents' Warrant Debentures (as defined in the Agency Agreement)) Debentures pursuant to this Indenture, issuable pursuant to the offering of Units by a syndicate of agents;

D. As used in this Indenture, "**Debentures**" means, collectively or individually, as the context requires, the Initial Debentures, the Warrant Debentures, the Over-Allotment Debentures, the Over-Allotment Warrant Debentures, the Agents' Debentures and the Agents' Warrant Debentures;

A. All necessary acts and proceedings have been done and taken and all necessary resolutions have been passed to authorize the execution and delivery of this Indenture by

the Corporation, to make the same effective and binding upon the Corporation, and to make the Debentures, when certified by the Trustee and issued as provided in this Indenture, valid and legally binding obligations of the Corporation with the benefit and subject to the terms of this Indenture; and

B. The foregoing recitals are made as representations and statements of fact by the Corporation and not by the Trustee.

NOW THEREFORE, in consideration of the promises and mutual covenants hereinafter contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Corporation hereby appoints the Trustee to hold the rights, interests and benefits contained herein for and on behalf of those persons who from time to time become the holders of Debentures issued pursuant to this Indenture and the parties hereto agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Indenture and in the Debentures, unless there is something in the subject matter or context inconsistent herewith, the expressions below shall have the following meanings:

"Act" or **"Act of Holder(s)"**, when used with respect to any Holder(s), has the meaning ascribed thereto in Section 1.12(a);

"Additional Amounts" has the meaning ascribed thereto in Section 2.22(a);

"Affiliate" has the meaning ascribed thereto in the Securities Act (British Columbia);

"**Agency Agreement**" has the meaning ascribed thereto on the first page of this Indenture;

"Applicable Law" means, at any time, with respect to any Person, property, transaction, event or other matter, as applicable, all laws, rules, statutes, regulations, treaties, orders, judgments and decrees, and all official requests, directives, rules, guidelines, orders, policies, practices and other requirements of any Governmental Authority relating or applicable at such time to such Person, property, transaction, event or other matter, and shall also include any interpretation thereof by any Person having jurisdiction over it or charged with its administration or interpretation;

"Applicable Securities Law" means any Applicable Law in any jurisdiction in Canada regulating, or regulating disclosure with respect to, any sale or distribution of securities in, or to residents of, such jurisdiction;

"Applicants" has the meaning ascribed thereto in Section 2.25(b);

"Authenticated" means: (a) with respect to the issuance of a Certificated Debenture, one which has been duly signed by the Corporation and authenticated by manual signature of an authorized officer of the Trustee, (b) with respect to the issuance of an Uncertificated Debenture, one in respect of which the Trustee has completed all Internal Procedures such that the particulars of such Uncertificated Debenture are entered in the records of the Trustee, and **"Authenticate"**, **"Authenticating"** and **"Authentication"** have corresponding meanings;

"Beneficial Holder" means a Person who is the beneficial owner of a Debenture, as shown on a list maintained by a Participant or the Depository;

"Board of Directors" means either the Board of Directors of the Corporation, or any committee of that board duly authorized to make a decision on the matter in question;

"Board Resolution" means a copy of a resolution certified by a Responsible Officer of the Corporation to have been duly adopted by the Board of Directors and to be in full force and effect and unamended on the date of such certification;

"Business Day" means any day of the week, other than Saturday, Sunday or a statutory holiday in the Province of British Columbia or the Province of Alberta, on which banking institutions are open for business in the City of Vancouver, British Columbia or the City of Calgary, Alberta, respectively;

"Canadian Dollar" or **"Dollar"** or **"$"** means lawful currency of Canada;

"CDS" means CDS Clearing and Depository Services Inc., together with its successors from time to time;

"Certificated Debentures" means Debentures in the form of individual certificates in definitive fully registered form and substantially in the form of Schedule "A";

"Change of Control" means: (i) any event as a result of or following which any person, or group of persons "acting jointly or in concert" within the meaning of Applicable Securities Laws, beneficially owns or exercises control or direction over an aggregate of more than 50% of the then outstanding Common Shares; or (ii) the sale or other transfer of all or substantially all of the consolidated assets of the Corporation. For greater clarity, a Change of Control will not include a sale, merger, reorganization or other similar transaction if the previous holders of the Common Shares hold at least 50% of the voting shares of such merged, reorganized or other continuing entity;

"Change of Control Notice" has the meaning ascribed thereto in Section 3.1(b);

"Change of Control Offer" has the meaning ascribed thereto in Section 3.1(a)(ii);

"Change of Control Repurchase Date" means the date that is 30 days after the date of the Change of Control Notice;

"Change of Control Repurchase Notice" has the meaning ascribed thereto in Section 3.1(c);

"Change of Control Repurchase Price" has the meaning ascribed thereto in Section 3.1(a)(i);

"Common Share Reorganization" has the meaning ascribed thereto in Section 4.6(a);

"Common Shares" means the common shares in the share capital of the Corporation; provided that in the event of any reclassification, subdivision, consolidation, conversion, exchange or other modification thereto shall thereafter mean the shares or other securities or property resulting therefrom;

"Conversion Price" means: (i) in respect of the Initial Debentures, the Over-Allotment Debentures, and the Agents' Debentures, $0.80 per Common Share; and (ii) in respect of the Warrant Debentures, the Over-Allotment Warrant Debentures and the Agents' Warrant Debentures, $0.90 per Common Share, subject to adjustment in accordance with the provisions of Article 4;

"Corporate Trust Office" means the principal office or offices of the Trustee in the City of Calgary, Province of Alberta, at which at any particular time its corporate trust business shall be administered;

"Corporation" has the meaning ascribed thereto on the first page of this Indenture, until a successor corporation shall have become such pursuant to the applicable provisions of this Indenture, and thereafter, **"Corporation"** shall mean such successor corporation;

"Corporation Request" means a written request or order signed in the name of the Corporation by any Responsible Officer of the Corporation and delivered to the Trustee;

"Counsel to the Trustee" means any barrister, solicitor or other lawyer or firm of barristers, solicitors or other lawyers retained or employed by the Trustee which may be Counsel to the Corporation;

"Counsel to the Corporation" means any barrister, solicitor or other lawyer or firm of barristers, solicitors or other lawyers retained or employed by the Corporation;

"CSE" means the Canadian Securities Exchange;

"Current Market Price" for any date means the VWAP on the CSE for the 20 consecutive trading days ending on the fifth trading day preceding the date of the applicable event (or, if the Common Shares are not listed thereon, on such Recognized Stock Exchange on which the Common Shares are listed as may be selected by the Directors or, if the Common Shares are not listed on any Recognized Stock Exchange, then as determined by the Board of Directors, acting reasonably);

"Date of Conversion" has the meaning ascribed thereto in Section 4.4(b);

"Debentureholder(s)" or **"Holder(s)"** means the registered Holder(s) of Debentures for the time being;

"Debentures" has the meaning ascribed thereto on the first page of this Indenture;

"**deemed year**" has the meaning ascribed thereto in Section 2.3(a);

"Default" means any event or condition that constitutes an Event of Default or that would constitute an Event of Default with the giving of notice, passage of time, or both;

"Depository" means CDS;

"Directors" means the directors of the Corporation on the date hereof or such directors as may, from time to time, be appointed or elected directors of the Corporation pursuant to the Corporation's articles and by-laws, and applicable laws, and "**Director**" means any one of them, and reference to action by the Directors means action by the Directors as the Board of Directors;

"Distributed Securities" has the meaning ascribed thereto in Section 4.6(e);

"Event of Default" means any of the events identified in Section 6.1 as being an Event of Default;

"Exchange Offer" has the meaning ascribed thereto in Section 3.1(a)(ii);

"Exchanged Debentures" has the meaning ascribed thereto in Section 3.1(a)(ii);

"Excluded Holder" has the meaning ascribed thereto in Section 2.22(a);

"Expiration Date" has the meaning ascribed thereto in Section 4.6(f);

"Expiration Time" has the meaning ascribed thereto in Section 4.6(f);

"Extraordinary Resolution" has the meaning ascribed thereto in Section 9.8 and Section 9.11;

"Fair Market Value" means the value that would be paid by an informed and willing buyer to an arm's length informed and willing seller in a transaction not involving distress or necessity of either party, determined in by the Board of Directors of the Corporation acting reasonably and in good faith (unless otherwise provided in the Indenture);

"Fiscal Year" means any of the annual accounting periods of the Corporation ending on January 31 of each year;

"GAAP" means generally accepted accounting principles in Canada, consistently applied and any change therein from time to time, which for the Corporation is International Financial Reporting Standards;

"Governmental Authority" means, when used with respect to any Person, any government, parliament, legislature, regulatory authority, agency, tribunal, department, commission, board, instrumentality, court, arbitration board or arbitrator or other law, regulation or rule-making entity (including a Recognized Stock Exchange) having or purporting to have jurisdiction over such Person or the business or property of such Person pursuant to the laws of Canada or any country in which such Person is residing, incorporated, continued, amalgamated, merged or otherwise created or established or in which such Person carries on business or holds property, or any province, territory, state, municipality, district or political subdivision of any such country or of any such province, territory or state of such country;

"Indenture" means or refers to this Indenture as amended or supplemented by any indenture, deed or instrument supplemental or ancillary thereto;

"Indenture Documents" means this Indenture, the Debentures and each other document, instrument, application or agreement now or hereafter executed and delivered by or on behalf of the Corporation or under or pursuant to any of them;

"Initial Debentures" has the meaning ascribed thereto on the first page of this Indenture;

"Interest Payment Date" means the last day of June and the last day of December in each year and such other dates to which interest accrues and is payable pursuant to Section 2.3 commencing on June 30, 2019;

"Interest Period" has the meaning ascribed thereto in Section 2.3(a);

"Internal Procedures" means the minimum number of the Trustee's internal procedures customary at such time for the making of any one or more entries to, changes in or deletions of any one or more entries in the records of the Trustee (including without limitation, original issuance or registration of transfer of ownership) to be complete under the operating procedures followed at the time by the Trustee;

"Issue Date" means the date of issuance of any Debentures under this Indenture;

"Lien" means any hypothec, security interest, mortgage, lien, right of preference, pledge, assignment by way of security or any other agreement or encumbrance of any nature that secures the performance of an obligation, and a Person is deemed to own subject to a Lien any property or assets that it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital or synthetic lease or similar agreement (other than an operating lease) relating to such property or assets;

"Mandatory Conversion Date" has the meaning ascribed thereto in Section 4.5(b);

"Mandatory Conversion Notice" has the meaning ascribed thereto in Section 4.5(a);

"Material Adverse Effect" means a material adverse effect on: (a) the business, assets, operations, prospects or financial or other condition of the Corporation and its Subsidiaries considered as a whole, (b) the Corporation's performance of its obligations under the Indenture Documents, or (c) the Trustee's or any Debentureholder's rights and remedies under the Indenture;

"Maturity Account" has the meaning ascribed thereto in Section 2.10(a);

"Maturity Date" means January 30, 2021 or such other date on which the Debentures become due and payable as provided in this Indenture;

"NCI" means the non-certificated inventory system operated by CDS;

"NCI Letter of Instruction" means the NCI letter of instruction provided by CDS to the Trustee in connection with the conversion of the Debentures;

"Notice" shall mean any notice, document or other communication required or permitted to be given under this Indenture;

"Officer's Certificate" shall mean a certificate signed by any two officers of the Corporation, at least one of whom shall be the chief executive officer or the chief financial officer, (or officer holding a similar title) and delivered to the Trustee;

"Opinion of Counsel" means a written opinion addressed to the Trustee (among other addressees as applicable) by Counsel and in a form which, in each case, shall be reasonably satisfactory to the Trustee;

"Outstanding" when used with respect to the Debentures means, as of the date of determination, all Debentures theretofore certified and delivered by the Trustee under this Indenture, except:

(a) Debentures theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(b) Debentures for whose payment, purchase, or repurchase money in the necessary amount has been theretofore deposited with the Trustee under gratuitous deposit or set aside and segregated in trust by the Corporation (if the Corporation shall act as its own paying agent) for the Holders of such Debentures; and

(c) Debentures that have been surrendered to the Trustee pursuant to Section 2.23 or in exchange for or in lieu of which other Debentures have been certified and delivered pursuant to this Indenture, other than any such Debentures in respect of which there shall have been presented to the Trustee proof satisfactory to it that such Debentures are held by a bona fide purchaser in whose hands such Debentures are valid obligations of the Corporation; provided, however, that: (i) in determining whether the Holders of the requisite principal amount of the Debentures then

outstanding have taken any Act of Holders hereunder, Debentures owned by the Corporation or any Affiliate of the Corporation shall be disregarded and deemed not to be then Outstanding; (ii) in determining whether the Trustee shall be protected in acting and relying upon such Act of Holders, only Debentures of which the Trustee has actual notice that they are so owned shall be so disregarded; and (iii) that Debentures so owned that have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right to act with respect to such Debentures and that the pledgee is not the Corporation or any Affiliate of the Corporation;

"Participant" means, in relation to a Depository, a broker, dealer, bank or other financial institution or other Person on whose behalf such Depository or its nominee holds Debentures pursuant to a book- based system operated by such Depository;

"Payment Record Date" means: (i) with respect to the Maturity Date, 15 Business Days prior to such date and (ii) with respect to an Interest Payment Date, the date determined as the record date for the determination of the Holders to which interest on Debentures is payable on such Interest Payment Date, which date shall be the 15th day of the month in which such Interest Payment Date occurs (or if such day is not a Business Day, the immediately preceding Business Day);

"Person" means any natural Person, corporation, firm, partnership, joint venture, trustee, executor, liquidator of a succession, administrator, legal representative or other unincorporated association, trust, unincorporated organization, government or Governmental Authority and pronouns relating thereto have a similar extended meaning;

"Proceeding" means any suit, action or other judicial or administrative proceeding;

"Purchased Common Shares" has the meaning ascribed thereto in Section 4.6(f);

"Recognized Stock Exchange" means the CSE or, if the Common Shares are not listed on the CSE, any other national securities exchange or market on which the Common Shares are then listed and posted for trading;

"Regulation S" means Regulation S adopted by the United States Securities and Exchange Commission under the U.S. Securities Act;

"Repayment Offer" has the meaning ascribed thereto in Section 3.1(a)(i);

"Responsible Officer of the Corporation" means the Chairman, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice-President, the Secretary, any Assistant Secretary, or any other officer of the Corporation customarily performing functions similar to those performed by any of the above designated officers;

"Spinoff Securities" has the meaning ascribed thereto in Section 4.6(e);

"Spinoff Valuation Period" has the meaning ascribed thereto in Section 4.6(e);

"Stock" means all shares, options, warrants, general or limited partnership interests, membership interests or other equivalents (regardless of how designated) of or in a corporation, partnership, limited liability company or equivalent entity whether voting or non-voting, participating or non-participating, including common stock, preferred stock or any other equity security;

"Subject Transaction" has the meaning ascribed thereto in Section 10.1;

"Subsidiary" in relation to any specified Person, means: (a) any corporation, association or other business entity a majority of the outstanding Voting Securities of which are beneficially owned, directly or indirectly, by or for such Person and/or by or for any subsidiary or one or more of the other Subsidiaries of that Person (or a combination thereof), and (b) any partnership (i) the sole general partner or the sole managing general partner of which is such Person or a Subsidiary of such Person or (ii) the only general partners of which are the Person or one or more Subsidiaries of that Person (or any combination thereof);

"Successor Entity" has the meaning ascribed thereto in Section 10.1(a);

"Supplemental Indenture" has the meaning ascribed thereto in Section 12.4;

"Tax Act" has the meaning ascribed there to in Section 2.22(a);

"Taxes" has the meaning ascribed thereto in Section 2.22(a);

"Time of Expiry" has the meaning ascribed thereto in Section 4.1;

"Transfer Agent" means Computershare Investor Services Inc. or such other Person or Persons appointed as the transfer agent for the Common Shares, in such capacity, together with such Person's or Persons' successor from time to time in such capacity;

"Trustee" has the meaning ascribed thereto on the first page of this Indenture until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter, **"Trustee"** shall mean or include each Person who is then a Trustee hereunder;

"Uncertificated Debenture" means any Debenture which is issued under the Non Certificated Inventory System and which is not evidenced by a Certificated Debenture;

"United States" or **"U.S."** means the United States of America, its territories and possessions, any state of the United States, and the District of Columbia;

"**U.S. Marijuana Laws"** means certain United States federal laws relating to the cultivation, distribution or possession of marijuana in the United States and other related judgments, orders or decrees in effect from time to time that provide that such cultivation, distribution or possession is illegal;

"U.S. Person" means a "U.S. person" as that term is defined in Regulation S;

"U.S. Securities Act" means the United States Securities Act of 1933, as amended;

"VWAP" means the volume-weighted average trading price of the Common Shares for the applicable period (which must be calculated utilizing days in which the Common Shares actually trade). The VWAP shall be determined by dividing the aggregate sale price of all Common Shares sold on the applicable Recognized Stock Exchange or market, as the case may be, over the applicable period by the total number of Shares so sold;

"Voting Securities" means securities having under all circumstances voting power to elect the directors, managers or trustees of the corporation, association or other business entity, provided that securities which only carry the right to vote conditionally on the happening of an event shall not be considered to be

Voting Securities nor shall any securities be deemed to cease to be Voting Securities solely by reason of a right to vote accruing to shares of another class or classes by reason of the happening of such event;

"Warrant Debenture" has the meaning ascribed thereto on the first page of this Indenture;

"Wholly-Owned Subsidiary" means any Subsidiary of which the Corporation beneficially owns, directly or indirectly, all the Voting Securities and equity interests (other than qualifying equity interests required to be issued under Applicable Law) and a Subsidiary shall be deemed to beneficially own Voting Securities and equity interests beneficially owned by a Wholly-Owned Subsidiary and so on indefinitely; and

"written order of the Corporation", **"written request of the Corporation"**, **"written consent of the Corporation"** and **"certificate of the Corporation"** mean, respectively, a written order, request, consent and certificate signed in the name of the Corporation by its Chief Executive Officer or Chief Financial Officer, or a person acting in any such capacity for the Corporation; and may consist of one or more instruments so executed.

All other terms which are used herein but not otherwise defined herein, and that are defined in the *Securities Act* (British Columbia), either directly or by reference therein, shall have the meanings assigned to them therein.

1.2 **Interpretation**

(a) Words importing the singular number shall include the plural and vice versa and words importing gender shall include the masculine, feminine and neuter genders.

(b) The words "hereto", "herein", "hereof", "hereby", "hereunder", and other words of similar import refer to this Indenture as a whole and not to any particular article, section, subsection, paragraph, clause or other part of this Indenture.

(c) Except as otherwise provided herein, any reference in this Indenture to any act, statute, regulation, policy statement, instrument, agreement, or section thereof shall be deemed to be a reference to such act, statute, regulation, policy statement, instrument, agreement or section thereof as amended, re-enacted or replaced from time to time.

1.3 **Accounting Terms**

As used in this Indenture and in any certificate or other document made or delivered pursuant to this Indenture, accounting terms not defined in this Indenture, or in any such certificate or other document, and accounting terms partly defined in this Indenture or in any such certificate or other document to the extent not defined, shall have the respective meanings given to them under GAAP. To the extent that the definitions of accounting terms in this Indenture, or in any such certificate or other document are inconsistent with the meanings of such terms under GAAP, the definitions contained in this Indenture, or in any such certificate or other document shall prevail.

1.4 **Headings and Table of Contents**

The division of this Indenture, or any related document, into articles, sections, subsections, paragraphs, clauses and other subdivisions, the provision of a table of contents and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Indenture or any such related document.

1.5 **Section and Schedule References**

Unless something in the subject matter or context is inconsistent therewith, references in this Indenture to articles, sections, subsections, paragraphs, clauses, other subdivisions, exhibits, appendices or schedules are to articles, sections, subsections, paragraphs, clauses other subdivisions, exhibits, appendices or schedules of or to this Indenture.

1.6 **Governing Law**

The parties to this Indenture agree that any legal suit or proceeding arising with respect to this Indenture or the Debentures will be tried exclusively in the courts of the Province of British Columbia in the City of Vancouver, and the parties to this Indenture agree to submit to the jurisdiction of, and to venue in, such courts. This Indenture and each Debenture issued hereunder shall be governed by, and construed with, the laws of the Province of British Columbia and the federal laws of Canada applicable therein and shall be treated in all respects as British Columbia contracts.

1.7 **Currency**

Unless expressly provided to the contrary in this Indenture or in any Debenture, all monetary amounts in this Indenture or in such Debenture refer to Canadian Dollars.

1.8 **Non-Business Day**

Unless expressly provided to the contrary in this Indenture or in any Debenture, whenever any payment shall be due, any period of time shall begin or end, any calculation is to be made or any other action is to be taken on, or as of, or from a period ending on, a day other than a Business Day, such period of time shall begin or end and such calculation shall be made as of the day that is not a Business Day, but such actions shall be taken and such payment shall be made, as the case may be, on the next succeeding Business Day.

1.9 **Time**

Unless otherwise expressly stated in this Indenture or in any Debenture, all references to a time will mean Vancouver time. Time shall be of the essence of this Indenture.

1.10 **Independence of Covenants**

Each covenant contained in this Indenture shall be construed (absent an express provision to the contrary) as being independent of each other covenant, so that compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with any other covenant.

1.11 **Form of Documents Delivered to Trustee**

(a) In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

(b) Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

1.12 **Acts of Holders**

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in Person or by agents duly appointed in writing. Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may, alternatively, be embodied in and evidenced by the record of Debentureholders voting in favour thereof, either in Person or by proxies duly appointed in writing, at any meeting of Debentureholders duly called and held in accordance with the provisions of Article 9, or a combination of such instruments and any such record. Except as herein otherwise expressly provided, such action shall become effective when such requisite instrument or instruments are delivered to the Trustee and, where it is hereby expressly required, to the Corporation. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the **"Act of Holders"** of the **"Act"** of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and, subject to Section 8.1, conclusive in favour of the Trustee and the Corporation, if made in the manner provided in this Section 1.12. The record of any meeting of Debentureholders shall be provided in the manner specified in Section 9.7.

(b) If the Corporation or the Trustee shall solicit from the Debentureholders any Act, the Corporation or the Trustee, as the case may be, may, at its option, fix in advance a record date for the determination of Debentureholders entitled to take such Act, but the Corporation or the Trustee, as the case may be, shall have no obligation to do so. Any such record date shall be fixed at the Corporation's or the Trustee's discretion, as the case may be, provided that such record date shall be fixed on a date not more than 60 days prior to the Act. If such a record date is fixed, such Act may be sought or taken before or after the record date, but only the Debentureholders of record at the close of business on such record date shall be deemed to be Debentureholders for the purpose of determining whether Holders of the requisite proportion of Debentures Outstanding have authorized or agreed or consented to such Act, and for that purpose the Debentures Outstanding shall be computed as of such record date.

(c) Any Act of the Holder of any Debenture shall bind every future Holder of the same Debenture and the Holder of every Debenture issued upon the registration of transfer thereof or in exchange therefore or in lieu thereof in respect of anything done, suffered or omitted by the Trustee or the Corporation in reliance thereon, whether or not notation of such action is made upon such Debenture.

1.13 **Interest Payments and Calculations**

(a) The rate of interest stipulated in this Indenture or in any Debenture will be calculated on the basis of a 365 day year.

(b) For purposes of the Interest Act (Canada), (i) whenever any interest under this Indenture is calculated using a rate based on a year of 365 days, the rate determined pursuant to such calculation, when expressed as an annual rate, is equivalent to (x) the applicable rate based on a year of 365 days, (y) multiplied by the actual number of days in the calendar year in which the

period for which such interest or fee is payable (or compounded) ends, and (z) divided by 365; (ii) the principle of deemed reinvestment of interest does not apply to any interest calculation under this Indenture, and (iii) the rates of interest stipulated in this Indenture are intended to be nominal rates and not effective rates or yields.

(c) In calculating interest under this Indenture or under a Debenture for any period, unless otherwise specifically stated, the first day of such period shall be included and the last day of such period shall be excluded.

(d) If any provision in any Indenture Document would oblige the Corporation to make any payment of interest or other amount payable to the Trustee or any Holder in an amount or calculated at a rate which would be prohibited by law or would result in a receipt by the Trustee or that Holder of "interest" at a "criminal rate" (as such terms are construed under the Criminal Code (Canada)), then, notwithstanding such provision, such amount or rate shall be deemed to have been adjusted with retroactive effect to the maximum amount or rate of interest, as the case may be, as would not be so prohibited by Applicable Law or so result in a receipt by the Trustee or that Holder of "interest" at a "criminal rate", such adjustment to be effected, to the extent necessary (but only to the extent necessary), as follows:

(i) first, by reducing the amount or rate of interest to be paid to the Trustee or the affected Holder, as the case may be; and

(ii) thereafter, by reducing any fees, commissions, costs, expenses, premiums and other amounts required to be paid to the Trustee or the affected Holder, as the case may be, which would constitute interest for purposes of Section 347 of the Criminal Code (Canada).

1.14 **Successors and Assigns**

All covenants and agreements in this Indenture by the Corporation shall bind its successors and assigns, whether expressed or not.

1.15 **Severability Clause**

If any provision in this Indenture or in the Debentures shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

1.16 **Benefits of Indenture**

Nothing in this Indenture and in the Debentures, express or implied, shall give to any Person, other than the parties hereto, the Debentureholders, and their respective successors hereunder, any paying agent, any Person maintaining the record of the Debentureholders pursuant to Section 2.12, any Transfer Agent and the Holders, any benefit or any legal or equitable right, remedy or claim under this Indenture.

1.17 **Unclaimed Debentures**

Subject to Applicable Law, all amounts held or set aside for the payment of Debentures together with any interest thereon which remain unclaimed after a period of three calendar years from the Maturity Date shall be forfeited and shall revert to the Corporation.

1.18 **Schedules**

The attached Schedule "A" is incorporated into and forms part of this Indenture.

1.19 **Benefits of Indenture through Trustee**

For greater certainty, this Indenture is being entered into with the Trustee for the benefit of the Holders and the Trustee declares that it holds all rights, benefits and interests of this Indenture on behalf of and as the Person holding the power of attorney of, the Holders and each such Person who becomes a Holder of the Debentures from time to time.

1.20 **English Language**

The Corporation, the Trustee and, by their acceptance of Debentures and the benefits of this Indenture, the Holders acknowledge having consented to and requested that this Indenture, each Debenture and each document related hereto and thereto be drawn up in the English language only. La Société, le fiduciaire des débentures et, par leur acceptation des débentures et des avantages de la présente convention, les porteurs, reconnaissent avoir accepté et demandé que la présente convention, chaque débenture et chaque document relié à celles-ci soient rédigés en langue anglaise.

ARTICLE 2
THE DEBENTURES

2.1 **Limit of Issue and Designation of Debentures**

The Debentures authorized to be issued hereunder are limited to 19,155 Debentures in aggregate principal amount of $19,155,000, which shall be designated as **"10.0% Unsecured Convertible Debentures due January 30, 2021"**.

2.2 **Form and Terms of Debentures**

(a) The Debentures shall be dated as of the Issue Date. The Debentures shall bear interest from and including the Issue Date at the rate of 10.0% per annum (after as well as before maturity, default and judgment, with interest on overdue interest at the said rate until the earlier of the dates set out in Section 2.3(a)(ii) to Section 2.3(a)(iv) below), payable in lawful money of Canada in equal semi-annual instalments in arrears on each Interest Payment Date, and the Debentures shall mature on the Maturity Date. The first Interest Payment Date on June 30, 2019 will include interest accrued from the Issue Date to, but excluding, June 30, 2019.

(b) Subject to the Debentures being converted in accordance with the terms of Article 4 or purchased prior to the Maturity Date in accordance with the terms of this Indenture, the outstanding principal of the Debentures will be payable to the Holder on the Maturity Date in lawful money of Canada against surrender thereof by said Holder at the Corporate Trust Office or at such place or places as may be designated by the Corporation for that purpose.

(c) The Debentures shall be issued as fully registered Debentures in denominations of $1,000 and integral multiples of $1,000, or as Uncertificated Debentures.

The Debentures and the certificate of the Trustee endorsed thereon shall be substantially in the form set forth in Schedule "A".

2.3 **Interest**

(a) Each Debenture issued hereunder, whether issued originally or in exchange for another Debenture, shall bear interest from the Issue Date, or from and including the last Interest Payment Date on which interest shall have been paid or made available for payment on the Debentures then Outstanding, whichever shall be the later, to but excluding the earlier of:

(i) the following Interest Payment Date;

(ii) if purchased in accordance with Section 3.1, the date of payment;

(iii) if converted in accordance with Article 4, the Conversion Date; and

(iv) the Maturity Date;

as the case may be (the "**Interest Period**"). The interest payable per $1,000 principal amount of Debentures in respect of an Interest Period other than an Interest Period that ends on an Interest Payment Date shall be calculated by multiplying $1,000 by the interest rate of 10.0% per annum, computed on the basis of a 365-day year. For the purposes of the *Interest Act* (Canada) and disclosure under such act, whenever interest to be paid is to be calculated on the basis of any period of time less than a calendar year (a "**deemed year**") such rate of interest shall be expressed as a yearly rate by multiplying such rate of interest for the deemed year by the actual number of days in the calendar year in which the rate is to be ascertained and dividing it by the number of days in the deemed year.

(b) Subject to the Debentures being converted in accordance with the terms of Article 4 or purchased prior to the Maturity Date in accordance with the terms of this Indenture, the Corporation shall pay to the Debentureholders on the Maturity Date all outstanding principal thereon and all accrued and unpaid interest thereto, up to but excluding the Maturity Date.

(c) All payments of interest in cash on the Uncertificated Debentures shall be made by electronic funds transfer or certified cheque made payable to the Depository or its nominee on the day interest is payable for subsequent payment to Beneficial Holders of the applicable Uncertificated Debentures, unless the Corporation and the Depository otherwise agree.

2.4 **Prescription**

The right of the Debentureholders to exercise their rights under this Indenture shall become void unless the Debentures are presented for payment within a period of two years from the Maturity Date. The Corporation shall have satisfied its obligations under the Debentures upon irrevocable remittance to the Trustee for the account of the Debentureholders, upon repurchase or at the Maturity Date, of any and all consideration due hereunder in cash and such remittance shall for all purposes be deemed a payment to the Debentureholders, and to that extent such Debentures shall thereafter not be considered as Outstanding and the Debentureholders shall have no right, except to receive payment out of the moneys so paid and deposited upon surrender of its Debentures.

2.5 **Issue of Debentures**

Debentures in such aggregate principal amounts as the Board of Directors shall determine in accordance with the terms hereof and in lawful money of Canada shall be executed by the Corporation from time to time and, forthwith after such execution, shall be delivered to the Trustee and shall be authenticated by the Trustee and delivered to the Corporation in accordance with the terms of Section 2.7. Other than as

contemplated by Section 2.13, the Trustee shall receive no consideration for the certification or Authentication of Debentures.

2.6 **Execution of Certificated Debentures**

All Certificated Debentures shall be signed (either manually or by electronic signature) by any one Responsible Officer of the Corporation holding office at the time of signing. An electronic signature upon a Certificated Debenture shall for all purposes of this Indenture be deemed to be the signature of the Person whose signature it purports to be. Notwithstanding that any Person whose signature, either manual or electronic, appears on a Certificated Debenture as a director or officer may no longer hold such office at the date of the Certificated Debenture or at the date of the certification and delivery thereof, such Certificated Debenture shall be valid and binding upon the Corporation and the registered holders thereof entitled to the benefits of this Indenture. In addition, any Uncertificated Debenture shall, subject to Section 2.7, be valid and binding upon the Corporation and the registered Holder thereof will be entitled to the benefits of this Indenture.

2.7 **Authentication**

(a) Only such Debentures as shall have been Authenticated shall be enforceable against the Corporation and entitled to the benefits of this Indenture at any time or be valid or obligatory for any purpose.

(b) Authentication by Trustee of any Certificated Debenture executed by the Corporation shall be conclusive evidence that the Holder is entitled to the benefits of this Indenture.

(c) No Debenture (which for greater certainty shall include any Debenture issued as an Uncertificated Debenture) shall be issued or, if issued, shall be valid for any purpose, enforceable against the Corporation or entitle the registered Holder to the benefit hereof or thereof until it has been Authenticated. Such Authentication shall be conclusive evidence that such Debenture is a valid and binding obligation of the Corporation and that the Holder is entitled to the benefits of this Indenture. The Authentication by the Trustee of any such Debenture hereunder shall not be construed as a representation or warranty by the Trustee as to the validity of this Indenture or of such Debenture or its issuance (except the due Authentication thereof) or as to the performance by the Corporation of its obligations under this Indenture and the Trustee shall in no respect be liable or answerable for the use made of the Debentures or any of them or the proceeds thereof.

2.8 **Uncertificated Debentures**

(a) Subject to the provisions hereof, at the Corporation's option, Debentures may be issued and registered in the name of CDS or its nominee as an Uncertificated Debenture and the deposit of which may be confirmed electronically by the Trustee to a particular Participant through CDS.

(b) If the Corporation issues Uncertificated Debentures, Beneficial Holders of such Debentures shall not receive Debenture certificates in definitive form and shall not be considered owners or holders thereof under this Indenture or any supplemental indenture. Beneficial interests in Debentures registered and deposited with CDS will be represented only through the NCI. Transfers of Debentures registered and deposited with CDS between Participants shall occur in accordance with the rules and procedures of CDS. Neither the Corporation nor the Trustee shall have any responsibility or liability for any aspects of the records relating to or payments made by CDS or its nominee, on account of the beneficial interests in Debentures registered and deposited

with CDS. Nothing herein shall prevent the Beneficial Holders of Uncertificated Debentures from voting such Debentures using duly executed proxies or voting instruction forms.

(c) All references herein to actions by, notices given or payments made to, Debentureholders shall, where Debentures are held through CDS, refer to actions taken by, or notices given or payments made to, CDS upon instruction from the Participants in accordance with its rules and procedures in the case of actions by CDS. For the purposes of any provision hereof requiring or permitting actions with the consent of or the direction of Debentureholders evidencing a specified percentage of the aggregate Debentures outstanding, such direction or consent may be given by Beneficial Holders acting through CDS and the Participants owning Debentures evidencing the requisite percentage of the Debentures. The rights of a Beneficial Holder whose Debentures are held established by law and agreements between such holders and CDS and the Participants upon instructions from the Participants. Each of the Trustee and the Corporation may deal with CDS for all purposes (including the making of payments) as the authorized representative of the respective Debentures or Debenture holders and such dealing with CDS shall constitute satisfaction or performance, as applicable, of their respective obligations hereunder.

(d) For so long as Debentures are held through CDS, if any notice or other communication is required to be given to Debentureholders, the Trustee will give such notices and communications to CDS.

(e) If CDS resigns or is removed from its responsibility as Depository and the Trustee is unable or does not wish to locate a qualified successor, CDS shall provide the Trustee with instructions for registration of Debentures in the names and in the amounts specified by CDS, and the Corporation shall issue and the Trustee shall certify and deliver the aggregate number of Debentures then outstanding in the form of Certificated Debentures representing such Debentures.

(f) The rights of Beneficial Holders who hold securities entitlements in respect of the Debentures through the NCI shall be limited to those established by Applicable Law and agreements between the Depository and the Participants and between such Participants and the Beneficial Holders who hold securities entitlements in respect of the Debentures through the NCI, and such rights must be exercised through a Participant in accordance with the rules and procedures of the Depository.

(g) Notwithstanding anything herein to the contrary, none of the Corporation nor the Trustee nor any agent thereof shall have any responsibility or liability for:

(i) the electronic records maintained by the Depository relating to any ownership interests or other interests in the Debentures or the depository system maintained by the Depository, or payments made on account of any ownership interest or any other interest of any Person in any Debenture represented by an electronic position in the NCI (other than the Depository or its nominee);

(ii) for maintaining, supervising or reviewing any records of the Depository or any Participant relating to any such interest; or

(iii) any advice or representation made or given by the Depository or those contained herein that relate to the rules and regulations of the Depository or any action to be taken by the Depository on its own direction or at the direction of any Participant.

(h) The Corporation may terminate the application of this Section 2.8 in its sole discretion in which case all Debentures shall be evidenced by Certificated Debenture registered in the name of a Person other than the Depository.

2.9 **Persons Entitled to Payment**

(a) Prior to due presentment for registration of transfer of any Debenture, the Corporation, the Trustee and any other Person, as the case may be, may treat the Person in whose name any Debenture is registered in the applicable register as the absolute and sole owner of such Debenture for all purposes including receiving payment of the principal of, and any premium, if any, interest or other amount on such Debenture, receiving any notice to be given to the Holder of such Debenture, and taking any Act of Holders with respect to such Debenture, whether or not any payment with respect to such Debenture shall be overdue, and none of the Corporation, the Trustee or any other Person, as the case may be, shall be affected by notice to the contrary.

(b) Delivery of a Debenture to the Trustee by or on behalf of the Holder thereof shall, upon payment of such Debenture, be a valid discharge to the Corporation of all obligations evidenced by such Debenture. None of the Corporation, the Trustee or any other Person shall be bound to inquire into the title of any such Holder.

(c) In the case of the death of one or more joint registered Holders of a Debenture, the principal of, and premium, if any, interest and any other amounts on such Debenture may be paid to the survivor or survivors of such registered Holders whose receipt of such payment, accompanied by the delivery of such Debenture, shall constitute a valid discharge to the Corporation and the Trustee.

2.10 **Payment of Principal and Interest on Debentures**

(a) Except as may otherwise be provided herein, payments of amounts due upon maturity of the Debentures will be made in the following manner: the Corporation will establish and maintain with the Trustee a maturity account for the Debentures (the "**Maturity Account**"). On or before 9:00 a.m. (Vancouver time) not less than one Business Day immediately prior to the Maturity Date the Corporation will deliver to the Trustee a certified cheque or wire transfer for deposit in the applicable Maturity Account in an amount sufficient to pay the cash amount payable in respect of such Debentures (including the principal amount together with any accrued and unpaid interest thereon less any tax required by law to be deducted). The Trustee, on behalf of the Corporation, will pay to each Holder entitled to receive payment the principal amount of and accrued and unpaid interest on the Debenture, upon surrender of the Debenture at any branch of the Trustee designated for such purpose from time to time by the Corporation and the Trustee. The delivery of such funds to the Trustee for deposit to the applicable Maturity Account will satisfy and discharge the liability of the Corporation for the Debentures to which the delivery of funds relates to the extent of the amount delivered (plus the amount of any tax deducted as aforesaid) and such Debentures will thereafter to that extent not be considered as outstanding under this Indenture and such Holder will have no other right in regard thereto other than to receive out of the money so delivered or made available the amount to which it is entitled. Unless any Debenture is converted or purchased in accordance with the terms of this Indenture prior to the Maturity Date, interest shall cease to accrue on the Debentures upon the Maturity Date provided the Trustee has received, by the Maturity Date, from the Corporation all the funds due and payable on the Debentures.

(b) As interest becomes due on each Debenture (except, on conversion or if purchased in accordance with the terms of this Indenture, when interest shall be paid by the Corporation upon surrender of such Debenture in accordance with the terms of this Indenture), the Corporation, either directly or through the Trustee or any agent of the Trustee, shall send or forward by prepaid ordinary mail, electronic transfer of funds or such other means as may be agreed to by the Trustee, payment of such interest to the order of the registered Holder of such Debenture appearing on the registers maintained by the Trustee at the close of business on the record date prior to the applicable Interest Payment Date and addressed to the Holder at the Holder's last address appearing on the register, unless such Holder otherwise directs. If payment is made by cheque, such cheque shall be forwarded at least three days prior to each date on which interest becomes due, and if payment is made by other means (such as electronic transfer of funds), the Trustee must receive confirmation of receipt of funds prior to being able to forward funds or cheques to holders and such payment shall be made in a manner whereby the Holder receives credit for such payment on the date such interest on such Debenture becomes due. The mailing of such cheque or the making of such payment by other means shall, to the extent of the sum represented thereby, plus the amount of any tax withheld as aforesaid, satisfy and discharge all liability for interest on such Debenture, unless in the case of payment by cheque, such cheque is not paid at par on presentation. In the event of non-receipt of any cheque for or other payment of interest by the person to whom it is so sent as aforesaid, the Corporation will issue to such person a replacement cheque or other payment for a like amount upon being furnished with such evidence of non-receipt as it shall reasonably require and upon being indemnified to its satisfaction. Notwithstanding the foregoing, if the Corporation is prevented by circumstances beyond its control (including, without limitation, any interruption in mail service) from making payment of any interest due on each Debenture in the manner provided above, the Corporation may make payment of such interest or make such interest available for payment in any other manner acceptable to the Trustee with the same effect as though payment had been made in the manner provided above.

(c) The Trustee is authorized by the Corporation to make payments of interest and principal to Holders, by electronic funds transfer, upon the request of such Holder and the reasonable and documented Trustee's fees in respect thereof will be for the account of the Holder.

(d) If a Debenture or a portion thereof is called or presented for conversion or purchase and the payment date is subsequent to a Payment Record Date but prior to the related Interest Payment Date, interest accrued on such Debenture will be paid upon presentation and surrender of such Debenture to the Corporate Trust Office up to but excluding the payment date.

(e) Subject to the foregoing provisions of this section, each Debenture delivered upon the transfer of or in exchange for or in lieu of any other Debenture shall carry the rights to interest accrued and unpaid, and to accrue, that were carried by such other Debenture.

2.11 **Rank**

The Debentures certified and issued under this Indenture rank pari passu with one another.

