

**INNOVATIVE PROPERTIES INC.
D/B/A
NABIS HOLDINGS**



ANNUAL INFORMATION FORM

FOR THE FINANCIAL YEAR ENDED OCTOBER 31, 2018

DATED: JANUARY 18, 2019

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ARTICLE 1 INTRODUCTORY NOTES

Section 1.1 Date of Information

All information contained in this Annual Information Form (“AIF”) is current as of October 31, 2018 with subsequent events disclosed to January 18, 2019.

Section 1.2 Currency and Exchange Rates

All dollar amounts herein are expressed in Canadian Dollars unless otherwise indicated.

Section 1.3 Financial Information

The Company’s financial statements and information derived therefrom are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Section 1.4 Forward-Looking Information

This AIF and any documents incorporated by reference herein contain certain statements or disclosures that may constitute forward-looking information or statements (collectively, “forward-looking information”) under Applicable Securities Laws. All statements and disclosures, other than those of historical fact, which address activities, events, outcomes, results or developments that management of the Company anticipates or expects may or will occur in the future (in whole or in part) should be considered forward-looking information. In some cases, forward-looking information can be identified by terms such as “forecast”, “future”, “may”, “will”, “expect”, “anticipate”, “believe”, “could”, “potential”, “enable”, “plan”, “continue”, “contemplate”, “pro forma” or other comparable terminology. Forward-looking information presented in this AIF includes statements or disclosures which, among other things, relate to the following:

- expenses that will be incurred by the Company;
- the Company’s use of available funds;
- the performance of the Company’s business and operations;
- the intention to grow the business and operations of the Company;
- sufficient working capital and the Company’s ability to raise additional funding going forward;
- future legislative and regulatory developments involving medical and adult-use cannabis that may affect the Company;
- expected growth in the Company’s growing capacity;
- the competitive conditions of the industry;
- the legalization of cannabis for recreational use in the United States, including federal and state regulations pertaining thereto and the timing related thereof and the Company’s intentions to participate in such markets, if and when such market is legalized;
- the Company’s ability to successfully brand products;
- the development of cannabis markets in North America, Europe and globally;
- access by the Company to debt and/or equity markets on acceptable terms to the Company;
- statements related to the effect and consequences of certain regulatory initiatives and related announcements, and the impact thereof for shareholders, industry participants and other stakeholders;
- expectations with respect to future production costs;
- any commentary related to the legalization of cannabis and the timing related thereto;

- changes in laws and regulations affecting the Company;
- the competitive and business strategies of the Company;
- the Company's operations in the United States, the characterization and consequences of those operations under federal law, and the framework for the enforcement of medical cannabis and cannabis-related offenses in the United States;
- the grant and impact of any license or supplemental licence to conduct activities with cannabis or any amendments thereof;
- the anticipated future gross margins of the Company's operations; and
- other currently unforeseen factors.

Various assumptions or factors are typically applied in drawing conclusions or making the forecasts or projections set out in forward-looking information. Those assumptions and factors are based on information currently available to the Company, including information obtained from third party sources. While the Company believes these assumptions and factors to be reasonable, there can be no assurance that actual results will not vary materially from these assumptions or factors. Accordingly, readers should not place undue reliance on forward-looking information.

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

Shareholders are cautioned not to place undue reliance on any forward-looking information, as such information involves significant risks and uncertainties and should not be read as guarantees of future performance or results and will not necessarily be accurate indications of whether or not the times at or by which such performance or results will be achieved. The Company is not obligated to update or revise any of the forward-looking information in this AIF, whether as a result of new information, future events or otherwise, except as required by law.

See "Risk Factors" for a description of certain risks related to an investment in the Company.

ARTICLE 2 GLOSSARY OF TERMS

The following is a glossary of certain terms used in this AIF:

"**\$0.40 Unit Offering**" has the meaning ascribed to such term under *General Development of Business*;

"**2014 Cole Memo**" has the meaning ascribed to such term under *Description of Business – U.S. Operations*;

"**AIF**" means this annual information form of the Company dated January 18, 2019, for the year ended October 31, 2018;

"**BCBCA**" means the *Business Corporations Act* (British Columbia);

"**BCSC**" means the British Columbia Securities Commission;

“**Board**” means the Board of Directors of the Company;

“**CBCA**” means the *Canada Business Corporations Act*;

“**Chimata**” has the meaning ascribed to such term under *General Development of Business*;

“**CFO**” means the Chief Financial Officer of the Company;

“**Cole Memorandum**” means the memorandum dated August 29, 2013 addressed to “All United States Attorneys” from James M. Cole, Deputy Attorney General of the United States, and having the subject line “Guidance Regarding Marijuana Enforcement”;

“**Common Shares**” means the common shares in the capital of the Company;

“**Company**” means Innovative Properties Inc., doing business as Nabis Holdings;

“**CSA**” means the *U.S. Controlled Substances Act of 1970*, as amended;

“**CSE**” means the Canadian Securities Exchange;

“**DOJ**” has the meaning ascribed to such term under *Description of Business – U.S. Operations*;

“**EBITDA**” means earnings before interest, tax, depreciation and amortization;

“**FinCEN Memorandum**” has the meaning ascribed to such term under *Description of Business – U.S. Operations*;

“**Forward-Looking Statements**” has the meaning ascribed to such term under the heading “Introductory Notes – Forward-Looking Information”;

“**DMCL**” means Dale Matheson Carr-Hilton La Bontee LLP, the auditors of the Company;

“**Leahy Amendment**” has the meaning ascribed to such term under *Description of Business – U.S. Operations*;

“**LOI**” has the meaning ascribed to such term under *General Development of Business*;

“**Modular**” has the meaning ascribed to such term under *General Development of Business*;

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

“**SAR**” has the meaning ascribed to such term under *Description of Business – U.S. Operations*;

“**SEDAR**” means the System for Electronic Document Analysis and Retrieval filing system, available on the Internet at <http://www.sedar.com>;

“**Sessions Memorandum**” has the meaning ascribed to such term under *Description of Business – U.S. Operations*;

“**Shareholders**” means the shareholders of the Company;

“**Staff Notice 51-352**” has the meaning ascribed to such term under *Description of Business – U.S. Operations*;

“**Stock Option**” means the options issued pursuant to the Stock Option Plan;

“**Stock Option Plan**” means the employee stock option plan adopted by the Company;

“**TSX-V**” means the TSX Venture Exchange;

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

USAM has the meaning ascribed to such term under *Description of Business – U.S. Operations*.

ARTICLE 3 CORPORATE STRUCTURE

Section 3.1 Name, Address, and Incorporation

The Company was formed from the amalgamation of Innovative Properties Inc. and Performance Property Capital Inc. on October 31, 2002 under the CBCA. The head office of the Company is located at 488 - 1090 West Georgia Street, Vancouver, British Columbia, V6E 3V7.

The Common Shares was previously trading on the TSX-V. It voluntarily delisted its Common Shares from the TSX-V and moved to the CSE on September 3, 2014. The Common Share commenced trading on the CSE under the symbol “INR”. On December 3, 2018, the Company voluntarily changed its trading symbol to “NAB”. The Company intends to obtain shareholder approval to change its name to “Nabis Holdings Inc.” at its next annual general and special meeting, and until such time, the Company is registered in British Columbia to do business as “Nabis Holdings”.