2.12 **Register and Transfer**

(a) The Corporation shall cause to be kept by and at the principal office of the Trustee in Calgary, Alberta and by the Trustee or such other registrar as the Corporation, with the approval of the Trustee, may appoint at such other place or places, if any, as the Corporation may designate with the approval of the Trustee, a register in which shall be entered the names and addresses of the

holders of Debentures and particulars of the Debentures held by them respectively and of all transfers of Debentures. Such registration shall be noted on any Certificated Debentures by the Trustee or other registrar unless a new Certificated Debenture shall be issued upon such transfer.

(b) No transfer of any Debenture shall be valid unless entered on the register referred to in Section 2.12(a), and upon surrender of any Certificated Debentures together with a duly executed form of transfer acceptable to the Trustee, or in the case of Uncertificated Debentures in accordance with the procedures prescribed by the Depositary and, if applicable, upon compliance with such other reasonable requirements as the Trustee or other registrar may prescribe. In the case of Certificated Debentures, the Trustee shall rely on the Form of Assignment in the form included in Schedule "A" signed by the transferor without further enquiry. Transfers within the systems of CDS are not the responsibility of the Trustee and will not be noted on the register maintained by the Trustee, provided however that the full position of Debentures held by or through CDS shall at all times appear on the register.

(c) None of the Corporation, the Trustee or any agent of the Trustee will be liable or responsible to any Person for any aspect of the records related to or payments made on account of beneficial interests in any Uncertificated Debenture or for maintaining, reviewing, or supervising any records relating to such beneficial interests.

2.13 **Certificated Debentures; Transfers and Exchanges**

(a) Any Certificated Debenture issued to a transferee upon transfers contemplated by Section 2.12 shall bear the appropriate legends, as required by applicable Securities Laws, as set forth in Section 2.26.

(b) The Trustee shall not register a transfer of a Certificated Debenture unless the transferor has provided the Trustee with the Debenture and the Form of Assignment, in the form included in Schedule "A".

2.14 **Uncertificated Debentures; Transfers and Exchanges**

(a) Notwithstanding any other provision of this Indenture, Uncertificated Debentures may be transferred in the following circumstances and Certificated Debentures may be issued to Beneficial Holders in the following circumstances or as otherwise specified in a resolution of the Board of Directors, Officers' Certificate, or supplemental indenture:

(i) Uncertificated Debentures may be transferred by a Depository to a nominee of such Depository or by a nominee of a Depository to such Depository or to another nominee of such Depository or by a Depository or its nominee to a successor Depository or its nominee;

(ii) Uncertificated Debentures may be transferred at any time after the Depository for such Uncertificated Debentures: (i) has notified the Trustee, or the Corporation has notified the Trustee, that it is unwilling or unable to continue as Depository for such Uncertificated Debentures, or (ii) ceases to be eligible to be a Depository, provided that at the time of such transfer the Corporation has not appointed a successor Depository for such Uncertificated Debentures;

(iii) Uncertificated Debentures may be transferred at any time after the Corporation has determined, in its sole discretion, to terminate the NCI in respect of such Uncertificated Debentures and has communicated such determination to the Trustee in writing;

(iv) Uncertificated Debentures may be transferred at any time after an Event of Default has occurred and is continuing with respect to the Debentures of the series issued as Uncertificated Debentures, provided that Beneficial Holders representing, in the aggregate, not less than 25% of the aggregate principal amount of the Debentures of such series advise the Depository in writing, through the Depository Participants, that the continuation of the NCI for such series of Debentures is no longer in their best interest and also provided that at the time of such transfer the Trustee has not waived the Event of Default pursuant to Section 6.3 and Section 12.3;

(v) Uncertificated Debentures may be transferred or exchanged for Certificated Debentures at any time after a Depository has determined, in its sole discretion, that such transfer or exchange is required to effect conversion rights in accordance with the terms hereof and has communicated such determination to the Trustee in writing;

(vi) Uncertificated Debentures may be transferred if required by Applicable Law;

(vii) Uncertificated Debentures may be transferred at any time after the NCI ceases to exist; or

(viii) if requested by a Beneficial Holder and provided that such transfer or exchange for Certificated Debentures is permitted by Applicable Law and conducted in accordance with any procedures required under the NCI,

following which Certificated Debentures shall be issued to the beneficial owners of such Debentures or their nominees, as directed by the Holder. The Corporation shall provide an Officer's Certificate giving notice to the Trustee of the occurrence of any event outlined in this Section 2.14.

(b) With respect to the Uncertificated Debentures, unless and until Certificated Debentures have been issued to Beneficial Holders pursuant to Section 2.14(a), Section 2.8 shall continue to apply.

2.15 **Transferee Entitled to Registration**

The transferee of a Debenture shall be entitled, after the appropriate form of transfer is lodged with the Trustee or other registrar and upon compliance with all other conditions in that behalf required by this Indenture or by law, to be entered on the register as the owner of such Debenture free from all equities or rights of set-off, compensation or counterclaim between the Corporation and the transferor or any previous Holder of such Debenture, save in respect of equities of which the Corporation is required to take notice by statute or by order of a court of competent jurisdiction.

2.16 **No Notice of Trusts**

Neither the Corporation nor the Trustee nor any registrar shall be bound to take notice of or see to the execution of any trust (other than that created by this Indenture) whether express, implied or constructive, in respect of any Debenture, and may transfer the same on the direction of the Person registered as the Holder thereof, whether named as trustee or otherwise, as though that Person were the beneficial owner thereof.

2.17 **Registers Open for Inspection**

The registers referred to in Section 2.12 shall be open for inspection by the Corporation, the Trustee or any Debentureholder. Every registrar, including the Trustee, shall from time to time when requested so to do by the Corporation or by the Trustee, in writing, furnish the Corporation or the Trustee, as the case may be, with a list of names and addresses of holders of registered Debentures entered on the register kept by them and showing the principal amount of the Debentures held by each such Holder, provided the Trustee shall be entitled to charge a reasonable fee to provide such a list.

2.18 **Exchanges of Debentures**

(a) Subject to Section 2.13 and Section 2.19, Certificated Debentures in any authorized form or denomination, may be exchanged for Certificated Debentures in any other authorized form or denomination, of the same series and date of maturity, bearing the same interest rate and of the same aggregate principal amount as the Certificated Debentures so exchanged.

(b) In respect of exchanges of Certificated Debentures permitted by Section 2.18(a), Certificated Debentures of any series may be exchanged only at the principal office of the Trustee in the city of Calgary, Alberta or at such other place or places, if any, as may be specified in the Debentures of such series and at such other place or places as may from time to time be designated by the Corporation with the approval of the Trustee. Any Certificated Debentures tendered for exchange shall be surrendered to the Trustee. The Corporation shall execute and the Trustee shall Authenticate all Certificated Debentures necessary to carry out exchanges as aforesaid. All Certificated Debentures surrendered for exchange shall be cancelled.

(c) Transfers of beneficial ownership of any Uncertificated Debenture will be effected only: (i) with respect to the interest of a Depositary Participant, through records maintained by the Depositary or its nominee for such Debentures, and (ii) with respect to the interest of any Person other than a Participant through records maintained by Depositary Participants.

2.19 **Closing of Registers**

(a) Neither the Corporation nor the Trustee nor any registrar shall be required to make transfers or exchanges of or convert any Debentures during the five preceding Business Days preceding any Interest Payment Date or the Maturity Date.

(b) Subject to any restriction herein provided, the Corporation with the approval of the Trustee may at any time close any register for any series of Debentures, other than those kept at the principal office of the Trustee in Calgary, Alberta, and transfer the registration of any Debentures registered thereon to another register (which may be an existing register) and thereafter such Debentures shall be deemed to be registered on such other register. Notice of such transfer shall be given to the holders of such Debentures.

2.20 **Charges for Registration, Transfer and Exchange**

For each Debenture exchanged, registered, transferred or discharged from registration, the Trustee or other registrar, except as otherwise herein provided, may make a reasonable charge for its services and in addition may charge a reasonable sum for each new Debenture issued (such amounts to be agreed upon from time to time by the Trustee and the Corporation), and payment of such charges and reimbursement of the Trustee or other registrar for any stamp taxes or governmental or other charges required to be paid shall be made by the party requesting such exchange, registration, transfer or discharge from registration

as a condition precedent thereto. Notwithstanding the foregoing provisions, no charge shall be made to a Debentureholder hereunder for any exchange of Uncertificated Debentures as contemplated in Section 2.14.

2.21 **Ownership of Debentures**

(a) Unless otherwise required by Applicable Law, the Person in whose name any registered Debenture is registered shall for all purposes of this Indenture be and be deemed to be the owner thereof and payment of or on account of the principal of and premium, if any, on such Debenture and interest thereon shall be made to such registered Holder.

(b) The registered Holder for the time being of any registered Debenture shall be entitled to the principal, premium, if any, and/or interest evidenced by such instruments, respectively, free from all equities or rights of set-off, compensation or counterclaim between the Corporation and the original or any intermediate Holder thereof and all Persons may act accordingly and the receipt of any such registered Holder for any such principal, premium or interest shall be a good discharge to the Trustee, any registrar and to the Corporation for the same and none shall be bound to inquire into the title of any such registered Holder.

(c) Where Debentures are registered in more than one name, the principal, premium, if any, and interest from time to time payable in respect thereof shall be paid to the order of all such holders, and the receipt of any one of such holders therefor shall be a valid discharge, to the Trustee, any registrar and to the Corporation.

(d) In the case of the death of one or more joint holders of any Debenture the principal, premium, if any, and interest from time to time payable thereon may, upon the delivery of such reasonable requirements as the Trustee may prescribe, be paid to the order of the survivor or survivors of such registered holders and the receipt of any such survivor or survivors therefor shall be a valid discharge to the Trustee and any registrar and to the Corporation.

2.22 **Additional Amounts**

(a) Any payments made by or on behalf of the Corporation under or with respect to the Debentures will be made free and clear of and without withholding or deduction for or on account of any present or future tax, duty, levy, impost, assessment or other governmental charge, excluding, in respect of a Holder or Beneficial Holder, branch profits taxes, franchise taxes and taxes imposed on net income or capital (collectively, "**Taxes**"), unless the Corporation or any other payor is required to withhold or deduct Taxes by Applicable Law or by the interpretation or administration thereof by a relevant Governmental Authority. If the Corporation or any other payor of any amount under or in respect of the Debentures (including any amount paid in respect or proceeds of disposition of the Debenture to a Debentureholder) is so required to withhold or deduct any amount for or on account of Taxes from any payment made under or with respect to the Debentures in respect of any such payment by the Corporation, the Corporation will make such withholding or deduction and will remit the full amount withheld or deducted to the relevant Governmental Authority as and when required by Applicable Law and the Corporation will pay to the Trustee or, in respect of any amount paid by any payor other than the Corporation of any amount under or in respect of the Debentures (including any amount paid in respect of proceeds of disposition of the Debentures to a Debentureholder) will pay to each Debentureholder such additional amounts (the "**Additional Amounts**") as may be necessary so that the net amount received by each Holder (including Additional Amounts) after such withholding or deduction will not be less than the amount such Holder would have received if such Taxes had not been withheld

or deducted; provided, however, that no Additional Amounts will be payable with respect to any payment to a Holder (an "**Excluded Holder**") in respect of a Beneficial Holder who is liable for such Taxes in respect of such Debentures: (i) by reason of such Holder or Beneficial Holder being a Person with whom the Corporation is not dealing at arm's length for the purposes of the *Income Tax Act* (Canada) (the "**Tax Act**") at the time of making such payment, (ii) by reason of the existence of any present or former connection between such Holder or Beneficial Holder and the jurisdiction imposing such Tax, other than, in either case, solely by reason of the Holder's activity in connection with purchasing the Debentures, the mere holding, deemed holding, use or ownership of the Debentures, or receiving payments under or enforcing any rights in respect of such Debentures, (iii) by reason of such Holder or Beneficial Holder being a "specified shareholder" of the Corporation (within the meaning of Section 18(5) of the Tax Act) at the time of payment or deemed payment, or by reason of such Holder or Beneficial Holder not dealing at arm's length for the purposes of the Tax Act with a "specified shareholder" of the Corporation at the time of payment or deemed payment; (iv) by reason of the failure of the Holder or Beneficial Holder of a Debenture to comply with certification, information or other reporting requirements if such compliance is required or imposed by a statute, treaty or regulation or administrative practice of the relevant Governmental Authority as a precondition to exemption from or reduction in all or part of such Taxes, deduction or withholding; or (v) for any estate, inheritance, gift, sales or any similar Taxes.

(b) Within 90 days after the date the payment of any Taxes is due pursuant to Applicable Law, the Trustee will furnish to the Corporation copies of tax receipts, if any, evidencing such payment by the Trustee.

(c) At least 30 days prior to each date on which any payment under or with respect to the Debentures is due and payable, if the Corporation to its knowledge will be obligated to pay Additional Amounts with respect to such payment, the Corporation will deliver to the Trustee an Officer's Certificate stating the fact that such Additional Amounts will be payable and the amounts so payable and will set forth such other information necessary to enable the Trustee to pay such Additional Amounts to Holders on the date payment is due.

(d) Whenever in this Indenture or in any Debenture there is mentioned, in any context, the payment of principal (and premium, if any), a purchase price pursuant to an offer to purchase, interest or any other amount payable under or with respect to any Debenture, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

(e) The Corporation will indemnify and hold harmless each Holder (other than an Excluded Holder) and upon written request reimburse each of the Holders for the amount of: (i) any Taxes so levied or imposed and paid by the Holder as a result of payments made under or with respect to the Debentures (including any amount paid by the Corporation in respect of proceeds of disposition of the Debenture to a Holder), and (ii) any Taxes levied or imposed and paid by the Holder with respect to reimbursement under (i) above, but excluding any Taxes on such Holder's net income or capital.

(f) If the Corporation pays any indemnity or Additional Amounts under this Section 2.22 to a Holder and the Holder or Beneficial Holder at any time thereafter receives a refund in respect of Taxes or a credit with respect to payment of Taxes, then such Holder or Beneficial Holder shall promptly pay to the Corporation the amount of such refund or credit net of all out-of-pocket expenses reasonably incurred by the Holder or Beneficial Holder to obtain such refund or credit.

2.23 **Cancellation of Debentures**

(a) All Debentures surrendered for payment of the final amount required to be paid thereon, or that have been surrendered to the Trustee for registration of exchange or transfer or surrendered in connection with a conversion or purchase by the Corporation in accordance with the terms of this Indenture, shall be promptly cancelled by the Trustee on receipt. The Trustee shall give prompt written notice to the Corporation of the particulars of any Debentures cancelled by it upon its request for this information, and the Corporation shall pay the Trustee's reasonable fees in connection therewith.

(b) The Corporation may, in its discretion at any time, deliver to the Trustee for cancellation any Debentures which the Corporation has purchased as provided for in this Indenture, and all such Debentures so delivered shall be cancelled by the Trustee.

(c) All Debentures which have been cancelled by the Trustee shall be destroyed by the Trustee in accordance with its standard practices, and the Trustee shall furnish to the Corporation a destruction certificate setting forth the numbers and denominations of the Debentures so destroyed.

2.24 **Mutilated, Lost, Stolen or Destroyed Debentures**

(a) If any Debenture has been mutilated or defaced or has or has been alleged to have been lost, stolen or destroyed, then, on application by the applicable Holder to the Trustee, the Corporation may, in its discretion, execute, and upon such execution the Trustee shall certify and deliver, a new Debenture of the same date and amount as the defaced, mutilated, lost, stolen or destroyed Debenture in exchange for and in place of the defaced or mutilated Debenture, and in lieu of and in substitution for the lost, stolen or destroyed Debenture. Notwithstanding the foregoing, no Debenture shall be delivered as a replacement for any Debenture which has been mutilated or defaced otherwise than upon surrender of the mutilated or defaced Debenture, and no Debenture shall be delivered as a replacement for any Debenture which has been lost, stolen or destroyed unless the applicant for the replacement Debenture has furnished to the Corporation and the Trustee evidence, satisfactory in form and substance to the Corporation and the Trustee, of its ownership of, and of such loss, theft or destruction of, such Debenture and has provided such a surety bond and indemnity to the Corporation and the Trustee in amount, form and substance satisfactory to each of them. Any instructions by the Corporation to the Trustee under this section shall include such indemnity for the protection of the Trustee as the Trustee may reasonably require.

(b) If any mutilated, defaced, lost, stolen or destroyed Debenture has become or is about to become due and payable, the Corporation, in its discretion, may, instead of executing a replacement Debenture, pay to the Holder thereof the full amount outstanding on such mutilated, defaced, lost, stolen or destroyed Debenture.

(c) Upon the issuance of a replacement Debenture, the Corporation may require the applicant for such replacement Debenture to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in relation to such issuance and any other expenses (including the fees and expenses of the Trustee and the Corporation) connected with such issuance.

(d) Each replacement Debenture shall bear a unique legend, if applicable, and be in a form otherwise identical to the Debenture it replaces and shall be entitled to the benefits of this Indenture to the same extent and in the same manner as the Debenture it replaces.

(e) Unless the Corporation instructs otherwise, the Trustee shall, in accordance with its practice, destroy each mutilated or defaced Debenture surrendered to and cancelled by it and in respect of which a replacement Debenture has been delivered or moneys have been paid and shall, as soon as reasonably practicable, furnish to the Corporation, upon its receipt of a written request, a certificate as to such destruction.

2.25 **Access to Lists of Holders**

(a) The register of Debentureholders maintained by the Trustee will, at all reasonable times during the regular business hours of the Trustee, be open for inspection by the Corporation.

(b) If any Beneficial Holder or group of Beneficial Holders, or such one or more Holders as may be permitted by Applicable Law (in each case, the **"Applicants"**) apply to the Trustee (with a copy to the Corporation), then the Trustee, after having been funded and indemnified to its reasonable satisfaction by such Applicants for its related costs and expenses, shall afford or shall cause the Corporation to afford the Applicants, access during normal business hours to the most recent list of Debentureholders within 10 Business Days after the receipt of such application by the Trustee. Such list shall be as of a date no more than 10 days (or such other date as may be mandated by Applicable Law) prior to the date of receipt of the Applicants' request.

2.26 **Canadian Legend on the Debentures and Common Shares**

(a) The certificates or other instruments representing the Debentures, and the stock certificates representing any Common Shares issued upon conversion of such Debentures, (if issued prior to the expiration of the applicable hold periods), if any, will bear the following legend in accordance with Applicable Securities Legislation:

"UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE [INSERT THE DATE THAT IS 4 MONTHS AND A DAY AFTER THE DISTRIBUTION DATE]."

provided that if, at any time, in the opinion of counsel to the Corporation, such legend is no longer necessary or advisable under Applicable Securities Laws, or the Holder of any such legended certificate, at the Holder's expense, provides the Corporation with evidence satisfactory in form and substance to the Corporation (which may include an opinion of counsel satisfactory to the Corporation) to the effect that such legend is not required, such legended certificate may thereafter be surrendered to the Corporation in exchange for a certificate which does not bear such legend.

(b) If issued as a Certificated Debenture issued in Canada and held by the Depository and each Debenture certificate issued in exchange therefor or in substitution thereof shall bear the following legend or such variations thereof as the Corporation may prescribe from time to time:

"**UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF CDS CLEARING AND DEPOSITORY SERVICES INC. ("CDS") TO C21 INVESTMENTS INC. (THE "ISSUER") OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IN RESPECT THEREOF IS REGISTERED IN THE NAME OF CDS & CO., OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF CDS (AND ANY PAYMENT IS MADE TO CDS & CO OR TO SUCH OTHER ENTITY AS IS REQUESTED BY**

AN AUTHORIZED REPRESENTATIVE OF CDS), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED HOLDER HEREOF, CDS & CO., HAS A PROPERTY INTEREST IN THE SECURITIES REPRESENTED BY THIS CERTIFICATE HEREIN AND IT IS A VIOLATION OF ITS RIGHTS FOR ANOTHER PERSON TO HOLD, TRANSFER OR DEAL WITH THIS CERTIFICATE."

ARTICLE 3
REPURCHASE AND CANCELLATION OF DEBENTURES

3.1 **Repurchase of Debentures at Option of the Holder upon a Change of Control**

(a) Upon the occurrence of a Change of Control prior to the Maturity Date, each Holder of Debentures has the right to require the Corporation to:

(i) repurchase for cash all or such portion of the Debentures of such Holders equal to $1,000 principal amount (or an integral multiple thereof) which are Outstanding immediately prior to such Change of Control, at a price equal to 105% of the principal amount of the Debentures then Outstanding plus any accrued and unpaid interest thereon (the "**Change of Control Repurchase Price**") on the Change of Control Repurchase Date (the "**Repayment Offer**"); or

(ii) if as a result of the Change of Control there is or will be a Successor Entity, subject to Applicable Law, exchange all or such portion of the Debentures of such Holders equal to $1,000 principal amount (or an integral multiple thereof) which are Outstanding immediately prior to such Change of Control into debentures of the Successor Entity (the "**Exchanged Debentures**"), with each $1,000 principal amount (or an integral multiple thereof) being exchanged for unsecured convertible debentures of the Successor Entity with a principal amount of $1,000 with interest, payment and maturity provisions that are economically equivalent to the Debentures (the "**Exchange Offer**" and together with the Repayment Offer, the "**Change of Control Offer**"),

provided that if 90% or more of the principal amount of all of the Debentures then Outstanding on the date of the Change of Control Notice are tendered for redemption pursuant to the Repayment Offer, the Exchange Offer shall be deemed to be withdrawn and the Corporation shall have the right, at its option, at any time within 30 days of the Change of Control Repurchase Date of such Change of Control Offer, to elect to redeem all, but not less than all, of the remaining Debentures that are then Outstanding, at the Change of Control Repurchase Price of such Repayment Offer.

(b) As promptly as practicable following the date on which the Corporation announces the Change of Control, but in no event less than 30 days prior to the anticipated date of completion of a Change of Control, the Corporation shall mail a written notice of the Change of Control to the Trustee and to each Holder (and to beneficial Holders as required by Applicable Securities Laws) (the "**Change of Control Notice**"). The Change of Control Notice shall include the form of a Change of Control Repurchase Notice (as defined below) to be completed by the Holder and shall state the Change of Control Offer and the following: (i) the events causing such Change of Control; (ii) the date (or expected date) of such Change of Control; (iii) the last date by which the Change of Control Repurchase Notice must be delivered to elect an option pursuant to this Section 3.1; (iv) the Change of Control Repurchase Date; (v) the Change of Control Repurchase

Price; (vi) the Holder's right to require the Corporation to purchase all or a portion of the Debentures or to exchange such Debentures for Exchanged Debentures pursuant to the Change of Control Offer; (vii) the name and address of the Trustee; (viii) the procedures that the Holder must follow to exercise rights under this Section 3.1.

At the Corporation's request, the Trustee shall give such Change of Control Notice in the Corporation's name, at the Corporation's expense, and within the notice period set out above; provided, that, in all cases, the text of such Change of Control Notice shall be prepared by the Corporation.

(c) A Holder may exercise its rights specified in this Section 3.1 upon delivery of a written notice and which may be delivered by letter, overnight courier, hand delivery, facsimile transmission or in any other written form and, in the case of Uncertificated Debenture, may be delivered electronically or by other means in accordance with the Depository's applicable procedures) of the exercise of such rights (a "**Change of Control Repurchase Notice**") to the Corporation or the Trustee at any time prior to the close of business on the Business Day next preceding the Change of Control Repurchase Date, subject to extension to comply with Applicable Laws.

(d) The Change of Control Repurchase Notice shall state: (i) the certificate number of the Debenture which the Holder will deliver to be purchased or exchanged (or, if the Debenture is in Uncertificated Debenture form, any other items required to comply with the applicable procedures), (ii) the portion of the principal amount of the Debenture which the Holder will deliver to be purchased or exchanged, in integral multiples of $1,000, and (iii) that such Debenture shall be purchased or exchanged as of the Change of Control Repurchase Date pursuant to the terms and conditions specified in the Debentures and in this Indenture.

(e) The delivery of a Debenture for which a Change of Control Repurchase Notice has been timely delivered to the Trustee and not validly withdrawn prior to, on or after the Change of Control Repurchase Date (together with all necessary endorsements) at the office of the Trustee shall be a condition to the receipt by the Holder of the Change of Control Repurchase Price or Exchanged Debentures therefor.

(f) The Corporation shall only be obliged to purchase or exchange, pursuant to this Section 3.1, a portion of a Debenture if the principal amount of such portion is $1,000 or an integral multiple of $1,000 (provisions of this Indenture that apply to the purchase of all of a Debenture also apply to the purchase of such portion of such Debenture).

(g) Notwithstanding anything herein to the contrary, any Holder delivering to the Trustee the Change of Control Repurchase Notice contemplated by this Section 3.1 shall have the right to withdraw such Change of Control Repurchase Notice in whole or in a portion thereof that is a principal amount of $1,000 or in an integral multiple thereof, at any time prior to the close of business on the Business Day prior to the Change of Control Repurchase Date by delivery of a written notice of withdrawal to the Trustee in accordance with the procedures set out in the Change of Control Notice or, if not set out therein, then in accordance with this Section 3.1(g).

(h) The Trustee shall promptly notify the Corporation of the receipt by it of any Change of Control Repurchase Notice or written withdrawal thereof.

(i) Anything herein to the contrary notwithstanding, in the case of Uncertificated Debentures, any Change of Control Repurchase Notice may be delivered or withdrawn and such securities may be

surrendered or delivered for purchase in accordance with the applicable procedures of the Depository as in effect from time to time.

(j) Upon receipt by the Trustee of a properly completed Change of Control Repurchase Notice from a Holder, the Holder of the Debenture in respect of which such Change of Control Repurchase Notice was given shall (unless such Change of Control Repurchase Notice is withdrawn as specified in Section 3.1(k)), thereafter be entitled to receive the Change of Control Repurchase Price or Exchanged Debentures, as the case may be, with respect to such Debenture, subject to there being no Event of Default then occurring including a continuation thereof (other than a default in the payment of the Change of Control Repurchase Price). The Change of Control Repurchase Price shall be paid or the Exchanged Debentures issued to such Holder promptly following the later of: (i) the Change of Control Repurchase Date and (ii) the time of delivery of such Debenture to the Trustee by the Holder thereof in the manner required by this Section 3.1.

(k) A Change of Control Repurchase Notice may be withdrawn by means of a written notice (which may be delivered by mail, overnight courier, hand delivery, facsimile transmission or in any other written form and, in the case of Uncertificated Debentures, may be delivered electronically or by other means in accordance with the applicable procedures of the Depository) of withdrawal delivered by the Holder to the Trustee at any time prior to the close of business on the Business Day immediately prior to the Change of Control Repurchase Date, specifying: (i) the principal amount of the Debenture or portion thereof (which must be a principal amount of $1,000 or an integral multiple of $1,000 in excess thereof), with respect to which such notice of withdrawal is being submitted, (ii) if Certificated Debentures have been issued, the certificate number of the Debentures being withdrawn in whole or in withdrawable part (or if the Debentures are not Uncertificated Debentures, such written notice must comply with the applicable procedures of the Depository) and (iii) the portion of the principal amount of the Debentures that will remain subject to the Change of Control Repurchase Notice, which portion must be a principal amount of $1,000 or an integral multiple thereof.

(l) On or before 12:00 p.m. (Vancouver time) on the Business Day following the applicable Change of Control Repurchase Date, the Corporation shall deposit with the Trustee an amount of money (in immediately available funds if deposited on or after such Change of Control Repurchase Date), sufficient to pay the aggregate Change of Control Repurchase Price of all the Debentures or portions thereof that are to be purchased as of such Change of Control Repurchase Date.

(m) If the Trustee holds, in accordance with the terms hereof, money sufficient to pay the Change of Control Repurchase Price of any Debenture for which a Change of Control Repurchase Notice has been tendered and not withdrawn in accordance with this Indenture then, on the Business Day following the applicable Change of Control Repurchase Date, such Debenture will cease to be outstanding, whether or not the Debenture is delivered to the Trustee, and interest shall cease to accrue, and the rights of the Holder in respect of the Debenture shall terminate (other than the right to receive the Change of Control Repurchase Price as aforesaid). The Corporation shall publicly announce the principal amount of Debentures repurchased on or as soon as practicable after the Change of Control Repurchase Date.

(n) The Trustee will promptly return to the respective Holders thereof any Debentures with respect to which a Change of Control Repurchase Notice has been withdrawn in compliance with this Indenture.

(o) If a Change of Control Repurchase Date falls after a Payment Record Date and on or before the related Interest Payment Date, then interest on the Debentures payable on such Interest Payment

Date will be payable to the Holders in whose names the Debentures are registered at the close of business on such Payment Record Date.

(p) Notwithstanding anything in this Section 3.1 to the contrary, the Corporation shall be entitled to withdraw the Change of Control Notice and, upon written order of the Corporation, the notice of Change of Control provided by the Trustee in accordance with Section 3.1(a) in the event that the anticipated Change of Control is terminated or does not occur. In such event, no Debentures shall be purchased hereunder and the Corporation shall be entitled to the return of any funds deposited as contemplated in Section 3.1(l) and any Debentures delivered by the Holders thereof to the Trustee shall be returned to such Holders.

3.2 **Purchase of Debentures**

Provided that no Event of Default has occurred and is continuing, the Corporation may at any time and from time to time purchase all or any of the Debentures in the market (which shall include purchase from or through an investment dealer or a firm holding membership on a Recognized Stock Exchange) or by tender or by private contract, at any price, subject to compliance with Applicable Securities Laws and the provisions of this Indenture. Debentures so purchased by the Corporation shall be submitted to the Trustee for cancellation in accordance with Section 2.23. If an Event of Default has occurred and is continuing, the Corporation will not have the right to purchase any Debentures except as permitted by this Indenture.

If, upon an invitation for tenders, more Debentures than the Corporation is prepared to accept are tendered at the same lowest price, the Debentures to be purchased by the Corporation will be selected by the Trustee on a pro rata basis and in consultation with the Corporation and in accordance with Applicable Securities Laws, from the Debentures tendered by each tendering Debentureholder who tendered at such lowest price. For this purpose the Trustee may make, and may from time to time amend, regulations with respect to the manner in which Debentures may be so selected, and regulations so made shall be valid and binding upon all Debentureholders, notwithstanding the fact that as a result thereof one or more such Debentures becomes subject to purchase in part only. The Holder of any Debenture of which a part only is purchased upon surrender of such Debenture for payment, shall be entitled to receive, without expense to such Holder, a replacement Debenture for and evidencing the same obligation as the unpurchased part so surrendered, and the Trustee shall certify and deliver such replacement Debenture upon receipt of the Debenture so surrendered.

3.3 **Debentures Purchased in Part**

Any Debenture that is to be purchased only in part pursuant to this Article 3 shall be surrendered at the office of the Trustee, and promptly after the date of such purchase, the Corporation shall execute and the Trustee shall authenticate and deliver to the Holder of such Debenture, without service charge, a new Debenture or Debentures, of such authorized denomination or denominations as may be requested by such Holder, in aggregate principal amount equal to, and in exchange for, the portion of the principal amount of the Debenture so surrendered that is not purchased.

3.4 **Compliance with Applicable Securities Law upon Purchase of Debentures**

In connection with any offer to purchase Debentures under this Article 3, the Corporation shall comply with all Applicable Securities Laws in connection with such offer to purchase or purchase of Debentures, all so as to permit the rights of the Holders and obligations of the Corporation under this Article 3 to be exercised in the time and in the manner specified therein. To the extent that compliance with any Applicable Securities Laws would result in a conflict with any of the terms thereof, this Indenture is

hereby modified to the extent required for the Corporation to comply with such Applicable Securities Laws.

3.5 **Repayment to the Corporation**

To the extent that the aggregate amount of cash deposited by the Corporation pursuant to the provisions of this Article 3 exceeds the aggregate purchase amount or portions thereof that the Corporation is obligated to purchase, then the Trustee shall return any such excess cash to the Corporation as soon as practicable following the completion of the applicable requirements hereunder.

3.6 **Cancellation of Purchased Debentures**

All Debentures purchased in whole or in part pursuant to this Article 3 shall be forthwith delivered to and cancelled by the Trustee and may not be reissued or resold and no Debentures shall be issued in substitution therefor.

ARTICLE 4
CONVERSION OF DEBENTURES

4.1 **Right to Convert**

(a) Upon and subject to the provisions and conditions of this Article 4 and other provisions hereof, the Holder of each Debenture shall have the right at such Holder's option at any time prior to the close of business on the earlier of: (i) the sixth Business Day immediately preceding the Maturity Date of the Debentures (the "**Time of Expiry**" in respect of the Debentures), and (ii) the date fixed for redemption pursuant to Section 3.1, to convert any part, being $1,000 or an integral multiple thereof, of the principal amount of a Debenture into Common Shares at the Conversion Price in effect on the Date of Conversion.

(b) Except as provided below, no adjustment in the number of Common Shares to be issued upon conversion will be made for dividends or distributions on Common Shares issuable upon conversion, the record date for the payment of which precedes the date upon which the Holder becomes a Holder of Common Shares in accordance with Article 4. No fractional Common Shares will be issued, any fraction of a Common Share that would otherwise be issued will be rounded down to the nearest whole number. The Conversion Price applicable to, and the Common Shares, securities or other property receivable on the conversion of, the Debentures is subject to adjustment pursuant to the provisions of Section 4.5.

(c) Holders converting Debentures will receive, in addition to the applicable number of Common Shares, accrued and unpaid interest in respect of the Debentures surrendered for conversion up to but excluding the Date of Conversion from, and including, the most recent Interest Payment Date in accordance with Section 4.4(e).

(d) Notwithstanding any other provisions of this Indenture, if a Debenture is surrendered for conversion on an Interest Payment Date or during the five preceding Business Days, the Person or persons entitled to receive Common Shares in respect of the Debenture so surrendered for conversion shall not become the Holder or holders of record of such Common Shares until the Business Day following such Interest Payment Date.

4.2 **Notice of Expiry of Conversion Privilege**

Notice of the expiry of the conversion privileges of the Debentures shall be given by or on behalf of the Corporation, not more than 60 days and not less than 30 days prior to the date fixed for the Time of Expiry, in the manner provided in Section 11.2.

4.3 **Revival of Right to Convert**

If the payment of the purchase price of any Debenture which has been tendered in acceptance of an offer by the Corporation to purchase Debentures for cancellation is not made on the date on which such purchase is required to be made then, provided the Time of Expiry has not passed, the right to convert such Debentures shall revive and continue as if such Debenture had not been tendered in acceptance of the Corporation's offer.

4.4 **Manner of Exercise of Right to Convert**

(a) The Holder of a Debenture desiring to convert such Debenture in whole or in part into Common Shares shall surrender such Debenture to the Trustee at its principal office in the City of Calgary, Alberta, together with the conversion notice set out in Schedule "A" or any other written notice in a form satisfactory to the Trustee, in either case duly executed by the Holder or his executors or administrators or other legal representatives or his or their attorney duly appointed by an instrument in writing in form and executed in a manner satisfactory to the Trustee, exercising his right to convert such Debenture in accordance with the provisions of this Article; provided that with respect to Uncertificated Debentures, the obligation to surrender a Debenture to the Trustee shall be satisfied if the Trustee is provided with all documentation which it may request. Thereupon such Debentureholder or, subject to payment of all applicable stamp or security transfer taxes or other governmental charges and compliance with all reasonable requirements of the Trustee, his nominee(s) or assignee(s) shall be entitled to be entered in the books of the Corporation as at the Date of Conversion (or such later date as is specified in Section 4.1 and Section 4.4(b)) as the Holder of the number of Common Shares into which such Debenture is convertible in accordance with the provisions of this Article and, as soon as practicable thereafter, the Corporation shall electronically deposit the Common Shares as directed by the Debentureholder or deliver to such Debentureholder or, subject as aforesaid, his nominee(s) or assignee(s), a certificate or certificates for such Common Shares and make or cause to be made any payment of interest to which such Holder is entitled in accordance with Section 4.4(e).

(b) For the purposes of Section 4.1, a Debenture shall be deemed to be surrendered for conversion on the date (the "**Date of Conversion**") on which it is so surrendered when the register of the Trustee is open and in accordance with the provisions of this Article or, in the case of Uncertificated Debentures which the Trustee received notice of and all necessary documentation in respect of the exercise of the conversion rights and, in the case of a Debenture so surrendered by post or other means of transmission, on the date on which it is received by the Trustee at its principal office specified in Section 4.4(a); provided that if a Debenture is surrendered for conversion on a day on which the register of Common Shares is closed, the Person or Persons entitled to receive Common Shares shall become the Holder or holders of record of such Common Shares as at the date on which such registers are next reopened.

(c) Any part, being $1,000 or an integral multiple thereof, of a Debenture in a denomination in excess of $1,000 may be converted as provided in this Article and all references in this Indenture to conversion of Debentures shall be deemed to include conversion of such parts.

(d) The Holder of any Debenture of which only a part is converted shall, upon the exercise of his, her or its right of conversion surrender such Debenture to the Trustee in accordance with Section 4.4(a), and the Trustee shall cancel the same and shall without charge forthwith Authenticate and deliver to the Holder a new Debenture or Debentures in an aggregate principal amount equal to the unconverted part of the principal amount of the Debenture so surrendered. It is understood and agreed by the parties hereto that, unless the Trustee is otherwise in a position to perform electronic conversions, in every instance where Uncertificated Debentures held through the NCI are to be converted in whole or in part, such Debentures being converted shall not be represented by Certificated Debentures, and it shall be sufficient for the Trustee to convert such Debentures upon receiving either the attached exercise form executed by the Depository or an NCI Letter of Instruction in a form agreed upon by the Trustee and the Depository, or such other form that they may require from time to time.

(e) The Holder of a Debenture surrendered for conversion in accordance with this Section 4.4 shall be entitled (subject to any applicable restriction on the right to receive interest on conversion of Debentures of any series) to receive accrued and unpaid interest in respect thereof from the date of the last Interest Payment Date up to but excluding the Date of Conversion (less applicable withholding taxes, if any), and the Common Shares issued upon such conversion shall rank only in respect of distributions or dividends declared in favour of shareholders of record on and after the Date of Conversion or such later date as such Holder shall become the Holder of record of such Common Shares pursuant to Section 4.4(b), from which applicable date they will for all purposes be and be deemed to be issued and outstanding as fully paid and non-assessable Common Shares.

4.5 **Mandatory Conversion**

(a) At any time following the date that is 4 months and one day following the Issue Date and in the event that the daily VWAP of the Common Shares is greater than $0.90 for any 10 consecutive trading days, the Corporation may force the conversion of the principal amount of the then Outstanding Debentures at the Conversion Price on not less than 30 days' notice (the "**Mandatory Conversion Notice**") to the Holders and the Trustee in accordance with Article 11 hereof. Concurrently with the issuance of the Mandatory Conversion Notice, the Corporation shall issue a press release with respect to thereof.

(b) The Mandatory Conversion Notice shall contain the date (the "**Mandatory Conversion Date**") on which the Outstanding Debentures shall be deemed to be surrendered for conversion; provided that the Mandatory Conversion Date shall be a date on which the register of the Trustee is open.

(c) On the Mandatory Conversion Date, the Trustee shall cancel the Outstanding Debentures held by the Debentureholders. Thereupon such Debentureholder or, subject to payment of all applicable stamp or security transfer taxes or other governmental charges and compliance with all reasonable requirements of the Trustee, his or her nominee(s) or assignee(s) shall be entitled to be entered in the books of the Corporation as at the Mandatory Conversion Date, as the Holder of the number of Common Shares into which such Debenture is convertible in accordance with the provisions of this Article and, as soon as practicable thereafter, the Corporation shall electronically deposit the Common Shares in the name of the Debentureholder or deliver to such Debentureholder a certificate or certificates for such Common Shares pursuant to the terms of this Indenture and make or cause to be made any payment of interest to which such Holder is entitled in accordance with Section 4.5(d) and Section 4.4(e).

(d) The Holder of a Debenture converted in accordance with Section 4.5 shall be entitled to receive accrued and unpaid interest in respect thereof from the date of the last Interest Payment Date up to but excluding the Mandatory Conversion Date (less applicable withholding taxes, if any), and the Common Shares issued upon such conversion shall rank only in respect of distributions or dividends declared in favour of shareholders of record on and after the Mandatory Conversion Date, from which date they will for all purposes be and be deemed to be issued and outstanding as fully paid and non-assessable Common Shares.

4.6 **Adjustment of Conversion Price**

Subject to the requirements of a Recognized Stock Exchange, the Conversion Price in effect at any date shall be subject to adjustment from time to time as set forth below.

(a) If and whenever at any time prior to the Time of Expiry the Corporation shall: (i) subdivide, redivide or change the outstanding Common Shares into a greater number of shares, (ii) reduce, combine or consolidate the outstanding Common Shares into a smaller number of shares, or (iii) issue Common Shares or securities convertible into Common Shares to the holders of all or substantially all of the outstanding Common Shares by way of a dividend or distribution (other than cash dividends or distributions for which an adjustment would be made under Section 4.6(b)) (a "**Common Share Reorganization**"), the Conversion Price in effect on the date of such subdivision, redivision, reduction, combination or consolidation or on the record date for such issue of Common Shares or securities convertible into Common Shares by way of a dividend or distribution, as the case may be, shall be adjusted effective immediately after the record date at which the holders of Common Shares are determined for the purpose of the Common Share Reorganization by multiplying the Conversion Price in effect immediately prior to such record date by a fraction: (1) the denominator of which shall be the number of Common Shares outstanding immediately after giving effect to such Common Share Reorganization (including, in the case where securities exchangeable for or convertible into Common Shares are distributed, the number of Common Shares that would have been outstanding had such securities been exchanged for or converted into Common Shares on such record date, assuming in any case where such securities are not then convertible or exchangeable but subsequently become so, that they were convertible or exchangeable on the record date on the basis upon which they first become convertible or exchangeable); and (2) the numerator of which shall be the number of Common Shares outstanding on such record date before giving effect to such Common Share Reorganization. Such adjustment shall be made successively whenever any event referred to in this Section 4.6 shall occur. Any such issue of Common Shares or securities convertible into Common Shares by way of a dividend or distribution shall be deemed to have been made on the record date for the dividend or distribution for the purpose of calculating the number of outstanding Common Shares under subsections (c) and (d) of this Section 4.6.