The Company is a reporting issuer in the Provinces of British Columbia and Alberta and Ontario.

Section 3.2 Intercorporate Relationships

As of the date of this AIF, the Company has the following material wholly-owned subsidiaries:

- Nabis (CAN) Holdings Corp. which was incorporated on November 20, 2018 under the BCBCA and acts as the holding company of the Company’s business in the United States; and
- Nabis Technologies Corp. which was incorporated on November 20, 2018 under the BCBCA which holds the Company’s technology-related investments. Currently, Nabis Technologies Corp. owns 1406 Canaan Bitcoin mining machines and is currently leasing those machines to a third party for mining operations.

ARTICLE 4 GENERAL DEVELOPMENT OF THE BUSINESS

Section 4.1 Three Year History

The Company’s principal activity is providing management and consulting services to various companies. The Company is focused on making investments in the blockchain and cannabis industries. It is currently focused on evaluating opportunities in leading vertically integrated multi-state owner and operators of medical cannabis assets in the United States, Canada and globally. As of the date of this AIF, the Company acquired 1406 Canaan Bitcoin mining machines through its debt settlement with Modular (defined below) on October 29, 2018. Other than as described above, the Company has not made any investments in any entities that are connected in the cannabis industry in the United States, Canada or any other jurisdictions.

Subsequent to the year ended October 31, 2018 and to the date of this AIF, the Company completed the following private placements:

- raised \$2 million under its non-brokered private placement of Common Shares completed on November 9, 2018; and
- raised approximately \$3.5 million under its non-brokered private placement of Common Shares completed on November 21 and 26, 2018.

During the fiscal year ended October 31, 2018, the Company agreed to acquire all of the issued and outstanding common shares of Modular Block Mining Inc. (“**Modular**”), an arms-length private company that designs and develops application software. However, given the continued weakness of cryptocurrency markets, the Company has cancelled its previously announced letter of intent (“**LOI**”) with Modular. Upon the cancellation of the LOI, the Company acquired Modular’s 1406 Canaan Bitcoin mining machines in exchange for full repayment of the Company’s \$4 million loan to Modular.

During the fiscal year ended October 31, 2017, the Company completed a private placement of units, at \$0.40 per unit in March 2018 for gross proceeds of approximately \$4,473,559 (the “**\$0.40 Unit Offering**”). Each unit consisted of one Common Share and once-half of one transferable Common Share purchase warrant, each exercisable to purchase one additional Common Share at \$0.75 per Common Share for a period of 18 months following the date of issuance. The Company paid a cash commission in the aggregate of \$95,398.90 and issued 238,496 non-transferable broker’s warrants to finders under the \$0.40 Unit Offering. The net proceeds from the \$0.40 Unit Offering were used to evaluate potential investments in the cannabis and blockchain industries and to provide general working capital.

In late fiscal 2016, due to construction beside the main property managed by the Company, there was no access to parking, and there were some safety concerns. The building was sold by the landlord in January 2017. As a result, the property management contracts and the consulting services provided to the occupants on that property ended.

On August 31, 2016, the Company entered into an option agreement with Chimata Gold Corp. (“**Chimata**”), a related party, whereby Chimata would earn 100% interests in the Company’s Maggie claims located in British Columbia, Canada. Chimata will earn its interests by making certain cash payments. As at October 31, 2017, the option agreement lapsed and the Company no longer held the mining claims.

ARTICLE 5 DESCRIPTION OF BUSINESS

Section 5.1 General

The Company previously invested in various real estate properties and other projects and actively seeks out viable investments. It has discontinued its administrative management aspect as the Company determined that is no longer feasible. The Company is focusing on assembling a premier cannabis business with a vision to becoming a worldwide industry leader. The Company intends to enter into strategic relationships and investments with medical cannabis operators in Canada, United States and other jurisdictions. The Company will provide a variety of resources and services to these respective operators including, but not limited to: capital commitments, strategic positioning, brand development, best operating practices, access to intellectual property and general business consulting.

Section 5.2 Business Objectives

The Company has identified the following business objectives for the next twelve (12) months:

1. Identify and acquire majority interests in high quality cash-flowing U.S. cannabis assets and brands in U.S. states where medical or recreational cannabis is legal.

2. Implement Nabis' standards, consistency and operational experience with a focus on pharma grade quality products for both the medicinal, wellness and recreational markets.
3. Adding investment, operational, and product expertise throughout corporate structure to drive EBITDA growth.

Section 5.3 Canadian Operations

The Company's Canadian operation largely provides management services to bringing value-added capital to transactions and relationships with investment targets. Nabis provides advice and oversight in many areas of general business management, including:

- initial staffing of key roles of the project;
- assisting management or the application consultant(s) in writing applications for state licenses;
- providing advice relating to the delivery of a patient-centric medical cannabis operating model;
- assisting in real estate acquisitions and negotiations;
- securing industry experts to join the project team;
- developing a defensible financial model for purposes of the application and any necessary or desired post-license award financing;
- providing access to Nabis' legal and accounting resources; and
- developing public relations and political strategies for securing state licenses and protecting a successful applicant's interests post-licensing.

Section 5.4 U.S. Operations

As of the date of the AIF, the Company has no U.S. operations. The Company intends to enter into strategic relationships and investments with cannabis operators in U.S. states where medical or recreational cannabis is legal.

Issuers with U.S. Cannabis-Related Activities

On February 8, 2018, following the Sessions Memorandum (as defined below), the Canadian Securities Administrators published CSA Staff Notice 51-352 (Revised) – *Issuers with U.S. Cannabis-Related Activities* (the “**Staff Notice 51-352**”) which provides specific disclosure expectations for issuers that currently have, or are in the process of developing, cannabis-related activities in the U.S. as permitted within a particular state's regulatory framework. All issuers with U.S. cannabis-related activities are expected to clearly and prominently disclose certain prescribed information in prospectus filings and other required disclosure documents.

In accordance with Staff Notice 51-352, the Company will evaluate, monitor and reassess the disclosure contained herein, and any related risks, on an ongoing basis and the same will be supplemented, amended and communicated to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding marijuana regulation. As of the date of this AIF, the Company has not made any investments in any entities that are involved in the United States cannabis industry. Until the Company becomes directly or indirectly involved in the United States cannabis industry, it will be subject to Staff Notice 51-352.

As the Company intends to have operations in the U.S., the Company will be subject to the Staff Notice and accordingly provides the following disclosure:

United States Federal Overview

General

In the United States, twenty-nine states, Washington D.C. and Puerto Rico have legalized medical marijuana, and nine states and Washington D.C. have legalized recreational marijuana. At the federal level, however, cannabis currently remains a Schedule I drug under the Controlled Substances Act of 1970. Under United States 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, cannabis related practices or activities, including without limitation, the manufacture, importation, possession, use, or distribution of cannabis, remain illegal under United States federal law.