(b) If and whenever at any time prior to the Time of Expiry the Corporation shall fix a record date for the payment of a cash dividend or distribution to the holders of all or substantially all of the outstanding Common Shares in respect of any applicable period, the Conversion Price shall be adjusted immediately after such record date so that it shall be equal to the price determined by multiplying the Conversion Price in effect on such record date by a fraction, of which the denominator shall be the Current Market Price per Common Share on such record date and of which the numerator shall be the Current Market Price per Common Share on such record date minus the amount in cash per Common Share distributed to holders of Common Shares. Such adjustment shall be made successively whenever such a record date is fixed. To the extent that any such cash dividend or distribution is not paid, the Conversion Price shall be re-adjusted to the Conversion Price which would then be in effect if such record date had not been fixed.

(c) If and whenever at any time prior to the Time of Expiry the Corporation shall fix a record date for the issuance of options, rights or warrants to all or substantially all the holders of its outstanding Common Shares entitling them, for a period expiring not more than 45 days after such record date, to subscribe for or purchase Common Shares (or securities convertible into Common Shares) at a price per share (or having a conversion or exchange price per share) less than 95% of the Current Market Price of a Common Share on such record date, the Conversion Price shall be adjusted immediately after such record date so that it shall equal the price determined by multiplying the Conversion Price in effect on such record date by a fraction, of which the numerator shall be the total number of Common Shares outstanding on such record date plus a number of Common Shares equal to the number arrived at by dividing the aggregate price of the total number of additional Common Shares offered for subscription or purchase (or the aggregate conversion or exchange price of the convertible securities so offered) by such Current Market Price per Common Share, and of which the denominator shall be the total number of Common Shares outstanding on such record date plus the total number of additional Common Shares offered for subscription or purchase (or into which the convertible securities so offered are convertible). Such adjustment shall be made successively whenever such a record date is fixed. To the extent that any such options, rights or warrants are not so issued or any such options, rights or warrants are not exercised prior to the expiration thereof, the Conversion Price shall be re-adjusted to the Conversion Price which would then be in effect if such record date had not been fixed or to the Conversion Price which would then be in effect based upon the number of Common Shares (or securities convertible into Common Shares) actually issued upon the exercise of such options, rights or warrants were included in such fraction, as the case may be.

(d) If and whenever at any time prior to the Time of Expiry, there is a reclassification of the Common Shares or a capital reorganization of the Corporation other than as described in Section 4.6(a) or a consolidation, amalgamation, arrangement, binding share exchange, merger of the Corporation with or into any other Person or other entity or acquisition of the Corporation or other combination pursuant to which the Common Shares are converted into or acquired for cash, securities or other property; or a sale or conveyance of the property and assets of the Corporation as an entirety or substantially as an entirety to any other Person (other than a direct or indirect wholly-owned subsidiary of the Corporation) or other entity or a liquidation, dissolution or winding-up of the Corporation, any Holder of a Debenture who has not exercised its right of conversion prior to the date of such reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, share exchange, acquisition, combination, sale or conveyance or liquidation, dissolution or winding-up, upon the exercise of such right thereafter, shall be entitled to receive and shall accept, in lieu of the number of Common Shares then sought to be acquired by it, such amount of cash or the number of shares or other securities or property of the Corporation or of the Person or other entity resulting from such merger, amalgamation, arrangement, acquisition, combination or consolidation, or to which such sale or conveyance may be made or which holders of Common Shares receive pursuant to such liquidation, dissolution or winding-up, as the case may be, that such Holder of a Debenture would have been entitled to receive on such reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, share exchange, acquisition, combination, sale or conveyance or liquidation, dissolution or winding-up, if, on the record date or the date of this Indenture, as the case may be, the Holder had been the registered Holder of the number of Common Shares sought to be acquired by it and to which it was entitled to acquire upon the exercise of the conversion right. If determined appropriate by the Board of Directors, to give effect to or to evidence the provisions of this Section 4.6(d), the Corporation, its successor, or such purchasing Person or other entity, as the case may be, shall, prior to or contemporaneously with any such reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, share exchange, acquisition, combination, sale or conveyance or liquidation, dissolution or winding-up,

enter into an indenture which shall provide, to the extent possible, for the application of the provisions set forth in this Indenture with respect to the rights and interests thereafter of the Holder of Debentures to the end that the provisions set forth in this Indenture shall thereafter correspondingly be made applicable, as nearly as may reasonably be, with respect to any cash, shares or other securities or property to which a Holder of Debentures is entitled on the exercise of its acquisition rights thereafter. Any indenture entered into between the Corporation and the Trustee pursuant to the provisions of this Section 4.6(d) shall be a supplemental indenture entered into pursuant to the provisions of Section 12.4. Any indenture entered into between the Corporation, any successor to the Corporation or such purchasing Person or other entity and the Trustee shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided in this Section 4.6(d) and which shall apply to successive reclassifications, capital reorganizations, amalgamations, consolidations, mergers, share exchanges, acquisitions, combinations, sales or conveyances. Nothing in this Section 4.6(d) shall affect or reduce the requirement for any Person to make a Change of Control Purchase Offer.

(e) If the Corporation shall make a distribution to all holders of shares in the capital of the Corporation, other than Common Shares, or evidences of indebtedness or other assets of the Corporation, including securities (but excluding (x) any issuance of rights or warrants for which an adjustment was made pursuant to Section 4.5(c), and (y) any dividend or distribution paid exclusively in cash for which an adjustment was made pursuant to Section 4.5(b) (the "**Distributed Securities**"), then in each such case (unless the Corporation distributes such Distributed Securities to the holders of Debentures on such dividend or distribution date (as if each Holder had converted such Debenture into Common Shares immediately preceding the record date with respect to such distribution)) the Conversion Price in effect immediately preceding the ex-distribution date fixed for the dividend or distribution shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Price in effect immediately preceding such ex-distribution date by a fraction of which the denominator shall be the VWAP for the Common Shares for the five consecutive trading days immediately prior to the ex-distribution date and of which the numerator shall be the VWAP for the Common Shares for the first five consecutive trading days that occur immediately following ex-distribution date. Such adjustment shall be made successively whenever any such distribution is made and shall become effective five Business Days immediately following the ex-distribution date. In the event that such dividend or distribution is not so paid or made, the Conversion Price shall again be adjusted to be the Conversion Price that would then be in effect if such dividend or distribution had not been declared.

Notwithstanding the foregoing, if the securities distributed by the Corporation to all holders of its Common Shares consist of capital stock of, or similar equity interests in, a Subsidiary or other business of the Corporation (the "**Spinoff Securities**"), the Conversion Price shall be adjusted, unless the Corporation makes an equivalent distribution to the holders of Debentures, so that the same shall be equal to the rate determined by multiplying the Conversion Price in effect on the record date fixed for the determination of shareholders entitled to receive such distribution by a fraction, the denominator of which shall be the sum of: (A) the VWAP for the Common Shares for the 20 consecutive trading day period (the "**Spinoff Valuation Period**") commencing on and including the fifth trading day after the date on which ex-dividend trading commences for such distribution on a Recognized Stock Exchange or market on which the Common Shares are then listed or quoted and (B) the product of: (i) the weighted average trading price (calculated in substantially the same way as the Current Market Price is calculated for the Common Shares) over the Spinoff Valuation Period of the Spinoff Securities or, if no such prices are available, the Fair Market Value of the Spinoff Securities (which determination shall be conclusive and shall be evidenced by an Officer's Certificate delivered to the Trustee) multiplied by (ii) the number of

Spinoff Securities distributed in respect of one Common Share and the numerator of which shall be the VWAP for the Common Shares for the Spinoff Valuation Period, such adjustment to become effective immediately preceding the opening of business on the 25th trading day after the date on which ex-dividend trading commences; provided, however, that the Corporation may in lieu of the foregoing adjustment elect to make adequate provision so that each Holder of Debentures shall have the right to receive upon conversion thereof the amount of such Spinoff Securities that such Holder of Debentures would have received if such Debentures had been converted on the record date with respect to such distribution.

(f) If any issuer bid made by the Corporation or any of its Subsidiaries for all or any portion of Common Shares shall expire, then, if the issuer bid shall require the payment to shareholders of consideration per Common Share having a Fair Market Value (determined as provided below) that exceeds the Current Market Price per Common Share on the last date (the "**Expiration Date**") tenders could have been made pursuant to such issuer bid (as it may be amended) (the last time at which such tenders could have been made on the Expiration Date is hereinafter sometimes called the "**Expiration Time**"), the Conversion Price shall be adjusted so that the same shall equal the rate determined by multiplying the Conversion Price in effect immediately preceding the close of business on the Expiration Date by a fraction of which: (i) the denominator shall be the sum of (A) the Fair Market Value of the aggregate consideration (which determination shall be conclusive evidence of such Fair Market Value and which shall be evidenced by an Officer's Certificate delivered to the Trustee) payable to shareholders based on the acceptance (up to any maximum specified in the terms of the issuer bid) of all Common Shares validly tendered and not withdrawn as of the Expiration Time (the Common Shares deemed so accepted, up to any such maximum, being referred to as the "**Purchased Common Shares**") and (B) the product of the number of Common Shares outstanding (less any Purchased Common Shares and excluding any Common Shares held in the treasury of the Corporation) at the Expiration Time and the Current Market Price per Common Share on the Expiration Date and (ii) the numerator of which shall be the product of the number of Common Shares outstanding (including Purchased Common Shares but excluding any Common Shares held in the treasury of the Corporation) at the Expiration Time multiplied by the Current Market Price per Common Share on the Expiration Date, such increase to become effective immediately preceding the opening of business on the day following the Expiration Date. In the event that the Corporation is obligated to purchase Common Shares pursuant to any such issuer bid, but the Corporation is permanently prevented by applicable law from effecting any or all such purchases or any or all such purchases are rescinded, the Conversion Price shall again be adjusted to be the Conversion Price which would have been in effect based upon the number of Common Shares actually purchased, if any. If the application of this clause (f) of Section 4.6 to any issuer bid would result in a decrease in the Conversion Price, no adjustment shall be made for such issuer bid under this clause (f).

(g) In any case in which this Section 4.6 shall require that an adjustment shall become effective immediately after a record date for an event referred to herein, the Corporation may defer, until the occurrence of such event, issuing to the Holder of any Debenture converted after such record date and before the occurrence of such event the additional Common Shares issuable upon such conversion by reason of the adjustment required by such event before giving effect to such adjustment; provided, however, that the Corporation shall deliver to such Holder an appropriate instrument evidencing such Holder's right to receive such additional Common Shares upon the occurrence of the event requiring such adjustment and the right to receive any distributions made on such additional Common Shares declared in favour of holders of record of Common Shares on and after the Date of Conversion or such later date as such Holder would, but for the provisions of this Section 4.6(e), have become the Holder of record of such additional Common Shares pursuant to Section 4.4(b).

(h) The adjustments provided for in this Section 4.6 are cumulative and shall apply to successive subdivisions, redivisions, reductions, combinations, consolidations, distributions, issues or other events resulting in any adjustment under the provisions of this Section, provided that, notwithstanding any other provision of this Section, no adjustment of the Conversion Price shall be required unless such adjustment would require an increase or decrease of at least 1% in the Conversion Price then in effect; provided however, that any adjustments which by reason of this Section 4.6(h) are not required to be made shall be carried forward and taken into account in any subsequent adjustment.

(i) For the purpose of calculating the number of Common Shares outstanding, Common Shares owned by or for the benefit of the Corporation shall not be counted.

(j) In the event of any question arising with respect to the adjustments provided in this Section 4.6, such question shall be conclusively determined by a firm of nationally recognized chartered accountants appointed by the Corporation and acceptable to the Trustee (who may be the auditors of the Corporation); such accountants shall have access to all necessary records of the Corporation and such determination shall be binding upon the Corporation, the Trustee, and the Debentureholders.

(k) In case the Corporation shall take any action affecting the Common Shares other than action described in this Section 4.6, which in the opinion of the Board of Directors, adjusted in such manner and at such time, by action of the Board of Directors, subject to the requirements of a Recognized Stock Exchange on which the Common Shares are listed, as the Board of Directors, in their sole discretion acting reasonably and in good faith may determine to be equitable in the circumstances. Failure of the directors to make such an adjustment shall be conclusive evidence that they have determined that it is equitable to make no adjustment in the circumstances.

(l) Subject to the requirements of a Recognized Stock Exchange on which the Common Shares are listed, no adjustment in the Conversion Price shall be made in respect of any event described in Section 4.6(a), Section 4.6(b), Section 4.6(c), Section 4.6(e) or Section 4.6(f) other than the events described in Section 4.6(a)(i) or Section 4.6(a)(ii) if the holders of the Debentures are entitled to participate in such event on the same terms mutatis mutandis as if they had converted their Debentures prior to the date of this Indenture or record date, as the case may be, of such event.

(m) Except as stated above in this Section 4.6, no adjustment will be made in the Conversion Price for any Debentures as a result of the issuance of Common Shares at less than the Current Market Price for such Common Shares on the date of issuance or the then applicable Conversion Price.

4.7 **No Requirement to Issue Fractional Common Shares**

The Corporation shall not be required to issue fractional Common Shares upon the conversion of Debentures pursuant to this Article. If more than one Debenture shall be surrendered for conversion at one time by the same Holder, the number of whole Common Shares issuable upon conversion thereof shall be computed on the basis of the aggregate principal amount of such Debentures to be converted. If any fractional interest in a Common Share would, except for the provisions of this Section, be deliverable upon the conversion of any principal amount of Debentures, any fraction of a Common Share that would otherwise be issued will be rounded down to the nearest whole number. For clarity, the Corporation will not be required to make any cash payment to any Debentureholder in respect of the conversion of Debentures in respect of any fractional Common Shares unless such amount is greater than $20.

4.8 **Corporation to Reserve Common Shares**

The Corporation covenants with the Trustee that it will at all times reserve and keep available out of its authorized Common Shares (if the number thereof is or becomes limited), solely for the purpose of issue upon conversion of Debentures as in this Article provided, and conditionally allot to Debentureholders who may exercise their conversion rights hereunder, such number of Common Shares as shall then be issuable upon the conversion of all Outstanding Debentures. The Corporation covenants with the Trustee that all Common Shares which shall be so issuable shall be duly and validly issued as fully-paid and non-assessable.

4.9 **Cancellation of Converted Debentures**

Subject to the provisions of Section 4.4 as to Debentures converted in part, all Debentures converted in whole or in part under the provisions of this Article shall be forthwith delivered to and cancelled by the Trustee and no Debenture shall be issued in substitution for those converted.

4.10 **Certificate as to Adjustment**

The Corporation, pursuant to a Board Resolution, shall from time to time immediately after the occurrence of any event which requires an adjustment or readjustment as provided in Section 4.6, deliver an Officer's Certificate to the Trustee specifying the nature of the event requiring the same and the amount of the adjustment necessitated thereby and setting forth in reasonable detail the method of 25% of the principal amount of the Debentures then outstanding notify the Trustee that they do not agree with such determination within 14 days of such determination being communicated to all the holders, such certificate and the amount of the adjustment specified therein shall be verified by an opinion of a firm of nationally recognized chartered accountants appointed by the Corporation and acceptable to the Trustee (who may be the auditors of the Corporation) and shall be conclusive and binding to all parties in interest. When so approved, the Corporation shall, except in respect of any subdivision, redivision, reduction, combination or consolidation of the Common Shares, forthwith give notice to the Debentureholders in the manner provided in Section 4.3 specifying the event requiring such adjustment or readjustment and the results thereof, including the resulting Conversion Price.

4.11 **Notice of Special Matters**

The Corporation covenants with the Trustee that so long as any Debenture remains outstanding, it will give notice to the Trustee, and to the Debentureholders in the manner provided in Section 11.2, of its intention to fix a record date for any event referred to in Section 4.6(a), Section 4.6(b), Section 4.6(c) or Section 4.6(e) (other than the subdivision, redivision, reduction, combination or consolidation of its Common Shares) which may give rise to an adjustment in the Conversion Price, and, in each case, such notice shall specify the particulars of such event and the record date and the date of this Indenture for such event; provided that the Corporation shall only be required to specify in such notice such particulars of such event as shall have been fixed and determined on the date on which such notice is given. Such notice shall be given not less than 7 days in each case prior to such applicable record date.

In addition, the Corporation covenants with the Trustee that so long as any Debenture remains outstanding, it will give notice to the Trustee, and to the Debentureholders in the manner provided in Section 11.2, at least 30 days prior to the: (i) date of any transaction referred to in Section 4.6(d) stating the consideration into which the Debentures will be convertible after the date of this Indenture of such transaction; and (ii) Expiration Date of any transaction referred to in Section 4.6(f) stating the consideration paid per Common Share in such transaction.

4.12 **Protection of Trustee**

Subject to Section 8.1, the Trustee:

(a) shall not at any time be under any duty or responsibility to any Debentureholder to determine whether any facts exist which may require any adjustment in the Conversion Price, or with respect to the nature or extent of any such adjustment when made, or with respect to the method employed in making the same;

(b) shall have no duty to determine when an adjustment under this Article 4 should be made, how it should be made or what such adjustment should be, but may accept as conclusive evidence of the fact or the correctness of any such adjustment, and shall be protected in acting and relying upon, an Officers' Certificate with respect thereto;

(c) shall not be accountable with respect to the validity or value (or the kind or amount) of any Common Shares or of any shares or other securities or property which may at any time be issued or delivered upon the conversion of any Debenture; and

(d) shall not be responsible for any failure of the Corporation to make any cash payment or to issue, transfer or deliver Common Shares or share certificates upon the surrender of any Debenture for the purpose of conversion, or to comply with any of the covenants contained in this Article.

4.13 **Reserved.**

4.14 **Canadian Private Placement Legend on Common Shares**

Each certificate representing Common Shares issued upon conversion of Debentures (or in lieu of cash as interest thereon), shall have imprinted or otherwise reproduced thereon such legend or legends substantially in the following form, unless not required by Applicable Securities Laws in order to permit the Holder to freely trade such Common Shares:

> **"UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE [INSERT THE DATE THAT IS 4 MONTHS AND A DAY AFTER THE DISTRIBUTION DATE]."**

provided that if, at any time, in the opinion of counsel to the Corporation, such legend is no longer necessary or advisable under Applicable Securities Laws, or the Holder of any such legended certificate, at the Holder's expense, provides the Corporation with evidence satisfactory in form and substance to the Corporation (which may include an opinion of counsel satisfactory to the Corporation) to the effect that such legend is not required, such legended certificate may thereafter be surrendered to the Corporation in exchange for a certificate which does not bear such legend.

ARTICLE 5
COVENANTS AND REPRESENTATIONS

As long as any Debentures remain outstanding, the Corporation hereby covenants and agrees with the Trustee for the benefit of the Trustee and the Holders of the then Outstanding Debentures, as follows (unless and for so long as the Corporation and/or one or more of its Subsidiaries are the only Holders (or

Beneficial Holders) of the Outstanding Debentures, in which case the following provisions of this Article 5 shall not apply):

5.1 Payment of Principal, Premium and Interest

The Corporation shall duly and punctually pay the principal of (and premium, if any), and interest on the Debentures in accordance with their terms and this Indenture.

5.2 Existence; Books of Account

The Corporation shall do or cause to be done all things reasonably necessary to preserve and keep in full force and effect the corporate, partnership or other legal existence, as applicable, and the corporate, partnership or other legal power and capacity, as applicable, of the Corporation to own its properties and assets. The Corporation will keep or cause to be kept proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of the Corporation in accordance with GAAP.

5.3 Notice of Default

The Corporation shall promptly notify the Trustee upon becoming aware of the occurrence of any Default or Event of Default.

5.4 Compliance Certificate

The Corporation shall deliver to the Trustee within 120 days after the end of each Fiscal Year (and at any other reasonable time upon demand by the Trustee) beginning with the Fiscal Year ending January 31, 2019 an Officer's Certificate stating that the Corporation has compiled with all requirements of the Corporation contained in the Indenture Documents and stating whether or not a Default or an Event of Default has occurred. If a Default or an Event of Default shall have occurred, the certificate shall describe the nature and particulars of the Default of Event of Default and its current status and steps taken or proposed to be taken to eliminate such circumstances and remedy such Event of Default, as the case may be.

5.5 Compliance with Applicable Laws

The Corporation represents and warrants:

(a) that it currently operates, and will continue to operate, in compliance with all applicable securities guidance, laws and regulations, all applicable anti-money laundering laws and all applicable government marijuana-related laws and regulations within Canada and the United States (save and except for applicable U.S. marijuana-related federal laws and laws implicated by the violation of U.S. marijuana-related federal laws);

(b) that U.S. businesses that the Corporation invests in operate in compliance with applicable marijuana-related licensing requirements and the regulatory framework enacted by the applicable U.S. State; and

(c) that to the best of its knowledge, after due inquiry, that U.S. customers or suppliers with which the Corporation transacts in cannabis products are licensed pursuant to applicable State law.

5.6 Conduct of Business

The Corporation shall do or cause to be done all things reasonably required to carry on its business in a commercially reasonable manner in accordance with normal industry standards and Applicable Law, except for U.S. Marijuana Laws (and laws implicated by the violation of U.S. marijuana-related federal laws). The Corporation will notify the Trustee in the event of any material change in their marijuana-related business activity including, but not limited to, a notice of merger, acquisition, intent to enter the recreational marijuana business in Canada, an intent to operate in the United States in a state where medical or recreational marijuana is not legal at the state level. The Corporation will notify the Trustee in the event it receives notice of any regulatory, governmental or criminal citation, notice of violation, investigation or proceeding that may have an impact on the Corporation's license, business activities or operations..

5.7 No Distribution on Shares if Event of Default

The Corporation shall not declare or pay any distribution to the holders of its issued and outstanding shares after the occurrence of an Event of Default unless and until such default shall have been cured or waived or shall have ceased to exist.

5.8 Payment of Trustee's Remuneration

The Corporation will pay on demand the Trustee's reasonable remuneration for its services as Trustee hereunder (including reimbursements for distributions which include legal services) and will repay to the Trustee on demand all moneys which shall have been paid by the Trustee out of its own funds in and about the execution of the trusts hereby created. The said remuneration shall continue to be payable until the trusts hereof are finally wound up and whether or not the trusts of this Indenture shall be in course of administration by or under the direction of the court. This Section 5.8 shall survive the resignation of the Trustee or the termination of this Indenture. Notwithstanding the foregoing, the Corporation need not pay or reimburse the Trustee for expenses, disbursements or advances if the Trustee incurred such expenses, disbursements or advances as a result of its bad faith, willful misconduct or gross negligence of a right, duty or obligation by the Trustee.

5.9 Further Instruments and Acts

Upon reasonable request of the Trustee, the Corporation will execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purposes of this Indenture.

5.10 Performance of Covenant by Trustee

If the Corporation fails to perform any of its covenants contained in this Indenture, the Trustee may itself perform any of such covenants capable of being performed by it, but will be under no obligation to do so. All sums expended or advanced by the Trustee for such purpose will be repayable as provided in Section 5.8 of this Indenture. No such performance or advance by the Trustee shall relieve the Corporation of any default hereunder or its continuing obligations hereunder.

ARTICLE 6
EVENTS OF DEFAULT AND REMEDIES

6.1 **Events of Default and Enforcement**

(a) If and when any one or more of the following events (each, an "**Event of Default**") shall happen on or after the date of this Indenture, namely:

(i) a default in payment of any principal amount with respect to the Debentures, when the same becomes due and payable;

(ii) a default in payment of interest on any Debentures when due and payable and the continuance of such default for 10 days;

(iii) a default by the Corporation in performing or observing any other covenants, agreements or obligations of the Corporation as described herein, and the continuance of such default for 30 days after the earlier of the Corporation becoming aware of same and written notice to the Corporation by the Trustee requiring the same to be remedied;

(iv) a decree, judgment, or order by a court having jurisdiction in the premises shall have been entered adjudging the Corporation bankrupt or insolvent or approving as properly filed a petition seeking reorganization, readjustment, arrangement composition or similar relief for the Corporation, under the *Bankruptcy and Insolvency Act* (Canada), *Companies' Creditors Arrangement Act* (Canada) or any other similar bankruptcy, insolvency or analogous applicable law to include proceedings in desastre and/or the grant of a preliminary vesting order in saisie proceedings, in each case and such decree, judgment or order of a court having jurisdiction in the premises for the appointment of a receiver, liquidator, administrator, controller or trustee or assignee in bankruptcy or insolvency of the Corporation or of a substantial part of its property, or for the winding up or liquidation of its affairs, shall have remained in force for a period of 30 consecutive days;

(v) the Corporation shall institute proceedings to be adjudicated a voluntary bankrupt, or shall consent to the filing of a bankruptcy proceeding against it, or shall file a petition or answer or consent seeking reorganization, readjustment, arrangement, composition or similar relief under the *Bankruptcy and Insolvency Act* (Canada), *Companies' Creditors Arrangement Act* (Canada) or any other similar bankruptcy, insolvency or analogous applicable law or shall consent to the filing or any such petition in each case, or shall consent to the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency for it or of a substantial part of its property, or shall make an assignment for the benefit of creditors, or shall be unable, or admit in writing its inability, to pay its debts generally as they become due, or corporate action shall be taken by the Corporation in furtherance of any of the aforesaid actions;

(vi) if a resolution is passed for the winding-up or liquidation of the Corporation except in the course of carrying out or pursuant to a transaction in respect of which the conditions of Section 10.1 are duly observed and performed; or

(vii) if any judgment or court order for the payment of money in excess of $5,000,000 in the aggregate (or the equivalent amount in any other currency) is rendered against the Corporation that is not discharged in accordance with its terms or in respect of which

such cash collateral or other security satisfactory to the Trustee in the amount of the judgment or court order has not been deposited with the Trustee to be set aside to pay such judgment or court order;

then, and in each and every such case which has happened and is continuing (other than an Event of Default specified in clause (d) or (e) above), the Trustee may, in its discretion, and shall, upon the written request of the holders of, collectively, not less than 25% in principal amount of the Outstanding Debentures at such time, declare the principal of (and premium, if any) together with accrued interest on all such Debentures to be due and payable immediately, by a Notice in writing to the Corporation (and to the Trustee if given by the Holders), and upon any such declaration such principal amount and premium, if any, together with accrued interest thereon, shall become immediately due and payable. If the Trustee fails to notify in writing the Corporation pursuant to the terms hereof, the Debentureholders having provided the written request to the Trustee may do so. If an Event of Default specified in clause (d) or (e) occurs, then the principal of (and premium, if any) together with accrued interest on all Outstanding Debentures shall immediately become due and payable without delivery of any Notice or other act on the part of either the Trustee of any Holder.

6.2 **Notice of Event of Default**

The Trustee shall, within five Business Days after the Trustee becomes aware of the occurrence of an Event of Default, give to the Holders by way of written Notice, Notice of every Event of Default so occurring and continuing at the time the Notice is given to the Holders. When a Notice of the occurrence of an Event of Default is given by the Trustee pursuant to this Section 6.2 and the Event of Default is thereafter cured, the Trustee shall, within five Business Days after the Corporation provides written Notice to the Trustee that the Event of Default has been cured and is no longer outstanding, give to all Holders to whom Notice of the occurrence of the Event of Default was given, Notice that the Event of Default is no longer outstanding. The Trustee shall not be deemed to have notice of any Default or Event of Default unless written notice of any event which is in fact such a Default is received by the Trustee at the Corporate Trust Office of the Trustee, and such notice references this Indenture. Delivery of reports to the Trustees shall not constitute actual knowledge of, or notice to, the Trustees of the information contained therein.

6.3 **Waiver of Default**

(a) The holders of, collectively, more than 50% in aggregate principal amount of the Outstanding Debentures, may on behalf of the holders of all Debentures, by written Notice to the Trustee approved by an instrument in writing signed in one or more counterparts by such holders or their duly appointed proxies or agents, instruct the Trustee to waive any past Default or Event of Default hereunder and its consequences, except a Default:

(i) in the payment of the principal of (or premium, if any) or interest on any Debentures; or

(ii) in respect of a covenant or provision hereof that under Section 12.2 cannot be modified or amended without approval by Extraordinary Resolution.

(b) Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

6.4 **Waiver of Acceleration**

At any time after a declaration of acceleration with respect to the Debentures has been made pursuant to this Article 6 and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter provided, the holders of, collectively, more than 50% in aggregate principal amount of Outstanding Debentures by written Notice to the Trustee approved by an instrument in writing signed in one or more counterparts by such holders or their duly appointed proxies or agents, may instruct the Trustee to thereupon rescind and annul such declaration and its consequences if:

(a) the Corporation has paid or deposited with the Trustee a sum sufficient to pay:

(i) all overdue interest on all Debentures;

(ii) the principal of (and premium, if any on), any of the Debentures which have become due otherwise than by such declaration of acceleration and interest thereon at the rate or rates prescribed therefore in such Debentures; and

(iii) to the extent that payment of such interest is lawful and applicable, interest upon overdue instalments of interest at the rate or rates prescribed therefor in such Debentures;

(b) all Events of Default with respect to the Debentures, other than the non-payment of the principal of (and premium, if any), and interest on, such Debentures which have become due solely by such declaration of acceleration, have been cured or waived in accordance with the provisions of this Indenture; and

(c) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

6.5 **Other Remedies**

(a) If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of principal of (and premium, if any) or interest on Debentures or to enforce the performance of any terms of the Debentures or this Indenture.

(b) The Trustee may maintain a Proceeding even if it does not possess any Debentures or does not produce any of them in the Proceeding. A delay or omission by the Trustee or any Holder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default.

6.6 **Application of Money Collected**

Any money collected by the Trustee pursuant to this Article 6 in respect of Debentures shall (subject to any claims having priority under Applicable Law) be applied in the following order, at the dates fixed by the Trustee and, in case of the distribution of such money on account of principal of (and premium, if any) or interest, upon presentation of Debentures and the notation thereon of the payment (if only partially paid) and upon surrender thereof (if fully paid):

(a) first, to the payment of all amounts due to the Trustee of its compensation, costs, charges, expenses, borrowing, advances or other moneys furnished or provided under this Indenture with respect to such Debentures;

(b) second, to the payment of accrued interest on such Debentures;

(c) third, to the payment of the principal of (and premium, if any) on such Debentures;

(d) fourth, to the payment of any other amounts with respect to such Debentures; and

(e) fifth, to whomever may be lawfully entitled to receive the balance of such money.

6.7 **Control by Holders**

(a) The holders of, collectively, at least a majority in principal amount of the Outstanding Debentures may:

(i) direct the time, method and place in the Province of British Columbia of conducting any Proceeding for any remedy available to the Trustee or exercising any trust or power conferred on it with respect to the Debentures; and

(ii) take any other action authorized to be taken by or on behalf of the holders of any specified aggregate principal amount of Debentures under any provisions of this Indenture or under Applicable Law.

(b) The Trustee may refuse, however, to follow any direction pursuant to section 6.8(a) that Counsel to the Trustee advises conflicts with Applicable Law or this Indenture.

6.8 **Limitation on Suits**

(a) No Holder of any Debenture will have any right to pursue any remedy (including any action, suit or proceeding authorized or permitted by this Indenture or pursuant to Applicable Law, except actions for payment of overdue principal, premium, if any, or interest with respect to this Indenture or the Debentures unless: (i) the Holder gives to the Trustee notice of a continuing Event of Default; (ii) the holders of, collectively, at least 25% in principal amount of the then Outstanding Debentures make a request in writing to the Trustee to pursue the remedy; (iii) such Holder or Holders offer or provide to the Trustee sufficient funding and indemnity in form satisfactory to the Trustee against any loss, liability or expense; (iv) the Trustee does not comply with the request within 30 days after receipt of such request and indemnity; and (v) during such 30-day period the holders of, collectively, a majority in principal amount of Outstanding Debentures do not give the Trustee a direction inconsistent with the request.

(b) Holders may not use this Indenture to prejudice the rights of another Holder or to obtain a preference or priority over another Holder.

6.9 **Collection Suit by Trustee**

If an Event of Default occurs and is continuing, the Trustee may recover judgment in its own name and as trustee against the Corporation for the whole amount of principal (and premium, if any) and interest remaining unpaid on the Debentures and any other amounts owing under the terms of this Indenture.

6.10 **Trustee May File Proofs of Claim**

The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and the Holders lodged or allowed in any judicial proceedings relative to the Corporation, its creditors or its property.

6.11 **Undertaking for Costs**

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defences made by the party litigant. This Section 6.11 does not apply to a suit by the Trustee, a suit by a Holder pursuant to Section 6.8, or a suit by any Holder, group of Holders, of, collectively, more than 50% in aggregate principal amount of the Outstanding Debentures.

6.12 **Delay or Omission Not Waiver**

No delay or omission of the Trustee or of any Holder of any Debenture to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

6.13 **Remedies Cumulative**

No remedy herein conferred upon or reserved to the Trustee or upon or to the Holders is intended to be exclusive of any other remedy, but each remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now existing or hereafter to exist by law or statute.

6.14 **Judgment Against the Corporation**

The Corporation covenants and agrees with the Trustee that, in case of any Proceeding to obtain judgment for payment of the principal of, premium, if any, or interest, if any, on the Debentures, judgment may be rendered against it in favour of the Holders or in favour of the Trustee, as Holder of a power of attorney for the Holders, for the amount which may remain due in respect of the Debentures and the interest and premium, if any, thereon.

6.15 **Rights of Holders to Receive Payment**

Notwithstanding any other provision of this Indenture, the right of any Holder of a Debenture to receive payment of the principal amount and interest, if any, in respect of the Debentures held by such Holder, on or after the respective due dates expressed in the Debentures and this Indenture (whether upon repurchase or otherwise), and to bring suit for the enforcement of any such payment on or after such respective due dates is, subject to compliance with the provisions of Section 6.8, absolute and unconditional and shall not be impaired or affected without the consent of the Holder.

ARTICLE 7
SATISFACTION AND DISCHARGE

7.1 Non-Presentation of Debentures

If any Debentureholder fails to present any Debentures for payment on the date on which the principal of, premium, if any, or interest thereon, becomes payable, whether on a payment date, Maturity Date or any other repayment date, or shall not accept payment on account thereof and give such receipt therefore, if any, as the Trustee may require:

(a) the Corporation shall thereafter be entitled to pay or deliver to the Trustee and direct the Trustee to set aside; or

(b) in respect of moneys in the hands of the Trustee which may or should be applied to the payment of the Debentures, the Corporation shall thereafter be entitled to direct the Trustee to set aside;

the principal of, premium, if any, and interest on such Holder's Debentures, in trust to be paid to such Debentureholder upon due presentation or surrender of such Debenture in accordance with the provisions of this Indenture; and thereupon the principal of, premium, if any, and interest payable on each Debenture in respect whereof such moneys have been set aside shall be deemed to have been paid and the Holder thereof shall thereafter have no right in respect thereof except to receive delivery and payment of the moneys so set aside by the Trustee upon due presentation and surrender thereof, subject to the provisions of Section 2.4.

7.2 Discharge

The Trustee shall at the written request of the Corporation release and discharge this Indenture and execute and deliver such instruments as it shall be advised by Counsel are requisite for that purpose and release the Corporation from its covenants herein contained (other than the provisions relating to the indemnification of the Trustee), upon proof being given to the reasonable satisfaction of the Trustee that the principal of, premium, if any, and interest on (including interest on amounts in default, if any) all of the Debentures and all other moneys payable hereunder have been paid or satisfied or that, all of the Debentures having matured, payment of the principal of, premium, if any, and interest (including interest on amounts in default, if any) on such Debentures and all other moneys payable hereunder have been duly and effectually provided for in accordance with the provisions hereof.

ARTICLE 8
CONCERNING THE TRUSTEE

8.1 Duties of Trustee

In the exercise of its rights, duties and obligations prescribed or conferred by this Indenture, the Trustee shall act honestly and in good faith and shall exercise that degree of care, diligence and skill that a reasonably prudent corporate trustee would exercise in comparable circumstances. Subject to the foregoing, the Trustee shall be liable only for an act or failure to act arising from or in connection with dishonesty, bad faith, wilful misconduct, gross negligence or reckless disregard of a right, duty or obligation by the Trustee. The Trustee shall not be liable for any act or default on the part of any agent employed by it or for permitting any agent or co-trustee to receive and retain any moneys payable to the Trustee under this Indenture, except as aforesaid. The Trustee shall not be required to exercise any powers and shall not have any responsibilities except as expressly provided in this Indenture and shall have no

obligation to recognize nor have any liability or responsibility arising under any other document or agreement to which the Trustee is not a party, notwithstanding that reference thereto may be made herein.

8.2 **Employ Agents**

The Trustee may, but is not required to employ (at the expense of the Corporation) such Counsel, agents and other assistants as it may reasonably require for the proper determination and discharge of its duties under this Indenture, and shall not be responsible for any negligence or misconduct on the part of any such Counsel, agent or other assistant or for any liability incurred by any Person as a result of not employing such Counsel, agent or other assistant, and may pay reasonable remuneration for all services performed for it with respect to this Indenture, and shall be entitled to receive reimbursement for all reasonable disbursements, costs, liabilities and expenses made or incurred by it with respect to this Indenture. All such disbursements, costs, liabilities and expenses in relation to this Indenture and all expenses incidental to the preparation, execution, creation and issuance of the Debentures, whether done or incurred at the request of the Trustee or the Corporation, shall bear interest at the posted annual rate of interest charged by the Trustee from time to time to its corporate trust customers from the date which is 30 days following receipt by the Corporation of an invoice from the Trustee with respect to such expenses until the date of reimbursement and shall (together with such interest) be paid by the Corporation immediately upon receipt of such invoice.

8.3 **Reliance on Evidence of Compliance**

The Trustee may conclusively rely upon any document believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Corporation, personally or by agent or attorney at the sole cost of the Corporation and shall incur no liability or additional liability of any kind by reason of such inquiry or investigation. Unless otherwise specifically provided in this Indenture, any demand, request, direction or notice from the Corporation shall be sufficient if signed by an Officer of the Corporation. The Trustee may request that the Corporation deliver an Officer's Certificate setting forth the names of the individuals and/or title of officers authorized at such time to take specified actions pursuant to this Indenture.

Before the Trustee acts or refrains from acting, it may, acting reasonably, require an Officer's Certificate or an opinion of counsel or both. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Officer's Certificate or opinion of counsel. The Trustee may consult with counsel of its selection (including counsel to the Corporation) and the advice of such counsel or any opinion of counsel shall be full and complete authorization and protection from liability in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon. The Trustee may act through its attorneys and agents and shall not be responsible for the misconduct or negligence of any agent or attorney appointed with due care.

8.4 **Advice of Experts**

The Trustee may act or not act and rely or not rely, and shall be protected in acting or not acting and relying or not relying in good faith, on the opinion, advice or information (including the Opinion of Counsel) obtained from any counsel, auditor, valuer, engineer, surveyor or other expert, whether obtained by the Trustee or by the Corporation, in relation to any matter arising in the administration of the trusts hereof and the Trustee shall not be responsible for any misconduct on the part of any of them or for any loss occasioned by so acting unless such action was taken in bad faith or such action constitutes

negligence or wilful misconduct, and, if acting in good faith, may rely as to the truth of the statements and the accuracy of the opinions expressed in any report or opinion furnished by such Person and may obtain such assistance as may be necessary to the proper determination and discharge of its duties and may pay proper and reasonable compensation for all such legal and other advice or assistance as aforesaid, including the disbursements of any legal or other advisor or assistants.

8.5 **Trustee May Deal in Debentures**

In its personal capacity or any other capacity, the Trustee, and each Affiliate of the Trustee, may buy, sell, lend upon, become a pledgee of and deal in the Debentures and generally contract and enter into financial transactions with the Corporation and any Affiliate of the Corporation without being liable to account for any profits made thereby.

8.6 **Conditions Precedent to Trustee's Obligation to Act**

(a) The Trustee shall not be bound to give any notice, or to do, observe or perform or see to the observance or performance by the Corporation of any of the obligations imposed under this Indenture or to supervise or interfere with any of the activities of the Corporation, or to do or take any act, action or Proceeding by virtue of the powers conferred on it by this Indenture, unless and until it shall have been required to do so under the terms of this Indenture; nor shall the Trustee be required to take notice of any Default or Event of Default, other than in payment of any moneys required by this Indenture to be paid to the Trustee, unless and until notified in writing of such Default or Event of Default by the Corporation or by any Holder, which notice shall distinctly specify such Default or Event of Default, and in the absence of any such notice the Trustee may conclusively assume that no Default or Event of Default has occurred. Any such notice or requisition shall in no way limit any discretion given to the Trustee in this Indenture to determine whether or not to take action with respect to any Default or Event of default or with respect to any such requisition.

(b) The obligation of the Trustee to do any of the actions referred to in (1), including to commence or to continue any Proceeding or any right of the Trustee or the Holders, shall be conditional upon the Holders furnishing, when required by notice in writing by the Trustee, sufficient funds to commence or continue such action and an indemnity satisfactory to the Trustee to protect and hold harmless the Trustee against the costs, charges, expenses and liabilities which may result from such action and any loss and damage the Trustee may suffer by reason of such action.

8.7 **Trustee Not Required to Give Security**

The Trustee shall not be required to give any bond or surety in respect of the performance of its powers and duties hereunder.

8.8 **Resignation or Removal of Trustee; Conflict of Interest**

(a) The Trustee represents and warrants to the Corporation that at the time of the execution and delivery of this Indenture no material conflict of interest exists with respect to the Trustee's role as a fiduciary hereunder.