Although federally illegal, the U.S. federal government's approach to enforcement of such laws has of least until recently trended toward non-enforcement. On August 29, 2013, the U.S. Department of Justice ("**DOJ**") issued a memorandum known as the "**Cole Memorandum**" to all U.S. Attorneys' offices (federal prosecutors). The Cole Memorandum generally directed U.S. Attorneys not to prioritize the enforcement of federal marijuana laws against individuals and businesses that rigorously comply with state regulatory provisions in states with strictly regulated medical or recreational cannabis programs. While not legally binding, and merely prosecutorial guidance, the Cole Memorandum laid a framework for managing the tension between state and federal laws concerning state regulated marijuana businesses.

However, on January 4, 2018 the Cole Memorandum was revoked by Attorney General Jeff Sessions, a long-time opponent of state-regulated medical and recreational cannabis. While this did not create a change in federal law, as the Cole Memorandum was not itself law, the revocation removed the DOJ's guidance to U.S. Attorneys that state regulated cannabis industries substantively in compliance with the Cole Memorandum's guidelines should not be a prosecutorial priority.

In addition to his revocation of the Cole Memorandum, Attorney General Sessions also issued a one-page memorandum known as the "**Sessions Memorandum**." The Sessions Memorandum confirmed the rescission of the Cole Memorandum and explained the rationale of the DOJ in doing so: the Cole Memorandum, according to the Sessions Memorandum, was "unnecessary" due to existing general enforcement guidance adopted in the 1980s, as set forth in the U.S. Attorney's Manual (the "**USAM**"). The USAM enforcement priorities, like those of the Cole Memorandum, are also based on the federal government's limited resources, and include "law enforcement priorities set by the Attorney General," the "seriousness" of the alleged crimes, the "deterrent effect of criminal prosecution," and "the cumulative impact of particular crimes on the community."

While the Sessions Memorandum emphasizes that marijuana is a Schedule I controlled substance, and reiterates the statutory view that cannabis is a "dangerous drug and that marijuana activity is a serious crime," it does not otherwise indicate that the prosecution of marijuana-related offenses is now a DOJ priority. Furthermore, the Sessions Memorandum explicitly describes itself as a guide to prosecutorial discretion. Such discretion is firmly in the hands of U.S. Attorneys in deciding whether or not to prosecute marijuana-related offenses. Our outside U.S. counsel continuously monitors all U.S. Attorney comments related to regulated medical and adult-use cannabis laws to assess various risks and enforcement priorities within each jurisdiction. Dozens of U.S. Attorneys across the country have affirmed that their view of federal enforcement priorities has not changed, although a few have displayed greater ambivalence. In California, at least one U.S. Attorney has made comments indicating a desire to enforce the Controlled Substances Act: Adam Braverman, Interim U.S. Attorney for the Southern District of California, has been viewed as a potential enforcement hawk after stating that the rescission of the Cole Memorandum "returns trust and local control to federal prosecutors" to enforce the Controlled Substances Act. Additionally, Greg Scott, the Interim U.S. Attorney for the Eastern District of California, has a history of prosecuting medical cannabis activity: his office published a statement that cannabis remains

illegal under federal law, and that his office would “evaluate violations of those laws in accordance with our district’s federal law enforcement priorities and resources.”

It is too soon to determine what prosecutorial effects will be created by the rescission of the Cole Memorandum. While initial fears of a nationwide “crackdown” have not yet materialized, considerable uncertainty remains.

Regardless, marijuana remains a Schedule I controlled substance at the federal level, and neither the Cole Memorandum nor its rescission has altered that fact. The federal government of the United States has always reserved the right to enforce federal law in regard to the sale and disbursement of medical or recreational marijuana, even if state law sanctioned such sale and disbursement. From a regulatory and enforcement perspective, the criminal risk today remains identical to the risk on January 3, 2018. It remains unclear whether the risk of enforcement has been altered.

Additionally, under U.S. federal law it may potentially be a violation of federal money laundering statutes for financial institutions to take any proceeds from marijuana sales or any other Schedule I substance. Canadian banks are also hesitant to deal with cannabis companies, due to the uncertain legal and regulatory framework of the industry. Banks and other financial institutions could be prosecuted and possibly convicted of money laundering for providing services to cannabis businesses. 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. Despite these laws, the U.S. Department of the Treasury issued a memorandum in February of 2014 (the “**FinCEN Memorandum**”) outlining the pathways for financial institutions to bank state-sanctioned marijuana businesses. Under these guidelines, financial institutions must submit a “suspicious activity report” (“**SAR**”) as required by federal money laundering laws. These marijuana related SARs are divided into three categories: marijuana limited, marijuana priority, and marijuana terminated, based on the financial institution’s belief that the marijuana business follows state law, is operating out of compliance with state law, or where the banking relationship has been terminated.

On the same day the FinCEN Memorandum was published, the DOJ issued a memorandum (the “**2014 Cole Memo**”) directing prosecutors to apply the enforcement priorities of the Cole Memorandum in determining whether to charge individuals or institutions with crimes related to financial transactions involving the proceeds of marijuana-related conduct. The 2014 Cole Memo has been rescinded as of January 4, 2018, along with the Cole Memorandum, removing guidance that enforcement of applicable financial crimes was not a DOJ priority.

However, Attorney General Sessions’ revocation of the Cole Memorandum and the 2014 Cole Memo has not affected the status of the FinCEN Memorandum, nor has the Department of the Treasury given any indication that it intends to rescind the FinCEN Memorandum itself. Though it was originally intended for the 2014 Cole Memo and the FinCEN Memorandum to work in tandem, the FinCEN Memorandum can act as a standalone document which explicitly lists the eight enforcement priorities originally cited in the Cole Memorandum. As such, the FinCEN Memorandum remains intact.

Enforcement of Federal Laws

For the reasons set forth above, Blacklist’s existing operations in the United States, and any future investments, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, Blacklist 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 Blacklist’s ability to operate in the United States or any other jurisdiction. See “*Risk Factors*”.

Government policy changes or public opinion may also 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 medical 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 Blacklist could expand. Any inability to fully implement Blacklist's expansion strategy may have a material adverse effect on Blacklist's business, financial condition and results of operations. See "*Risk Factors*".

Further, violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on Blacklist, including its reputation and ability to conduct business, its holding (directly or indirectly) of medical cannabis licenses in the United States, the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult for Blacklist to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial. See "*Risk Factors*".