(b) The Trustee may resign as trustee hereunder by giving not less than 60 days notice in writing to the Corporation or such shorter notice as the Corporation may accept as sufficient. The Trustee shall resign if a material conflict of interest arises with respect to its role as trustee under this Indenture that is not eliminated within 90 days after the Trustee becomes aware of such conflict

of interest. Immediately after the Trustee becomes aware that it has a material conflict of interest it shall provide the Corporation with written notice of the nature of that conflict. Upon any such resignation, the Trustee shall be discharged from all further duties and liabilities under this Indenture. None of the validity and enforceability of this Indenture or the Debentures shall be affected in any manner whatsoever by reason only of the existence of a material conflict of interest on the part of the Trustee (whether arising prior to or after the date of this Indenture). If the Trustee does not comply with this section, any Holder or the Corporation may apply to the Supreme Court of British Columbia in Vancouver for an order that the Trustee be replaced as trustee under this Indenture.

(c) In the event of the Trustee resigning or being removed by the Holders by Extraordinary Resolution or by the Corporation or being dissolved, becoming insolvent or bankrupt, going into liquidation or otherwise becoming incapable of acting as trustee under this Indenture, the Corporation shall immediately appoint a successor Trustee unless a successor Trustee has already been appointed by the Holders; failing such appointment by the Corporation, the retiring Trustee or any other Holder may apply (at the expense of the Corporation) to a judge of the Supreme Court of British Columbia in Vancouver for, on such notice as such judge may direct, for the appointment of a successor Trustee. The successor Trustee so appointed by the Corporation or by such court shall be subject to removal by the Holders by way of an Act of Holders. Any successor Trustee appointed under any provision of this section shall be a corporation authorized to carry on the business of a trust company in Canada or in any province thereof. On any appointment of the successor Trustee, the successor Trustee shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named in this Indenture as Trustee. The expenses of all acts, documents and Proceedings required under this section will be paid by the Corporation in the same manner as if the amount thereof were fees payable to the Trustee under this Indenture.

(d) Any successor Trustee shall, immediately upon appointment, become vested with all the estates, properties, rights, powers and trusts of its predecessor in the trusts under this Indenture, with like effect as if originally named as Trustee hereunder. Nevertheless, upon the written request of the successor Trustee or of the Corporation and upon payment of all outstanding fees and expenses, the Trustee ceasing to act shall execute and deliver a document assigning and transferring to such successor Trustee, upon the trusts expressed in this Indenture, all the rights, powers and trusts of the Trustee so ceasing to act, and shall duly assign, transfer and deliver all property (including money) held by such Trustee to the successor Trustee in its place. Should any deed, conveyance or other document in writing from the Corporation be required by any successor Trustee for more fully and certainly vesting in and confirming to it such estates, properties, rights, powers and trusts, then any and all such deeds, conveyances and other documents in writing shall, on the request of the successor Trustee, be made, executed, acknowledged and delivered by the Corporation.

(e) Any corporation into which the Trustee is amalgamated or with which it is consolidated or to which all or substantially all of its corporate trust business is sold or is otherwise transferred or any corporation resulting from any consolidation or amalgamation to which the Trustee is a party shall be a successor Trustee under this Indenture without the execution of any document or any further act; provided that such successor Trustee is a corporation qualified to carry on the business of a trust company in Canada or any province thereof and shall not have a material conflict of interest in its role as a fiduciary under this Indenture.

8.9 **Authority to Carry on Business; Resignation**

The Trustee represents and warrants to the Corporation that at the date of execution and delivery by it of this Indenture it is authorized to carry on the business of a trust company in Alberta. If the Trustee ceases to be so authorized to carry on business, the validity and enforceability of this Indenture and the Debentures issued hereunder shall not be affected in any manner by reason only of such event but the Trustee shall, within 90 days after ceasing to be authorized to carry on the business of a trust company in Canada or a province thereof, either become so authorized or resign in the manner and with the effect specified in Section 8.8.

8.10 **Protection of Trustee**

By way of supplement to any Applicable Law from time to time relating to trustees and in addition to any other provision of this Indenture for the relief of the Trustee, it is expressly agreed that:

(a) the Trustee shall not be liable for or by reason of any statements of fact or recitals in this Indenture or in the Debentures (except the representations and warranties contained in Section 8.1 and Section 8.11 which are being given by the Trustee in its personal capacity) or required to verify the same, but all such statements or recitals are and shall be deemed to be made by the Corporation;

(b) the Trustee shall not be bound to give to any Person notice of the execution of this Indenture unless and until an Event of Default and declaration of acceleration has occurred, and the Trustee has determined or become obliged to enforce the same;

(c) the Trustee shall not incur any liability or be in any way responsible for the consequence of any breach on the part of the Corporation of any of the covenants contained in this Indenture or of any acts of the agents or servants of the Corporation;

(d) the permissive rights of a Trustee enumerated herein shall not be construed as duties;

(e) in addition to and without limiting any other protection of the Trustee hereunder, or otherwise by law, the Corporation indemnifies and saves harmless the Trustee and its officers, directors and employees and agents from and against any and all liabilities, losses, costs, claims, actions, expenses (including legal fees and disbursements on a solicitor and client basis) or demands whatsoever which may be brought against the Trustee or which it may suffer or incur as a result of or arising out of the performance of its duties and obligations under this Indenture including, without limitation, those arising out of or related to actions taken or omitted to be taken by the Trustee contemplated by this Indenture, and including legal fees and disbursements on a solicitor and client basis and costs and expenses incurred in connection with the enforcement of this indemnity, which the Trustee may suffer or incur, whether at law or in equity, in any way caused by or arising, directly or indirectly, in respect of any act, deed, matter or thing whatsoever made, done, acquiesced in or omitted in or about or in relation to the execution of its duties as Trustee, save only in the event of the gross negligence or reckless disregard in acting or failing to act, or the wilful misconduct, dishonesty or bad faith of the Trustee. It is understood and agreed that this indemnification shall survive the termination or discharge of this Indenture or the resignation or removal of the Trustee;

(f) without limiting the generality of (e), the Corporation will indemnify and hold harmless the Trustee and upon written request reimburse the Trustee for the amount of: (i) any taxes levied or imposed and paid by the Trustee as a result of payments made under or with respect to the

Debentures, (ii) any liability (including penalties and interest) arising therefrom or with respect thereto paid by the Trustee as a result of payments made under or with respect to the Debentures and (iii) any taxes levied or imposed and paid by the Trustee with respect to reimbursement under clauses (i) and (ii) of this Section 8.10(f), but excluding any taxes on the Trustee's net income arising from fees for acting as the trustee hereunder or in respect of the Trustee's capital.

(g) the rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, the right to be indemnified, are extended to, and shall be enforceable by, Alliance Trust Company, and each agent, custodian and other Person employed to act hereunder;

(h) in no event shall the Trustee be responsible or liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether such Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action;

(i) the Trustee may, in the exercise of all or any of the trusts, powers and discretion vested in it under this Indenture, act by the responsible officers of the Trustee; the Trustee may delegate to any Person the performance of any of the trusts and powers vested in it by this Indenture, and any delegation may be made upon such terms and conditions and subject to such regulations as the Trustee may think to be in the best interest of the Holders;

(j) the Trustee shall not be required to take notice or be deemed to have notice or actual knowledge of any matter under this Indenture, unless the Trustee shall have received from the Corporation or a Holder written notice stating the matter in respect of which the Trustee should have notice or actual knowledge; and

(k) the Trustee shall not be responsible for any error made or act done by it resulting from reliance upon the signature of any Person on behalf of the Corporation or of any Person on whose signature the Trustee may be called upon to act or refrain from acting under this Indenture.

8.11 **Additional Representations and Warranties of Trustee**

The Trustee represents and warrants to the Corporation that:

(a) the Trustee is a trust company validly existing under the laws of its jurisdiction of incorporation;

(b) the Trustee has full power, authority and right to execute and deliver and perform its obligations under this Indenture, and has taken all necessary action to authorize the execution, delivery and performance by it of this Indenture; and

(c) this Indenture has been duly executed and delivered by the Trustee.

8.12 **Third Party Interests**

The Corporation hereby represents to the Trustee that any account to be opened by, or interest to be held by, the Trustee in connection with this Indenture for or to the credit of the Corporation, either: (i) is not intended to be used by or on behalf of any third party; or (ii) is intended to be used by or on behalf of a third party, in which case the Corporation agrees to complete and execute forthwith a declaration in the Trustee's prescribed form as to the particulars of such third party.

8.13 **Trustee Not Bound to Act**

The Trustee shall retain the right not to act and shall not be liable for refusing to act if, due to a lack of information or for any other reason whatsoever, the Trustee, in its sole judgment, determines that such act might cause it to be in non- compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline. Further, should the Trustee, in its sole judgment, determine at any time that its acting under this Indenture has resulted in its being in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline, then it shall have the right to resign on 10 days' written notice to the Corporation provided: (i) that the Trustee's written notice shall describe the circumstances of such non-compliance to the extent permitted under applicable anti-money launder or anti-terrorist legislation, regulation or guideline; and (ii) that if such circumstances are rectified to the Trustee's satisfaction within such 10-day period, then such resignation shall not be effective.

8.14 **Compliance with Privacy Laws**

The parties acknowledge that federal and/or provincial legislation that addresses the protection of individuals' personal information (collectively, the "**Privacy Laws**") applies to obligations and activities under this Indenture. Despite any other provision of this Indenture, no party to this Indenture shall take or direct any action that would contravene, or cause the other to contravene, applicable Privacy Laws. The Corporation shall, prior to transferring or causing to be transferred personal information to the Trustee, obtain and retain required consents of the relevant individuals to the collection, use and disclosure of their personal information, or shall have determined that such consents either have previously been given upon which the parties can rely or are not required under the Privacy Laws. The Trustee shall use commercially reasonable efforts to ensure that its services hereunder comply with Privacy Laws. Specifically, the Trustee agrees: (a) to have a designated chief privacy officer; (b) to maintain policies and procedures to protect personal information and to receive and respond to any privacy complaint or inquiry; (c) to use personal information solely for the purposes of providing its services under or ancillary to this Indenture and not to use it for any other purpose except with the consent of or direction from the Corporation or the individual involved; (d) not to sell or otherwise improperly disclose personal information to any third party; and (e) to employ administrative, physical and technological safeguards to reasonably secure and protect personal information against loss, theft, or unauthorized access, use or modification.

ARTICLE 9
MEETINGS OF DEBENTUREHOLDERS

9.1 **Purposes for Which Meetings May be Called**

A meeting of Debentureholders may be called at any time and from time to time pursuant to this Article to make, give or take any Act provided by this Indenture to be made, given or taken by Debentureholders.

9.2 **Call, Notice and Place of Meetings**

(a) The Trustee may at any time and from time to time and shall, on receipt of a Corporation Request or a requisition in writing made by the Holders of, collectively, at least 25% in principal amount of the Outstanding Debentures, call a meeting of Debentureholders for any purpose specified in Section 9.1, to be held at such time and at such place in the City of Vancouver, Province of British Columbia, as the Trustee shall determine. Notice of every meeting of Debentureholders, setting forth the time and place of such meeting and in general terms the action proposed to be taken at such meeting, shall be given, in the manner provided in Section 11.2, not less than 21 or more than 60 days prior to the date fixed for the meeting.

(b) If at any time the Corporation, pursuant to a Board Resolution, or the Holders of, collectively, at least 25% in principal amount of the Outstanding Debentures shall have requested the Trustee to call a meeting of the Debentureholders for any purpose specified in Section 9.1, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have made the mailing of the notice of such meeting within 30 days after receipt of such request or shall not thereafter proceed to cause the meeting to be held as provided herein, then the Corporation or the Debentureholders in the amount above specified, as the case may be, may determine the time and the place in the City of Vancouver, Province of British Columbia, for such meeting and may call such meeting for such purposes by giving notice thereof as provided in (a).

9.3 **Proxies**

A Debentureholder may be present and vote at any meeting of Debentureholders, and may sign written resolutions and other instruments in writing in lieu of a meeting as contemplated in Section 9.8, by an authorized representative. The Corporation with the approval of the Trustee may, from time to time, make and vary regulations as it shall think fit providing for and governing any or all the following matters for the purpose of enabling the Debentureholders to vote at any such meeting by proxy:

(a) the form of the instrument appointing a proxy, which shall be in writing, and the manner in which the same shall be executed and the production of the authority of any Person signing on behalf of a Debentureholder;

(b) the deposit of instruments appointing proxies at such place as the Trustee, the Corporation or the Debentureholder convening the meeting, as the case may be, may in the notice convening the meeting, direct and the time, if before the holding of the meeting or any adjournment thereof by which the same must be deposited; and

(c) the deposit of instruments appointing proxies at such approved place or places other than the place at which the meeting is to be held and enabling particulars of such instruments appointing proxies to be mailed, faxed, or sent by other electronic communication before the meeting to the Corporation or to the Trustee at the place where the same is to be held and for the voting of proxies so deposited as though the instruments themselves were produced at the meeting.

9.4 **Persons Entitled to Vote at Meetings**

To be entitled to vote at any meeting of Debentureholders, a Person shall be: (a) a Holder of one or more Outstanding Debentures; or (b) a Person appointed by an instrument in writing as proxy for a Holder or holders of one or more Outstanding Debentures by such Holder or holders. The only persons who shall be entitled to be present or to speak at any meeting of Debentureholders shall be the persons entitled to vote at such meeting and their counsel, any representatives of the Trustee and its Counsel and any representatives of the Corporation and its Counsel.

9.5 **Quorum; Action**

(a) Two or more persons entitled to vote 25% in principal amount of Outstanding Debentures shall constitute a quorum for a meeting of Debentureholders. In the absence of a quorum within 30 minutes of the time appointed for any such meeting, the meeting shall, if convened at the request of Debentureholders, be dissolved. In the absence of a quorum in any other case the meeting may be adjourned for a period of not less than 10 days as determined by the chairman of the meeting prior to the adjournment of such meeting. In the absence of a quorum at any such adjourned

meeting, the Debentureholders present or represented at such adjourned meeting shall constitute the quorum and the business for which the meeting was adjourned may be transacted. Notice of the reconvening of any adjourned meeting shall be given as provided in (1), except that such notice need be given not less than five days prior to the date on which the meeting is scheduled to be reconvened.

(b) Except as limited by Section 12.2, any resolution presented to a meeting or adjourned meeting duly reconvened at which a quorum is present as aforesaid may be adopted only by the affirmative vote of holders of, collectively, a majority in principal amount of the Debentures present or represented by proxy at such meeting or adjourned meeting; provided, however, that, except as limited by Section 12.2, any resolution with respect to any Act that this Indenture expressly provides may be made, given or taken by the Holders of a specified percentage, which is less than a majority, in principal amount of Outstanding Debentures may be adopted at a meeting or an adjourned meeting duly reconvened and at which a quorum is present as aforesaid by the affirmative vote of the holders of such specified percentage in principal amount of Outstanding Debentures.

(c) Any resolution passed or decision taken at any meeting of Debentureholders duly held in accordance with this Section 9.5 will be binding on all Debentureholders, whether or not present or represented at the meeting.

9.6 **Determination of Voting Rights Chairman; Conduct and Adjournment of Meetings**

(a) Notwithstanding any other provisions of this Indenture, the Trustee or the Corporation, with the approval of the Trustee, may make and from time to time may vary such reasonable regulations as it may deem advisable for any meeting of Debentureholders in regard to proof of the holding of Debentures and the appointment of proxies and in regard to the appointment and duties of scrutineers of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem appropriate. Except as otherwise permitted by any such regulations, the holding of Debentures shall be proved in the manner specified in Section 1.12 and the appointment of any proxy shall be proved in the manner specified in Section 1.12.

(b) The Trustee shall, by an instrument in writing, appoint a chairman and secretary of the meeting, unless the meeting shall have been called by the Corporation or by Debentureholders as provided in Section 1.12, in which case the Corporation or the Debentureholders calling the meeting, as the case may be, shall in like manner appoint a chairman and secretary.

(c) At any meeting of Debentureholders each Holder of a Debenture or proxy shall be entitled to one vote for each one thousand Dollars ($1,000) principal amount of Debentures held or represented by such Holder; provided, however, that no vote shall be cast or counted at any meeting in respect of any Debenture challenged as not Outstanding and ruled by the chairman of the meeting to be not Outstanding. The chairman of the meeting shall have no right to vote, except as a Holder of a Debenture or proxy.

(d) Any meeting of Debentureholders duly called pursuant to Section 9.2 at which a quorum is present may be adjourned from time to time by Persons entitled to vote, collectively, a majority in principal amount of Outstanding Debentures represented at the meeting and the meeting may be held as so adjourned without further notice.

9.7 **Counting Votes and Recording Action of Meetings**

The vote upon any resolution submitted to any meeting of Debentureholders shall be by written ballots on which shall be inscribed the signatures of the Debentureholders or of their representatives by proxy and the principal amounts and serial numbers of Outstanding Debentures held or represented by them if such Debentures are not Uncertificated Debentures. The chairman of the meeting shall appoint a scrutineer of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in triplicate of all votes cast at the meeting. A record of the proceedings of each meeting of Debentureholders shall be prepared by the secretary of the meeting and there shall be attached to said record the reports of the scrutineer of votes on any vote by ballot taken thereat.

9.8 **Instruments in Writing**

All actions which may be taken and all powers which may be exercised by the Holders at a meeting held as hereinbefore in this Article 9 may also be taken and exercised: (i) by the holders of, collectively, a majority in principal amount of Outstanding Debentures by an instrument in writing signed in one or more counterparts by such Holders or their duly appointed proxies or agents with respect to resolutions which are not Extraordinary Resolutions and (ii) by the holders of, collectively, not less than 66⅔% in principal amount of Outstanding Debentures by an instrument in writing signed in one or more counterparts by such holders or their duly appointed proxies or agents with respect to resolutions which are Extraordinary Resolutions and the expression "**Extraordinary Resolution**" when used in this Indenture shall include an instrument so signed.

9.9 **Holdings by the Corporation Disregarded**

In determining whether Holders holding Debentures evidencing the required number of Debentures are present at a meeting of Holders for the purpose of determining a quorum or for the purpose of determining whether Holders have concurred in any consent, waiver, resolution or other action under this Indenture, the Debentures owned legally or beneficially by the Corporation shall be disregarded.

9.10 **Persons Entitled to Attend Meetings**

The Corporation and the Trustee, by their respective directors, officers and employees, the auditors of the Corporation and the legal advisers of the Corporation, the Trustee or any Debentureholder may attend and speak at any meeting of the Debentureholders but shall have no vote as such.

9.11 **Meaning of "Extraordinary Resolution"**

(a) The expression "Extraordinary Resolution" when used in this Indenture means, subject to the provisions of Section 9.8, and except as hereinafter in this Article provided, a resolution proposed to be passed as an Extraordinary Resolution at a meeting of Debentureholders (including an adjourned meeting) duly convened for the purpose and held in accordance with the provisions of this Article at which the holders of, collectively, not less than 25% of the aggregate principal amount of the Debentures then outstanding are present in Person or by proxy and passed by the favourable votes of the holders of, collectively, not less than 66⅔% of the aggregate principal amount of the Debentures present or represented by proxy at the meeting and voted upon on a poll on such resolution.

(b) If, at any such meeting, the holders of, collectively, not less than 25% of the aggregate principal amount of the Debentures then outstanding are not present in Person or by proxy within 30

minutes after the time appointed for the meeting, then the meeting, if convened by or on the requisition of Debentureholders, shall be dissolved but in any other case it shall stand adjourned to such date, being not less than 21 nor more than 60 days later, and to such place and time as may be appointed by the chairman. Not less than 10 days' notice shall be given of the time and place of such adjourned meeting in the manner provided in Section 9.3. Such notice shall state that at the adjourned meeting the Debentureholders present in Person or by proxy shall form a quorum. At the adjourned meeting the Debentureholders present in Person or by proxy shall form a quorum and may transact the business for which the meeting was originally convened and a resolution proposed at such adjourned meeting and passed thereat by the affirmative vote of holders of, collectively, not less than 66⅔% of the aggregate principal amount of the Debentures present or represented by proxy at the meeting and voted upon on a poll shall be an Extraordinary Resolution within the meaning of this Indenture, notwithstanding that the holders of, collectively, not less than 25% in the aggregate principal amount of the Debentures then outstanding are not present in Person or by proxy at such adjourned meeting.

(c) Votes on an Extraordinary Resolution shall always be given on a poll and no demand for a poll on an Extraordinary Resolution shall be necessary.

9.12 Powers Cumulative

Any one or more of the powers in this Indenture stated to be exercisable by the Debentureholders by Extraordinary Resolution or otherwise may be exercised from time to time and the exercise of any one or more of such powers from time to time shall not be deemed to exhaust the rights of the Debentureholders to exercise the same or any other such power or powers thereafter from time to time.

ARTICLE 10
AMALGAMATION, CONSOLIDATION, CONVEYANCE, TRANSFER OR LEASE

10.1 Amalgamation and Consolidations of Corporation and Conveyances Permitted Subject to Certain Conditions

The Corporation shall not consolidate with, amalgamate or merge into any other Person or enter into any reorganization or arrangement or effect any conveyance, sale, transfer or lease of all or substantially all of its assets (any such transaction, a "**Subject Transaction**"), other than with or into one or more of the Corporation's Wholly-Owned Subsidiaries and other than such transactions as are permitted under this Indenture, unless in any such case:

(a) the Corporation shall be the continuing Person, or if not, in the case of a successor Person (or the Person that leases or that acquires by conveyance, sale or transfer all or substantially all of the assets of the Corporation) (such Person being referred to as the "**Successor Entity**"), such Successor Entity shall expressly assume the due and punctual payment of the principal of, the premium, if any, and interest on all Outstanding Debentures, according to their tenor (or issue Exchanged Debentures pursuant to Section 3.1). Such Successor Entity shall in all instances expressly assume the due and punctual performance and observance of all the covenants and conditions of this Indenture to be performed by the Corporation by supplemental indenture satisfactory to the Trustee, executed and delivered to the Trustee by the Successor Entity;

(b) in the case where the Successor Entity is a successor Person to the Corporation, the Debentures will be valid and binding obligations of the Successor Entity entitling the Holders thereof, as against the Successor Entity, to all the rights of Debentureholders under this Indenture;

(c) there shall not immediately after the date of this Indenture of the Subject Transaction be a Default or Event of Default; and

(d) if the Corporation will not be the continuing Person, the Corporation shall have, at or prior to the date of this Indenture of the Subject Transaction delivered to the Trustee an Officer's Certificate stating that the Subject Transaction complies with this Section 10.1 and, if a supplemental indenture is required in connection with the Subject Transaction, such supplemental indenture complies with this Article, and that all conditions precedent herein provided for and relating to the Subject Transaction have been complied with.

Upon the assumption of the Corporation's obligations by the Successor Entity in such circumstances, the Corporation shall be discharged from all obligations under the Debentures and this Indenture.

10.2 **Rights and Duties of Successor Entity**

(a) In case of any Subject Transaction and upon any such assumption by the Successor Entity, such Successor Entity shall agree to be bound by the terms of this Indenture as principal obligor in place of the Corporation with the same effect as if it had been named herein as the Corporation and shall take all such steps as are necessary to make effective the Exchange Offer pursuant to Section 3.1. Such Successor Entity to the Corporation thereupon may cause to be signed, and may issue either in its own name or in the name of the Corporation, any or all Debentures which theretofore shall not have been signed by the Corporation and delivered to the Trustee. All Debentures so issued shall in all respects have the same legal rank and benefit under this Indenture as Debentures theretofore or thereafter issued in accordance with the terms of this Indenture as though all of such Debentures have been issued at the date of the execution hereof.

(b) In the case of any Subject Transaction, such changes in phraseology and form (but not in substance) may be made in Debentures thereafter to be issued as may be appropriate.

ARTICLE 11
NOTICES

11.1 **Notice to Corporation**

Any Notice to the Corporation shall be in writing and shall be valid and effective if delivered, sent by electronic transmission (with receipt confirmed), or mailed to the Corporation, at:

C21 Investments Inc.
595 Howe Street, Suite 303
Vancouver, BC V6C 2T5

Attention: Robert Cheney, Chief Executive Officer
Email: cheney.robert@gmail.com

With a copy to:

Koffman Kalef LLP
885 West Georgia Street, Suite 1900
Vancouver, BC V6C 3H4

Attention: Douglas Side
Email: das@kkbl.com

and such Notice shall be deemed to have been received by the Corporation, where given by delivery, on the day of delivery, where sent by electronic transmission (with receipt confirmed), on the day of transmittal of such Notice if sent before 5:00 p.m. (Vancouver time) on a Business Day and on the next succeeding Business Day if not sent before 5:00 p.m. (Vancouver time) on a Business Day, and, where mailed, on the fifth Business Day following the mailing date, but only if sent by first class mail from a destination within Canada, or only airmail, postage prepaid, if sent from a destination outside Canada. The Corporation may from time to time notify the Trustee of a change in address or electronic mail address by Notice given as provided in Section 11.3.

11.2 **Notice to Holders**

(a) Any Notice to Debentureholders may be effectively given if delivered, sent by electronic or facsimile transmission (with receipt confirmed), or mailed, in each case at post office address appearing in the relevant register and such Notice shall be deemed to have been received by a Holder, where given by delivery, on the day of delivery, where sent by electronic or facsimile transmission (with receipt confirmed) on the day of transmittal of such Notice if sent before 5:00 p.m. (Vancouver time) on a Business Day, and, where mailed, on the fifth Business Day following the mailing date, but only if sent by first class mail to a destination within Canada or only by airmail, postage prepaid if sent to a destination outside Canada.

(b) If the regular mail service is suspended or for any other reason it shall be impracticable to give Notice to Debentureholders by mail, then such notification to Debentureholders may be given by the publication of the Notice once in a daily newspaper with national circulation in Canada or in any other manner approved by the Trustee, and it shall constitute sufficient Notice to such Holders for every purpose hereunder. In any case where Notice to Debentureholders is given by mail, neither the failure to mail such Notice nor any defect in any Notice so mailed to any particular Holder shall affect the sufficiency of such Notice with respect to other Debentureholders.

(c) Any Notice sent to the Debentureholders as provided above shall be effective notwithstanding that any such Notice has accidentally or inadvertently not been delivered or mailed to one or more such Holders.

11.3 **Notice to Trustee**

Any Notice to the Trustee shall be in writing and shall be valid and effective if delivered, sent by facsimile transmission (with receipt confirmed), or mailed to Alliance Trust Company, at:

Alliance Trust Company
407 - 2nd Street S.W., Suite 1010
Calgary, AB T2P 2Y3

Attention: Zinat Damji
Telephone: (403) 237-6111
Email: zinat@alliancetrust.ca

and such Notice shall be deemed to have been received by Alliance Trust Company, where given by delivery, on the day of delivery, where sent by electronic or facsimile transmission (with receipt confirmed), on the day of transmittal of such Notice if sent before 5:00 p.m. (Vancouver time) on a Business Day and on the next succeeding Business Day if not sent before 5:00 p.m. (Vancouver time) on

a Business Day, and, where mailed, on the third Business Day following the mailing date. The Trustee may from time to time notify the Corporation of a change in address or facsimile number by Notice given as provided in Section 11.1.

11.4 Mail Service Interruption

If by reason of any interruption of mail service, actual or threatened, any notice to be given to the Trustee would reasonably be unlikely to reach its destination by the time notice by mail is deemed to have been given pursuant to Section 11.3, such notice shall be valid and effective only if delivered at the appropriate address in accordance with Section 11.3.

ARTICLE 12
AMENDMENTS, SUPPLEMENTS AND WAIVERS

12.1 Without Consent of Holders

The Corporation and the Trustee may amend or supplement this Indenture or the Debentures without notice to or consent of any Debentureholder for the purpose of:

(a) evidencing a successor to the Corporation and the assumption by that successor of the Corporation's obligations under this Indenture and the Debentures;

(b) evidence and provide for the acceptance of an appointment under the Indenture of a successor trustee; provided that the successor trustee is otherwise qualified and eligible to act as such under the terms of this Indenture;

(c) curing any ambiguity, omission, inconsistency or correcting or supplementing any defective provision contained in this Indenture; or

(d) making any other changes to this Indenture that do not adversely affect the interest of the Holders in any material respect, based on an opinion of counsel (and in the case of a change affecting the rights of the Trustee, with its consent).

12.2 With Consent of Holders

(a) Subject to Section 12.1 and except as otherwise provided in this Section 12.2, the Corporation and the Trustee may amend or supplement this Indenture or the Debentures with the approval of the Holders of, collectively, at least a majority in aggregate principal amount of the Debentures then outstanding. However, without approval thereof by Extraordinary Resolution, an amendment, supplement or waiver may not:

(i) alter the manner of calculation or rate of accrual of interest on the Debentures or change the time of payment;

(ii) change the Maturity Date of the Debentures or reduce the principal amount, with respect to the Debentures;

(iii) make any change that adversely affects the rights of Holders to require the Corporation to purchase the Debentures at the option of Holders or make any change to any other covenant that adversely affects the rights of the Holders;

(iv) change the currency of payment of principal of, or interest on, the Debentures; or

(v) change the provisions in this Indenture that relate to modifying or amending this Indenture.

(b) After an amendment, supplement or waiver under this Section 12.2 becomes effective, the Corporation shall promptly mail to the Holders affected thereby a notice briefly describing the amendment, supplement or waiver. Any failure of the Corporation to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such amendment, supplement or waiver.

12.3 **Additional Powers Exercisable by Extraordinary Resolution**

In addition to the powers conferred upon them by any other provisions of this Indenture (including under Section 12.2) or by law, a meeting of the Debentureholders shall have the following powers exercisable from time to time by Extraordinary Resolution, subject to receipt of the prior approval of the applicable Recognized Stock Exchange, where required:

(a) power to authorize the Trustee to grant extensions of time for payment of any principal, premium or interest on the Debentures, whether or not the principal, premium or interest, the payment of which is extended, is at the time due or overdue;

(b) power to sanction any modification, abrogation, alteration, compromise or arrangement of the rights of the Debentureholders or, subject to the consent of the Trustee, the Trustee against the Corporation, or against its property, whether such rights arise under this Indenture or the Debentures or otherwise;

(c) power to assent to any modification of or change in or addition to or omission from the provisions contained in this Indenture or any Debenture which shall be agreed to by the Corporation and to authorize the Trustee to concur in and execute any indenture supplemental hereto embodying any modification, change, addition or omission;

(d) power to sanction any scheme for the reconstruction, reorganization or recapitalization of the Corporation or for the consolidation, amalgamation or merger of the Corporation with any other Person or for the sale, leasing, transfer or other disposition of all or substantially all of the undertaking, property and assets of the Corporation or any part thereof, provided that no such sanction shall be necessary in respect of any such transaction if the provisions of Article 10 shall have been complied with;

(e) power to direct or authorize the Trustee to exercise any power, right, remedy or authority given to it by this Indenture in any manner specified in any such Extraordinary Resolution or to refrain from exercising any such power, right, remedy or authority;

(f) power to waive, and direct the Trustee to waive, any default hereunder or to cancel any declaration made by the Trustee pursuant to Section 6.1 which is not permitted to be waived or cancelled, as the case may be, in Section 6.3 by holders of, collectively, more than 50% of the principal amount of the Outstanding Debentures, either unconditionally or upon any condition specified in such Extraordinary Resolution;

(g) power to restrain any Debentureholder from taking or instituting any suit, action or proceeding for the purpose of enforcing payment of the principal, premium or interest on the Debentures, or for the execution of any trust or power hereunder;

(h) power to direct any Debentureholder who, as such, has brought any action, suit or proceeding, to stay or discontinue or otherwise deal with the same, if the taking of such suit, action or proceeding shall have been permitted by Article 6, upon payment of the costs, charges and expenses reasonably and properly incurred by such Debentureholder in connection therewith;

(i) power to assent to any compromise or arrangement with any creditor or creditors or any class or classes of creditors, whether secured or otherwise, and with holders of any Voting Securities or other securities of the Corporation;

(j) power to appoint a committee with power and authority (subject to such limitations, if any, as may be prescribed in the resolution) to exercise, and to direct the Trustee to exercise, on behalf of the Debentureholders, such of the powers of the Debentureholders as are exercisable by Extraordinary Resolution or other resolution as shall be included in the resolution appointing the committee. The resolution making such appointment may provide for payment of the expenses and disbursements of and compensation to such committee. Such committee shall consist of such number of persons as shall be prescribed in the resolution appointing it and the members need not be themselves Debentureholders. Every such committee may elect its chairman and may make regulations respecting its quorum, the calling of its meetings, the filling of vacancies occurring in its number and its procedure generally. Such regulations may provide that the committee may act at a meeting at which a quorum is present or may act by minutes signed by the number of members thereof necessary to constitute a quorum. All acts of any such committee within the authority delegated to it shall be binding upon all Debentureholders. Neither the committee nor any member thereof shall be liable for any loss arising from or in connection with any action taken or omitted to be taken by them in good faith;

(k) power to remove the Trustee from office and to appoint a new Trustee or Trustees provided that no such removal shall be effective unless and until a new Trustee or Trustees shall have become bound by this Indenture; and

(l) power to amend, alter or repeal any Extraordinary Resolution previously passed or sanctioned by the Debentureholders or by any committee appointed pursuant to (j).

12.4 **Execution of Supplemental Indentures**

In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article 12 (a "**Supplemental Indenture**") or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and subject to Section 8.1, shall be fully protected in acting and relying upon, an Opinion of Counsel stating that the execution of such Supplemental Indenture is authorized or permitted by this Indenture, is not inconsistent herewith, is a valid and binding obligation of the Corporation, enforceable in accordance with its terms, subject to enforceability being limited by bankruptcy, insolvency or other laws affecting the enforcement of creditor's rights generally and equitable remedies including the remedies of specific performance and injunction being granted only in the discretion of a court of competent jurisdiction and, in connection with a Supplemental Indenture executed pursuant to this Section 12.4, that the Trustee is authorized to execute and deliver such Supplemental Indenture without the consent of the Holders and, in connection with a Supplemental Indenture executed pursuant to Section 12.4, that the requisite consents of the Holders have been validly obtained in accordance with Section 12.2 hereof. The Trustee may, but shall not be obligated to, enter into

any such Supplemental Indenture that adversely affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

12.5 **Effect of Supplemental Indentures**

Upon the execution of any Supplemental Indenture under this Article 12, this Indenture shall be modified in accordance therewith, and such Supplemental Indenture shall form a part of this Indenture for all purposes, unless otherwise so specified; and every Holder theretofore or thereafter certified and delivered under this Indenture shall be bound by the Supplemental Indenture.

12.6 **Reference in Debentures to Supplemental Indentures**

Debentures certified and delivered after the execution of any Supplemental Indenture pursuant to this Article 12 may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such Supplemental Indenture. If the Corporation shall so determine, new Debentures so modified as to conform, in the opinion of the Trustee and the Board of Directors, to any such Supplemental Indenture may be prepared and executed by the Corporation and certified and delivered by the Trustee in exchange for Outstanding Debentures.

12.7 **Prior Approval of Recognized Stock Exchange**

Notwithstanding anything to the contrary in this Indenture, any supplement or amendment to the terms of the Debentures or to this Indenture shall be made in accordance with the requirements of a Recognized Stock Exchange, as required.

ARTICLE 13
MISCELLANEOUS PROVISIONS

13.1 **Acceptance of Trusts**

The Corporation and the Trustee hereby specifically acknowledge and agree that the Trustee is acting hereunder in its capacity as the Person holding the power of attorney of the Holders for the purposes of this Indenture and in conformity with and subject to the terms and conditions of this Indenture. Each Holder, by its acceptance thereof, accepts and confirms the appointment of the Trustee as the Person holding the power of attorney of such Holder for the purposes of this Indenture and in conformity with and subject to the terms and conditions of this Indenture.

13.2 **Protection of Trustee**

None of the provisions of this Indenture shall require a Trustee to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers if it shall have reasonable grounds for believing that repayment of such funds or indemnity satisfactory to it against such risk or liability is not assured to it.

13.3 **Counterparts and Formal Date**

This Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all of which shall together constitute one and the same instrument and notwithstanding their date of execution shall be deemed to bear a date as of the date hereof. Without limiting the foregoing, if the signatures on behalf of one party to this Indenture are on different

counterparts, this shall be taken to be, and have the same effect as, signatures on the same counterpart and on a single copy of this Indenture.

[Signature page follows]

IN WITNESS WHEREOF the parties hereto have executed this Indenture as of the date first written above.

C21 INVESTMENTS INC.

By: _____
Name: Michael Kidd
Title: Chief Financial Officer

ALLIANCE TRUST COMPANY, as Trustee.

By: _____
Name: Debbie LeBlanc
Title: Director, Securities & Special Projects

By: _____
Name: Miguel Lahud
Title: Senior Trust Officer, Client Services

SCHEDULE "A"
FORM OF DEBENTURE

[If issued as a Certificated Debenture] UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF CDS CLEARING AND DEPOSITORY SERVICES INC. ("CDS") TO C21 INVESTMENTS INC. (THE "ISSUER") OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IN RESPECT THEREOF IS REGISTERED IN THE NAME OF CDS & CO., OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF CDS (AND ANY PAYMENT IS MADE TO CDS & CO OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF CDS), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED HOLDER HEREOF, CDS & CO., HAS A PROPERTY INTEREST IN THE SECURITIES REPRESENTED BY THIS CERTIFICATE HEREIN AND IT IS A VIOLATION OF ITS RIGHTS FOR ANOTHER PERSON TO HOLD, TRANSFER OR DEAL WITH THIS CERTIFICATE."

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE [INSERT THE DATE THAT IS 4 MONTHS AND A DAY AFTER THE DISTRIBUTION DATE].

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CA12675QAE13

No. ◆ $◆

C21 INVESTMENTS INC.

(A corporation incorporated under the laws of British Columbia)

10.0% UNSECURED CONVERTIBLE DEBENTURE

C21 INVESTMENTS INC. (the "**Corporation**"), for value received, hereby acknowledges itself indebted and promises to pay to the order of the registered Holder on January 30, 2019 (the "**Maturity Date**"), or on such earlier date as the principal amount hereof may become due in accordance with the provisions of the Indenture hereinafter mentioned, the principal sum of

[insert amount],

in lawful money of Canada, on presentation and surrender of this Debenture (as defined below) at the principal office of the Trustee (defined below) in the manner specified in the Indenture (as defined below), in the City of Vancouver, Province of British Columbia, and to pay interest on the principal amount then Outstanding (as defined in the Indenture) at the rate of 10.0% per annum from the Issue Date (as defined in the Indenture) or from the most recent Interest Payment Date to which interest has been paid or made available for payment on the Debentures then outstanding, whichever is later, at the option of the Corporation, in like money, in equal semi-annual instalments in arrears on the last day of June and December in each year (each such date an "**Interest Payment Date**"), commencing on June 30, 2019 with overdue interest, if any, at the same rate after as well as before maturity and after as well as before default in payment of principal or interest. The first interest payment will include interest accrued from January 30, 2019 to but excluding June 30, 2019.

As interest on this Debenture becomes due, the Corporation (subject to early repurchase or redemption pursuant to the terms of the Indenture (as defined below)) shall forward or cause to be forwarded by ordinary post to the registered address of the registered Holder of the Debenture for the time being, or in the case of joint Holders to the registered address of one of such joint Holders, a cheque or electronic funds transfer for such interest, payable to the order of such Holder or Holders. The forwarding of such cheque or electronic funds transfer shall satisfy and discharge the liability for interest on this Debenture to the extent of the sum represented thereby, unless such cheques, if any, be not paid on presentation.

For the purposes of disclosure under the *Interest Act* (Canada), whenever interest is computed under this Debenture on the basis of a year (the "**deemed year**") which contains fewer days than the actual number of days in the calendar year of calculation, such rate of interest shall be expressed as a yearly rate by multiplying such rate of interest by the actual number of days in such calendar year of calculation and dividing it by the number of days in the deemed year.

This Debenture is one of the 10.0% Unsecured Convertible Debentures due January 30, 2019 (the **"Debentures"**) created and issued under an Indenture (the **"Indenture"**) dated as of January 30, 2019 made between, *inter alia*, the Corporation and Alliance Trust Company, as trustee (the **"Trustee"**). Reference is hereby made to the Indenture for a description of the rights of the holders of the Debentures, the Corporation and the Trustee and of the terms and conditions upon which the Debentures are issued and held, all to the same effect as if the provisions of the Indenture were herein set forth, to all of which provisions the Holder of this Debenture, by acceptance hereof, agrees. To the extent that the terms and conditions stated in this Debenture conflict with the terms and conditions of the Indenture, the latter shall prevail. All capitalized terms used herein have the meaning ascribed thereto in the Indenture unless otherwise indicated.

The Debentures are issuable as fully registered Debentures in denominations of $1,000 and integral multiples of $1,000. The Debentures of any authorized denomination may be exchanged, as provided in the Indenture, for Debentures in equal aggregate principal amount, provided that Debentures tendered for exchange must be equal to $1,000 principal amount or any integral thereof.

Any part, being $1,000 or an integral multiple thereof, of the principal of this Debenture, provided that the principal amount of this Debenture is in a denomination in excess of $1,000, is convertible, at the option of the Holder hereof, upon surrender of this Debenture at the principal office of the Trustee in Vancouver, British Columbia, at any time prior to the close of business on the Business Day immediately preceding the Maturity Date into Common Shares (without adjustment for interest accrued hereon or for dividends or distributions on Common Shares issuable upon conversion) at the Conversion Price, all subject to the terms and conditions and in the manner set forth in the Indenture, including adjustment to the Conversion Price in accordance with the Indenture. No Debenture may be converted during the five Business Days preceding and including June 30 and December 31 in each year, commencing June 30, 2019 as the registers of the Trustee will be closed during such periods. The Indenture makes provision for the adjustment of the Conversion Price in the events therein specified. No fractional Common Shares will be issued on any conversion and any fraction of a Common Share that would otherwise be issued will be rounded down to the nearest whole number. Holders converting their Debentures will receive accrued and unpaid interest thereon. If a Debenture is surrendered for conversion on an Interest Payment Date or during the five preceding Business Days, the Person or Persons entitled to receive Common Shares in respect of the Debenture so surrendered for conversion shall not become the Holder or holders of record of such Common Shares until the Business Day following such Interest Payment Date.