Enforcement Proceedings

Although the Cole Memorandum and 2014 Cole Memo have been rescinded, the United States Congress has repeatedly enacted legislation to protect the medical marijuana industry from prosecution. The United States Congress has passed appropriations bills each of the last three years that included the Rohrabacher Amendment Title: H.R.2578 — Commerce, Justice, Science, and Related Agencies Appropriations Act, 2016, which by its terms does not appropriate any federal funds to the U.S. DOJ for the prosecution of medical cannabis offenses of individuals who are in compliance with State medical cannabis laws. Subsequent to the issuance of the Sessions Memorandum on January 4, 2018, the United States Congress passed its omnibus appropriations bill, SJ 1662, which for the fourth consecutive year contained the Rohrabacher-Blumenauer Amendment language (the "**Leahy Amendment**") and continued the protections for the medical cannabis marketplace and its lawful participants from interference by the DOJ up and through the 2018 appropriations deadline of September 30, 2018. The deadline has passed, but the Leahy Amendment has remained in effect by virtue of a continuing resolution under which the entire 2018 budget is currently operating. The current continuing resolution is effective through December 7, 2018, at which time the United States Congress must either pass an omnibus appropriations bill for fiscal year 2019 or pass another continuing resolution of the 2018 budget, or it will face a shutdown of the federal government, at which time the Leahy Amendment would no longer be in effect. The Leahy Amendment is currently included in both the House version (referred to therein as the Joyce Amendment) and the Senate version (referred to therein as the Leahy Amendment) of the 2019 omnibus appropriations bill. However, it may or may not be included in the final appropriations package, and its inclusion or non-inclusion, as applicable, is subject to political changes.

Ability to Access Public and Private Capital

The Company has had robust access to private capital in Canada in order to support its continuing operations. Since the Company's incorporation in 2002, the Company has been able to raise over \$6.5 million through private equity financings. In addition to certain Canadian Schedule 1 banks accepting deposits from entities positioned in the legal medical cannabis sectors, there are also a number of credit unions that have historically provided, and continue to provide, debt financings in this space. Prior to the Amalgamation, the Company has never needed to access public equity capital in the United States.

However, there is no assurance that the Company will be successful in raising future capital, particularly if U.S. federal authorities change their position towards enforcing the Controlled Substances Act.

Balance Sheet Exposure

None of the Company's assets are located in the United States.

Section 5.5 Products

Not applicable.

Section 5.6 Research and Development

Not applicable.

Section 5.7 Specialized Skill and Knowledge

Management of the Company has specialized skill and knowledge in the business operations of companies in the cannabis industry and has been directly involved with the development, branding, importing, consumer packaging and distribution of cannabis products.

Section 5.8 Competitive Conditions

The Company competes with other companies for financing and investment opportunities in the cannabis industry. Some of these companies may possess greater financial resources than the Company. Such competition may result in the Company being unable to enter into desirable strategic agreements or similar transactions, to recruit or retain qualified employees or to acquire the capital necessary to fund its investments. Existing or future competition in the cannabis industry, including, without limitation, the entry of large multinational entities into the industry, could materially adversely affect the Company's prospects for entering into additional agreements in the future. In addition, the Company currently competes with other cannabis streaming and royalty companies, some of which may possess greater financial resources than the Company.

There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and experience than the Company. Increased competition by larger and better financed competitors, including competitors to the Company's investments, could materially and adversely affect the business, financial condition and results of operations of the Company. It is possible that larger competitors could establish price setting and cost controls which would effectively "price out" certain of the Company's investments operating within and in support of the medical and recreational cannabis industry.

Because of the early stage of the industry in which the Company will operate, the Company expects to face additional competition from new entrants. To become and remain competitive, the Company will require research and development, marketing, sales and support. The Company may not have sufficient resources to maintain research and development, marketing, sales and support efforts on a competitive basis, which could materially and adversely affect the business, financial condition and results of operations of the Company.

Section 5.9 Intellectual Property

The Company is developing an intellectual property portfolio that includes existing trademarks for its sophisticated brands, applications for trademarks internationally for these brands, as well as applications for patents the Company has and is in the process of filing for certain unique scientific formulations and processes that the Company has created.

Section 5.10 Cycles

The Company's business is not cyclical or seasonal.

Section 5.11 Employees

As of the date of this AIF, the Company has approximately two full-time employees, including those of its wholly-owned subsidiaries.

Section 5.12 The Company's Foreign Operations

Through its wholly-owned subsidiaries, the Company intends to have operations or invest in operations in the U.S. states, where medicinal and adult-use cannabis have been legalized at the state level.

Section 5.13 Lending

The Company currently has not adopted any investment policies.

ARTICLE 6 DIVIDENDS AND DISTRIBUTIONS

No dividends have been declared or paid by the Company since inception. There are no restrictions on the Company ability to pay dividends, other than the financial capacity and solvency tests under the CBCA. The decision as to whether to declare, adjust or eliminate a dividend is subject to the discretion of the Company's board of directors. In determining whether to declare, and the amount of, any dividend, the board will take into account, among other criteria, the Company's financial condition, results of operations and capital requirements, market conditions and such other factors as the board deems relevant at such time.

ARTICLE 7 DESCRIPTON OF CAPITAL STRUCTURE

The Company's authorized share capital consists of an unlimited number of common shares in the capital of the Company. As of the date of this AIF, there are 94,908,198 common shares, 7,596,745 common shares purchase warrants and 6,350,000 Stock Options issued and outstanding.

Common Shares

Holders of the Company common shares are entitled to dividends if, as and when declared by the Company Board of Directors. Holders of the Company common shares are entitled to one vote per the Company common share at meetings of shareholders except on matters or meetings where only holders of a specified class of shares are entitled to vote. Upon liquidation, dissolution or winding-up of the Company, holders of the Company common shares are to share rateably in the remaining assets of the Company as are distributable to holders of the Company common shares. The Company common shares are not subject to call or assessment rights, redemption rights, rights regarding purchase for cancellation or surrender, or any pre-emptive or conversion rights.

Stock Options

The Company has a Stock Option Plan whereby the Company may from time to time in accordance with the CSE requirements and applicable securities laws grant to directors, officers, employees and consultants options (each, a "**Stock Option**") to purchase Common Shares provided that the number of options granted, including all options granted by the Company to date, does not exceed

10% of the Stock Options as of the date the Stock Option Plan was implemented. Stock Options may be exercised no later than 90 days following cessation of the optionee’s position with the Company or 30 days following cessation of an optionee conducting investor relations activities position. The Stock Options are issued pursuant to the Stock Option Plan, a copy of which is under its corporate profile on SEDAR at www.sedar.com.

ARTICLE 8 MARKET FOR SECURITIES

Section 8.1 Trading Price and Volume

The Common Shares are trading on the CSE under the trading symbol “NAB”. The table below summarizes the range and volume of trading prices for each of the months stated:

<u>Month</u>	<u>Price Range (\$)</u>		<u>Total Volume (#)</u>
	High	Low	
December 1 – 31, 2017	\$0.45	\$0.16	26,502
January 1 – 31, 2018	\$0.50	\$0.27	23,393
February 1 – 28, 2018	\$0.82	\$0.50	55,364
March 1 – 31, 2018	\$0.75	\$0.65	40,169
April 1 – 30, 2018	N/A	N/A	0
May 1 – 31, 2018	\$0.50	\$0.50	609
June 1 – 30, 2018	N/A	N/A	0
July 1 – 31, 2018	\$0.50	\$0.50	476
August 1 – 31, 2018	\$0.21	\$0.15	80,595
September 1 – 30, 2018	\$0.17	\$0.17	488
October 1 – 31, 2018	\$0.10	\$0.035	239,714
November 1 – 30, 2018	\$0.50	\$0.055	2,620,300
December 1 – 31, 2018	\$0.46	\$0.395	1,094,636
January 1 – 17, 2019	\$0.70	\$0.445	1,608,161

Section 8.2 Prior Sales

During the period ended October 31, 2018 and subsequently, the Company issued the following Common Shares and the following securities convertible into Common Shares:

Date of Issuance	Number and Type of Securities	Price per Security
February 14, 2018	6,746,118 Common Shares ⁽¹⁾	\$0.40
February 14, 2018	6,746,118 Warrants ⁽¹⁾	Each exercisable at \$0.75
February 14, 2018	238,496 Finder Warrants ⁽¹⁾	Each exercisable at \$0.75

Date of Issuance	Number and Type of Securities	Price per Security
March 1-5, 2018	4,437,781 Common Shares ⁽²⁾	\$0.40
March 1-5, 2018	4,437,781 Warrants ⁽²⁾	Each exercisable at \$0.40
March 1-5, 2018	290,300 Finder Warrants ⁽²⁾	Each exercisable at \$0.40
November 9, 2018	40,000,000 Common Shares ⁽³⁾	\$0.05
November 9, 2018	1,250,000 Warrants ⁽³⁾	Each exercisable at \$0.05
November 21-26, 2018	23,333,333 Common Shares ⁽⁴⁾	\$0.15
November 21-26, 2018	1,476,000 Finder Shares ⁽⁴⁾	Each exercisable at \$0.15
November 21-26, 2018	1,476,000 Finder Warrants ⁽⁴⁾	Each exercisable at \$0.15

Notes:

(1) 6,746,118 Common Shares and 6,746,118 Warrants issued in connection with the \$0.40 Unit Offering plus 238,496 share purchase warrants issued to finders (the “**Finder Warrants**”). Each Warrant and each Finder Warrant is exercisable to purchase one Common Share at \$0.75 for a period of 18 months from the date of issuance.

(2) 4,437,781 Common Shares and 4,437,781 Warrants issued in connection with the \$0.40 Unit Offering plus 290,300 Finder Warrants. Each Warrant and each Finder Warrant is exercisable to purchase one Common Share at \$0.75 for a period of 18 months from the date of issuance.

(3) 40,000,000 Common Shares issued in connection with the Company’s private placement of Common Shares at \$0.05 per Common Share completed on November 9, 2018 plus 1,250,000 Finder Warrants, each exercisable to purchase one Common Share at \$0.05 for a period of 24 months from the date of issuance.

(4) 23,333,333 Common Shares issued in connection with the Company’s private placement of Common Shares at \$0.15 per Common Share completed on November 21-26, 2018 plus units issued to finders (the “**Finder Units**”) consisting of 1,476,000 Common Share (“**Finder Shares**”) and 1,476,000 Finder Warrants. Each Finder Warrant is exercisable to purchase one additional Common Share at \$0.15 for a period of 24 months from the date of issuance.

ARTICLE 9 ESCROWED SECURITIES

As at the date of this AIF, there are nil securities of the Company subject to a contractual restriction on transfer.

ARTICLE 10 DIRECTORS AND OFFICERS

Section 10.1 Directors and Officer Information

The following table sets forth the names and jurisdiction of residence of the directors and executive officers of the Company as of the date of this AIF, their respective positions and offices held with the Company and their principal occupation for the last five or more years. Directors of the Company serve from the time of appointment until the next annual meeting of shareholders or until their successors are elected or appointed, unless their office is earlier vacated in accordance with the articles of the Company.

As at the date of this AIF, the directors and executive officers of the Company as a group beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of 23,671,667 Common Shares, representing 24.9% of the issued and outstanding the Common Shares.

Name and Place of Residence	Position with the Company	Principal Occupation for Past Five Years	Date of Appointment	Number of Common Shares Beneficially Owned, Controlled, or Directed, Directly or Indirectly ⁽¹⁾
KEVIN MA VANCOUVER, BRITISH COLUMBIA	Director	CFO of First Cobalt; Director of Skanderbeg Financial Advisory Inc. (a privately held company); Former CFO of Gatekeeper Systems and Former Director of Finance of Alexco Resource Corp.	January 26, 2018 (Director) ⁽²⁾	400,000
SHAY SHNET TORONTO, ONTARIO	Chief Executive Officer and Director	Founding partner and Vice President of Operations of MPX	November 27, 2018 (Director and CEO)	10,250,000
LIRAN KANDINOV TORONTO, ONTARIO	Director	CEO & Executive Director of Lex Professional Development Group Inc.	December 3, 2018	266,667 ⁽³⁾
EMMERY YEE LUN WANG Vancouver, British Columbia	Chief Financial Officer	Partner at AB&T Consulting Inc. (a privately held company); Formerly; CFO/Director of Finance – RSI International Systems Inc.	June 1, 2018.	5,000
MARK KRYTIUK BARRIE, ONTARIO	President	Vice President of Grow Operations at MPX Bioceutical Corporation	November 27, 2018	12,750,000 ⁽⁴⁾

Notes:

(1) Information was provided by the directors and officers.

(2) Kevin was appointed interim CEO on June 1, 2018 and he resigned on November 27, 2018.

(3) 266,667 Common Shares are registered to Lex Professional Development Group Inc., a company controlled by Liran.

(4) 1,000,000 Common Shares are registered to Maria Krytiuk, Mark's spouse, 10,000,000 Common Shares are registered to Krytiuk Capital Investments Corp., a company controlled by Mark and 1,750,000 Common Shares are registered to Mark.

Section 10.2 Cease Trade Orders, Bankruptcies, Penalties or Sanctions

No director or executive officer of the Company is, as at the date of this AIF, or has been within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including the Company), that:

- (a) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or
- (b) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

No director or executive officer of the Company, nor a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

- (a) is, as at the date of this AIF, or has been within 10 years before the date of this AIF, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

No director or executive officer of the Company has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a proposed director.

Section 10.3 Conflicts of Interest

The Company's directors and officers may serve as directors or officers, or may be associated with, other reporting companies, or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the transaction. If a conflict of interest arises, the Company will follow the provisions of the CBCA dealing with conflict of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of the Company's directors, disclose his or her interest and refrain from voting on the matter unless otherwise permitted by the CBCA. In accordance with the laws of the Province of British Columbia, the directors

and officers of the Company are required to act honestly, in good faith, and in the best interest of the Company.

ARTICLE 11 PROMOTERS

During the last two years, no person or company has acted as a promoter of the Company.

ARTICLE 12 AUDIT COMMITTEE

Section 12.1 Audit Committee Charter

The Audit Committee of the Company is governed by its Audit Committee Charter, a copy of which is annexed to this AIF as Appendix “A”.

Section 12.2 Composition of the Audit Committee

The current members of the Company’s Audit Committee are Kevin Ma, Shay Shnet and Liran Kandinov. Mr. Kandinov is “independent” within the meaning of NI 52-110. Mr. Ma, the Company’s former interim CEO and Shnet, the Company’s current CEO, are not considered to be an independent member of the Audit Committee for purposes of NI 52-110. In accordance with section 6.1.1(3) NI 52-110 relating to the composition of the audit committee for venture issuers, a majority of the members of the Audit Committee will not be executive officers, employees or control persons of the Company. All of the members of the Audit Committee are financially literate as defined by NI 52-110.