This Debenture and all other Debentures certified and issued under the Indenture rank pari passu with one another, in accordance to their tenor without discrimination, preference or priority. The Indenture contains restrictions on the Corporation's ability to pay dividends.

Upon the giving of notice by the Trustee of the occurrence of an Event of Default in accordance with the Indenture, the Debentures will become immediately due and payable.

Upon the occurrence of a Change of Control, prior to the Maturity Date, each Holder of the Debentures has the right to require the Corporation to make an offer to repurchase the Debentures then Outstanding by notice to the Holders thereof and the Trustee. The Change of Control Repurchase Price payable to the Holders will be, depending on the date upon which the Change of Control occurs, determined in accordance with the provisions of the Indenture, plus accrued and unpaid interest thereon, if any.

At any time following the date that is 4 months and one day following the Issue Date and in the event that the daily VWAP of the Common Shares is greater than $0.90 for any 10 consecutive trading days, the Corporation may force the conversion of the principal amount of the then Outstanding Debentures at the Conversion Price on not less than 30 days' notice.

Any payments made by or on behalf of the Corporation with respect to the Debentures will be made free and clear of and without withholding or deduction for or on account of any Taxes, unless the Corporation or any other payor is required to withhold or deduct Taxes by Applicable Law or by the interpretation or administration thereof by the relevant Governmental Authority. If the Corporation is so required to withhold or deduct any amount for or on account of Taxes from any payment made under or with respect to the Debentures, the Trustee will make such withholding or deduction and will remit the full amount withheld or deducted to the relevant Governmental Authority as and when required by Applicable Law, and the Corporation will pay to the Trustee such Additional Amounts as may be necessary so that the net amount received by each Holder (including Additional Amounts) after such withholding or deduction will not be less than the amount such Holder would have received if such Taxes had not been withheld or deducted.

The Indenture contains provisions for the holding of meetings of Debentureholders and rendering certain resolutions passed at such meetings by, or by instruments in writing signed by, the holders of, collectively, not less than a majority, or in the case of matters requiring approval by Extraordinary Resolution, not less than 66⅔%, in aggregate principal amount of the Outstanding Debentures, binding upon all Debentureholders, subject to the provisions of the Indenture.

This Debenture may only be transferred upon compliance with the conditions precedent in the Indenture on the register kept at the principal office of the Trustee and at such other place or places, if any, and/or by such other registrar or registrars, if any, as the Corporation with the approval of the Trustee may designate, and may be exchanged at any such place, by the Holder hereof or his executors or administrators or other legal representatives or his or their attorney duly appointed by an instrument in writing in form and execution satisfactory to the Trustee, and upon compliance with such reasonable requirements as the Trustee and/or registrar may prescribe, and such transfer shall be duly noted thereon by the Trustee or other registrar.

Neither the Debentures nor the Common Shares issuable upon conversion of the Debentures have been or will be registered under the U.S. Securities Act or any state securities laws of the United States.

This Debenture shall not become obligatory for any purpose until it shall have been certified by the Trustee for the time being under the Indenture.

This Debenture shall be governed by and construed in accordance with the laws of the province of British Columbia and the federal laws of Canada applicable thereto.

The Holder of this Debenture, by receiving and holding same, hereby accepts and agrees to be bound by the terms, and to be entitled to the benefits of this Debenture and of the Indenture and confirms the appointment of the Trustee and of the Indenture, the whole in accordance with and subject to the respective provisions thereof.

The Corporation will furnish to any Holder, upon written request and without charge, a copy of the Indenture.

[signature page follows]

IN WITNESS WHEREOF C21 INVESTMENTS INC. has caused this debenture to be signed by an authorized signing officer.

DATED as of _____, 2019.

C21 INVESTMENTS INC.

By:_____
Name:
Title:

TRUSTEE'S CERTIFICATE

This Debenture is one of the 10.0% Unsecured Debentures due January 30, 2021 referred to in the within-mentioned Indenture.

ALLIANCE TRUST COMPANY, as Trustee

By:_____
Authorized Signatory
Date of Certification:

FORM OF ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____, whose address and social insurance number, if applicable, are set forth below, this Debenture (or $ principal amount hereof*) of **C21 INVESTMENTS INC.** (the **"Corporation"**) standing in the name(s) of the undersigned in the register maintained by the registrar appointed by the Corporation with respect to such Debenture and does hereby irrevocably appoint _____ as its attorney to transfer such Debenture in such register, with full power of substitution in the premises.

Dated: _____

Address of Transferee: _____

_____
(Street Address, City, Province and Postal Code)

Social Insurance Number of Transferee, if applicable: _____

*If less than the full principal amount of the within Debenture is to be transferred, indicate in the space provided above the principal amount (which must be equal to $1,000 principal amount or any integral thereof) to be transferred.

The signature(s) to this assignment must correspond with the name(s) as written upon the face of this Debenture in every particular without alteration or any change whatsoever. The signature(s) on this form must be guaranteed by one of the following methods:

Canada: A Signature Guarantee obtained from a major Canadian Schedule I chartered bank. The Guarantor must affix a stamp bearing the actual words "Signature Guaranteed". Signature Guarantees are not accepted from Treasury Branches, Credit Unions or Caisses Populaires unless they are members of a Medallion Signature Guarantee Program.

Outside North America: For holders located outside North America, present the certificate(s) and/or document(s) that require a guarantee to a local financial institution that has a corresponding Canadian or American affiliate which is a member of an acceptable Medallion Signature Guarantee program. The corresponding affiliate will arrange for the signature to be over-guaranteed.

The registered Holder of this Debenture is responsible for the payment of any documentary, stamp or other transfer taxes that may be payable in respect of the transfer of this Debenture.

Signature of Guarantor:

_____
Authorized Officer Signature of transferring registered Holder

_____
Name of Institution

FORM OF NOTICE OF CONVERSION

TO: C21 INVESTMENTS INC. (the "**Corporation**")

c/o Alliance Trust Company
407 - 2nd Street S.W., Suite 1010
Calgary, Alberta T2P 2Y3

Attention: Securities Department
Facsimile: 403-237-6181
Email: inquiries@alliancetrust.ca

Note: All capitalized terms used herein have the meaning ascribed thereto in the indenture (the "**Indenture**") dated as of January 30, 2019 between the Corporation and Alliance Trust Company, as trustee, unless otherwise indicated.

The undersigned registered Holder of 10.0% Unsecured Convertible Debentures (the "**Debentures**") irrevocably elects to convert such Debentures (or $ principal amount thereof*) in accordance with the terms of the Indenture referred to in such Debentures and tenders herewith the Debentures, and, if applicable, directs that the Common Shares of the Corporation issuable upon a conversion be issued and delivered to the person indicated below. (If Common Shares are to be issued in the name of a person other than the Holder, all requisite transfer taxes must be tendered by the undersigned).

Dated: _____ _____
(Name of Registered Holder)

_____
(Signature of Registered Holder)

* If less than the full principal amount of the Debentures, indicate in the space provided the principal amount (which must $1,000 integral multiples thereof).

NOTE: If Common Shares are to be issued in the name of a person other than the Holder, the signature must be guaranteed by a chartered bank, a trust company or by a member of an acceptable Medallion Guarantee Program. The Guarantor must affix a stamp bearing the actual words: "SIGNATURE GUARANTEED".

(Print name in which Common Shares are to be issued, delivered and registered)

Name: _____

_____
(Address)

_____
(City, Province and Postal Code)

Name of guarantor: _____

Authorized signature: _____

CONSULTING SERVICES AGREEMENT

THIS CONSULTING SERVICES AGREEMENT (this "Agreement") is entered into effective as of September 1, 2019 (the "Effective Date"), by and between C21 INVESTMENTS INC., a British Columbia corporation (the "Company"), and CB1 CAPITAL ADVISORS LLC, a Delaware limited liability company (the "Consultant").

RECITALS

A. The Company desires to retain the Consultant to provide advice to, and consult with, the Company with respect to the Consulting Services on the terms and conditions set forth in this Agreement, and the Consultant desires to accept such engagement from the Company and to perform the Consulting Services on the terms and conditions set forth in this Agreement.

B. The Company acknowledges and agrees that (i) the Consultant's responsibilities under this Agreement are advisory only and that the Consultant has no responsibility or right to assist the Company in implementing or effecting any transaction, and (ii) in the event that the Company elects to implement or effect any transaction pertaining to the Consulting Services or otherwise, the Company shall do so independent of the Consultant and through other consultants selected by the Company, including, without limitation, legal counsel, auditors, financial advisors and underwriters, among other qualified experts.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing recitals and the covenants and promises contained in this Agreement, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

1. **Engagement.**

1.1 Initial Term. As of the Effective Date, the Company hereby engages the Consultant, and the Consultant accepts such engagement, upon the terms and conditions hereinafter set forth, for the period (a) commencing on the Effective Date, and (b) expiring on August 31, 2020, except as otherwise permitted by the terms of this Agreement (the "Initial Term"). As used in this Agreement, the "Term" shall mean the Initial Term, together with any Renewal Term (as defined below).

1.2 Renewal Term. Upon the expiration of the Initial Term, provided this Agreement has not been terminated by the Company or the Consultant pursuant to the terms of this Agreement, the Initial Term shall be automatically extended for successive one (1) year terms (each, a "Renewal Term") unless either the Company or the Consultant gives the other a written notice of non-renewal at least sixty days (60) days prior to the expiration of the Initial Term or the applicable Renewal Term (the "Non-Renewal Notice"). If any such Notice of Non-Renewal is not given, this Agreement shall immediately and automatically renew and shall terminate at the end of the then applicable Renewal Term.

2. **[Reserved]**

3. **Consulting Services.**

3.1 **Included Services**. Subject to Section 3.2, to the extent requested by the Company, the Consultant shall provide strategic and business development advice to the Company, including, without limitation, (i) assisting the Company in developing and mapping its organizational strategy and goals, (ii) guiding the Company management toward the successful implementation of best practices, (iii) providing guidance and making introductions to further the Company's business development, (iv) assisting the Company in bridging the gap between strategic planning and implementation, (v) analyzing investment and partnership opportunities for the Company, (vi) assisting the Company in forming an advisory board, (vii) making introductions to investment banks and their research analysts, (viii) advising the Company in capital raising strategies and execution, and (ix) otherwise being available to the Company's management team at mutually acceptable times to provide strategic advice.

3.2 **Excluded Services**. Except upon the Company's written approval of the Conditions to Providing the Excluded Services, the Consulting Services to be rendered by the Consultant to the Company shall not include any services the provision of which requires a license as a registered broker-dealer, investment adviser or underwriter to the extent the Consultant is not so licensed. Any such services shall collectively constitute "Excluded Services" hereunder. To the extent that the Company elects to implement or effect any securities transaction pertaining to the Consulting Services or otherwise, the Company shall do so independent of the Consultant and through other consultants, including, without limitation, legal counsel, auditors, financial advisors and underwriters, as applicable, among other qualified experts.

4. **Reporting; Time Commitment.**

4.1 **Reporting**. The Consultant shall report directly to the Chief Executive Officer of the Company or his designee.

4.2 **Time Commitment**. During the Term, the Consultant shall devote such amount of the Consultant's business time, energy and skill to the Consulting Services as may be reasonably necessary to perform the Consulting Services.

5. **Representations, Warranties and Covenants.**

5.1 **The Consultant**. The Consultant represents, warrants and covenants to the Company as follows:

5.1.1 **Organization**. The Consultant is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and has the requisite limited liability company power and authority to carry on its business as now being conducted.

5.1.2 **Authority; Binding Obligation**. The Consultant has all requisite power and authority to enter into this Agreement and perform the Consulting Services. The execution and delivery of this Agreement has been duly authorized by all necessary action on the part of the Consultant. This Agreement has been duly executed and delivered by the Consultant and, assuming due execution and delivery by the Company, constitutes the valid and binding obligation of the Consultant, enforceable against the Consultant in accordance with its terms, except as the enforceability

thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and by general principles of equity.

5.1.3 **Conduct**. The Consultant shall perform the Consulting Services in a diligent, timely and competent manner in accordance with applicable law. The Consultant has not held itself out as (x) a broker-dealer, or as a person qualified to render the services of a broker-dealer, or (y) a party willing or able to execute trades or assist others in routing or completing securities transactions. Upon the expiration or earlier termination of the Term, at the request of the Company, the Consultant shall return to the Company all property received by the Consultant in connection with providing Consulting Services hereunder then in the Consultant's possession. Notwithstanding the foregoing, (a) the Consultant shall be permitted to retain copies of any information received from the Company in connection with the Consulting Services to the extent required by applicable law or by its corporate document retention policies, and (b) nothing in this Section 5.1.3 shall require the Consultant to delete copies of files from backup servers or similar storage media.

5.1.4 **Location**. The Consultant shall (i) primarily work remotely from the Consultant's own offices in Port Washington, New York; however, as reasonably requested by the Company from time to time, and in accordance with Section 6.4 hereof, the Consultant may work from the Company's office in Vancouver, British Columbia, and (ii) subject to Section 6.4 hereof, be expected to travel from time to time in the course of performing the Consulting Services.

5.2 **The Company**. The Company represents, warrants and covenants to the Consultant as follows:

5.2.1 **Organization**. The Company is duly organized, validly existing and in good standing under the laws of the Province of British Columbia and has the requisite corporate power and authority to carry on the Company's business as now being conducted.

5.2.2 **Authority; Binding Obligation**. The Company has all requisite corporate power and authority to enter into this Agreement and perform its obligations hereunder. The execution and delivery of this Agreement has been duly authorized by all necessary action on the part of the Company. This Agreement has been duly executed and delivered by the Company, and, assuming due execution and delivery by the Consultant, constitutes the valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and by general principles of equity.

5.2.3 **Blackout Periods**. If, during the term of this Agreement, the Company's securities are traded on an exchange, the Company shall provide the Consultant with prior written notice (which may include notice by e-mail) of the Company's normal blackout periods when it prohibits its employees from trading in its securities, so that the Consultant is aware of such dates.

6. **Consulting Fees and Expenses; Benefits.**

6.1 **Consulting Fees**. During the Term, subject to the terms of this Agreement, as payment and consideration for the Consultant's performance of the Consulting Services to the Company, the Company shall pay the Consultant the consulting fees set forth in this Section 6, with no

duplication of amounts intended (collectively, the "Consulting Fees") subject to and in accordance with the terms, conditions, qualifications and timing set forth in this Section 6.

6.2 **Base Consulting Fee.**

6.2.1 **Amount**. During the Term, for so long as the Consultant is providing the Consulting Services, the Consultant shall receive the Base Consulting Fee, which shall be comprised of the following components: (a) a monthly base consulting fee of Twenty Thousand Dollars ($20,000) in cash (the "Base Cash Consulting Fee") and (b) on the first day of the Initial Term, a Base Option Award. The "Base Option Award" shall be an option (exercisable for a period of not less than five years from the date of issuance) to purchase 500,000 shares of common stock of the Company at an exercise price equal C$1.00 per share; *provided, however*, that in no event shall the Base Option Award be exercisable more than twelve (12) months after the end of the Term to the extent that such an exercise period would violate any listing rules of any primary exchange on which the Company's shares are listed (or with respect to which a listing application has been filed in good faith). The shares issuable upon the Consultant's exercise of the Base Option Award shall be publicly tradable without restriction except as provided under applicable Canadian securities laws including the Canadian statutory hold-period of four months plus a day from the date of grant of the Base Option Award, unless the Consultant qualifies for an exemption therefrom. The number of shares and the price underlying the Base Option Award shall be adjusted from time to time, as necessary, to equitably account for any changes in the Company's capital structure (*e.g.*, proper equitable adjustment in the event of a stock split or stock dividend, etc.).

6.2.2 **Adjustment**. The amount of the Base Consulting Fee shall be reviewed by the Company Board annually and may be adjusted upward (but not downward) at such time.

6.2.3 **Payment Timing; Other**. From and after the Effective Date and during the Term, the Base Cash Consulting Fee shall be invoiced by the Consultant monthly in advance and shall be payable by the Company in accordance with the Company's normal business practices, but in no event shall such amounts be paid more than 30 days after the date of such invoice.

6.3 **Additional Consulting Fees**. In addition to fees payable pursuant to Section 6.2 or pursuant to agreements entered into pursuant to Section 3.1.2, or as otherwise agreed upon by the Company, the Company shall pay to the Consultant the following:

6.3.1 **Origination Fee**. Subject to Section 3.2, and solely to the extent permitted by law, with respect to any loans or investments in preferred equity or mezzanine securities made by the Company or any of its affiliates, which loans or investments arose from opportunities originated or identified by Consultant a fee equal to 1% of the total amount or gross amount of any such investments or loans.

6.3.2 **Payment Frequency**. Any additional consulting fees due to the Consultant under this Section shall be paid, with respect to a fee based on a transaction, upon consummation thereof and, in all other cases, no less frequently than quarterly in accordance with the Company's business practices.

6.4 **Expenses**. The Consultant shall be entitled to reimbursement promptly by the Company for all reasonable and actually incurred business expenses that the Consultant incurs on behalf of

the Company during the Term in performing the Consulting Services; provided, that, the Consultant shall provide to the Company reasonable documentation in accordance with the Company's expense reimbursement policies in effect from time to time. The Company agrees that any air travel scheduled for more than four hours shall be "business class". Expenses greater than US$5,000 individually or in the aggregate shall be subject to the prior approval of the Company, which such consent shall not be unreasonably withheld.

7. Termination; Termination Fees; and Related Matters.

7.1 **Termination**. The Consultant's Consulting Services may be terminated at any time, at the option of either Party, subject only to any applicable termination obligations set forth in this Section 7. Upon any termination hereunder, the Term shall automatically expire.

7.2 **Rights Upon Termination**.

(i) Payment of Fees and Benefits Earned Through Date of Termination and After Date of Termination. Upon any termination of the Consultant, the Consultant shall in all events be paid all accrued but unpaid Base Cash Consulting Fees. Any and all amounts due pursuant to this Section 7.2(i) shall be paid no later than thirty (30) calendar days following the Consultant's termination. The Company's obligations to the Consultant under Section 3.1.2 hereof and under Section 6.3 hereof shall continue after the end of the Term of this Agreement and shall survive the termination of this Agreement.

(ii) Termination by the Company or by the Consultant Due to Breach by the Company. In the event the Company or any successor to the Company terminates the Consultant (other than pursuant to Section 7.2(iii) or Section 7.2(iv)), or if the Consultant terminates due a material breach by the Company of a material obligation hereunder (subject to Section 12), the Company shall, in addition to paying the amounts provided under Section 7.2(i) (the "Section 7.2(i) Payments"), pay to the Consultant, in one lump sum in cash, an amount equal to the remaining Base Cash Consulting Fees that otherwise would be payable to the Consultant for the remainder of the Term in the absence of such termination (such lump sum, the "Early Termination Payment"). The lump sum payment called for by this Section 7.2(ii) shall be paid at the effective time of such termination. The Company shall also continue to be obligated to pay to the Consultant all amounts otherwise due to the Consultant under Section 3.1.2 hereof and under Section 6.3 hereof after the Date of Termination.

(iii) Termination by the Consultant or by the Company Due to Breach by the Consultant. In the event Consultant terminates this Agreement other than pursuant to Section 7.2(ii) or the Company terminates this Agreement due a material breach by Consultant of a material obligation hereunder (subject to Section 12), the Consultant shall receive the amounts set forth in Section 7.2(i) at the effective time of such termination. The Company shall also continue to be obligated to pay to the Consultant all amounts otherwise due to the Consultant under Section 3.1.2 hereof and under Section 6.3 hereof after the Date of Termination.

(iv) Termination by the Company Due to Change in Control. If after December 31, 2019, (A) the Company enters into an agreement with an unaffiliated third party (the "Successor") pursuant to which (I) the Company will merge or be amalgamated with and into the Successor or

(II) all or substantially all of the of assets of the Company will be sold to the Successor (in either case, such transaction, a "Transforming Transaction"), (B) the Successor is not willing to consummate the Transforming Transaction without the termination of this Agreement, and (C) in connection with and at the time of the closing of the Transforming Transaction, the Company terminates this Agreement, then, in lieu of making the Early Termination Payment contemplated by Section 7.2(ii) hereof, the Company may instead pay to the Consultant an amount equal to 95% of the Early Termination Payment in shares of common stock of the Company (based on the trailing 30-day VWAP of the Company's common shares for the period ending the day immediately prior to the closing of the Transforming Transaction) provided that such shares of common stock must be freely tradable without restriction. Nothing in this Section 7.2(iv) shall eliminate the Company's obligation to pay the Section 7.2(i) payments in accordance therewith.

7.3 **Notice of Termination**. The Non-Renewal Notice pursuant to Section 1.2 or of any termination of the Consultant shall be communicated by written notice (a "Notice of Termination") from one party hereto to the other party hereto in accordance with this Section 7 and Section 10.11.

7.4 **Date of Termination**. "Date of Termination," with respect to any termination of the Consultant's engagement during the Term, shall mean (i) if the Consultant's engagement with the Company is duly terminated by the Company due to material breach of this Agreement by the Consultant or by the Consultant for any reason, the date on which a Notice of Termination is given which complies with the requirements of Section 7.3, and (ii) if the Consultant is terminated by the Company for any other reason, the date specified in the Notice of Termination.

8. **Relationship**. The Company and the Consultant intend (a) that this Agreement shall be a consulting agreement and not a partnership agreement, and (b) that the Consultant shall be an independent contractor and its members and employees providing Consulting Services hereunder shall not be employees of the Company. The Consultant (and all employees and members thereof) shall operate at all times as an independent contractor of the Company. Without limiting the generality of the foregoing, nothing in this Agreement shall be construed as creating an employer/employee relationship, partnership, joint venture, or other business group between the Consultant and the Company.

8.1 **No Authority to Supervise**. While the Company's personnel may from time to time assist the Consultant in rendering the Consulting Services (if and when the Company may reasonably direct), the Consultant, in such capacity, shall have no authority to supervise, direct, hire, fire or make other management decisions regarding such personnel.

8.2 **Taxes**. The Consultant and the Company agree that the Consultant (and all of the Consultant's employees and members) is not an employee of the Company for state or federal tax purposes. The Consultant (and all of the Consultant's employees and members) shall be solely responsible for any and all income, unemployment, social security, worker's compensation, FICA or any other taxes or amounts payable with respect to the Consulting Fee and any and all other compensation paid or provided to the Consultant pursuant to this Agreement. The Consultant shall indemnify, defend and hold harmless the Company from and against any tax or other liability that any of them may have with respect to any such payment and against any and all losses or liabilities, including, without limitation, defense costs, arising out of the Consultant's failure to pay any taxes due from the Consultant with respect to any such payment.

8.3 **Workers' Compensation and Unemployment Insurance**. The Consultant (and the Consultant's employees and members) is not entitled to worker's compensation benefits or unemployment compensation benefits provided by the Company. The Consultant shall be solely responsible for the payment of the Consultant's (and the Consultant's employees and members) worker's compensation, unemployment compensation, and other such payments for the Consultant (and the Consultant's employees and members). The Company shall not be obligated to pay for worker's compensation for the Consultant (or the Consultant's employees or members), contribute to a state unemployment fund for the Consultant, or pay the federal unemployment tax for the Consultant or pay for any health insurance benefits for the Consultant (or the Consultant's employees or members).

9. **Protective Covenants.**

9.1 **Confidential Information; Inventions.**

9.1.1 **Process**. The Consultant (and the Consultant's employees and members) shall not use (except to the extent that such use is directly related to and required by the Consultant's performance of the Consulting Services) or disclose at any time, either during the Term or thereafter, any Confidential Information (as defined below) of the Company of which the Consultant (or any employee or member thereof) is or becomes aware, whether or not such information is developed by the Consultant (or any employee or member thereof). The Consultant shall take (and shall cause the Consultant's employees and members to take) commercially reasonable steps to safeguard Confidential Information of the Company in the Consultant's (or the Consultant's employees and members) possession and to protect the Company against disclosure, misuse, espionage, loss and theft. The Consultant (and the Consultant's employees and members) shall deliver to the Company at the end of the Term or at any other time the Company may request the same from the Consultant (and the Consultant's employees and members), all memoranda, notes, plans, records, reports, computer tapes and software and other documents and data (and copies thereof) relating to the Confidential Information of the Company or the Work Product (defined below) of the Company which the Consultant (or the Consultant's employees and members) may then possess or have under the Consultant's (or the Consultant's employees and members) control. Notwithstanding the foregoing, (x) the Consultant shall be permitted to retain copies of the Confidential Information to the extent required by applicable law or by its corporate document retention policies, (y) any such information so retained under the foregoing clause (x) shall remain subject to the terms of this Section 9.1 and (z) nothing in this Section 9.1 shall require the Consultant to delete copies of files from backup servers or similar storage media. In addition, notwithstanding the foregoing, the Consultant (and the Consultant's employees and members) may truthfully respond to a lawful and valid subpoena or other legal process of any court or regulatory authority, provided that other than with respect to communications with regulatory authorities, the Consultant shall give the Company prior written notice thereof and shall, as much in advance of the return date as possible, make available to the Company's counsel the documents and other information sought, and shall reasonably assist the Company's counsel, at the Company's sole expense, in resisting or otherwise responding to such process.

9.1.2 **Scope**. As used in this Agreement, the term "Confidential Information" means information that is not generally known to the public and that is used, developed or obtained by a party (together with its affiliates, the "Discloser") in connection with its business, including, without limitation,

information, observations and data obtained by the other party (or such other party's employees and members, collectively, the "Recipient") during the provision of the Consulting Services to the Company and its affiliates (including any such information obtained prior to the Effective Date) hereunder concerning (i) the business or affairs of the Discloser, (ii) its products or services, (iii) its fees, costs and pricing structures, (iv) its data and intellectual property, (v) its analyses, (vi) its drawings, photographs and reports, (vii) its computer software, including operating systems, applications and listings, (viii) its flow charts, manuals and documentation, (ix) its data bases, (x) its accounting and business methods, (xi) its inventions, new developments, methods and processes, whether patented, patentable or unpatentable and whether or not reduced to practice, (xii) its customers and clients and customer or client lists, (xiii) its other copyrightable works, (xiv) its production methods, processes, technology and trade secrets, and (xv) all similar and related information in whatever form. Confidential Information shall not include any information that has been published (other than a disclosure by the Recipient or any employee or member thereof in breach of this Agreement) in a form generally available to the public prior to the date the Recipient proposes to disclose or use such information. Confidential Information shall not be deemed to have been published merely because individual portions of the information have been separately published, but only if all material features comprising such information have been published in combination.

9.1.3 **Definitions**. As used in this Agreement, the term (i) "Person" shall be construed broadly and shall include, without limitation, an individual, a partnership, a limited liability company, a corporation, an association, a joint stock company, a trust, a joint venture, an unincorporated organization and a governmental entity or any department, agency or political subdivision thereof, (ii) "Work Product" shall mean all inventions, innovations, improvements, technical information, systems, scientific developments, methods, designs, analyses, drawings, reports, service marks, trademarks, trade names, logos and all similar or related information (whether patented, patentable or unpatentable, copyrightable, registrable as a trademark, reduced to writing, or otherwise) which relate to the Company's (together with its affiliates) actual or anticipated business, research and development or existing or future products or services and which are conceived, developed or made by the Consultant, or any employee or member thereof (whether or not during usual business hours, whether or not by the use of the facilities of the Company, and whether or not alone or in conjunction with any other Person) while performing any Consulting Services during the Term (including those conceived, developed or made prior to the Effective Date), together with all patent applications, letters patent, trademark, trade name and service mark applications or registrations, copyrights and reissues thereof that may be granted for or upon any of the foregoing. All Work Product that the Consultant may discover, invent or originate with respect to the Company and its businesses during the Term shall be the exclusive property of the Company, and the Consultant(and all employees and members thereof) hereby assigns all of the Consultant's (and all employees and members thereof) right, title and interest in and to such Work Product to the Company, including, without limitation, all intellectual property rights therein. The Consultant (and all employees and members thereof) shall promptly disclose all Work Product to the Company, shall execute at the request of the Company any reasonable assignments or other documents the Company may deem necessary to protect or perfect the Company's rights therein, and shall assist the Company in obtaining, defending and enforcing its rights therein.

9.2 **Enforcement**. The Consulting Services are unique and the Consultant (and all employees and members thereof) has access to Confidential Information and Work Product. Accordingly, a

breach by the Consultant of any of the covenants in this Section 9 would cause immediate and irreparable harm to the Company that would be difficult or impossible to measure, and any damages to the Company for any such injury would therefore be an inadequate remedy for any such breach. Therefore, in the event of any breach or threatened breach of any provision of this Section 9, the Company shall be entitled, in addition to, and without limitation upon, all other remedies the Company may have under this Agreement, at law or otherwise, to seek to obtain specific performance, injunctive relief and/or other appropriate relief (without posting any bond or deposit) in order to enforce or prevent any violations of the provisions of this Section 9, or require the Consultant (and all employees and members thereof) to account for and pay over to the Company all compensation, profits, moneys, accruals, increments or other benefits derived from or received as a result of any transactions constituting a breach of this Section 9 if and when final judgment of a court of competent jurisdiction is so entered against the Consultant (or any employee or member thereof).

9.3 **Ownership**. All software, hardware, equipment or records, including all copies or extracts of them which the Consultant (or any employee or member thereof) prepares, uses or sees during the Term in relation to the performance of the Consulting Services shall be and remain the sole property of the Company to the extent that such software, hardware, equipment or records were provided by the Company to the Consultant or made available to the Consultant by the Company.

9.4 **Non-Solicitation.** The Company agrees that for the period from the date hereof until twelve (12) months after the end of the Term, neither the Company nor any of its affiliates will directly or indirectly solicit to hire or hire any employee or owner of the Consultant so long as such employee or owner is then such an employee or owner of the Consultant or was an employee or owner thereof within twelve (12) months prior to such solicitation, other than a general solicitation in the ordinary course of business not specifically targeted at employees of the Consultant or solicitations of former employees or owners of the Consultant whose employment or ownership, as the case may be, was terminated by the Consultant.

10. **Miscellaneous.**

10.1 **Successors; No Assignment by the Consultant**. This Agreement shall not, without the prior written consent of the Company be assignable by the Consultant, other than to a wholly owned affiliate of the Consultant. This Agreement may only be assigned by the Company to a successor to all or substantially all of the business or assets of the Company and shall be binding upon, and inure to the benefit of, such successor. The Company shall require any such successor to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used herein, "successor" or "assignee" shall include any person, firm, corporation or other business entity which at any time, whether by purchase, merger or otherwise, directly or indirectly acquires the ownership of the Company or to which the Company assigns this Agreement by operation of law of otherwise.

10.2 **Waiver**. Neither the failure nor any delay on the part of a party to exercise any right, remedy, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege preclude any other or further exercise of the same or of any right, remedy, power or privilege, nor shall any waiver of any right,

remedy, power or privilege with respect to any occurrence be construed as a waiver of such right, remedy, power or privilege with respect to any other occurrence. No waiver shall be binding unless in writing and signed by the party asserted to have granted such waiver.

10.3 **Modification**. This Agreement may not be amended or modified other than by a written agreement executed by the Company and the Consultant.

10.4 **Complete Agreement**. This Agreement (including, without limitation, any Schedules attached hereto), together with any Base Option Award agreements hereinafter in effect, contains the entire agreement and final understanding between the parties hereto with respect to the subject matter addressed herein between the parties, and supersedes and replaces all prior negotiations and all agreements proposed or executed, whether written or oral, with the Consultant and the Company concerning the subject matter hereof. Any representation, promise or agreement not specifically included in this Agreement shall not be binding upon or enforceable against any party hereto. This Agreement constitutes an integrated agreement.

10.5 **Severability**. It is the desire and intent of the parties hereto that the provisions of this Agreement be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, if any particular provision of this Agreement shall be adjudicated by a court of competent jurisdiction or an arbitrator, as the case may be, to be invalid, prohibited or unenforceable under any present or future law, and if the rights and obligations of any party under this Agreement shall not be materially and adversely affected thereby, such provision, as to such jurisdiction, shall be ineffective, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction, and to this end, the provisions of this Agreement are declared to be severable. Furthermore, in lieu of such invalid or unenforceable provision, there shall be added automatically as a part of this Agreement, a legal, valid and enforceable provision as similar in terms to such invalid or unenforceable provision as may be possible. Notwithstanding the foregoing, if such provision could be more narrowly drawn so as not to be invalid, prohibited or unenforceable in such jurisdiction, it shall, as to such jurisdiction, be so narrowly drawn, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

10.6 **Governing Law**. This Agreement shall, without regard to principles of conflict of laws, be governed by the laws of the State of New York as to all matters, including, without limitation, matters of validity, construction, effect and performance.

10.7 **Counterparts**. This Agreement may be executed in counterparts, and each counterpart, when executed, shall have the efficacy of a signed original. Photographic copies of such signed counterparts may be used in lieu of the originals for any purpose.

10.8 **Attorneys' Fees**. In the event of a legal dispute between the parties hereto relating to the subject matter hereof, the prevailing party shall be entitled to receipt from the losing party of all reasonable out-of-pocket attorneys' fees and costs related thereto.

10.9 **Jurisdiction; Waiver of Jury Trial**. Any judicial proceeding seeking to enforce any provision of, or based on any right arising out of, this Agreement may be brought only in the state

or federal courts of the County and State of New York, and by the execution and delivery of this Agreement, each of the parties hereto accepts for themselves the exclusive jurisdiction of the aforesaid courts and irrevocably consents to the jurisdiction of such courts (and the appropriate appellate courts) in any such proceedings, waives any objection to venue laid therein and agrees to be bound by the judgment rendered thereby in connection with this Agreement or any agreement identified herein. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF THIS AGREEMENT.

10.10 **Notices**. Any notice to be given hereunder by any party to the other may be effected by personal delivery, in writing, or by mail, registered or certified, postage prepaid with return receipt requested. Mailed notices shall be addressed to the parties at the addresses set forth below, but each party may change its address by written notice in accordance with this Section 10.10. Notices shall be deemed communicated as of the actual receipt or refusal of receipt.

If to the Consultant:

CB1 CAPITAL ADVISORS LLC
Two Haven Avenue, Suite 205
Port Washington, NY 11050
Attn: General Counsel

If to the Company:

C21 INVESTMENTS INC.
595 Howe Street, Suite 303
Vancouver, BC V6C 2T5
CANADA
Attn: Chief Executive Officer

10.11 **Headings; Construction**. The section and paragraph headings and titles contained in this Agreement are inserted for convenience only, and they neither form a part of this Agreement nor are they to be used in the construction or interpretation of this Agreement. Where the context requires, the singular shall include the plural, the plural shall include the singular, and any gender shall include all other genders. Where specific language is used to clarify by example a general statement contained herein, such specific language shall not be deemed to modify, limit or restrict in any manner the construction of the general statement to which it relates.

11. **Indemnification**. To the maximum extent permitted by law, the Company and its respective successors and assigns (the "Indemnitor") shall indemnify, protect, defend and hold harmless the Consultant (and its members, employees, representatives and agents) (the "Indemnitee") from, for, and against any and all claims, liabilities, liens, fines, demands, lawsuits, actions, losses, damages, injuries, judgments, settlements, costs or expenses whether asserted in law or in equity and including any claims made by regulatory agencies asserted against the Indemnitee arising out of, in whole or in part, the actions or commissions of the Indemnitor, this Agreement or the Consulting Services, other than those which have arisen from the Indemnitee's gross negligence, willful misconduct or material breach of this Agreement (hereinafter,

collectively, "Claims"). The Indemnitor shall provide a legal defense with counsel reasonably approved by the Indemnitee upon the first notice the Indemnitee sends to the Indemnitor and the Indemnitor shall continue to provide such defense to the Indemnitee until the matter is fully resolved by either final judgment, settlement, or other release executed by the Indemnitee. The Indemnitor shall indemnify the Indemnitee from, for and against all Claims, including, without limitation, all legal fees, costs and expert fees and costs that the Indemnitee may directly or indirectly sustain, suffer or incur as a result thereof. The Indemnitor shall and does hereby assume on behalf of the Indemnitee, upon the Indemnitee's written demand, the amount of any costs allowed by law, and costs identified herein, any settlement reached or any judgment that may be entered against the Indemnitee, as a result of such Claims. The obligations of the Indemnitor pursuant to this Section 11 shall survive the expiration or earlier termination of this Agreement.

12. **Notice and Opportunity to Cure**. Notwithstanding anything to the contrary herein, no party shall be entitled to recover damages or to terminate the Term by reason of any breach by another party hereto of its obligations hereunder unless the breaching party fails to remedy such breach within (a) five (5) days following receipt of the non-breaching party's notice thereof with respect to any breaches of a payment obligation, and (b) fifteen (15) days following receipt of the non-breaching party's notice thereof with respect to any other breaches. The foregoing cure period will not apply to any representations or warranties hereunder, to breaches incapable of being cured, or to an application for injunctive relief. Repetitive breaches of the same kind and character shall not be curable.

[*Remainder of page intentionally left blank.*]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on its behalf by its respective officer or managing member thereunto duly authorized as of the Effective Date.

C21 Investments Inc.
a British Columbia corporation

By: _____
Name: Sonny L. Newman
Its: Spetember 9th, 20129

2019.09.08 08:03:27 -07'00'

CB1 CAPITAL ADVISORS LLC,
a Delaware limited liability company

By: _____
Name: J&R Tyras
Its: CoA/CFO

Exhibit 8.1

LIST OF SUBSIDIARIES

As of the date of the Annual Report on Form 20-F of which this Exhibit 8.1 is a part, the following is a list of C21 Investments Inc.'s subsidiaries:

Name of Subsidiary	Country of Incorporation	Percentage Ownership	Functional Currency	Principal Activity
320204 US Holdings Corp.	USA	100%	USD	Holding Company
320204 Oregon Holdings Corp.	USA	100%	USD	Holding Company
320204 Nevada Holdings Corp.	USA	100%	USD	Holding Company
320204 Re Holdings, LLC	USA	100%	USD	Holding Company
Eco Firma Farms LLC	USA	100%	USD	Cannabis producer
Silver State Cultivation LLC	USA	100%	USD	Cannabis producer
Silver State Relief LLC	USA	100%	USD	Cannabis retailer
Swell Companies LTD	USA	100%	USD	Cannabis processor, distributor
Megawood Enterprises Inc.	USA	100%	USD	Cannabis retailer
Phantom Venture Group, LLC	USA	100%	USD	Holding Company
Phantom Brands, LLC	USA	100%	USD	Holding Company
Phantom Distribution, LLC	USA	100%	USD	Cannabis distributor
63353 Bend, LLC	USA	100%	USD	Cannabis producer
20727-4 Bend, LLC	USA	100%	USD	Cannabis processor
4964 BFH, LLC	USA	100%	USD	Cannabis producer
Workforce Concepts 21, Inc.	USA	100%	USD	Payroll and benefits services

Exhibit 12.1

CERTIFICATION REQUIRED BY RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, Sonny Newman, certify that:

1. I have reviewed this annual report on Form 20-F of C21 Investments Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;
4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and
5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditor and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: July 13, 2020

By:

/s/ Sonny Newman
Sonny Newman
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 12.2

CERTIFICATION REQUIRED BY RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934

I, Michael Kidd, certify that:

1. I have reviewed this annual report on Form 20-F of C21 Investments Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;
4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and
5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditor and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: July 13, 2020

By: /s/ Michael Kidd
Michael Kidd
Chief Financial Officer and Director
(Principal Financial and Accounting Officer)

Exhibit 13.1

CERTIFICATION PURSUANT TO
18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of C21 Investments Inc. (the "Company") on Form 20-F for the period ended January 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Sonny Newman, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

July 13, 2020

/s/ Sonny Newman
Sonny Newman
President and Chief Executive Officer
(Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to C21 Investments Inc. and will be retained by C21 Investments Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 13.2

CERTIFICATION PURSUANT TO
18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of C21 Investments Inc. (the "Company") on Form 20-F for the period ended January 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael Kidd, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

July 13, 2020

/s/ Michael Kidd
Michael Kidd
Chief Financial Officer
(Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906 has been provided to C21 Investments Inc. and will be retained by C21 Investments Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 15.1

C21 INVESTMENTS INC.

Management's Discussion and Analysis

For the Year Ended **January 31, 2020**

(Expressed in U.S. Dollars)

GENERAL

C21 Investments Inc. (the "**Company**" or "**C21**") was incorporated in the Province of British Columbia under the *Company Act* (British Columbia) on January 15, 1987 as Empire Creek Mines Inc. On May 11, 1987, the Company changed its name to Curlew Lake Resources Inc. Effective November 24, 2017, the Company changed its name to C21 Investments Inc. On June 15, 2018, the Company's common shares were delisted from the TSX Venture Exchange and on June 18, 2018, the common shares commenced trading on the Canadian Securities Exchange ("**CSE**") under the symbol CXXI. The Company registered its common shares in the United States ("**U.S.**") and on May 6, 2019, its common shares were cleared by FINRA for trading on the OTC Markets platform under the U.S. trading symbol CXXIF. On August 23, 2019 the Company announced it had been approved and upgraded for trading on the OTCQB Venture Market.

This Management's Discussion and Analysis ("**MDA**") covers the operations of the Company for the year ended January 31, 2020. The MDA should be read in conjunction with the Company's audited consolidated financial statements and accompanying notes for the year ended January 31, 2020. All inter-company balances and transactions have been eliminated upon consolidation. The Company's financial statements are prepared in accordance with International Financial Reporting Standards ("**IFRS**"). Financial information presented in this MD&A is presented in United States dollars ("**$**" or "**US$**"), unless otherwise indicated.

Additional information related to the Company is available for viewing on SEDAR at www.sedar.com or the Company website at www.cxxi.ca.

FORWARD LOOKING STATEMENTS

This Management's Discussion and Analysis includes "forward-looking information" and "forward-looking statements" within the meaning of Canadian securities laws and United States securities laws. All information, other than statements of historical facts, included in this MDA that addresses activities, events or developments that the Company expects or anticipates will or may occur in the future is forward-looking information. Forward-looking information includes, among other things, information regarding: statements relating to the business and future activities of, and developments related to, the Company, including such things as the impact of the COVID-19 pandemic with reductions of operating (including marketing) and capital expenses and revenues, future business strategy, competitive strengths, goals, expansion and growth of the Company's business, operations and plans, including information concerning the completion and timing of the completion of contemplated acquisitions, expectations whether such proposed transactions will be consummated on the current terms or otherwise and contemplated timing, expectations and effects of such proposed transactions, including the potential number and location of cultivation and production facilities and dispensaries or licenses therefor to be acquired and markets to be entered into by the Company as a result of completing such proposed acquisitions, expectations regarding the markets to be entered into by the Company as a result of completing such proposed acquisitions, such as the growth to be experienced by such new markets, the ability of the Company to successfully achieve its business objectives as a result of completing such proposed acquisitions, estimates of future cultivation, manufacturing and extraction capacity, expectations as to the development and distribution of the Company's brands and products, the expansion into additional U.S. and international markets, any potential future legalization of adult-use and/or medical cannabis under U.S. federal law, expectations of market size and growth in the United States and the states in which the Company operates or contemplates future operations and the effect such growth will have on the Company's financial performance, expectations for other economic, business, regulatory and/or competitive factors related to the Company or the cannabis industry generally, and other events or conditions that may occur in the future.

Readers are cautioned that forward-looking information and statements are based on reasonable assumptions, estimates, analysis and opinions of management of the Company at the time they were provided or made in light of their experience and their perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances, and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information and statements.

Forward-looking information and statements are not a guarantee of future performance and are based upon a number of estimates and assumptions of management at the date the statements are made including among other things assumptions

about: the contemplated acquisitions and dispositions being completed on the current terms and current contemplated timeline; development costs remaining consistent with budgets; ability to manage anticipated and unanticipated costs; favorable equity and debt capital markets; the ability to raise sufficient capital to advance the business of the Company; favorable operating and economic conditions; political and regulatory stability; obtaining and maintaining all required licenses and permits; receipt of governmental approvals and permits; sustained labor stability; favorable production levels and costs from the Company's operations; the pricing of various cannabis products; the level of demand for cannabis products; the availability of third party service providers and other inputs for the Company's operations; and the Company's ability to conduct operations in a safe, efficient and effective manner; expectations regarding the Company's consolidation, integration and optimization of its Oregon assets; the ability of the Company to restructure and service its secured debt; the availability of securitized debt financing on terms acceptable to the Company, or at all; and the ability of the Company's operations to perform and continue in the ordinary course in light of the COVID-19 pandemic. While the Company considers these assumptions to be reasonable, the assumptions are inherently subject to significant business, social, economic, political, regulatory, competitive and other risks, uncertainties, contingencies and other factors that could cause actual performance, achievements, actions, events, results or conditions to be materially different from those projected in the forward-looking information and statements. Many assumptions are based on factors and events that are not within the control of the Company and there is no assurance they will prove to be correct.

Risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information and statements include, among others, risks relating to U.S. regulatory landscape and enforcement related to cannabis, including governmental and environmental regulation, public opinion and perception of the cannabis industry, risks related to the ability to consummate the proposed acquisitions on the proposed terms and the ability to obtain requisite regulatory approvals and third party consents and the satisfaction of other conditions, risks related to reliance on third party service providers, the limited operating history of the Company, risks inherent in an agricultural business, risks related to proprietary intellectual property, risks relating to financing activities, risks relating to the management of growth, increasing competition in the industry, risks associated to cannabis products manufactured for human consumption including potential product recalls, reliance on key inputs, suppliers and skilled labor (the availability and retention of which is subject to uncertainty), cybersecurity risks, ability and constraints on marketing products, fraudulent activity by employees, contractors and consultants, risk of litigation and conflicts of interest, and the difficulty of enforcement of judgments and effect service outside of Canada, risks related to future acquisitions or dispositions, limited research and data relating to cannabis, risks and uncertainties related to the impact of the COVID-19 pandemic and the impact it may have on the global economy and retail sector, particularly the cannabis retail sector in the states in which the Company operates, risks and uncertainties relating to the Company's President and CEO, Sonny Newman, being the Company's major lender holding security over the Company's principal operating assets in Nevada, as well as those risk factors discussed elsewhere herein, including under "Risk Factors".

Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such forward-looking information and statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such information and statements. Accordingly, readers should not place undue reliance on forward-looking information and statements.

The Company may elect to update such forward-looking information and statements at a future time, it assumes no obligation for doing so except to the extent required by applicable law.

The forward-looking statements or information contained in this Management's Discussion and Analysis are made as of January 31, 2020 and July 13, 2020.

DESCRIPTION OF BUSINESS

The Company is a vertically integrated cannabis company that cultivates, processes, distributes and sells quality cannabis and hemp-derived consumer products in the United States. The Company is focused on value creation through the disciplined acquisition and integration of core retail, manufacturing, and distribution assets in strategic markets, leveraging industry-leading retail revenues together with high-growth potential, multi-market branded consumer packaged goods ("**CPG**").

The Company focuses on scalable opportunities in key markets that take advantage of its core competencies, including: (i) retail operational excellence and expanding its retail footprint through value-add acquisitions in existing markets, and ii) branded CPG expansion through both captive retail and developing wholesale channels. The Company focuses on acquiring businesses that provide immediate contribution to overall profitability, or have a path to profitability within twelve months, where it can leverage existing assets, brands, and domain expertise.

The Company currently holds licenses in Oregon and Nevada that span the entire cannabis supply chain within each market.

The Company is operated by a management team that has significant professional experience, including deep experience both within the cannabis industry and other fast-paced growth industries like technology, healthcare, and venture capital. The Company's management team also includes experts from more traditional industries like forestry, manufacturing, real estate, and capital markets.

On July 9, 2019, the Company announced that Sonny Newman had been appointed President and Chief Executive Officer ("**CEO**"), succeeding Robert Cheney, who remains on the Company's Board of Directors. On June 29, 2020, the Company announced that Mr. Newman had agreed to extend his term of employment for an additional three (3) years.

ACQUISTION PROCESS

Since the Company changed its focus to the cannabis market on January 29, 2018, the Company has aggressively grown its business, completing five acquisitions in Nevada and Oregon in 2018 and 2019, and thereafter thoughtfully improved upon its Nevada operations and optimized its operations in Oregon.

As of January 31, 2020, the Company has closed its acquisitions of Silver State Relief LLC (retail) and Silver State Cultivation LLC (cultivation and extraction) located in Nevada, and Eco Firma Farms LLC (cultivation), Megawood Enterprises Inc (retail), Phantom Venture Group, LLC and Phantom Brands, LLC (cultivation, extraction and wholesale) and Swell Companies Limited (extraction and wholesale) located in Oregon.

In the current phase of C21's acquisition plan, the Company is focused primarily on improving and expanding its retail footprint in Nevada and continuing to integrate and optimize its Oregon assets. The Company may also entertain strategic opportunities in other jurisdictions, as such opportunities may arise.

COMPLETED ACQUISITIONS

Silver State Cultivation LLC and Silver State Relief LLC – Nevada, USA

On January 15, 2019, the Company completed the acquisition of 100% of the membership interests of both Silver State Relief LLC and Silver State Cultivation LLC (collectively "**Silver State**"), which are Nevada limited liability companies. The acquisition was made effective January 1, 2019. Silver State operates indoor cannabis cultivation and processing in a licensed facility in Sparks, Nevada, and owns two retail licenses that operate cannabis dispensaries in Sparks and Fernley, Nevada.

In consideration for 100% of the membership interests of Silver State, the Company paid total consideration of $49,105,048, which included a secured promissory note to the vendor, Sonny Newman, for $30,000,000 (the "**Newman Note**").

Mr. Newman was subsequently engaged by the Company to act as its President and Chief Executive Officer.

Promissory Note to Silver State Vendor

Effective November 21, 2019, Mr. Newman and the Company agreed to amend the terms of the Newman Note, with a remaining principal balance of $21.8m. The December 1, 2019 principal payment of $800,000 was cancelled and the principal monthly payments thereafter were reduced to $600,000 per month. Further, the annual interest rate on the note was reduced from 10% to 9.5%. The remaining balance on the note was then due and payable on July 1, 2020.

Effective June 25, 2020, Mr. Newman and the Company agreed to further amend the terms of the Newman Note, with the remaining principal balance of $18.2m. The maturity date of the Note was extended from July 1, 2020 to January 1, 2021, and all other terms of the Newman Note remained the same, including the monthly payment obligations of principal and interest.

Following the July 1, 2020 payment, the principal balance owing under the Newman Note is $17.6m.

Silver State buildings

The Silver State businesses operate in three buildings, a cultivation/production warehouse and a dispensary, both located in Sparks, Nevada. The third building is the Fernley dispensary in Fernley, Nevada, which opened on January 15, 2019. The Company has the option, exercisable during the term of its leases, to acquire all three of the real estate assets of Silver State including: the land and 158,000 square-foot building ("**Stanford Way**") located in Sparks, Nevada that houses its cultivation and extraction facility; the land and 7,400 square foot retail dispensary building ("**Greg Street**") located in Sparks, Nevada, servicing more than 30,000 customers per month; and the 6,000 square foot dispensary and land located in Fernley, Nevada ("**Fernley**"), servicing more than 15,000 customers per month. The option price for Stanford Way is $12,700,000, payable in cash or common shares of the Company at $3.50 per common share, at the election of the landlord. The option price for Greg Street is $3.3m, payable in cash. The option price for Fernley, extended on June 30, 2020, along with the lease term, to July 31, 2023, is $2,228,000, payable in cash.

Megawood Enterprises Inc – Oregon, USA

On January 23, 2019, the Company completed the acquisition of 100% of the common shares of Megawood Enterprises Inc ("**Pure Green**"), an Oregon corporation, which includes its retail location at 3738 Sandy Blvd. NE, Portland, OR. In consideration for 100% of the common shares of Pure Green, the Company paid total consideration of $794,888.

At January 31, 2020, it was determined that the goodwill amounts for Pure Green were impaired and should be written off. The Company has written off all the goodwill in relation to Pure Green ($689,328) for the year ended January 31, 2020.

On February 28, 2020, the Company restructured the final payment due to the vendors of Pure Green. The final payment consisted of a cash payment of $130,000 and the issuance of 95,849 common shares of the Company at a deemed price of C$0.6225/share.

The Pure Green operations were temporarily shut down in March 2020 due to the COVID-19 pandemic. The operations are in the process of reopening under new third-party management pursuant to a management agreement dated June 1, 2020, whereby the management company has assumed all leasehold liabilities and costs at the facility including the triple net real property lease.

Phantom Venture Group, LLC and Phantom Brands, LLC – Oregon, USA

On February 4, 2019, the Company completed its acquisition of 100% of the membership interests of Phantom, which encompasses the following limited liability companies: Phantom Venture Group, LLC, Phantom Distribution, LLC, 63353 Bend, LLC, 20727-4 Bend, LLC, 4964 BFH, LLC, and Phantom Brands, LLC (collectively "**Phantom**"). Phantom operates two outdoor cannabis cultivation facilities totaling 80,000 square feet in southern Oregon. Phantom also operates a 5,600 square foot facility which includes a wholesale distribution warehouse and an extraction laboratory and a 7,700 square foot state-of-the-art indoor grow facility in Central Oregon.

In consideration for 100% of the membership interests of Phantom, the Company paid total consideration of $10,539,260 as follows:

(i) cash deposits on closing of $3,200,000

(ii) a promissory note for $290,000;

(iii) issuance of 2,670,000 common shares of the Company valued at C$1.23/common share;

(iv) issuance of 1,700,000 share purchase warrants of C21, each warrant exercisable for one common share at a price of C$1.50/common share; and,

(v) issuance of earnout shares of up to a maximum of 4,500,000 common shares of C21, to be issued over a period of seven years, contingent upon the achievement of certain stock price targets of C21 or change of control of C21 at

certain stock price valuation targets (50% of the earnout shares issuable upon change of control of the Company at a valuation of C$3.00/common share or more; 100% of the earnout shares issuable upon change of control of the Company at a valuation of at least C$5.00/common share).

In an agreement signed contemporaneously, the Company committed to purchase SDP Development Group, LLC ("**SDP**") on October 15, 2020, which owned six real estate properties used in connection with Phantom Farms' cannabis cultivation, processing and wholesale distribution operations. The aggregate purchase price was $8,010,000 payable in cash, or, at the election of the vendors, in whole or in part by the issue of 2,670,000 shares at a deemed price of $3.00 per common share. Subsequently, the Company and SDP agreed to modify the terms of the SDP agreement as well as modify the leases subject to Phantom Farms' operations. On February 12, 2020, the parties agreed to the following modified terms: the Company purchased two Southern Oregon farms, constituting over 60 acres of real property housing the two outdoor cannabis cultivation facilities totaling 80,000 square feet of canopy, rent reduction on the three Phantom properties in Central Oregon to 7% of the assessed value (a reduction of the Company's total forward lease obligations in Phantom Farms locations by $370,000 per year), and a release from the obligation to purchase the sixth property in Southern Oregon. In exchange, the SDP vendors received 7,132,041 common shares of the Company at a deemed issue price of CAD$0.804 per share.

Two former owners of Phantom are among the members of SDP and were subsequently hired by the Company. Skyler Pinnick, Chief Marketing Officer and Board member, and Russell Rotondi, the Company's general counsel.

At January 31, 2020, it was determined that the goodwill amounts for Phantom were impaired and should be written off. The Company has written off $8,009,248 of goodwill in relation to Phantom for the year ended January 31, 2020.

Swell Companies Limited – Oregon, USA

On May 24, 2019, the Company completed its acquisition of 100% of the common shares of Swell Companies Limited ("**Swell**"), an Oregon corporation. Swell is a processor and wholesaler of THC and CBD products. Swell is recognized as a leader in the extraction and manufacturing of THC and CBD derived products. Swell's commitment to quality, innovation, and execution has established Swell as an early and dominant player in the competitive Oregon market. Raw oil, encapsulates and vape pens are distributed under its in-house brands: Dab Society Extracts and Hood Oil. The capacity of Swell's processing facility is 350,000 grams of high-quality raw oil per month.

In consideration for 100% of the common shares of Swell, the Company paid or agreed to pay total consideration of $18,812,683 as follows:

(i) cash deposits on closing of $5,050,000;

(ii) liabilities assumed of $1,070,907;

(iii) $1,000,000 in the form of a 2-year convertible note at 10% interest, upon close;

(iv) 1,266,667 common shares of C21 on closing;

(v) 1,200,000 warrants to purchase common shares of C21 with an exercise price of C$1.50/common share;

(vi) 456,862 common shares issuable on November 24, 2020;

(vii) 2,450,000 common shares issuable on May 24, 2021. Upon the vendors' election, up to $5 million in cash to be received 24 months from the closing date if the average closing price of the Company's shares over the 15 trading days immediately preceding the payment date is less than C$3.75 per share. If the vendors elect to take cash, common shares issuable would be reduced to 783,333; and,

(viii) issuance of up to a maximum of 6,000,000 earn out common shares, to be issued over a period of seven years, contingent upon the achievement of certain stock price targets of C21, and 50% of the earnout shares issuable upon change of control of C21 and 100% of the earnout shares issuable upon change of control of C21 at a C21 valuation of at least C$5.00/common share.

During the year, the Company finalized an agreement with the former owners of Swell Companies Limited (the "**Swell Vendors**") to amend the terms of the Company's forward-cash obligations to the Swell Vendors. Pursuant to the terms of the amended agreement: (a) the cash sum due to the Swell Vendors through September 2019 under the original agreement, in the amount of $850,000, would be paid by the Company on or before November 15, 2019; and (b) the sum of $7,350,000

due to the Swell Vendors on May 24, 2021 under the original agreement (vii above), including the Swell Vendors' option to receive $5m of such sum in cash, was satisfied in full by the issuance of 7,015,238 common shares of C21 at a deemed issue price of $1.047 per share. The shares were issued into escrow December 27, 2019 to be released as follows: (a) twenty-five percent (25%) four-months-and-a-day from the date of issue; and (b) the remainder of the shares in three equal instalments of one-third every four months thereafter. Effective November 15, 2019, the parties executed an amendment with respect to the cash payment of $850,000, by which the maturity date was extended from November 15, 2019 to on or before July 1, 2020 with interest accruing from November 15, 2019 at 9.5%. Effective June 30, 2020, the parties executed a further amendment with respect to the cash payment of $850,000, by which the maturity date was extended from July 1, 2020 to on or before January 1, 2021, with all other terms to remain unchanged.

The Swell facility is currently under third-party management pursuant to a management agreement dated June 1, 2020 whereby the management company has assumed all leasehold liabilities and costs at the facility including the triple net real property lease.

At January 31, 2020, it was determined that the goodwill amounts for Swell were impaired and should be written off. The Company has written off $13,676,649 of goodwill in relation to Swell for the year ended January 31, 2020.

Eco Firma Farms LLC – Oregon, USA

On June 13, 2018, the Company completed the acquisition of 100% of the membership interests of Eco Firma Farms LLC ("**EFF**"), an Oregon limited liability company (former subsidiary of Proudest Monkey Holdings LLC), which owned and operated a cannabis production facility, and related assets, in Oregon. On June 28, 2018 and July 6, 2018, the Company announced certain post-closing adjustments with respect to the acquisition of EFF. In consideration for 100% of the membership interests of EFF, the Company paid total consideration of $7,849,684.

The vendors of Eco Firma Farms LLC can also earn up to 6,500,000 common shares of C21, at a deemed issue price of $1.00/common share, over a maximum seven-year period, if the EBITDA earned by the Company in relation to EFF satisfies certain agreed upon amounts ("**EFF Earn Out**"). Management has determined that the EFF Earn Out has no value.

On December 28, 2018, the Company restructured certain real estate rights connected with its EFF operations. Under the restructured arrangement, for a $3.8m purchase price, the Company formally acquired the real estate assets housing EFF's cultivation operations under a vendor finance arrangement that converted rental payments into mortgage interest payments. As part of the restructuring, two of the vendors of EFF agreed, among other things, to assign the rights to their 39.25% share of the EFF Earn Out to a wholly owned subsidiary of the Company.

At January 31, 2019, it was determined that the goodwill amounts for EFF were impaired and the Company wrote off $5,160,741 of goodwill in relation to EFF.

On May 10, 2019, the Company issued 3,983,886 common shares (the common shares were issued subject to escrow release in four consecutive monthly installments of 25% each commencing on September 14, 2019), at a deemed price of $0.825/common share, to settle the $3.8m purchase price for the real property used in EFF's operations, in addition to assuming the $513,294 balance under the first mortgage for the property.

At October 31, 2019 the Company has determined that the EFF real estate assets were impaired and the Company wrote off $4,139,522 of value from these assets.

Cultivation activities at the EFF facility were temporarily shuttered in October 2019. The EFF facility is currently under third-party management pursuant to a management agreement dated June 15, 2020, whereby the management company has assumed all costs at the facility including real property taxes and costs.

Restructure of Oregon Operations

With the closing of the final two Oregon acquisitions early in the fiscal year, the Company was able to move forward in the second half of 2019 with the integration, restructuring and optimization of the Oregon operations. By November 2019, the Company had reduced its aggregate annual run-rate through cost reductions in excess of $6 million. The Company centralized its processing and distribution business in Central Oregon at the Phantom Farms facilities. The indoor and outdoor cultivation, processing and wholesale distribution operations of Phantom Farms have been expanded and streamlined. The production of Hood Oil branded consumer packaged goods has been moved to the Phantom facilities with the shuttering of the

processing operation in Portland in March 2020. The Pure Green dispensary was closed in March 2020 due to the COVID-19 pandemic. The Company has signed management agreements at the EFF, Swell and Pure Green facilities to further drive down costs, limit liability and seek to monetize redundant assets. Staffing levels in Oregon have been reduced from 86 in June 2019 to 22 in June 2020.

COVID-19

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. While the ultimate severity of the outbreak and its impact on the economic environment is uncertain, the Company is monitoring this closely. The Company's priority during the COVID-19 pandemic is protecting the safety of its employees and customers and it is following the recommended guidelines of applicable government and health authorities. Despite being deemed as an essential retailer in its core markets, the Company has experienced a negative impact on sales in certain markets. Certain markets, such as Nevada, experienced a greater impact on sales due to reduced foot traffic in certain locations. Other markets, such as Oregon, have not been significantly impacted by COVID-19. To date, the Company has modified store operations in certain locations, with an increased focus on direct-to-consumer delivery and enabling a curbside pickup option for its customers.

SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares. As of January 31, 2020, there were 89,388,640 common shares issued and outstanding. The holders of the common shares are entitled to one vote per share at all meetings of the shareholders of the Company. The holders of common shares are also entitled to dividends, if and when declared by C21's Board of Directors (the "**Board**") and the distribution of the residual assets of the Company in the event of a liquidation, dissolution or winding up of the Company.

On February 23, 2018, the Company's Board of Directors adopted a 10% rolling stock option plan (the "**Option Plan**"). A total of 505,000 options outstanding were issued under the Option Plan on inception as they were carried-forward from an older plan that was cancelled. The Option Plan provides that, subject to the requirements of the CSE, the aggregate number of common shares reserved for issuance pursuant to options granted under the Option Plan will not exceed 10% of the number of common shares of the Company that are issued and outstanding from time to time, less the aggregate number of common shares then reserved for issuance pursuant to any other equity compensation arrangement. The Company is authorized to grant options to executive officers and directors, employees and consultants, enabling them to acquire up to 10% of the issued and outstanding common shares of the Company, on a fully diluted basis. The exercise price of each option normally equals the market price of the Company's shares as calculated on the date of grant. The options can be granted for a maximum term of 10 years. Vesting is determined by the Board

The Option Plan is administered by the Board, which has full and final authority with respect to the granting of all options thereunder subject to express provisions of the Option Plan. Options may be granted under the Option Plan to such directors, officers, employees, consultants or management company employees of the Company and its subsidiaries as the Board may from time to time designate. The Option Plan is used to provide share purchase options to be granted in consideration of the level of responsibility of the executive as well as his or her impact or contribution to the longer-term operating performance of the Company. In determining the number of options to be granted to the executive officers, the Board will take into account the number of options, if any, previously granted to each executive officer, and the exercise price of any outstanding options to ensure that such grants were in accordance with the policies of CSE, and closely aligned the interests of the executive officers with the interests of shareholders. The directors of the Company will also be eligible to receive stock option grants under the Plan, and the Company will apply the same process for determining such awards to directors as with executives.

The exercise prices shall be determined by the Board, but shall not, in any event, be less than the greater of the closing market price of the listed security on the CSE on the trading day prior to the date of grant, and the closing market price on the date of grant, of the Options. The Option Plan complies with Section 2.25 of National Instrument 45-106 - Prospectus Exemptions and provides that the number of common shares which may be reserved for issuance on a yearly basis to any one related person upon exercise of all stock options held by such individual may not exceed 5% of the issued common shares calculated at the time of grant.

As of January 31, 2020, there were 3,255,000 options outstanding to purchase common shares of which 2,465,000 had vested. As of January 31, 2020, there were 5,694,748 warrants outstanding to purchase common shares.

On July 17, 2018, the Company adopted a Restricted Share Unit Plan under which it authorized the Company's compensation committee to grant restricted share units ("RSU") entitling a holder to receive one common share, as a discretionary payment in consideration of past services to the Company or as an incentive for future services, to both eligible employees and eligible contractors. As of January 31, 2020, there were no RSUs outstanding to purchase common shares.

On May 27, 2020, the Company extended the time period for exercise of 2,794,746 warrants at a price of CDN$1.83 per share for one year. The subject warrants were originally issued pursuant to a non-brokered private placement financing completed by the Company on May 29, 2019. The warrants were scheduled to expire on May 28, 2020; the new expiry date is May 28, 2021. All other terms and conditions of the warrants remain the same.

EMPLOYEES

With the closing of the latest acquisition in May 2019, and the lack of availability of financing at that time in the public markets, the Company commenced a restructuring and integration of its operations, at which time the employee count was two-hundred and ten (210). As of the date of this report, the Company employs one-hundred and sixteen (116) FTE's, including seven (7) in corporate positions.

The Company's employees are highly talented individuals who have educational achievements ranging from Ph.D., Masters, and undergraduate degrees in a wide range of disciplines, as well as staff who have been trained on the job to uphold the highest standards as set by the Company. The Company hires and promotes individuals who are best qualified for each position, priding itself on using a process that identifies people who are trainable, cooperative and share the Company's core values.

The Company takes all reasonable steps to ensure staff are appropriately informed and trained to ensure a culture of health, safety, and continuous improvement, especially during these difficult times for public health and safety due to the COVID-19 pandemic. Wherever possible, the Company will continue to adopt generally accepted health and safety best practices from non-cannabis-related industries and follows all health and safety guidelines issued by the United States Centers for Disease Control ("**CDC**") and all orders from relevant provincial, state and local jurisdictions and authorities.

CULTIVATION AND PROCESSING

The Company currently owns and operates four cultivation facilities, totaling 105,000 square feet of active canopy yielding over 12,500 pounds of quality cannabis flower annually. The Company also currently owns and operates two (2) processing facilities, with approximately 365,000 grams per month of raw oil extraction capability.

Through Silver State in Nevada, the Company operates indoor cultivation and processing out of a 155,000 square foot facility with 11,104 square feet of active canopy and 1,200 square feet dedicated to volatile extraction. Silver State produces approximately 5,100 pounds of flower (2700 pounds) and trim (2400 pounds) annually which is primarily sold within the Company's Silver State dispensaries, with plans to expand production for future captive retail and wholesale distribution under the Silver State and partner brands. The Company has expanded Silver State's extraction capacity to support branded CPG expansion in both captive retail and wholesale channels. Hood Oil cartridges were released to the Nevada market in June 2019. For the quarter ending January 30, 2020, Silver State sold over 100,000 units generating $2.9m in revenue with a 54% gross margin. In January 2020, Hood Oil sold over 15,000 units, generating $445,000 in revenue. In fact, 11 of the top 25 SKUs sold at Silver State Relief were Hood Oil in January 2020. Phantom Farms pre-rolls were released to the wholesale market in September 2019 and are being carried in multiple dispensaries in the State. New Phantom flower strains and a new Phantom Farms CBD product line were released at Silver State Relief dispensaries in January.

Through Phantom in Southern Oregon, the Company operates outdoor and greenhouse active canopy totaling 80,000 square feet. Phantom also operates a 7,700 square foot state-of-the-art indoor grow facility in central Oregon, with 5,000 square feet of active canopy. Phantom cultivates cannabis using sustainable practices and volcanic filtered water in both its indoor and outdoor facilities and produces over 24 strains of cannabis, including some with award winning genetics. Phantom operates a 5,600 square foot facility which includes an extraction laboratory with a 90-liter supercritical CO2 system and a wholesale distribution warehouse in central Oregon.

Through EFF in Oregon, the Company owns an indoor cannabis cultivation facility with 3,000 square feet of available canopy. In October 2019, the Company temporarily halted operations at the EFF facility to streamline Oregon operations due to both economic and regulatory factors. The EFF facility is currently under third-party management pursuant to a management

agreement dated June 15, 2020 whereby the management company has assumed all leasehold liabilities and costs at the facility, and the Company is evaluating the potential sale of the cultivation license, the building and the fixtures contained therein.

Through Swell in Oregon, the Company has a 10,000 square foot volatile and non-volatile extraction facility together with expansion rights for an additional adjacent 12,000 square feet. In April 2020, the Company temporarily shuttered the Swell facility and consolidated its processing and wholesale operations with the Phantom processing and wholesale operations in Central Oregon. The Swell facility is currently under third-party management pursuant to a management agreement dated June 1, 2020 whereby the management company has assumed all leasehold liabilities and costs at the facility, and the Company is evaluating the potential sale of the processing and wholesale licenses.

RETAIL

Through Silver State in Nevada, the Company operates two dispensaries, an 8,000-square foot retail dispensary, located in Sparks, and a 6,000-square foot dispensary located in Fernley, collectively servicing a total of more than 638,000 recreational and medical cannabis customers during the year ending January 30, 2020, with over 700 SKUs in each store and averaging more than $56.00 per transaction. Consistent quality, market-leading pricing, and superior customer service translate to industry-leading sales per square foot ($1,572/sq. ft. in Q4). Likewise, because of its substantial purchasing leverage, Silver State consistently offers customers among the lowest prices within the state. The Sparks dispensary captured 24% of Washoe County, Nevada sales during the year ending January 30, 2020, and sales from Silver State represented approximately 5% of the entire Nevada market, with more than 1,750 customer transactions per day.

On March 17, 2020 Nevada State Governor, Steve Sisolak announced the closure of all non-essential business starting at noon on March 18, 2020 for 30 days as part of the State's response to curb the threat of the spread of COVID-19. This shutdown was extended until June 1, 2020. On April 30, 2020 all retail cannabis dispensaries in Nevada were allowed to offer online ordering with curbside pick-up in addition to delivery and on May 7, 2020, as part of the State of Nevada's COVID-19 reopening plan, all dispensaries were allowed to reopen to the general public at significantly reduced number of customers allowed in the facility at the same time. All dispensaries are allowed to have a maximum of 50% of the dispensary location's fire rated occupancy level or 10 customers, whichever is less. The Company anticipates that the ongoing COVID-19 pandemic will continue to pose a potential material impact on its business in Q2 2021 from reduction in tourism in Wasatch County, the continued reduction in allowed customer traffic and potential additional business closures or shutdowns.

Through Pure Green in Oregon, the Company has a 3,000 square foot retail dispensary located in Portland's vibrant Hollywood District. In March 2020, the Company temporarily shuttered the dispensary due to the COVID-19 pandemic. As of the date of this report, the dispensary is scheduled to re-open imminently pursuant to the aforementioned management agreement. As such, the Company is evaluating the potential sale of the retail license and assignment of the leasehold liabilities at the Pure Green dispensary.

BRANDING AND MARKETING

The Company utilizes consistent branding and messaging across its retail and wholesale channels under Phantom Farms, Hood Oil, Silver State Relief, Dab Society Extracts and Pure Green. The Company currently sells over 800 distinct SKUs, including the following product categories: CO2 vaporizer pens, live resin vaporizer pens, distillate vaporizer pens, live resin extract, cured resin extract, bulk flower, packaged flower, pre-rolls, CBD cured resin vaporizer pens, CBD CO2 vaporizer pens, and CBD cured resin extracts.

BANKING AND PROCESSING

In Oregon, the Company deposits funds from its operations into its credit union accounts at Salal Credit Union (Washington State) and Maps Credit Union (Oregon). In Nevada, the Company deposits funds from its operations into its credit union accounts held at Partner Colorado Credit Union through Safe Harbor Private Banking services. The Company is fully transparent with its credit union partners regarding the nature of its business and the credit unions remain supportive of the Company's growth plans.

PRODUCT SELECTION AND OFFERINGS

Product selection decisions are currently made by the Company's buyers, who negotiate with potential vendors across all product categories including packaged and wholesale flower, vaporizer pens, cured extracts, edibles and pre-rolls. The Company bases its product selection decisions on product quality, margin potential, and scalability.

The Company's branded CPG and flower-based products are sold primarily through captive retail and wholesale channels in Oregon and Nevada. The Company's retail locations in Oregon and Nevada also offer third party branded CPG and flower-based products including a wide variety of THC and CBD based products, including vaporizer pens, cured resin extracts, bulk flower, packaged flower, pre-rolls, edibles, tinctures, and topicals.

IN-STORE PICKUP, CURBSIDE DELIVERY AND DELIVERY

In addition to traditional point-of-sale retail as modified due to COVID-19, the Company's Nevada retail locations offer in-store pickup, curbside delivery and delivery utilizing the leading third-party service providers, a leading cannabis sales and fulfillment web-based application. The Company actively monitors the continued growth of a number of cannabis web-based sales and fulfillment platforms and is well poised to utilize strategic third-party service providers during the ongoing pandemic.

INVENTORY MANAGEMENT

The Company has comprehensive inventory management procedures, which are compliant with all applicable state and local laws, regulations, ordinances, and other requirements. These procedures ensure strict controls over the Company's cannabis flower and CPG inventory from its production, processing and distribution licensees through to ultimate sale to end consumers (or rare cases disposal as cannabis waste). Such inventory management procedures also include strong quality control and quality assurance measures to prevent in-process contamination and maintain the safety and quality of the products. The Company is committed to supplying safe, consistent, and high-quality cannabis flower and CPG products at a value-oriented price.

RESEARCH AND DEVELOPMENT

Through its research and development activities, the Company expects to create proprietary genetics, processes, technologies, and products from its existing Oregon and Nevada operations, as well as from future expansion in new markets. The Company may license these genetics, processes, technologies, and products as part of its future business. The Company may also seek appropriate federal patent, trademark, copyright, and other customary intellectual property protections when the same become available and/or are appropriate.

COMPETITION

Across a modified and strategic cannabis value chain, the Company expects to continue to vigorously compete with other licensees in Oregon and Nevada. Because Oregon is an "open" license state (arguably one of the more free-market states with respect to both barriers to entry and regulation), the competitive landscape has been challenging since the inception of recreational cannabis. Nevada is a "limited" license state, therefore competition to date has been less challenging and the broader market dynamics are more favorable. While many of the Company's direct competitors continue to be small-scale local operators, market rationalization through consolidation is increasingly a trend. Of note is the increased participation of multi-state operators with national growth aspirations in both the Oregon and Nevada marketplaces. As more U.S. jurisdictions pass state legislation allowing the recreational use and sale of cannabis, the Company is assured an increased level of competition in U.S. markets. These increasingly competitive U.S. markets may adversely affect the financial condition and operations of the Company.

See "Industry Background and Trends" and "Risk Factors – Competition" below.

INTELLECTUAL PROPERTY

The Company has developed numerous proprietary genetics, processes, technologies and products. These assets include genetics, ERP and other software applications, cultivation and extraction technologies, as well as consumer brands. Whenever available and appropriate, the Company undertakes reasonable intellectual property protections to secure these assets.

To date, absent the availability of customary federal patent, trademark, and copyright protections for cannabis applications,

the Company has relied on non-disclosure/confidentiality arrangements, common law trade secrets, and state-based trademark protections. The Company actively monitors and responds to all potentially material intellectual property infringements and maintains strict standards and controls regarding the use and dissemination of its intellectual property.

In addition, the Company owns nine (9) website domains including: www.cxxi.ca, www.phantom-farms.com, www.silverstaterelief.com, www.puregreenpdx.com, www.ecofirmafarms.com, www.be-swell.com, www.swellfeelings.com, www.dabsocietyextracts.com, and c21supply.co, along with numerous social media accounts across all major platforms.

SUMMARY OF QUARTERLY RESULTS

The following table presents selected financial information for the most recently prepared quarters:

	January 31, 2020	October 31, 2019	July 31, 2019	April 30, 2019
Total assets	61,450,085	88,350,852	94,829,941	82,283,665
Working capital (deficiency)	$ (26,954,549)	(22,183,831)	(14,712,253)	(26,925,929)
Shareholders' equity (deficiency)	13,579,554	30,770,235	35,575,028	22,659,668
Revenue	9,512,225	10,576,555	9,859,293	7,757,022
Net income (loss)	(21,307,833)	(5,155,945)	(2,964,862)	(3,126,993)
Net income (loss) per share	**(0.25)**	**(0.06)**	**(0.04)**	**(0.05)**
	January 31, 2019	**October 31, 2018**	**July 31, 2018**	**April 30, 2018**
Total assets	77,433,026	28,195,344	32,986,053	24,852,367
Working capital (deficiency)	(13,316,122)	16,198,947	19,760,429	24,208,202
Shareholders' equity (deficiency)	21,086,613	21,809,710	25,461,138	24,199,967
Revenue	2,178,233	301,243	106,035	-
Net income (loss)	(11,632,816)	(3,479,106)	(7,420,674)	(1,068,574)
Net income (loss) per share	**(0.38)**	**(0.19)**	**(0.46)**	**(0.23)**

During the year ended January 31, 2020, revenues increased quarter over quarter from Q1 to Q3 primarily due to the acquisition of the Phantom and Swell businesses, the opening of the Fernley dispensary in Nevada and organic growth in both Nevada and Oregon. In Q4 ending Jan 31, 2020 revenues dropped in both Oregon and Nevada. This was the result of several factors including the vape crisis (discussed herein), restructuring of the Oregon operations, lack of new acquisitions and seasonality in both States. The Company's limited operating history within the cannabis industry is the primary driver for the large fluctuation of operational results quarter over quarter of the prior year. Cannabis operations commenced on June 13, 2018 with the completion of C21's acquisition of EFF. Prior to this date, the company was inactive operationally as management prepared for its new focus on cannabis and listing on the CSE.

Quarterly adjusted operating earnings

	Year ended Jan 31, 2020	Quarters ended Q4	Q3	Q2	Q1
Revenue	$ 37,705,095	$ 9,512,225	$ 10,576,555	$ 9,859,293	$ 7,757,022
Cost of sales before FV adjustments*	21,625,734	5,544,212	6,153,301	5,488,350	4,439,871
Gross profit	16,079,361	3,968,013	4,423,254	4,370,943	3,317,151
GP%	*43%*	*42%*	*42%*	*44%*	*43%*
Operating expenses	14,503,808	2,831,577	3,262,854	4,312,809	4,096,568
Income from operations	1,575,553	1,136,436	1,160,400	58,134	(779,417)
Add back: Depreciation and amortisation	3,405,116	512,115	956,980	889,470	1,046,551
Share based compensation	492,631	153,184	94,182	60,685	184,580
Adjusted operating earnings	5,473,300	1,801,735	2,211,562	1,008,289	451,714

The above table presents quarterly Adjusted operating earnings excluding FV adjustments, depreciation and share based compensation expense. This also excludes all items below the "Income (loss) before undernoted items" on the income statement.

**This excludes a $4,000,000 one-time non-cash charge related to the fair value of inventory acquired as part of the Silver State acquisition which closed on January 1, 2019. This inventory was fully sold during the first six months of the year ended January 31, 2020.*

FISCAL YEAR 2021 NEVADA OPERATIONS UPDATE

Despite the ongoing pandemic and COVID-19 business disruptions, our Q1 FY2021 Nevada dispensary revenues were approximately 88% of Q4 levels and 98% of Q1 FY2020. This strong performance is attributed to a loyal customer base, which has enabled the Company and its Silver State dispensaries to fare better than many in-state peers who are more reliant on tourist traffic. In fact, the dispensaries experienced a record run rate for June 2020, which eclipsed its previous record month of August 2019. The run rate for June 2020 was 26% higher than the monthly average of that of Q1 FY2021. The Silver State Relief dispensaries also saw an increase in Nevada market share to 6% of the State, as well as 36% of Washoe County for the most recent monthly Nevada State data for Q1 FY2021 of this year.

Nevada dispensary statistics

Nevada dispensary statistics in the table below illustrate the growth of the business in the past 18 months, which includes the vape crisis and some seasonality in Q4. The first five months of the FY2021 have been affected by the COVID-19 pandemic, specifically six weeks of delivery only in Q1. The spike in $/transaction illustrates the desire of consumers to spend less time in the stores. June 2020 achieved record sales of $96,500 per day.

	Year ended January 31, 2021			Year ended January 31, 2020			
	June	May	Q1	Q4	Q3	Q2	Q1
$/transaction	$ 62.0	$ 70.7	$ 61.7	$ 47.3	$ 48.2	$ 48.9	$ 50.0
Sales $000/day	$ 96.5	$ 83.3	$ 76.8	$ 87.4	$ 90.4	$ 85.0	$ 78.3

FAIR VALUE ADJUSTMENT TO BIOLOGICAL ASSETS

During FY2020 the Company recorded a net loss of fair value adjustments on biological assets of $1,383,411. Based on review of peer issuers, effective July 1, 2019 the Company changed its input price used to calculate the FMV of biological assets for its Nevada operations to use prices quoted by NDOT (Nevada Department of Taxation) in an effort to align with peer issuers and reduce estimation uncertainty and judgment. The Company notes that it sells the majority of its Cannabis biological produce through owned retail channel at Silver State Relief which realizes significant premiums over the wholesale prices used to value biological assets for presentation on the Company's balance sheet.

ADJUSTED EBITDA

Adjusted EBITDA is a non-IFRS financial measure, and as such there is no standardized definition for the term. The Company's adjusted EBITDA included below is unlikely to be comparable to similar measures presented by other issuers. See "Non-IFRS Measure" below for additional information.

Due to adoption of IAS 16 which requires the Company to capitalize most ordinary property leases, the Company must characterize most of its lease payments as amortization on the statement of loss and comprehensive loss. The Company adds back rent classified as lease amortization, to maintain the spirit of this metric in reflecting the Company's ongoing operational performance.