Section 12.3 Relevant Education and Experience

Mr Shnet was a founding partner and Vice President of Operations MPX Biocetual (Canadian publicly traded company). While at MPX, Mr. Shnet spent 5 years focused on the North American cannabis space helping build MPX’s portfolio of international cannabis assets. His understanding of this space provides invaluable depth and insights to this industry.

Mr. Ma is a Chartered professional accountant and has served on numerous boards and officer roles in public companies.

Mr. Kandinov is a Barrister and Solicitor and has a Bachelor of Business administration degree from University of Toronto. He has been a legal educator for the past 7 years.

Section 12.4 Reliance on Certain Exemptions

Since the commencement of the Company’s most recently completed financial year, it has not relied on an exemption, in whole or in part, granted under Part 8 of NI 52-110.

Section 12.5 Audit Committee Oversight

The Audit Committee has not made a recommendation to the Board that was not adopted by the Board, to nominate or compensate any external auditor during the most recently completed financial year.

Section 12.6 Pre-Approval Policies and Procedures

The Audit Committee has not adopted specific policies and procedures for the engagement of non-audit services. The Audit Committee will review the engagement of the Company's auditors to provide non-audit services, as and when required.

Section 12.7 External Auditor Services Audit Fees

The aggregate audit fees billed by the Company's external auditors for the years ended October 31, 2018 and 2017 were \$15,000 and \$nil, respectively.

Section 12.8 Audit-Related Fees

There were no audit-related fees billed by the Company's external auditors for the years ended October 31, 2018 and 2017.

Section 12.9 Tax Fees

There were no tax fees billed by the Company's external auditors for the years ended October 31, 2018 and 2017.

Section 12.10 All Other Fees

There were no fees other than as reported above that were billed by the Company's external auditors for the years ended October 31, 2018 and 2017.

Section 12.11 Exemptions

Since the Company is a "venture issuer" pursuant to NI 52-110, it is exempt from the requirements of Part 3 (Composition of the Audit Committee) and Part 5 (Reporting Obligations) of NI 52-110.

ARTICLE 13 LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Section 13.1 Legal Proceedings

There are no legal proceedings to which the Company is a party to or to which any of its property is subject outside of the ordinary course of the Company's business, and no such proceedings are known to the Company to be contemplated.

Section 13.2 Regulatory Actions

None.

ARTICLE 14 INTEREST OF MANAGEMENT OR OTHERS IN MATERIAL TRANSACTIONS

Section 14.1 Interest of Management or Others in Material Transactions

Other than as described elsewhere in this AIF or the Company's consolidated financial statements for the year ended October 31, 2018, there are no material interests, direct or indirect, of any of the Company's directors or executive officers, any shareholder that beneficially owns, or controls or directs (directly or indirectly), more than 10% of any class or series of the Company's outstanding voting

securities, or any associate or affiliate of any of the foregoing persons, in any transaction within the three years before the date hereof that has materially affected or is reasonably expected to materially affect the Company or any of its subsidiaries.

ARTICLE 15 TRANSFER AGENTS AND REGISTRARS

The Company's Registrar and Transfer Agent is Odyssey Trust Company located at 323-409 Granville Street, Vancouver British Columbia, V6C 1T2 Canada.

ARTICLE 16 MATERIAL CONTRACTS

Other than contracts entered into in the normal course of business, the Company has not entered into any material contracts during the year ended October 31, 2018, or before such year but which remain in effect.

ARTICLE 17 INTERESTS OF EXPERTS

The following are persons or companies whose profession or business gives authority to a statement made in this AIF as having prepared or certified a part of that document or report described in this AIF:

- Dale Matheson Carr-Hilton LaBonte, LLP is the external auditor of the Company and reported on the Company's audited financial statements for the years ended October 31, 2017 and 2016, and filed on SEDAR

To the knowledge of management, as of the date hereof, no expert, nor any associate or affiliate of such person has any beneficial interest, direct or indirect, in the securities or property of the Company or of an associate or affiliate of any of them, and no such person is or is expected to be elected, appointed or employed as a director, officer or employee of the Company or of an associate or affiliate thereof.

The auditor of the Company is Dale Matheson Carr-Hilton LaBonte, LLP and DMCL has advised the Company that it is independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of British Columbia.

ARTICLE 18 RISK FACTORS

There are certain risk factors relating to the Company which should be carefully considered by Shareholders, which are qualified in their entirety by reference to, and must be read in conjunction with, the other information contained in this AIF.

Section 18.1 Risks Related to the Company's Business

Lack of control over operations of investments.

The Company relies on its investments to execute on their business plans and to produce medical and/or recreational cannabis products, and holds contractual rights and minority equity interests relating to the operation of the Company's investments. The operators of the Company's investments have significant influence over the results of operations of the Company's investments. Further, the interests of the Company and the operators of the Company's investments may not always be aligned. As a result, the cash flows of the Company are dependent upon the activities of third parties which creates the risk that at any time those third parties may: (i) have business interests or targets that are inconsistent with those of

the Company; (ii) take action contrary to the Company's policies or objectives; (iii) be unable or unwilling to fulfill their obligations under their agreements with the Company; or (iv) experience financial, operational or other difficulties, including insolvency, which could limit or suspend a third party's ability to perform its obligations. In addition, payments may flow through the Company's investments, and there is a risk of delay and additional expense in receiving such revenues. Failure to receive payments in a timely fashion, or at all, under the agreements to which the Company is entitled may have a material adverse effect on the Company. In addition, the Company must rely, in part, on the accuracy and timeliness of the information it receives from the Company's investments, and use such information in its analyses, forecasts and assessments relating to its own business. If the information provided by investment entities to the Company contains material inaccuracies or omissions, the Company's ability to accurately forecast or achieve its stated objectives, or satisfy its reporting obligations, may be materially impaired.

Private companies and illiquid securities.

The Company may invest in securities of private companies. In some cases, the Company may be restricted by contract or generally by applicable securities laws from selling such securities for a period of time. Such securities may not have a ready market and the inability to sell such securities or to sell such securities on a timely basis or at acceptable prices may impair the Company's ability to exit such investments when the Company considers it appropriate.

Unfavourable publicity or consumer perception.

The regulated cannabis industry in the United States and Canada is at an early stage of its development. The Company believes the medical and recreational cannabis industry is highly dependent on consumer perception regarding the safety and efficacy of recreational and medical cannabis. 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 favourable 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 on the business of the Company. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products legally, appropriately or as directed. Public opinion and support for medical and recreational cannabis use has traditionally been inconsistent and varies from jurisdiction to jurisdiction. Legalization of medical and recreational cannabis remains a controversial issue subject to differing opinions surrounding the level of legalization (for example, legalization of medical marijuana as opposed to legalization in general).

Limited operating history.

Since October 2002, when it was created by amalgamation, the Company has had no significant revenues or earnings from operations. The Company has operated at a loss to date and may continue to sustain operating losses for the foreseeable future. There is no assurance that the Company will ever be

profitable. Therefore, it is difficult for investors to evaluate the Company's operations and prospects which may increase the risks associated with an investment in the Company.