January 31, 2020	Oregon	Nevada	Corporate	Consolidated
Income (loss) before income taxes	$ (31,068,489)	$ 7,697,001	$ (5,469,479)	$ (28,840,967)
Adjustments				-
One-time non-cash fair value adjustment on acquisition of Silver State inventory, which was fully sold in the first 6 months of year ended Jan 31,2020	-	4,000,000	-	4,000,000
Net impact, fair value on biological assets	972,683	(2,216,023)	-	(1,243,340)
Depreciation and amortization	1,445,635	3,516,383	$ 37,237	4,999,255
Rent expense classified as lease amortization	(622,499)	(1,193,000)	(72,980)	(1,888,479)
Fair value changes on derivative instruments	-	-	(4,779,693)	(4,779,693)
Share based compensation	-	-	492,631	492,631
Interest expense, net	287,527	322,090	3,628,586	4,238,203
Accretion	-	-	434,331	434,331
Transaction costs	-	-	331,973	331,973
Impairments & other	28,051,007	-	-	28,051,007
Adjusted EBITDA	**$ (934,136)**	**$ 12,126,451**	**$ (5,397,394)**	**$ 5,794,921**

Non-IFRS Measure

Adjusted EBITDA is a supplemental, non-GAAP financial measure. The Company defines EBITDA as earnings before depreciation and amortization (excluding rent classified as lease amortization), income taxes, and interest. Additionally, the Company's Adjusted EBITDA presented above excludes fair value adjustments, accretion, impairment charges, one-time transaction costs and all other non-cash items. The Company has presented Adjusted EBITDA because C21's management believes it is a useful measure for investors when assessing and considering C21's ongoing continuing operations and prospects for the future. Furthermore, Adjusted EBITDA is a commonly used measurement in the financial community when evaluating the market value of companies considered to be in similar businesses. Adjusted EBITDA is not a measure of performance calculated in accordance with IFRS, and it should not be considered in isolation of, or as a substitute for, the measurement of the Company's performance prepared in accordance with IFRS. Adjusted EBITDA, as calculated and reconciled in the table above, may not be comparable to similarly titled measurements used by other issuers and is not necessarily a measure of C21's ability to fund its cash needs.

CONTRACTUAL OBLIGATIONS

The following table includes the Company's obligations to make future payments for each of the next five years that represent contracts and other commitments that are known and committed:

	Carrying amount	Contractual cash flows	Under 1 year	1-3 years	3-5 years	More than 5 years
As at January 31, 2020						
Trade and other payables	$ 3,488,274	$ 3,488,274	$ 3,488,274	$ -	$ -	$ -
Finance lease payments (1)	5,001,360	6,604,460	1,701,024	3,166,875	1,736,561	-
Convertible debt (2)	9,247,361	9,247,361	8,111,296	1,136,065	-	-
Consideration payable (3)	846,256	846,256	846,256	-	-	-
Notes and other borrowings (4)	21,820,336	21,820,336	21,326,184	68,854	58,456	366,845
Total	**$ 40,403,587**	**$ 42,006,687**	**$ 35,473,034**	**$ 4,371,794**	**$ 1,795,017**	**$ 366,845**

(1) Amounts in the table reflect minimum payments due for the Company's leased facilities and certain leased equipment under various lease agreements and purchase agreements.

(2) Amounts in the table reflect the contractually required principal payments payable under various convertible note and convertible debenture agreements.

(3) Amounts in the table reflect the contractually required consideration due to vendors under the purchase agreement for the acquisition of Swell Companies.

(4) Amounts in the table reflect the contractually required principal payments payable under a promissory note issued to the vendor that sold Silver State to the Company, and miscellaneous debt.

RELATED PARTY TRANSACTIONS

During the year ended January 31, 2020, the Company entered in the related party transactions as described below. Balances due to related parties included in accounts payable, accrued liabilities, and promissory notes payable at the years ended January 31:

	2020	2019	2018
Due to the President and CEO	21,713,910	484	2,901
Due to current and former directors and officers of the Company	1,476	316,261	-
Due to a director and CFO of the Company	64	1,888	-
Due to former executives of EFF	-	602,426	-
Due to significant shareholder	-	31,759,648	-
	$ 21,715,450	**$ 32,680,707**	**$ 2,901**

The Company had the following transactions with related parties during the years ended January 31:

	2020	2019	2018
Consulting fees paid to a director	38,310	98,583	-
Amounts paid to CEO or companies controlled by CEO	13,039,739	-	4,881
Salary paid to directors and officers	1,131,201	1,113,900	245,380
Equity compensation for directors and officers	95,613	2,824,852	-
Convertible debenture interest paid to directors and officers	27,230	41,504	-
Rents paid to significant shareholder	-	93,000	-
	$ 14,332,093	**$ 4,171,839**	**$ 250,261**

ADDITIONAL INFORMATION

LEGAL PROCEEDINGS

A complaint was filed in the Oregon State Circuit Court for Clackamas County, on April 29, 2019, by two current owners of Proudest Monkey Holdings, LLC (the former sole member of EFF) (the "Plaintiffs"), alleging contract, employment, and statutory claims with an amount in controversy of $1,837,500 against the Company, its wholly-owned subsidiaries 320204 US Holdings Corp, EFF, Swell Companies Limited, and Phantom Brands LLC, in addition to three directors, two officers, and one former employee. The Company and the other defendants wholly denied the allegations and claims made in the lawsuit and is defending the lawsuit. On June 21, 2019, the Company filed Oregon Rule of Civil Procedure (ORCP) 21 motions to dismiss all of the Plaintiffs' claims against it, its wholly-owned subsidiaries, and other defendants; on May 6, 2020, the court granted the Company's Rule 21 motion in its entirety to dismiss all of Plaintiffs' claims pursuant to Oregon Rules of Civil Procedure 21A(1). Plaintiffs are disputing the form of judgment of dismissal and a hearing is scheduled on July 20, 2020 to resolve the dispute. Regardless of the outcome of the hearing, the court will enter a judgment dismissing the case. After that occurs, the Company will prepare and submit a petition to recover the costs and attorney fees incurred by the Company as the prevailing party in the matter. Whether that petition is granted, and the amount of costs and fees awarded, if any, cannot be guaranteed or predicted.

On or about September 13, 2019, the Company delivered a notice to the Plaintiffs of alleged breach and default under the purchase and sale agreement, due to unlawful, intentional acts and material misrepresentations before and after the completion of the purchase. As a result of such breach, the Company denied the Plaintiffs' tender of their share payment notes in connection with the agreement. On or about October 14, 2019, Proudest Monkey Holdings, LLC and one of its current owners, sued the Company in the Supreme Court of British Columbia to compel the issuance and delivery of the subject shares, including interests and costs. In connection with the Oregon lawsuit, the Company conducted an internal investigation regarding malfeasance by the Plaintiffs (discussed more fully below under Oregon Compliance). On November 8, 2019, the Company responded and counterclaimed for general, special and punitive damages, including interest and costs, related to breach of contract, repudiation of contract, breach of indemnity and fraudulent and negligent misrepresentation

by the Plaintiffs. The Company's counterclaims included the malfeasance discovered during the internal investigation. Plaintiffs' filed a response to the Company's counterclaims on or about June 5, 2020. This action is at the pleading stage and it is too early to predict its resolution.

On or about May 30, 2019, Wallace Hill filed a civil claim in the Supreme Court of British Columbia alleging breach of contract and entitlement to 1,800,000 common shares of the Company, fully vested by March 1, 2019, and damages due to the lost opportunity to sell those shares after such date for a profit. On June 23, 2019, the Company circulated a letter to Wallace Hill terminating the agreement and accepting Wallace Hill's repudiation of the agreement based on Wallace Hill's previously published defamatory comments and termination of the agreement. Also, on June 23, 2019, the Company filed its response to the civil claim denying all claims and filed counterclaims alleging breach of contract, a declaratory judgment of termination of the agreement, defamation and an injunction from further defamatory comments. This action remains at the beginning of the discovery phase and it is too early to predict its resolution.

OFF-BALANCE SHEET ARRANGEMENTS

As of the date of this report, the Company has not entered into any off-balance sheet arrangements.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The Company's financial statements and the other financial information included in this MDA are the responsibility of the Company's management and have been examined and approved by the Board. The accompanying audited financial statements are prepared by management in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board, and include certain amounts based on management's best estimates using careful judgment. The selection of accounting principles and methods is management's responsibility.

Management recognizes its responsibility for conducting the Company's affairs in a manner that complies with the requirements of applicable laws and established financial standards and principles and maintains proper standards of conduct in its activities. The Board supervises the financial statements and other financial information through its audit committee, which is comprised of a majority of non-management directors.

The audit committee's role is to examine the financial statements and recommend that the Board approve them, to examine the internal control and information protection systems, and all other matters relating to the Company's accounting and finances. To do so, the audit committee meets annually with the external auditors, with or without the Company's management, to review their respective audit plans and discuss the results of their examination. This committee is responsible for recommending the appointment of the external auditors or the renewal of their engagement.

ACCOUNTING POLICIES AND ESTIMATES

The Company's audited consolidated financial statements for the year ended January 31, 2020 were authorized for issuance on July 12, 2020 by the Board.

BASIS OF PRESENTATION

The Company's consolidated financial statements for the year ended January 31, 2020 have been prepared on an accrual basis and are based on historical costs, except for certain financial instruments and biological assets classified as fair value through profit or loss. The financial statements are presented in U.S. dollars unless otherwise noted. Amounts in comparative periods may have been reclassified to conform with the current year's presentation.

The accompanying consolidated financial statements as at and for the year ended January 31, 2020, incorporate the accounts of the Company and its wholly-owned subsidiaries as defined in IFRS 10 – *Consolidated Financial Statements*. All consolidated entities were under common control during the entirety of the periods for which their respective results of operations were included in the consolidated statements (i.e., from the date of their acquisition). All intercompany balances and transactions are eliminated upon consolidation.

The following are the Company's wholly owned subsidiaries that are included in C21's consolidated financial statements as at and for the year ended January 31, 2020:

Name of Subsidiary	Country of Incorporation	Percentage Ownership	Functional Currency	Principal Activity
320204 US Holdings Corp.	USA	100%	USD	Holding Company
320204 Oregon Holdings Corp.	USA	100%	USD	Holding Company
320204 Nevada Holdings Corp.	USA	100%	USD	Holding Company
320204 Re Holdings, LLC	USA	100%	USD	Holding Company
Eco Firma Farms LLC	USA	100%	USD	Cannabis producer
Silver State Cultivation LLC	USA	100%	USD	Cannabis producer
Silver State Relief LLC	USA	100%	USD	Cannabis retailer
Swell Companies LTD	USA	100%	USD	Cannabis processor, distributor
Megawood Enterprises Inc.	USA	100%	USD	Cannabis retailer
Phantom Venture Group, LLC	USA	100%	USD	Holding Company
Phantom Brands, LLC	USA	100%	USD	Holding Company
Phantom Distribution, LLC	USA	100%	USD	Cannabis distributor
63353 Bend, LLC	USA	100%	USD	Cannabis producer
20727-4 Bend, LLC	USA	100%	USD	Cannabis processor
4964 BFH, LLC	USA	100%	USD	Cannabis producer
Workforce Concepts 21, Inc.	USA	100%	USD	Payroll and benefits services

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from those estimates and judgments.

Areas requiring a significant degree of estimation and judgment relate to the determination of business combinations, impairment of long-lived assets, biological assets and inventory, fair value measurements, useful lives, depreciation and amortization of property, equipment and intangible assets, the recoverability and measurement of deferred tax assets and liabilities, and share based compensation.

Business Combinations

Judgment is used in determining whether the Company's acquisition is considered a business combination or an asset acquisition. Additionally, judgement is required to assess whether any amounts paid on the achievement of agreed upon milestones represents contingent consideration or compensation for post-acquisition services. Judgment is also required to assess whether contingent consideration arising from an acquisition should be classified as a liability or equity. Contingent consideration classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement by the Company is accounted for within equity. Contingent consideration classified as a liability is remeasured at subsequent reporting dates in accordance with IAS 39 – *Financial Instruments: Recognition and Measurement*, or IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets.*

Impairment of Long-Lived assets

When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. The recoverable amount is the greater of value-in-use and fair value less costs of disposal. Determining the value-in-use requires the Company to estimate expected future cash flows associated with the assets and a suitable discount rate in order to calculate present value.

Biological Assets and Inventories

In calculating the value of the biological assets and inventory, management is required to make a number of estimates, including estimating the stage of growth of cannabis up to the point of harvest, harvesting costs, selling costs, sales price, wastage and expected yields for the cannabis plant. In calculating final inventory values, management is required to determine an estimate of spoiled or expired inventory and compare the inventory cost versus net realizable value.

Effective July 1, 2019, the Company began utilizing the Nevada Department of Taxation ("**NDOT**") determined wholesale fair market value for the period of future sales in order to calculate the expected selling price of its biological assets at its Nevada operations. Previously, the Company relied on observational inputs in the Nevada market, but the Company believes the NDOT observed values are more consistent and has observed peer issuers adopting the same valuation input.

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

Fair Value Measurements

Certain assets and liabilities held by the Company are measured at fair value. In estimating fair value, the Company uses market-observable data to the extent that such data is available. In certain situations where Level 1 inputs are not available, the Company engages qualified, third-party valuators to perform the valuation.

Estimated useful lives and depreciation and amortization of property, equipment and intangible assets

The Company's depreciation and amortization of property, equipment and intangible assets are dependent on the estimation of the assets' useful lives, which requires management to exercise judgment. The Company's assessment of any impairment of assets is dependent on its estimation of recoverable amounts that consider various factors, including market and economic conditions and the assets' useful lives.

Income Taxes

Judgement is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted. The Company has not recorded any deferred tax assets for the years presented.

Share-based Compensation

The Company uses the Black-Scholes option pricing model to measure share-based compensation. The Company's estimate of share-based compensation is dependent on measurement inputs including the share price on measurement date, exercise price of the option, volatility, risk-free rate, expected dividends, and the expected life.

NEW ACCOUNTING STANDARDS ADOPTED

Effective for February 1, 2019, the Company adopted IFRIC Interpretation 23 - *Uncertainty over Income Tax Treatments* ("IFRIC 23"). IFRIC 23 clarifies application of recognition and measurement requirements in IAS 12 - *Income Taxes* when there is uncertainty over income tax treatments. IFRIC 23 specifically addresses the following: (i) whether the Company considers uncertain tax treatments separately; (ii) the assumptions the Company makes concerning the examination of tax treatments by relevant tax authorities; (iii) how the Company determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and, (iv) how the Company considers changes in facts and circumstances. The standard is effective for annual periods beginning on or after January 1, 2019. The Company has applied IFRIC 23 retrospectively on adoption and determined that it is probable that the relevant tax authorities would accept the tax treatments and positions used in the Company's consolidated financial statements. IFRIC 23 did not impact the Company's classification and measurement of deferred tax assets or deferred tax liabilities and thus opening equity of the Company was not restated. Based on the Company's assessment, the adoption of IFRIC 23 did not have a material impact on its consolidated financial statements for the year ended January 31, 2020.

FINANCIAL RISK MANAGEMENT

The Board approves and monitors the risk management processes of the Company, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts, accounts receivable, and its notes receivable from acquisition targets. The Company's cash is deposited in bank accounts held with a major bank in Canada, a trust company in Canada, and three credit unions in Oregon, Washington and Colorado; and accordingly, there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. The Company's notes receivables are placed with acquisition targets that are under definitive agreements, in which closing is based primarily on receipt of regulatory approval. If an unlikely event occurred which delayed regulatory approval for an extended period of time or permanently, the risk of default on these notes would be increased based on the liquidity of the acquisition targets.

LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity or debt issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board are actively involved in the review, planning and approval of significant expenditures and commitments.

The Company's consolidated financial statements for year ended January 31, 2020 have been prepared on a going concern basis, which assumes that the Company will be able to continue its operations and realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Company reports a net loss for the year ended January 31, 2020 of $32,555,633, and accumulated deficit of $70,510,384, and a working capital deficit of $26,954,549 as at January 31, 2020. In July 2019, the Company accelerated a restructuring and integration of operations that resulted in over $6M in annual run rate savings. While these efforts have resulted in positive cash flow from operations, they will not be sufficient on their own to fund payments on the short-term debt obligations owing to the Company's President and CEO, and other unsecured creditors, which are due on January 1, 2021. These material uncertainties cast significant doubt upon the Company's ability to continue as a going concern.

Historically, management has been successful in obtaining adequate funding for operating and capital requirements. The Company takes a disciplined approach to financing and intends to protect shareholder value by raising capital strategically. The Company is assessing various opportunities for additional financing through either debt or equity to be used to satisfy current obligations, for corporate working capital and possible future acquisitions. There is no assurance that the Company will be able to secure financing on acceptable terms or at all to cover its current obligations.

Further, there remains uncertainty about the U.S. federal government's position on cannabis with respect to cannabis-legal states. A change in its enforcement policies could impact the ability of the Company to continue as a going concern and have a material adverse impact on the business.

INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not subject to any interest rate volatility as its long-term debt instruments and convertible notes are carried at a fixed interest rate throughout their term.

CAPITAL MANAGEMENT

The Company's objectives when managing its capital are to ensure there are enough capital resources to continue operating as a going concern and maintain the Company's ability to ensure sufficient levels of funding to support its ongoing operations and development. The purpose of these objectives is to provide continued returns and benefits to the Company's shareholders. The Company's capital structure includes items classified in debt and shareholders' equity.

The Board does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business considering changes in economic conditions and the risk characteristics of the Company's underlying asset.

The Company works with its capital advisors, Eight Capital Corp. based in Toronto, Canada, and CB1 Capital based in New York, to identify the best strategic options to execute our corporate growth plans, as well as increasing financial flexibility in managing our debt.

U.S. INDUSTRY BACKGROUND AND REGULATORY ENVIRONMENT

INDUSTRY BACKGROUND AND TRENDS

The emergence of the legal cannabis sector in the United States, both for medical and adult use, has been rapid as more states adopt regulations for its production and sale. Today 60% of Americans live in a state where cannabis is legal in some form and almost a quarter of the population lives in states where it is fully legalized for adult use.

The use of cannabis and cannabis derivatives to treat or alleviate the symptoms of a wide variety of chronic conditions has been generally accepted by a majority of citizens with a growing acceptance by the medical community as well. A review of the research, published in 2015 in the Journal of the American Medical Association, found evidence that cannabis can treat pain and muscle spasms. The pain component is particularly important, because other studies have suggested that cannabis can replace patients' use of highly addictive, potentially deadly opiates — meaning cannabis legalization literally improves lives.

Polls throughout the United States consistently show overwhelming support for the legalization of medical cannabis, together with strong majority support for the full legalization of recreational adult-use cannabis. It is estimated that 94% of U.S. voters support legalizing cannabis for medical use. In addition, 66% of the U.S. public supports legalizing cannabis for adult recreational use. These are large increases in public support over the past 40 years in favor of legalized cannabis use.

Notwithstanding that 34 states and the District of Columbia have now legalized adult-use and/or medical cannabis, cannabis remains illegal under U.S. federal law with cannabis listed as a Schedule I drug under the U.S. Federal Controlled Substances Act of 1970 ("**CSA**").

Currently the Company only operates in the states of Oregon and Nevada. The Company may expand into other states within the United States that have legalized cannabis use either medicinally or recreationally and expand internationally.

FEDERAL REGULATORY ENVIRONMENT

Under U.S. federal law, marijuana is currently a Schedule I drug. The CSA has five different tiers or schedules. A Schedule I drug means the U.S. Drug Enforcement Agency ("**DEA**") considers it to have a high potential for abuse, no accepted medical treatment, and lack of accepted safety for the use of it even under medical supervision. Other Schedule I drugs are heroin, LSD and ecstasy. The Company believes the CSA categorization as a Schedule I drug is not reflective of the medicinal properties of marijuana 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. Additionally, while some studies show cannabis is less harmful than alcohol, alcohol is not classified under the CSA.

Thirty-four (34) states and the District of Columbia, have now legalized adult-use and/or medical marijuana. The federal government sought to provide guidance to enforcement agencies and banking institutions with the introduction of the U.S. Department of Justice Memorandum drafted by former Deputy Attorney General James Michael Cole in 2013 (the "**Cole Memo**") and U.S. Department of the Treasury Financial Crimes Enforcement Network ("**FinCEN**") guidance in 2014.

The Cole Memo offered guidance to federal enforcement agencies as to how to prioritize civil enforcement, criminal investigations and prosecutions regarding marijuana in all states. The memo put forth eight prosecution priorities:

- preventing the distribution of marijuana to minors;
- preventing revenue from the sale of marijuana from going to criminal enterprises, gangs and cartels;
- preventing the diversion of marijuana from states where it is legal under state law in some form to other states;

- preventing the state-authorized marijuana activity from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity;
- preventing the violence and the use of firearms in the cultivation and distribution of marijuana;
- preventing the drugged driving and the exacerbation of other adverse public health consequences associated with marijuana use;
- preventing the growing of marijuana on public lands and the attendant public safety and environmental dangers posed by marijuana production on public lands; and,
- preventing marijuana possession or use on federal property.

In January 2018, the then United States Attorney General, Jeff Sessions, by way of issuance of a new U.S. Department of Justice Memorandum (the "**Sessions Memo**"), rescinded the Cole Memo and thereby created a vacuum of guidance for U.S. enforcement agencies and the U.S. Department of Justice ("**DOJ**").

Due to the CSA categorization of marijuana as a Schedule I drug, U.S. 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 ("**Bank Secrecy Act**"). Under U.S. federal law, 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 found guilty of money laundering or conspiracy.

While there has been no change in U.S. federal banking laws to account for the trend towards legalizing medical and recreational marijuana by U.S. states, FinCEN has issued guidance advising prosecutors of money laundering and other financial crimes 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 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 the 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:

- verifying with the appropriate state authorities whether the business is duly licensed and registered;
- reviewing the license application (and related documentation) submitted by the business for obtaining a state license to operate its marijuana-related business;
- requesting from state licensing and enforcement authorities available information about the business and related parties;
- 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 recreational customers);
- ongoing monitoring of publicly available sources for adverse information about the business and related parties;
- ongoing monitoring for suspicious activity, including for any of the red flags described in this guidance; and,
- 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.

Due to the fear by financial institutions of being implicated in or prosecuted for money laundering, cannabis businesses are often forced into becoming "cash-only" businesses. As banks and other financial institutions in the U.S. are generally unwilling to risk a potential violation of federal law without guaranteed immunity from prosecution, most refuse to provide any kind of services to cannabis businesses. Despite the attempt by FinCEN to legitimize cannabis banking, in practice its guidance has not made banks much more willing to provide services to cannabis businesses. This is because, as described above, the current law does not guarantee 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 take on as a customer. Recently, some banks that have been servicing cannabis businesses have been closing accounts operated by cannabis businesses and are now refusing to open accounts for new cannabis businesses for the reasons enumerated above.

The few credit unions who have agreed to work with cannabis businesses are limiting those accounts to no more than 5% of their total deposits to avoid creating a liquidity risk. Since the federal government could change the banking laws as it relates to cannabis businesses at any time and without notice, these credit unions must keep sufficient cash on hand to be able to return the full value of all deposits from cannabis businesses in a single day, while also servicing the need of their other customers.

The U.S. Treasury Department has publicly stated they were not informed of the then Attorney General Jeff Sessions' desire to rescind the Cole Memo and do not have a desire to rescind the FinCEN guidance for financial institutions. Multiple legislators believe that Attorney General Jeff Sessions' rescinding of the Cole Memo invites an opportunity for Congress to pass more definitive protections for cannabis businesses in states with legal cannabis programs.

Because the DOJ memorandums serve as discretionary agency guidance and do not constitute a force of law, cannabis related businesses have worked to continually renew the Rohrabacher Blumenauer Appropriations Amendment (originally the Rohrabacher Farr Amendment) that has been included in federal annual spending bills since 2014. This amendment restricts the DOJ from using federals funds to prevent states with medical cannabis regulations from implementing laws that authorize the use, distribution, possession or cultivation of medical cannabis. In 2017, Senator Patrick Leahy (D-Vermont) introduced a parity amendment to H.R.1625 – a vehicle for the Consolidated Appropriations Act of 2018, preventing federal prosecutors from using federal funds to impede the implementation of medical cannabis laws enacted at the state level, subject to Congress restoring such funding ("**Leahy Amendment**").

Notwithstanding the foregoing, there is no guarantee that the Trump administration will not change the stated policy of the previous administration regarding the low-priority enforcement of U.S. federal laws that conflict with state laws. The Trump administration and U.S. Congress could decide to enforce U.S. federal laws vigorously.

An additional challenge to cannabis-related businesses is that the provisions of the U.S. Internal Revenue Code (the "**Code**"), Section 280E, are being applied by the Internal Revenue Service ("**IRS**") to businesses operating in the medical and adult use cannabis industry. Section 280E of the Code prohibits cannabis businesses from deducting their ordinary and necessary business expenses, forcing them to pay higher effective federal tax rates than similar companies in other industries. The effective tax rate on a cannabis business depends on how large its ratio of non-deductible expenses is to its total revenues. Therefore, businesses in the legal cannabis industry may be less profitable than they would otherwise be.

Another aspect of federal law is that it provides that cannabis and cannabis products may not be transported across state lines in the United States. As a result, all cannabis consumed in a state must be grown and produced in that same state. This dynamic could make it more difficult for the Company, in the short term, to maintain a balance between supply and demand. If excess cultivation and production capacity is created in any given state and this is not matched by increased demand in that state, then this could exert downward pressure on the retail price for the products the Company sells. If too many retail licenses are offered by state authorities in any given state, then this could result in increased competition and exert downward pressure on the retail price for the products the Company sells. On the other hand, if cultivation and production in a state fails to match growing demand then, in the short term, there could be insufficient supply of product in a state to meet demand and while the Company may be able to raise its prices there could be inadequate product availability in the short term, causing the Company's revenue in that state to fall.

Progressive federal legislation has been both introduced in the U.S. House of Representatives and received positive votes in 2019. In March 2019, the U.S. House Financial Services Committee approved an updated version of the Secure and Fair Enforcement (**SAFE**) Banking Act, which would serve as landmark legislation for the industry and proposed certain protections for banks in the United States against criminal and civil liabilities for serving legitimate cannabis companies that operate in compliance with applicable state law. On September 25, 2019, the full U.S House of Representatives passed H.R. 1595, the SAFE Banking Act of 2019, by a vote of 321 to 103. This bill generally prohibits a federal banking regulator from penalizing a depository institution for providing banking services to a legitimate marijuana-related business. The Company believes this progressive banking reform for the U.S. cannabis industry reflects a positive trajectory not only for marijuana banking reform but for progressive legislation more generally. As of the date of this MDA, the prospects of the SAFE Banking Act of 2019 passing the Senate and being signed into law are unclear.

Further, the Marijuana Opportunity Reinvestment and Expungement Act, also known as the MORE Act, is a proposal to legalize cannabis and expunge prior cannabis related convictions. On November 20th, 2019 the MORE Act was passed by the House Judiciary Committee by a vote of 24 to 10. If it is not claimed by another committee for review, the Act could move to a floor vote in the U.S. House of Representatives. The Company continues to monitor the MORE Act.

The following sections describe the legal and regulatory landscape in Oregon and Nevada, states in which the Company operates. The Company believes that its operations are in full compliance with all applicable state laws, regulations and licensing requirements. Nonetheless, for the reasons described above and the risks further described under the heading "Risk Factors" herein, there are significant risks associated with the business of the Company. Readers are strongly encouraged to carefully read all of the risk factors contained under the heading "Risk Factors" herein.

OREGON REGULATORY ENVIRONMENT

Oregon Summary

Oregon has both medical and adult-use marijuana programs. In 1998, Oregon voters passed a limited, noncommercial patient/caregiver medical marijuana law with an inclusive set of qualifying conditions that included chronic pain. In 2013, the legislature passed, and governor signed, House Bill 3460 to create a regulatory structure for existing unlicensed medical marijuana dispensaries. However, the original regulations created by the Oregon Health Authority ("**OHA**") after the passage of House Bill 3460 were minimal and only regulated storefront dispensaries, leaving cultivators and manufacturers within the unregulated patient/caregiver system.

On June 30, 2015, Oregon Governor Kate Brown signed House Bill 3400 into law, which improved on the existing regulatory structure for medical marijuana businesses and created a registration process for processors. In November of 2014, Oregon voters passed Measure 91, "Control, Regulation, and Taxation of Marijuana and Industrial Hemp Act", creating a regulatory system for individuals 21 years of age and older to purchase marijuana for personal use from licensed marijuana businesses.

The OHA registers and regulates medical marijuana businesses and OLCC licenses and regulates adult-use marijuana businesses. There are six (6) distinct types of license types available for medical and adult-use businesses: Producer (cultivation), Processing (manufacturing), Wholesale, Retail, Laboratory (testing), and Research. Vertical integration between cultivation, processing, and retail is permissible, but not required, for both medical and adult-use.

The law does not impose a limit on the number of licenses. Local governments may enact local ordinances and rules to place reasonable zoning and time, place and manner restrictions, including restrictions on the number of both medical and adult-use marijuana businesses, on licensees within their jurisdiction. Further, House Bill 3400 also allowed for a "local option," to permit local city councils and county commissions to pass an ordinance prohibiting adult-use marijuana businesses if a subject jurisdiction voted against Measure 91 by greater than fifty-five percent (55%), and if after December 2015, such ordinance were then referred to the voters in the next general election. Approximately 80 Oregon cities and 16 counties prohibit adult-use marijuana businesses. Subsequent bills passed during the 2016 legislative session removed the two-year residency requirement that existed within House Bill 3400.

On October 4, 2019, Oregon Governor Kate Brown issued an executive order calling for a 180-day ban on sales of all flavored vaping products containing nicotine or THC. The executive order lasts for six months and calls for state agencies to develop a plan for warning labels, ingredient disclosures, product safety testing and a campaign to discourage vaping. The OLCC then promulgated emergency rules to enforce the 180-day ban under OAR 845-025-2805 ("Prohibited Vapor Product Sales and Manufacture"), effective October 15, 2019. In response to the ban, on October 29th, 2019 an Oregon distribution licensee filed a Motion to Stay Enforcement of the Temporary Rules. On November 14, 2019 the Motion was Granted, resulting in an immediate stay of OAR 845-025-2805. This motion prompted the OLCC to announce on November 15th, 2019 that until the judicial review is complete, licensees are not prohibited from processing, transferring, and selling products previously banned under OAR 845-025-2805.

As a wholesaler of vaping products, the Company immediately halted sales and accepted returns from dispensaries of product affected by the then-current ban. Sales of the Company's vape products were temporarily negatively affected during the ban.

Oregon Regulatory Framework

Oregon Revised Statutes Chapter 475 B (Cannabis Regulation) provides the regulatory framework for both the recreational and medical cannabis industries in Oregon. The OLCC implementation of the recreational cannabis statutes are found in Oregon Administrative Rules Chapter 845, Division 25. The Oregon Medical Marijuana Program ("**OMMP**") implementation of the medical cannabis statutes are found in Oregon Administrative Rules Chapter 333, Division 8. Chapter 333, Division 7 provides the packaging, labelling and dosage limits for both programs, and Chapter 333, Division 64 governs the accreditation of laboratories for testing.

Both the OLCC and the OMMP rules include licensing requirements and materials, as well as criteria for approval or denial of license applications.

Oregon Licensing Requirements

Licenses issued by OLCC may be renewed annually so long as the licensee meets the requirements of the law and pays the renewal fee. There is no maximum number of licenses per owner, except for cultivation licenses located at the same address.

Applicants must demonstrate (and license holders must maintain) that: (i) they are registered with the Oregon Secretary of State to do business in Oregon; (ii) they have the operational expertise required by the individual license type, demonstrated by submission of an operation plan; (iii) they have the documented ability to secure the premises, as well as resources and personnel necessary to operate the license; (iv) they have the ability to maintain accountability of all cannabis and cannabinoid products and by-products via the state mandated "seed-to-sale" Cannabis Tracking System ("**CTS**") software, to prevent diversion or unlawful access to these materials; (v) all applicants, owners and those with the requisite control have passed background screening, inclusive of fingerprinting; and (vi) they comply with all local ordinances, including local land use and planning in the development of the licensed site.

Oregon Security Requirements

A licensee must always maintain a fully operational alarm and video monitoring system. Commercial grade, non-residential door locks and steel doors are required on every external door. The alarm system must detect unauthorized entry into the licensed premises. The 24-hour video surveillance system must record at a high-resolution format approved by the OLCC and have camera coverage which covers all areas of the facility without any blackout areas, including camera coverage requirements for ingress and egress. Video footage must be backed-up for a minimum of 90 days and be available upon request. Additionally, the camera system must have the ability to print still photos.

Oregon Transportation and Storage Requirements

Recreational and medicinal cannabis and cannabis products must be stored in a secured, locked room or vault. Vaults that are large enough to allow a person to walk in must have cameras inside so that there is no blind spot. Smaller safes must be bolted to the floor. When products are transferred between licensees, they must first be fully manifested through the state mandated "seed-to-sale" CTS. This written manifest must include: (i) departure date and time, (ii) name, address, and license number of the originating licensee, (iii) name, address, and license number of the recipient, (iv) quantity and form of any cannabis or cannabis delivery device being transported, (v) arrival date and time, (vi) delivery vehicle make and model and license plate number; and (vii) name and signature of the employee delivering the product. A copy of this manifest is provided to the receiving licensee for their verification. Upon receiving the transfer, the licensee must immediately verify the shipment versus the manifest and accept it electronically within the "seed-to-sale" CTS. This completes the inventory transfer. OLCC licensees must maintain these records for a minimum of three years. During transport, all product is packaged individually by order, and maintained within a locked receptacle within the vehicle. All deliveries must be completed within 24 hours.

OLCC Department Inspections

The OLCC conducts announced and unannounced inspections of all licensed facilities to determine compliance with laws and rules. The OLCC will inspect a licensee upon receiving a complaint or notice that the licensee has violated any existing rules. The OLCC will also conduct an annual license renewal inspection at the time of application approval. Inspections can cover all records, personnel, equipment, security and operational methodologies.

Oregon Compliance

The Company is currently licensed to operate cultivation, processing, distribution and retail operations within Oregon. To date, the Company has not experienced any compliance or enforcement actions against the above-mentioned licenses, and the Company has not been served any notices of non-compliance by any state regulatory body. As the result of a recent internal investigation, though, the Company uncovered unlawful activity by two former (pre-closing) owners and employees of EFF at the EFF facility involving the EFF cultivation license. Our investigation concluded that this activity started pre-closing and continued for a period of time post-closing without the knowledge of Company management. The Company immediately self-reported the activity to the OLCC after completing its internal investigation and concluding that the activity was in violation of the applicable Oregon rules and regulations. The Company is fully cooperating with the agency's review of the subject activity. The employees who still worked at EFF and are believed to have directed the activity were promptly terminated. The Company has no reason to conclude that this or any other unlawful activity is still occurring. It is uncertain whether a formal investigation or enforcement action will follow against the EFF license.

The Company maintains credit union banking relationships in Oregon which provide the Company the ability to safely and lawfully pay for any and all expenses that should arise from the day to day operations of its license. The Company monitors all licensed activities and performs site visits in order to validate compliance with local statutes. This monitoring includes but is not limited to “seed-to-sale” CTS records and accuracy, standard operating procedures, required signage and public health warnings, local permitting and zoning, license approvals and renewals, and all communication with regulatory bodies. Each employee is instructed on the most recent standard operating procedures. All sites have 24-hour video surveillance of the entire premises. The Company also utilizes the state-mandated CTS system in all jurisdictions in which it operates. State inspections, for any reason, including initial application, renewal or change of ownership, have not resulted in any compliance related issues to date.

NEVADA REGULATORY ENVIRONMENT

Nevada Summary

Nevada has a medical marijuana program and passed an adult-use (21 and older) legalization through the ballot box in November 2016. In 2000, Nevada voters passed a medical marijuana initiative allowing physicians to recommend cannabis for an inclusive set of qualifying conditions, including severe pain and created a limited non-commercial medical marijuana patient/caregiver system. Senate Bill 374, which passed the legislature and was signed by the Governor in 2013, expanded this program and established a for-profit regulated medical marijuana industry.

The Nevada Division of Public and Behavioral Health licensed medical marijuana establishments up until July 1, 2017 when the state’s medical marijuana program merged with adult-use marijuana enforcement under the Nevada Department of Taxation (“**NDOT**”). In 2014, Nevada accepted medical marijuana business applications and a few months later the Division approved 182 cultivation licenses, 118 licenses for the production of edibles and infused products, 17 independent testing laboratories, and 55 medical marijuana dispensary licenses. The number of dispensary licenses was then increased to 66 by legislative action in 2015. The application process is merit-based, competitive, and is currently closed. Nevada residency is not required to own or invest in a Nevada medical cannabis business. In addition, vertical integration is neither required nor prohibited. Nevada’s medical law includes patient reciprocity, which permits medical patients from certain other states to purchase medical marijuana from Nevada dispensaries. Nevada also allows for dispensaries to deliver medical marijuana to patients.

Under Nevada’s adult-use marijuana law, the NDOT licenses marijuana cultivation facilities, product manufacturing facilities, distributors, retail stores and testing facilities. After merging medical and adult-use marijuana regulation and enforcement, the single regulatory agency is now known as the Marijuana Enforcement Division of the NDOT. Until November 2018, applications to the NDOT for adult-use establishment licenses were being accepted from existing medical marijuana establishments and existing liquor distributors for the adult-use distribution license.

In February 2017, the NDOT announced plans to issue “early start” adult use marijuana establishment licenses in the summer of 2017. These licenses, beginning on July 1, 2017, allowed marijuana establishments holding both a retail marijuana store and dispensary license to sell their existing medical marijuana inventory as either medical or adult-use marijuana, and expired 90 days after January 1, 2018 (per Sec. 24 of LCB File No. T002-17). Starting July 1, 2017, medical and adult-use marijuana have incurred a 15% excise tax on the first wholesale sale (calculated on the fair market value) and adult-use cannabis have incurred an additional 10% special retail marijuana sales tax in addition to any general state and local sales and use taxes.

On January 16, 2018, the Marijuana Enforcement Division of the NDOT issued final rules governing its adult-use marijuana program, pursuant to which up to sixty-six (66) permanent adult-use marijuana dispensary licenses will be issued. Existing adult-use marijuana licensees under the "early start" regulations must re-apply for licensure under the permanent rules in order to continue adult-use sales.

In May of 2019, Governor Steve Sisolak signed into law Senate Bill 32, that increases transparency in the licensing process by releasing certain information about license applicants, as well as methods used to issue licenses. In June 2019, Governor Sisolak approved Assembly Bill 132 making Nevada the first state to ban employers from refusing to hire job applicants who test positive for marijuana during the hiring process.

As of August 23, 2019, as a result of discrepancies discovered in the application process by the State of Nevada, a court issued a partial preliminary injunction against the State of Nevada from moving forward with the numerous holders of provisional licenses awarded under the December 5, 2018, provisional license awards. In addition to the preliminary injunction, the State of Nevada and various intervenors remain subject to ongoing litigation.

In early 2019, Nevada legislature passed Nevada Assembly Bill 533, which authorized the formation of the Cannabis Compliance Board (the "**CCB**") to be vested with the authority to license and regulate persons and establishments engaged in cannabis activities within Nevada. The executive director of the CCB was appointed on September 30, 2019, by Nevada Governor Sisolak. As of March 1, 2020, three of the five members of the CCB had been appointed. Pursuant to AB533, the CCB is mandated with studying the feasibility and safe implementation of licensing for lounges, in addition to their general authority and oversight of cannabis operations in Nevada.

Nevada Regulatory Framework

Nevada Revised Statutes Chapter 453D provides a regulatory framework that outlines the function of the NDOT Marijuana program including licensing and enforcement guidelines that guide the NDOT.

Nevada Licensing Requirements

Licenses issued by NDOT can be renewed annually so long as the licensee continues to demonstrate compliance with local and state law and pays the renewal fee. Dispensary/Retail store licenses have a set statutory "cap" (per NRS 453D.210 & NRS 453A.324), other license types do not. Moreover, statutory license caps can only be changed by the Nevada legislature, which meets bi-annually. Marijuana businesses in Nevada may also be governed by local ordinances, which can include caps on the number of marijuana businesses, zoning limitations, and additional screening of business owners and investors. Applicants must demonstrate (and license holders must maintain) that: (i) they are registered with the Nevada Secretary of State to do business in Nevada, (ii) they have contributed to the advancement of the State of Nevada via regular tax payments, (iii) they do not have interests in the Casino or Alcohol industries, (iv) they have the operational expertise required by the individual license type, demonstrated by submission of an operation plan, (v) they have the ability to secure the premises, resources, and personnel necessary to operate the license, (vi) they have the ability to maintain accountability of all cannabis and cannabinoid products and by-products via the state mandated "seed-to-sale" CTS to prevent diversion or unlawful access to these materials, (vii) they have the financial ability to maintain operations for the duration of the license, (viii) all owners have passed background screening, inclusive of fingerprinting, and (ix) all local land use, zoning, and planning notices have been followed in the development of the licensed site.

Nevada Security Requirements

A licensee must maintain a fully operational alarm and video monitoring system at all times. The alarm system must secure all points of ingress and egress and be equipped with motion detectors. The 24-hour video surveillance system must record at a high-resolution format approved by the NDOT and have camera coverage which covers all areas of the facility without any blind spots. Video footage must be backed-up for a minimum of 30 days in hard-form. Cultivation and product manufacturing sites are not open to the public.

Nevada Transportation and Storage Requirements

Cannabis and cannabis goods must be stored in a lockable safe or vault at any time that employees are not on location. Any storage container that is large enough to allow an employee to walk into it must have cameras placed inside. Goods to be transported to another licensee must be fully manifested via the state mandated "seed-to-sale" CTS prior to being transported.