Although the Company expects to generate some revenues from its future investments, many of the investments will only start generating revenues in future periods and, accordingly, the Company is therefore expected to remain subject to many of the risks common to early-stage enterprises for the foreseeable future, including challenges related to laws, regulations, licensing, integrating and retaining qualified employees; making effective use of limited resources; achieving market acceptance of existing and future solutions; competing against companies with greater financial and technical resources; acquiring and retaining customers; and developing new solutions. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

Additional financing.

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 future business activities by way of additional offerings of equity and/or debt financing as well as through anticipated positive cash flow from operations in the future. The failure to raise or procure such additional funds or the failure to achieve positive cash flow 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, 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.

The Company's access to both public and private capital and its ability to access financing to support continuing operations and investments may be further restricted due to uncertainty and the changing nature of the marijuana regulatory environment in jurisdictions in which the Company operates. See "*Risks specifically related to the United States regulatory system*" and "*Change in laws, regulations and guidelines*" below.

Currency fluctuations.

Certain revenues and expenses of the Company are expected to be denominated in U.S. Dollars, and therefore may be exposed to significant currency exchange fluctuations. Recent events in the global financial markets have been coupled with increased volatility in the currency markets. Fluctuations in the exchange rate between the U.S. Dollar and the 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, there can be no assurance that such a program will effectively mitigate currency risks.

Risks associated with strategic transactions.

As part of the Company's overall business strategy, the Company intends to pursue select strategic acquisitions, leasing and lending transactions and licensing agreements which would provide additional product offerings, vertical integrations, additional industry expertise, and a stronger industry presence in both existing and new jurisdictions. The success of any such strategic transactions will

depend, in part, on the ability of the Company to realize the anticipated benefits and synergies from integrating the Company's investments into the businesses of the Company. Future strategic actions may expose it 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 acquisitions; and (f) the potential loss of or harm to relationships with both employees and existing users resulting from its integration of new businesses. 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 transactions, there are risks inherent in any transaction. Specifically, there could be unknown or undisclosed risks or liabilities of such companies 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 strategic actions. All of these factors could cause dilution to the Company's earnings per share or decrease or delay the anticipated accretive effect of the transaction and cause a decrease in the market price of the Company's Common Shares.

Laws and regulations affecting the Cannabis industry are constantly changing

The constant evolution of laws and regulations affecting the cannabis industry could detrimentally affect the Company's operations. U.S. local, state and federal cannabis laws and regulations, along with Canadian securities laws, are broad in scope and subject to changing interpretations. These changes may require the Company to incur substantial costs associated with legal and compliance fees and ultimately require the Company to alter its business plan. Furthermore, violations of these laws, or alleged violations, could disrupt its business and result in a material adverse effect on operations. The Company cannot predict the nature of any future laws, regulations, interpretations or applications, and it is possible that regulations may be enacted that will be directly applicable to its business.

Completion of future acquisitions

Any future acquisitions are subject to conditions, which may include, without limitation, satisfactory completion of the Company's due diligence, negotiation and finalization of formal legal documents, debt financing and approval from the Company's Board of Directors. As a result, there can be no assurance that the Company will complete any acquisitions. If the Company does not complete such acquisitions, it may be subject to a number of risks, including: (i) the price of its securities may decline to the extent that the current market price reflects a market assumption that these acquisitions will be completed; (ii) certain costs related to each such acquisition, such as legal, accounting and consulting fees, must be paid even if an acquisition is not completed; and (iii) there is no assurance that such suitable opportunities will be available to the Company in the future or at all.

Competition

The Company will face competition from other companies, some of which may have longer operating histories, more financial resources and experience than the Company. Increased competition by larger and well-financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company. Because of the early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. To remain competitive, the Company will require research and development, marketing, sales and support.

The Company may not have sufficient resources to maintain research and development, marketing, sales and support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company.

Bankruptcy or insolvency of investments.

There is no guarantee that the Company will be able to effectively enforce any interests it may have in the Company's investments. A bankruptcy or other similar event related to an investment of The Company that precludes a party from performing its obligations under an agreement may have a material adverse effect on the Company. Furthermore, as an equity investor, should an investment have insufficient assets to pay its liabilities, it is possible that other liabilities will be satisfied prior to the liabilities owed to the Company. In addition, bankruptcy or other similar proceedings are often a complex and lengthy process, the outcome of which may be uncertain and could result in a material adverse effect on the Company.

Research and market development.

Although the Company, itself and through its investments, is committed to researching and developing new markets and products and improving existing products, there can be no assurances that such research and market development activities will prove profitable or that the resulting markets and/or products, if any, will be commercially viable or successfully produced and marketed.

The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the medical and recreational cannabis industry in North America. The Company is operating its business in a relatively new medical and recreational cannabis industry and market. Accordingly, there are no assurances that this industry and market will continue to exist or grow as currently estimated or anticipated, or function and evolve in a manner consistent with management's expectations and assumptions. Any event or circumstance that affects the recreational or medical cannabis industry or market could have a material adverse effect on the Company's business, financial condition and results of operations. Due to the early stage of the regulated cannabis industry, forecasts regarding the size of the industry and the sales of products by the Company's investments are inherently difficult to prepare with a high degree of accuracy and reliability. 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's investments, and consequently, the Company.

Reliance on management.

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. Qualified individuals are in high demand, and the Company may incur significant costs to attract and retain them. In addition, the Company's lean management structure may be strained as the Company pursues growth opportunities in the future. The loss of the services of such individuals or an inability to attract other suitably qualified persons when needed, could have a material adverse effect on the Company's ability to execute on its business plan and strategy, and the Company may be unable to find adequate replacements on a timely basis, or at all.

The Company's future success depends substantially on the continued services of its executive officers, consultants and advisors. 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 which could materially and adversely affect the Company's prospects, financial performance and results of operations.

Operation permits and authorizations.

The Company's investments 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 their respective businesses. In addition, the Company's investments may not be able to comply fully with the wide variety of laws and regulations applicable to the cannabis industry. Failure to comply with or to obtain the necessary licenses, permits, authorizations or accreditations could result in restrictions on an investment's ability to operate in the cannabis industry, which could have a material adverse effect on the Company's business.

Litigation.

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating and the market price for the Common Shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant resources. Litigation may also create a negative perception of the Company.

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 into or against the Company or its investments. Litigation, complaints, and enforcement actions involving either of the Company or its investments 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.

Lack of control over operations of investee companies

The Company relies on the investee companies to execute on their business plans, produce medical cannabis products, and holds contractual rights and equity interests relating to the operation of the investee companies. The operators of such investee companies have significant influence over the results of operations of the investee companies. Further, the interests of the Company and the operators of the investee companies may not always be aligned. As a result, the cash flows of the Company are dependent upon the activities of third parties which creates the risk that at any time those third parties may: (i) have business interests or targets that are inconsistent with those of the Company; (ii) take action contrary to the Company's policies or objectives; (iii) be unable or unwilling to fulfill their obligations under their agreements with the Company; or (iv) experience financial, operational or other difficulties, including insolvency, which could limit or suspend a third party's ability to perform its obligations. In addition, payments may flow through the investee companies, and there is a risk of delay and additional expense in receiving such revenues. Failure to receive payments in a timely fashion, or at all, under the agreements to which the Company is entitled may have a material adverse effect on the Company. In addition, the Company must rely, in part, on the accuracy and timeliness of the information it receives from the investee companies, and uses such information in its analyses, forecasts and assessments relating to its own business. If the information provided by an investee company to the Company contains material inaccuracies or omissions, the Company's ability to accurately forecast or achieve its stated objectives, or satisfy its reporting obligations, may be materially impaired.