Nevada Department of Taxation Inspections

The NDOT conducts announced and unannounced inspections of all licensed facilities to determine compliance with laws and rules. The NDOT will inspect a licensee in the event of a complaint indicating that the licensee has or is actively violating existing statute. The NDOT will also inspect at the time of any premise's modification, as well as at the time of annual renewal.

Nevada Product Testing and Packaging Requirements

Both medical and adult-use marijuana and marijuana products are subject to stringent testing and packaging requirements. Before usable marijuana, concentrated marijuana, or marijuana products may be packaged for further processing or for transfer to a dispensary or retail store, an independent testing laboratory licensed by the NDOT must collect samples from each homogenized lot or production run for testing. These samples are tested by the independent testing laboratory for compliance with specified limits on contaminants such as yeast and mold, heavy metals and pesticides, and microbes. Testing is also done to determine the potency of the sample. Cultivation and product manufacturing facilities are also subject to random quality assurance compliance testing at the discretion of the NDOT. Generally, if a sample fails any of the tests conducted by the testing laboratory, the entire lot or production run must be destroyed.

All marijuana or marijuana products intended to be sold to consumers must be individually packaged, sealed, and labeled. Edible products must be packaged in opaque, child-resistant containers. Depending on the type of marijuana product, the NDOT places limit on the amount of THC that a single package of marijuana may contain or the number of ounces of product a package may contain. All packages of marijuana or marijuana product sold to consumers must have detailed labels that include, inter alia, various warnings about the effects and risks of marijuana use; the name, license number, and contact information of the dispensary or retail store conducting the sale; the name and license number of the cultivation or product manufacturing facility that harvested or produced the marijuana or marijuana product; the potency levels of the marijuana or marijuana product; and the date the marijuana or marijuana product was harvested or produced.

RISK FACTORS

The following are certain factors relating to the business and securities of the Company. The Company will face a few challenges and significant risks in the development of its business due to the nature of and present stage of its business. These risks and uncertainties are not the only ones facing the Company. Additional risks and uncertainties not presently known to the Company or currently deemed immaterial by the Company, may also impair the operations of or materially adversely affect the securities of the Company. If any such risks occur, the Company's shareholders could lose all or part of their investment and the business, financial condition, liquidity, results of operations and prospects of the Company could be materially adversely affected. Some of the risk factors described herein are interrelated and, consequently, readers should treat such risk factors.

The acquisition of any of the securities of the Company is speculative, involving a high degree of risk and should be undertaken only by persons whose financial resources are enough to enable them to assume such risks and who have no need for immediate liquidity in their investment. An investment in the securities of the Company should not constitute a major portion of a person's investment portfolio and should only be made by persons who can afford a total loss of their investment.

OPERATIONAL RISKS

Risks Associated with Acquisitions

As part of the Company's overall business strategy, the Company may pursue select strategic acquisitions which would provide additional product offerings, vertical integrations, additional industry expertise, and a stronger industry presence in both existing and new jurisdictions. Future acquisitions may expose the Company to potential risks, including risks associated with (a) the integration of new operations, services and personnel; (b) unforeseen or hidden liabilities; (c) the diversion of resources from the Company's existing business and technology; (d) potential inability to generate sufficient revenue to offset new costs; (e) the expenses of acquisition; or (f) the potential loss of or harm to relationships with both employees and existing users resulting from its integration of new business. In addition, any proposed acquisitions may be subject to regulatory approval.

While the Company intends to conduct reasonable due diligence in connection with such strategic acquisitions, there are risks inherent in any acquisition. Specifically, there could be unknown or undisclosed risks or liabilities of such entities or assets for which the Company is not sufficiently indemnified. Any such unknown or undisclosed risks or liabilities could

materially and adversely affect the Company's financial performance and results of operations. The Company could encounter additional transaction and integration related costs or other factors such as the failure to realize all of the benefits from the acquisition. All of these factors could cause dilution to the Company's revenue per share or decrease or delay the anticipated accretive effect of the acquisition and cause a decrease in the market price of C21's common shares.

U.S. Federal Regulation

The Company will be affected by a number of operational risks and may not be adequately insured for certain risks, including: labor disputes, catastrophic accidents, fires, blockades or other acts of social activism, changes in the regulatory environment, impact of non-compliance with laws or regulations, natural phenomena, such as inclement weather conditions, floods, earthquakes and ground movements. There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, the Company's properties, grow facilities and extraction facilities, personal injury or death, environmental damage, adverse impacts on the Company's operations, costs, monetary losses, potential legal liability and adverse governmental action, any of which could have an adverse impact on the Company's future cash flows, earnings and financial condition.

The Company is currently aware of 34 states of the United States, plus the District of Columbia, Puerto Rico and Guam, that have laws and/or regulations that recognize, in one form or another, legitimate medical uses for cannabis and consumer use of cannabis in connection with medical treatment. Many other states are considering similar legislation. Additionally, the sale and adult-use of recreational cannabis is legal in the following U.S. states: Alaska, California, Colorado, Maine, Massachusetts, Michigan, Nevada, Oregon, Washington and Illinois. Conversely, under the CSA, cannabis currently remains a Schedule I controlled substance under U.S. federal law, which means the DEA believes marijuana has a high potential for abuse, no accepted medical treatment, and lack of accepted safety for the use of it, even under medical supervision. As a result, marijuana related activities including, the cultivation, manufacture, import, export, distribution, possession and use of marijuana, remains illegal under U.S. federal law.

Currently, the Company engages in the manufacture, distribution, possession and sale of cannabis in the U.S. medical and recreational cannabis markets, and therefore the enforcement of U.S. federal laws is a significant risk to the Company. Unless and until the U.S. Congress amends the CSA (or the DEA reschedules or de-schedules cannabis), there is a risk that U.S. federal authorities, including the United States Attorney's Office for the District of Oregon and the District of Nevada, may enforce current federal law, and the Company may be deemed to be possessing, manufacturing, and trafficking marijuana in violation of U.S. federal law. Such activities also may serve as the basis for the prosecution of other crimes, such as those prohibited by the money laundering statutes, the unlicensed money transmitter statute, and the Bank Secrecy Act. Additionally, the Company may be deemed to be facilitating the sale or distribution of drug paraphernalia in violation of U.S. federal law with respect to the Company's current or proposed business operations. As to the timing or scope of any such potential amendments to the CSA, there can be no assurances to when or if any potential amendments will be enacted. Active enforcement of the current federal statutory laws and regulatory rules regarding cannabis may thus directly and/or indirectly and adversely affect the Company's future operations, cash flows, earnings, and financial condition.

The Company could face (i) seizure of its cash and other assets used to support or derived from its cannabis subsidiaries; and (ii) the arrest of its employees, directors, officers, managers and investors, who could face charges of ancillary criminal violations of the CSA for aiding and abetting and conspiring to violate the CSA by virtue of providing financial support to state-licensed or permitted cultivators, processors, distributors, and/or retailers of cannabis. Additionally, as has recently been affirmed by U.S. Customs and Border Protection, employees, directors, officers, managers and investors of the Company who are not U.S. citizens face the risk of being barred from entry into the United States for life.

Variation in Regulation

Individual U.S. state laws do not always conform to U.S. federal regulatory standards, or to other U.S. state laws. A number of states have decriminalized marijuana to varying degrees, other states have created exemptions specifically for medical cannabis, and several have both decriminalized and/or created medical marijuana exemptions. Several states have also legalized the recreational use of cannabis. Variations exist among states that have legalized, decriminalized or created medical marijuana exemptions. For example, Oregon and Colorado have limits on the number of marijuana plants that can be home grown. In most states, the cultivation of marijuana for personal use continues to be prohibited except for those states that allow small-scale cultivation by the individual in possession of a medical marijuana license or that person's caregiver. Even in

those states in which the use and commercialization of marijuana has been legalized, its use remains a violation of U.S. federal law.

Although the Company's activities are in compliance with applicable state and local law, strict compliance with state and local laws with respect to cannabis may neither absolve the Company of liability under U.S. federal law, nor may it provide a defense to any federal proceeding which may be brought against the Company. Any such proceedings brought against the Company may adversely affect the Company's operations and financial performance.

As a result of the conflicting views between individual state governments and the U.S. federal government regarding cannabis, investments in U.S. cannabis businesses are subject to inconsistent legislation and regulation. The response to this inconsistency was addressed in August 2013 when then U.S. Deputy Attorney General, James Cole, authorized the Cole Memo addressed to all United States Attorneys acknowledging that, notwithstanding the designation of cannabis as a controlled substance at the federal level in the U.S., several U.S. states have enacted laws relating to cannabis for medical purposes. The Cole Memorandum outlined certain priorities for the U.S. Department of Justice relating to the prosecution of cannabis offenses. In particular, the Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form, and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, that conduct in compliance with those laws and regulations is less likely to be a priority at the federal level.

Since 2014, the U.S. Congress has annually passed appropriations bills that include the Rohrabacher Blumenauer Appropriations Amendment (originally the Rohrabacher Farr Amendment), also known as the Leahy Amendment. The Leahy Amendment prohibits federal budget resources from being used to enforce U.S. federal controlled substances laws that conflict with U.S. state medical cannabis programs. However, on January 4, 2018, Jeff Sessions, the U.S. Attorney General at the time, issued the Sessions Memo to all United States Attorneys, which rescinded the Cole Memo in its entirety. The Sessions Memo provided that in deciding which marijuana activities to prosecute under U.S. federal laws, prosecutors should follow the same well-established principles that govern all U.S. federal prosecutions. Following the release of the Sessions Memo, the fate of state-legal cannabis is uncertain, and the risk of prosecution varies from state to state based on the posture, priorities and resources of each United States Attorney's Office for each applicable state.

While the Sessions Memo introduced some uncertainty regarding U.S. federal law enforcement, the cannabis industry continues to experience growth in legal medical and adult-use cannabis markets within the United States. On November 7, 2018, U.S. Attorney General Jeff Sessions resigned, and Matthew Whitaker was the acting U.S. Attorney General until William Barr was appointed as the U.S. Attorney General on February 14, 2019. On April 10, 2019, the U.S. Senate Appropriations Subcommittee met to discuss the DOJ's 2020 budget, in response to a question about William Barr's position on the proposed Strengthening the Tenth Amendment Through Entrusting States (**STATES**) Act. Attorney General Barr stated: "Personally, I would still favor one uniform federal rule against marijuana . . . but if there is not sufficient consensus to obtain that then I think the way to go is to permit a more federal approach so states can, you know, make their own decisions within the framework of the federal law. So we're not just ignoring the enforcement of federal law".

The STATES Act, if passed, would permit U.S. states to determine their own approach to marijuana regulation. Attorney General Barr has said that this U.S. legislation is being reviewed by his office and that he would "much rather [implement] the approach taken by the STATES Act than where we currently are". It is unclear, however, what impact this development will have on U.S. federal enforcement policy regarding cannabis activities. Further, even if the Company operates cannabis-related activities in compliance with U.S. state laws, the United States Attorney's Office for a given state can determine that such activities are in contravention of federal law and initiate prosecution against the Company. While there is a risk that a given state's U.S. Attorney's Office, and the DOJ, may seek to enforce U.S. federal drug laws against cannabis use and commercialization that is permitted under state law, the Leahy Amendment remains in force; and thus, prevents U.S. Department of Justice budgetary resources from being allocated to enforce federal law against medical cannabis businesses. The fiscal year 2019 U.S. federal budget included the Leahy Amendment, which remains in effect until September 30, 2019; upon which the Leahy Amendment may or may not be included in the omnibus appropriations package or as a continuing budget resolution.

Given the conflict of laws and regulations, there is no certainty as to how the DOJ, Federal Bureau of Investigation and other government agencies will handle cannabis matters in the future. There can be no assurance that the Trump Administration

would not change the current enforcement policies, priorities and resources and choose to enforce the subject federal laws. The Company regularly monitors ongoing developments in this regard.

Violations of any laws and regulations could result in significant fines, penalties, administrative sanctions, forfeiture, 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 title (directly or indirectly) to cannabis licenses in the United States, the listing of its securities on various stock exchanges, its financial position, its operating results, and profitability or liquidity or the market price of its 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 the final resolution of such matters because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested and degree of enforcement by the applicable authorities involved, and such time or resources could be substantial.

As a company listed on the CSE, the Company accesses the Canadian capital markets on a public and private basis, and any capital raised may be utilized for the ongoing operations of its U.S. holdings that operate in the U.S. cannabis industry. There is no assurance that the Company will be successful, in whole or in part, in raising funds, particularly if the U.S. federal authorities change their position toward enforcing the CSA. Further, access to funding from residents, citizens, venture capital, private equity and banks in the United States may be limited due to their unwillingness to be associated with activities that violate U.S. federal laws. Notwithstanding the above, the SAFE Banking Act of 2019, discussed above, would be a positive development for the industry and access to move affordable banking and lending.

Change of Cannabis Laws

Local, state and federal marijuana laws and regulations in the United States are broad in scope and subject to evolving interpretations, which could require the Company to incur substantial costs associated with compliance or alter certain aspects of its business plan. In addition, violations of these laws, or allegations of such violations, could disrupt certain aspects of the Company's business plan and result in a material adverse effect on certain aspects of the Company's planned operations. Furthermore, it is possible that regulations may be enacted in the future that will be directly applicable to certain aspects of the Company's marijuana business. The Company cannot predict the nature of any future laws, rules, regulations, resolutions, declarations, policy positions, interpretations or applications, nor can it determine what affect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on the Company's business.

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 the federal government begins to enforce 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 would be materially adversely affected.

The Company is aware that multiple states are considering special taxes or fees on businesses in the marijuana industry. It is a potential yet unknown risk at this time that other states are in the process of reviewing such additional fees and taxation. This could have a material adverse effect on the Company's business, results of operations, financial condition and prospects.

Beginning in September 2019, the United States media began reporting on potential vape related illnesses and death based on conditions resembling pneumonia, that consumers of nicotine and THC vaping products were experiencing. Vaping product sales are a material source of revenue for the Company. As of Tuesday, October 29, 2019, the CDC announced that 37 people had died and another 1,888 had been reported as experiencing symptoms that could possibly be linked to the vaping products. Although there has been no conclusive medical or scientific determination as to the cause of the subject conditions, management believes that the Company's products do not contain any of the components or chemicals, including but not limited to vitamin E acetate, which are presently implicated as possible sources of the condition, and which were identified by the CDC based on laboratory findings released on November 8, 2019. Out of an abundance of caution, governors of certain US states took precautionary, short-term actions until a more conclusive link between vaping products and the condition is determined; as mentioned herein, Oregon was one of those states until the State was forced to lift its ban by court order.

Compliance Risks

The Company's investments operate in a new industry which is highly regulated, highly competitive and evolving rapidly. As such, new risks may emerge, and management may not be able to predict all such risks. The Company's investments incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions of operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Further, the Company may be subject to a variety of claims and lawsuits. Adverse outcomes in some or all of these claims may result in significant monetary damages or injunctive relief that could adversely affect its ability to conduct its business.

Litigation and other claims are subject to inherent uncertainties and management's view of these matters may change in the future. A material adverse impact on the Company's financial statements could also occur for the period in which the effect of an unfavorable outcome becomes probable and reasonably estimable.

The cannabis industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the control of the Company and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce the Company's earnings on investments and could make future capital investments or the Company's investments' operations uneconomic.

The cannabis industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants in the industry, such as the Company, which cannot be readily predicted.

Regulatory scrutiny of the Company's industry may negatively impact its ability to raise additional capital

The Company's business activities rely on newly established and/or developing laws and regulations. These laws and regulations are rapidly evolving and subject to change with minimal notice. Regulatory changes may adversely affect the Company's profitability or cause it to cease operations entirely. The cannabis industry may come under the scrutiny or further scrutiny by the U.S. Food and Drug Administration, Securities and Exchange Commission, the DOJ, the Financial Industry Regulatory Authority or other federal, applicable state or nongovernmental regulatory authorities or self-regulatory organizations that supervise or regulate the production, distribution, sale or use of cannabis for medical or nonmedical purposes in the United States.

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 Company's 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 ability to raise additional capital, which could reduce, delay or eliminate any return on investment in the Company.

The Company's investments in the U.S. are subject to applicable anti-money laundering laws and regulations

The Company is subject to a variety of laws and regulations domestically and in the United States that involve money laundering, financial record keeping 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, the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), as amended and the rules and regulations thereunder, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States 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 United States 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. This could restrict or otherwise jeopardize 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 C21's 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 United States) 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.

The Company's investments and any proceeds thereof may be considered proceeds of crime since cannabis remains illegal federally in the United States. This restricts the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while the Company has no current intention to declare or pay dividends on its shares in the foreseeable future, the Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time in response to factors outside of the Company's control.

The Company may have difficulty accessing the services of banks and processing credit card payments in the future, which may make it difficult to operate. To mitigate this risk, the Company has established banking relations with three private credit unions in states where cannabis has been legalized at the state level, including Partners Colorado Credit Union (Colorado), Salal (Washington State) and Maps (Oregon). Through these private credit unions, the Company is able to access bank services to support its Oregon and Nevada cannabis operations.

In February 2014, the FinCEN issued a memorandum providing guidance (which is not law) to banks seeking to provide services to cannabis-related businesses (the "**FinCEN Memo**"), including burdensome due diligence expectations and reporting requirements. The FinCEN Memo states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. However, most banks and other financial institutions do not feel comfortable providing banking services to cannabis-related businesses, or relying on this guidance, which could be revoked at any time by the Trump Administration. In addition to the foregoing, banks may refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis-related businesses.

However, as mentioned above, in March 2019, the U.S. House Financial Services Committee approved an updated version of the SAFE Banking Act, which proposed certain protections for banks in the United States against criminal and civil liabilities for serving legitimate cannabis companies that operate in compliance with applicable state law. The prospects of the U.S. Congress passing the SAFE Banking Act are uncertain as of the date of this MDA.

Accordingly, the Company may have limited or no access to banking or other financial services in the U.S. in the future and may have to operate the Company's U.S. business on a cash-only basis. The inability, onerous limitations or restrictions 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.

The Company's investments in the United States may be subject to heightened scrutiny

The Company's existing interests in the United States cannabis market, and any future interests, may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies or 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 invest in the United States or any other jurisdiction.

Given the heightened risk profile associated with cannabis in the United States, it was previously reported by certain publications in Canada that the Canadian Depository for Securities Limited may implement policies that would see its subsidiary, CDS Clearing and Depository Services Inc. ("**CDS**"), refuse to settle trades for cannabis issuers that have investments in the United States. The TMX Group, the owner and operator of CDS, subsequently issued a statement on August 17, 2017, reaffirming that there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States, 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.

On February 8, 2018, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, the TMX Group announced the signing of a Memorandum of Understanding (the "**TMX MOU**") with Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange and the TSX Venture Exchange. The TMX 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 United States.

The TMX 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 no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented, 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 and until an alternative was implemented investors would have no ability to affect a trade of common shares through the facilities of a stock exchange.

The following chart is a summary of the Company's material assets and investments. References to "Direct", "Indirect" or "Ancillary" classifications of each asset or investment have the meanings ascribed thereto in the Staff Notice. All of the Company's investments that give C21 "Direct", "Indirect" and "Ancillary" involvement in the U.S. marijuana industry are included in this chart.

Asset Name and Acquisition/Formation Date	Description of Asset	Asset Type, Jurisdiction and Classification
320204 US Holdings Corp. Formed: April 12, 2018	Holding company	Type of investment: 100% equity position Jurisdiction: Delaware Classification: Direct
Eco Firma Farms LLC Acquired: June 13, 2018	Cultivation facility	Type of investment: 100% equity position Jurisdiction: Oregon Classification: Direct
320204 Oregon Holdings Corp. Formed: August 27, 2018	Holding company	Type of investment: 100% equity position Jurisdiction: Oregon Classification: Direct
Workforce Concepts 21, Inc. Formed: August 27, 2018	Payroll and benefits servicing company	Type of investment: 100% equity position Jurisdiction: Oregon Classification: Direct
320204 Nevada Holdings Corp. Formed: August 28, 2018	Holding company	Type of investment: 100% equity position Jurisdiction: Nevada Classification: Direct
Silver State Relief LLC Acquired: January 1, 2019	Retail dispensary facilities	Type of investment: 100% equity position Jurisdiction: Nevada Classification: Direct
Silver State Cultivation LLC Acquired: January 1, 2019	Cultivation and processing facility	Type of investment: 100% equity position Jurisdiction: Nevada Classification: Direct
Megawood Enterprises Inc Acquired: January 24, 2019	Retail dispensary facility	Type of investment: 100% equity position Jurisdiction: Oregon Classification: Direct
Phantom Distribution, LLC Acquired: February 4, 2019	Wholesale facility	Type of investment: 100% equity position Jurisdiction: Oregon Classification: Direct
Phantom Brands, LLC Acquired: February 4, 2019	Holding company	Type of investment: 100% equity position Jurisdiction: Oregon Classification: Direct
Phantom Venture Group, LLC Acquired: February 4, 2019	Holding company	Type of investment: 100% equity position Jurisdiction: Oregon Classification: Direct
63353 Bend, LLC Acquired: February 4, 2019	Cultivation facility	Type of investment: 100% equity position Jurisdiction: Oregon Classification: Direct
20727-4 Bend, LLC Acquired: February 4, 2019	Cultivation facility	Type of investment: 100% equity position Jurisdiction: Oregon Classification: Direct
4964 BFH, LLC Acquired: February 4, 2019	Cultivation facility	Type of investment: 100% equity position Jurisdiction: Oregon Classification: Direct
Swell Companies Limited Acquired: May 24, 2019	Processing and wholesale facility	Type of investment: 100% equity position Jurisdiction: Oregon Classification: Direct

Through its subsidiaries, C21 is licensed by the Oregon Liquor Control Commission to cultivate and distribute wholesale and retail recreational and medicinal cannabis products in Oregon.

Through its subsidiaries, the Company is also licensed by the State of Nevada Department of Taxation to cultivate and distribute wholesale and retail recreational and medicinal cannabis products in Nevada.

The states of Oregon and Nevada have issued the following licenses to C21's wholly owned U.S. subsidiaries:

Subsidiary	Licenses
Eco Firma Farms LLC	Oregon Producer: 020-10026114352
Megawood Enterprises Inc (Pure Green)	Oregon Retail: 050-101353460C5
Phantom Distribution, LLC	Oregon Wholesaler: 060-101354498B7
63353 Bend, LLC	Oregon Producer: 020-10135419332
20727-4 Bend, LLC	Oregon Processor: 030-100668460AF
4964 BFH, LLC	Oregon Producer: 020-101354208B5 Oregon Producer: 020-1013549B0D0
Swell Companies Limited	Oregon Processor: 030-1001935FB2C Oregon Wholesaler: 060-10043793AD8
Silver State Cutivation LLC	Nevada Medical & Recreational Cultivation: C00I -87780384583047744472 / 1017783233-002 RC00I -95697016138994411312 / 1017783233-002
Silver State Relief LLC	Nevada Medical & Recreational Retail: D002 -38695553096347542299 / 1017825203-001 RD002-11443721033142554219 / 1017825203-001

See "Oregon Regulatory Environment" and "Nevada Regulatory Environment" for additional discussion on licenses. The enforcement of relevant U.S. laws related to cannabis is a significant risk.

The following table is a summary of C21's balance sheet exposure to U.S. cannabis-related activities as of January 31, 2020:

	Operating Subsidiaries	Non-Controlling Investments	Total
Current Assets	$ 11,663,211	$ -	$ 11,663,211
Non-current Assets	49,786,874	-	49,786,874
Total Assets	**$ 61,450,085**	**$ -**	**$ 61,450,085**
Current Liabilities	$ 38,617,760	$ -	$ 38,617,760
Non-Current liabilities	9,252,771	-	9,252,771
Total Liabilities	**$ 47,870,531**	**$ -**	**$ 47,870,531**

Goodwill and intangibles related to the acquisition of U.S. based subsidiaries are included within the noncurrent asset totals above.

The following represents the portion of certain assets on C21's consolidated balance sheet that pertain to U.S. Cannabis activity as of January 31, 2020:

- Inventory and Biological assets: 100%
- Property plant & equipment: 99%
- Intangible assets and goodwill: 100%
- Notes receivable and deposits: 99%

The following is a summary of operating activity from U.S. cannabis-related activities for the year ending January 31, 2020:

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. Consumer 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, findings or other media attention will not arise.

Public opinion may result in a significant influence over the regulation of the cannabis industry in Canada, the United States or elsewhere. A negative shift in the public's perception of cannabis in the United States, or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical cannabis, thereby limiting the number of new state jurisdictions into which the Company could expand. Any limits on future expansion may have a material adverse effect on the Company's business, financial condition, and results of operations.

State and local laws and regulations may heavily regulate brands and forms of cannabis products and there is no guarantee that the Company's proposed brands and products will be approved for sale and distribution in any state

States generally only allow the manufacture, sale and distribution of cannabis products that are grown in that state and may require advance notice of such products. Certain states and local jurisdictions have promulgated certain requirements for approved cannabis products based on the form of the product and the concentration of the various cannabinoids in the product. While the Company intends to follow the guidelines and regulations of each applicable state and local jurisdiction in preparing products for sale and distribution, there is no guarantee that such products will be approved to the extent necessary. If the products are approved, there is a risk that any state or local jurisdiction may revoke its approval for such products based on changes in laws or regulations or based on its discretion or otherwise.

Security Risks

The business premises of the Company are a target for theft. While the Company has implemented security measures and continues to monitor and improve its security measures, its cultivation, processing and dispensary facilities could be subject to break-ins, robberies and other breaches in security. If there was a breach in security and the Company fell victim to a robbery or theft, the loss of cannabis plants, cannabis oils, cannabis flowers, cultivation and processing equipment, and cash could have a material adverse impact on the business, financial condition, results of operation and property of the Company.

As the Company's business involves the movement and transfer of cash which is collected from third parties or deposited into its bank, there is a risk of theft or robbery during the transport of cash. The Company engages security firms to provide armed guards and security in the transport and movement of large amounts of cash. While the Company has taken robust steps to prevent theft or robbery of cash during transport, there can be no assurance that there will not be a security breach during the transport and the movement of cash involving the theft of product or cash.

Banking

Since the use of cannabis is illegal under U.S. federal law, there is a strong argument that banks cannot accept for deposit funds from businesses involved with the cannabis industry. Consequently, businesses involved in the cannabis industry often have difficulty finding a bank willing to accept their business. The inability to open bank accounts may make it difficult to operate the Company's cannabis business. Currently in the states of Oregon and Nevada, private credit union banks are being used for all banking needs. Through these private credit union banks, the Company can access comprehensive banking services including cash management checking accounts, ACH transfer processing, cash pick-up and delivery services, debit card and credit card processing, online banking, and processing of bank wires and transfers.

Liability, Enforcement, Complaints, etc.

The Company's participation in the cannabis industry may lead to litigation, formal or informal complaints, enforcement actions, and inquiries by various federal, state, or local governmental authorities against the Company. Litigation, complaints and enforcement actions involving the Company could consume considerable amounts of financial and other corporate resources, which could have an adverse effect on the Company's future cash flows, earnings, results of operations and financial condition.

Operation Permits and Authorizations

The Company may not be able to obtain or maintain the necessary licenses, permits, authorizations or accreditations, or may only be able to do so at great cost, to operate its marijuana business. In addition, the Company may not be able to comply fully with the wide variety of laws and regulations applicable to the marijuana industry. Failure to comply with or to obtain the necessary licenses, permits, authorizations or accreditations could result in restrictions on the Company's ability to operate the marijuana business, which could have a material adverse effect on the Company's business. Further, should any state in which the Company considers a license important not grant, extend or renew such license or should it renew such license on different terms or decide to grant more than the anticipated number of licenses, the business, financial condition and results of operations of the Company could be materially adversely affected.

Environmental Risk and 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 current or proposed production, manufacturing or sale of 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 or manufacturing of marijuana, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in expenses, capital expenditures or production or manufacturing costs or reduction in levels of production or manufacturing or require abandonment or delays in development.

The Company's limited operating history makes evaluating its business and prospects difficult

The Company has a limited operating history on which to base an evaluation of its business, financial performance and prospects. As such, the Company's business and prospects must be considered in light of the risks, expenses and difficulties

frequently encountered by companies in the early stage of development. As the Company is in an early stage and is introducing new products, the Company's revenues may be materially affected by the decisions, including timing decisions, of a relatively consolidated customer base. The Company has had limited experience in addressing the risks, expenses and difficulties frequently encountered by companies in their early stage of development, particularly companies in new and rapidly evolving industries such as the marijuana industry. There can be no assurance that the Company will be successful in addressing these risks, and the failure to do so in any one area could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

The Company is dependent upon existing management, its key research and development personnel and its growing and extraction personnel, and its business may be severely disrupted if it loses their service

The Company's future success depends substantially on the continued services of its executive officers, its key research and development personnel and its key growing and extraction personnel. If one or more of its executive officers or key personnel were unable or unwilling to continue in their present positions, the Company might not be able to replace them easily or at all. In addition, if any of its executive officers or key employees joins a competitor or forms a competing company, the Company may lose know-how, key professionals and staff members. These executive officers and key employees could compete with and take customers away.

Available Talent Pool

As the Company grows, it will need to hire additional human resources to continue to develop the business. However, experienced talent is difficult to source, and there can be no assurance that the appropriate individuals will be available or affordable to the Company. Without adequate personnel and expertise, the growth of the Company's business may suffer.

The Company may be exposed to infringement or misappropriation claims by third parties, which, if determined adversely to the Company, could subject the Company to significant liabilities and other costs

The Company's success may likely depend on its ability to use and develop new extraction technologies, recipes, know-how and new strains of marijuana without infringing the intellectual property rights of third parties. The Company cannot assure that third parties will not assert intellectual property claims against it. The Company is subject to additional risks if entities licensing to its intellectual property do not have adequate rights in any such licensed materials. If third parties assert copyright or patent infringement or violation of other intellectual property rights against the Company, it will be required to defend itself in litigation or administrative proceedings, which can be both costly and time consuming and may significantly divert the efforts and resources of management personnel. An adverse determination in any such litigation or proceedings to which the Company may become a party could subject it to significant liability to third parties, require it to seek licenses from third parties, to pay ongoing royalties or subject the Company to injunctions prohibiting the development and operation of its applications.

The Company may need to incur significant expenses to enforce its proprietary rights, and if the Company is unable to protect such rights, its competitive position could be harmed

The Company regards proprietary methods and processes, domain names, trade names, trade secrets, recipes and other intellectual property as critical to its success. The Company's ability to protect its proprietary rights is critical for the success of its business and its overall financial performance. The Company has taken certain measures to protect its intellectual property rights. However, the Company cannot assure that such measures will be sufficient to protect its proprietary information and intellectual property. Policing unauthorized use of proprietary information and intellectual property is difficult and expensive. Any steps the Company has taken to prevent misappropriation of its proprietary technology may be inadequate. The validity, enforceability and scope of protection of intellectual property in the marijuana industry is uncertain and still evolving. In particular, the laws and enforcement procedures in some developing countries are uncertain and may not protect intellectual property rights in this area to the same extent as do the laws and enforcement procedures in Canada, the United States and other developed countries.

Competition

There can be no assurance that significant competition will not enter the marketplace and offer some number of similar products and services or take a similar approach. An increase in the companies competing in this industry could limit the ability of the Company to expand its operations. Current and new competitors may be better capitalized, have a longer operating history, have more expertise and be able to develop higher quality equipment or products, at the same or a lower

cost. The Company cannot provide assurances that it will be able to compete successfully against current and future competitors. Such competition could have a material adverse effect on the growth potential of the Company's business by effectively dividing the existing market for its products. In addition, despite Canadian federal and U.S. state-level legislation of marijuana, illicit or "black market" operations remain abundant and present substantial competition to the Company. In particular, illicit operations, despite being largely clandestine, are not required to comply with the extensive regulations that the Company must comply with to conduct business and, accordingly, may have significantly lower costs of operations.

No Assurance of Profitability

The Company cannot give assurances that it will not incur losses in the future. The limited operating history makes it difficult to predict future operating results. The Company is subject to the risks inherent in the operation of a new business enterprise in an emerging and uncertain business sector, and there can be no assurance that the Company will be able to successfully address these risks.

Management of Growth

The Company may experience a period of significant growth in the number of personnel that will place a strain upon its management systems and resources. Its future will depend in part on the ability of its officers and other key employees to implement and improve financial management controls, reporting systems and procedures on a timely basis and to expand, train, motivate and manage the workforce. The Company's current and planned personnel, systems, procedures and controls may be inadequate to support its future operations.

General Economic Trends

Any worldwide economic slowdown and tightening of credit in the financial markets may impact the business of the Company's customers, which could have an adverse effect on the Company's business, financial condition, or results of operations. Adverse changes in general economic or political conditions in the United States and elsewhere could adversely affect the Company's business, financial condition, results of operations and property.

Asset Location and Legal Proceedings

Substantially all of the Company's assets are located outside of Canada, and certain of its directors are resident outside of Canada, and their assets are outside of Canada. Serving process on those directors may prove to be difficult or excessively time consuming. Additionally, it may be difficult to enforce a judgment obtained in Canada against the Company, its subsidiaries and any directors and officers residing outside of Canada.

Market Acceptance

The Company's ability to gain and increase market acceptance of its products depends on its ability to educate the public on the benefits of its marijuana products. It also requires 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 operations.

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. This is particularly true in light of the United States media news, beginning in September 2019, regarding potential vaporizer (vape) related illnesses and deaths. The Company closely monitors the news reports on this topic, including results from the investigations being conducted by the CDC, and put out a statement over its social media feed on September 11, 2019 confirming its commitment to consumer safety, discussing the rigorous quality control and testing of its products, and explaining that none of its vape products are manufactured with vitamin E acetate, or any other additives, thickeners or agents. The Company further disclosed its complete ingredient list for all of its vape products. 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.

Insurance Coverage

The Company will require insurance coverage for a number of risks, including business interruption, environmental matters and contamination, personal injury and property damage. Although the Company believes that the events and amounts of liability covered by its insurance policies will be reasonable, considering the risks relevant to its business, and the fact that agreements with users contain limitations of liability, there can be no assurance that such coverage will be available or sufficient to cover claims to which the Company may become subject. If insurance coverage is unavailable or insufficient to cover any such claims, the Company's financial resources, results of operations and prospects could be adversely affected. Further, because the Company is engaged in the cannabis industry, there may be additional difficulties and complexities associated with such insurance coverage that could cause the Company to suffer uninsured losses, which could adversely impact the Company's business, results of operations and profitability.

Tax Risk

The provisions of Code section 280E are being applied by the IRS to businesses operating in the U.S. medical and adult-use marijuana industry. Section 280E provides that no deduction or credit shall be allowed for any amount paid or incurred during the taxable year in carrying on any trade or business if such trade or business (or the activities which comprise such trade or business) consists of trafficking in controlled substances (within the meaning of schedule I and II of the CSA) which is prohibited by Federal law or the law of any State in which such trade or business is conducted.

Even though several states have medical and adult-use marijuana laws, the IRS is applying section 280E to deny business deductions. Businesses operating legally under state law argue that section 280E should not be applied because Congress did not intend the law to apply to businesses that are legal under state law. The IRS asserts that it was the intent of Congress to apply the provision to anyone "trafficking" in a controlled substance, as defined under Federal law (as stated in the text of the statute). This, section 280E is at the center of the conflict between Federal and state laws with respect to medical and retail marijuana which applies to the business conducted by the Company.

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 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). Although the Company believes that the articles, reports and studies to date support its beliefs regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding, and perceptions relating to, cannabis. Given these risks, uncertainties and assumptions, investors should not place undue reliance on such articles, reports and studies. Future research studies and clinical trials may draw opposing conclusions to those stated herein 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.

Vulnerability to Rising Energy Costs

Adult-use and medical marijuana growing operations consume considerable energy, making the Company potentially vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business, results of operations, financial condition or prospects of the Company.

Risks Inherent in an Agricultural Business

Adult-use and medical marijuana are agricultural products. There are risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. Although the products are usually grown indoors under climate-controlled conditions, with conditions monitored, there can be no assurance that natural elements will not have a material adverse effect on the production of the Company's products.

Electronic Communication Security Risks

A significant potential vulnerability of electronic communications is the security of transmission of confidential information over public networks. Anyone who is able to circumvent the Company's security measures could misappropriate proprietary information or cause interruptions in its operations. The Company may be required to expend capital and other resources to protect against such security breaches or to alleviate problems caused by such breaches.

Currency Fluctuations

Due to the Company's present operations in the United States, and its intention to continue future operations outside Canada, the Company is expected to be exposed to significant currency fluctuations. All or substantially all of the Company's revenue will be earned in U.S. dollars, but operating expenses are incurred in both U.S. and Canadian dollars. The Company does not have currency hedging arrangements in place, and there is no expectation that the Company will put any currency hedging arrangements in place in the future. Fluctuations in the exchange rate between the U.S. dollar and Canadian dollar may have a material adverse effect on the Company's business, financial condition and operating results. The Company may, in the future, establish a program to hedge a portion of its foreign currency exposure with the objective of minimizing the impact of adverse foreign currency exchange movements. However, even if the Company develops a hedging program, there can be no assurance that it will effectively mitigate currency risks.

The size of the Company's target market is difficult to quantify, and investors will be reliant on their own estimates on the accuracy of market data.

Because the cannabis industry is in an early stage with uncertain boundaries, there is a lack of information about comparable companies available for potential investors to review in deciding about whether to invest in the Company and, few, if any, established companies whose business model the Company can follow or upon whose success the Company can build. Accordingly, investors will have to rely on their own estimates in deciding about whether to invest in the Company. There can be no assurance that the Company's estimates are accurate or that the market size is sufficiently large for its business to grow as projected, which may negatively impact its financial results.

Global Pandemic and Public Health Crisis

In March 2020, the World Health Organization (the "**WHO**") declared the coronavirus contagious disease outbreak and related adverse public health developments ("**COVID-19**") a global pandemic. COVID-19's effect on the United States and broader global economy may have a significant negative effect on the Company. While the precise impact of COVID-19 on the Company remains unknown and not possible to predict, rapid spread of COVID-19 may have a material adverse effect economic activity in the United States and global economic activity, and can result in volatility and disruption to global supply chains, operations, mobility of people and the financial markets, which could affect interest rates, credit ratings, credit risk, inflation, business, financial conditions, results of operations and other factors relevant to the Company.

RISKS ASSOCIATED WITH THE SECURITIES OF THE COMPANY

Additional Issuances of Securities May Result in Dilution

The Company may issue additional securities in the future, which may dilute a shareholder's holdings in the Company. The Company's articles permit the issuance of an unlimited number of common shares, and the Company's shareholders will have no pre-emptive rights in connection with such further issuances. C21's Board has discretion to determine the price and the terms of further issuances. Moreover, additional common shares will be issued by the Company on the exercise, conversion or redemption of certain outstanding securities of the Company in accordance with their terms. The Company may also issue common shares to finance future acquisitions. The Company cannot predict the size of future issuances of common shares or the effect that future issuances and sales of common shares or other securities will have on the market price of its common shares. Issuances of a substantial number of additional common shares, or the perception that such issuances could occur, may adversely affect prevailing market prices for the common shares. With any additional issuance of common shares, investors will suffer dilution and the Company may experience dilution in its revenue per share.

Resale of Common Shares

There can be no assurance that the publicly traded price of the Company's common shares will be high enough to create a positive return for investors. Further, there can be no assurance that the common shares will be sufficiently liquid so as to permit investors to sell their position in the Company without adversely affecting the stock price. In such event, the probability of resale of the common shares would be diminished.

As well, the continued operations of the Company will be dependent upon its ability to procure additional financing in the short term and to generate operating revenues in the longer term. There can be no assurance that any such financing can be obtained or that revenues can be generated. If the Company is unable to obtain such additional financing or generate such revenues, investors may be unable to sell their common shares and any investment in the Company may be lost.

Price Volatility of Publicly Traded Securities

The market price of C21's common shares cannot be predicted and has been and may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control. This volatility may affect the ability of shareholders or holders of other securities to sell their securities at an advantageous price. Market price fluctuations in the securities may be due to the Company's operating results failing to meet expectations of securities analysts or investors in any period, downward revision in securities analysts' estimates, adverse changes in general market conditions or competitive, regulatory or economic trends, adverse changes in the economic performance or market valuations of companies in the industry in which the Company operates, acquisitions, dispositions, strategic partnerships, joint ventures, capital commitments or other material public announcements by the Company or its competitors or government and regulatory authorities, operating and share price performance of the companies that investors deem comparable to the Company, addition or departure of the Company's executive officers and other key personnel, along with a variety of additional factors. These broad market fluctuations may adversely affect the market price of the Company's securities.

Financial markets have at times historically experienced significant price and volume fluctuations that have particularly affected the market prices of equity and convertible securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of C21's common shares and other securities may decline even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, 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 or arise, the Company's operations may be adversely impacted, and the trading price of the common shares and other securities may be materially adversely affected.

Limited Market for Securities

Notwithstanding that the Company's common shares are listed on the CSE, there can be no assurance that an active and liquid market for such securities will develop or be maintained and securityholders may find it difficult to resell any securities of the Company.

Additional Financing will be Required

The continued development of the Company will require additional financing. There is no guarantee that the Company will be able to achieve its business objectives. The Company intends to fund its business objectives by way of additional offerings of equity and/or debt financing. The failure to raise or procure such additional funds could result in the delay or indefinite postponement of current business objectives. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, will be on terms acceptable to the Company. If additional funds are raised by offering equity securities or convertible debt, existing shareholders could suffer significant dilution. Any debt financing secured in the future could involve the granting of security against assets of the Company and also contain restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. The Company will require additional financing to fund its operations until positive cash flow is achieved.

Dividends

The Company has not paid dividends to shareholders in the past and does not anticipate paying dividends in the foreseeable future. The Company expects to retain its earnings to finance growth, and where appropriate, to pay down debt.