Product liability.

Certain of the Company's investments manufacture, process and/or distribute products designed to be ingested by humans, and therefore face an inherent risk of exposure to product liability claims, regulatory action and litigation if products are alleged to have caused significant loss or injury. In addition, previously unknown adverse reactions resulting from human consumption of cannabis alone or in combination with other medications or substances could occur. A product liability claim or regulatory action against an investment entity of The Company could result in increased costs, could adversely affect the Company's reputation, and could have a material adverse effect on the results of operations and financial condition of the Company.

Reliance on key inputs.

The cultivation, extraction and processing of cannabis and derivative products is dependent on a number of key inputs and their related costs including raw materials, electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Company's investments. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a sole source supplier was to go out of business, the relevant investment entity 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 investment, and consequently, the Company.

Price volatility of publicly traded securities.

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continuing fluctuations in price will not occur. It may be anticipated that any quoted market for the Common Shares of the Company will be subject to market trends generally, notwithstanding any potential success of the Company in creating revenues, cash flows or earnings. The value of the Common Shares would be affected by such volatility. An active public market for the Company's Common Shares might not develop or be sustained. If an active public market for the Company's Common Shares does not develop, the liquidity of a shareholder's investment may be limited and the share price may decline.

A positive return in an investment in the Common Shares is not guaranteed

There is no guarantee that an investment in the Common Shares will earn any positive return in the short term or long term. An investment in Common Shares involves a high degree of risk and should be undertaken only by purchasers whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. An investment in the Common Shares is appropriate only for purchasers who have the capacity to absorb a loss of some or all of their investment.

Management of growth.

The Company may experience a period of significant growth in the number of personnel that may place a strain upon its management systems and resources. Its future will depend in part on the ability of its officers and other key personnel to implement and improve financial and 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.

Dividends.

The Company has not paid dividends in the past, and the Company does not anticipate paying any dividends in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings.

Any decision to declare and pay dividends in the future will be made at the discretion of the Company's Board of Directors and will depend on, among other things, financial results, cash requirements, contractual restrictions and other factors that the Company's Board of Directors may deem relevant. As a result, investors may not receive any return on an investment in the Common Shares unless they sell their Common Shares for a price greater than that which such investors paid for them.

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. The Directors of the Company have discretion to determine the price and the terms of further issuances. Moreover, additional Common Shares will be issued by the Company on the exercise of options under the Company's Stock Option Plan and upon the exercise of outstanding warrants.

Intellectual property and proprietary protection.

The success of the Company will depend, in part, on the ability of the Company and the Company's investments to maintain, enhance and protect its intellectual property, including various existing and potential proprietary techniques and processes. The Company and the Company's investments may 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 Company or the Company's investments. 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 relies on a combination of laws and contractual provisions to establish and protect its rights in intellectual property. There can be no assurance that the steps taken to protect proprietary rights will be adequate to deter misappropriation of intellectual property or technology. The Company may face claims alleging infringement of intellectual property rights held by others. Such claims, whether or not meritorious, may result in the expenditure of significant financial and managerial resources, legal fees, result in injunctions, temporary restraining orders and/or require the payment of damages. An adverse determination in legal proceedings, a costly litigation process or a costly settlement could have a material adverse effect on the Company's business, prospects, revenues, operating results and financial condition.

Insurance coverage.

The Company currently does not have insurance coverage. The Company is likely to require insurance coverage in the future. There can be no assurance that adequate insurance coverage will be available to the Company in the future, or that if available, that such insurance will be obtainable by the Company at a commercially justifiable premium. There also can be no assurance that any insurance coverage obtained by the Company will be sufficient to cover claims to which the Company may become subject. If insurance coverage is unavailable to cover any such claims, the Company's financial resources, results of operations and prospects could be adversely affected. If the Company were to incur substantial

liability and such damages were in excess of policy limits, there could be a material adverse effect on the Company's business, financial condition and results of operations.

Operational risks.

The Company and its investments may be affected by a number of operational risks and may not be adequately insured for certain risks, including: labour disputes; catastrophic accidents; fires; blockades or other acts of social activism; changes in the regulatory environment; impact of non-compliance with laws and 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 investments' properties, grow facilities and extraction facilities, personal injury or death, environmental damage, adverse impacts on the Company's investments' 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 on the Company. Also, the Company's investments may be subject to or affected by liability or sustain loss for certain risks and hazards against which they may elect not to insure because of the cost. This lack of insurance coverage could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Costs of maintaining a public listing.

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 securities exchanges 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 an issuer'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.

Holding Company.

The Company is a holding company and essentially all of its assets are the capital stock of its material subsidiaries. As a result, investors in The Company are subject to the risks attributable to its subsidiaries. Consequently, The Company's cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of its subsidiaries and investments and the distribution of those earnings to The Company. The ability of these entities to pay dividends and other distributions will depend on their operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by such companies and contractual restrictions contained in the instruments governing any debt arrangements. In the event of a bankruptcy, liquidation or reorganization of any of The Company's material subsidiaries, holders of indebtedness and trade creditors may be entitled to payment of their claims from the assets of those subsidiaries before The Company.

The market price of the Common Shares is volatile and may not accurately reflect the long-term value of the Company

Securities markets have a high level of price and volume volatility, and the market price of securities of many companies has experienced substantial volatility in the past. This volatility may affect the ability of holders of Common Shares to sell their securities at an advantageous price. Market price fluctuations in the Common Shares 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 economic trends, acquisitions, dispositions or

other material public announcements by the Company or its competitors, along with a variety of additional factors. These broad market fluctuations may adversely affect the market price of the Common Shares.

Financial markets historically at times experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Common Shares 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, the Company's operations could be adversely impacted, and the trading price of the Common Shares may be materially adversely affected.

A positive return in an investment in the Common Shares is not guaranteed

There is no guarantee that an investment in the Common Shares will earn any positive return in the short term or long term. An investment in Common Shares involves a high degree of risk and should be undertaken only by purchasers whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. An investment in the Common Shares is appropriate only for purchasers who have the capacity to absorb a loss of some or all of their investment.

Risk factors related to 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, Class A Shares and preferred shares, and shareholders will have no pre-emptive rights in connection with such further issuance. The directors of the Company have discretion to determine the price and the terms of further issuances. Moreover, additional Common Shares will be issued by the Company on the exercise of options under the Company's stock option plan and upon the exercise of outstanding warrants.

Negative cash flow from operations

During the fiscal year ended December 31, 2017 and the three-month period ended March 31, 2018, the Company had negative cash flow from operating activities. Although the Company anticipates it will have positive cash flow from operating activities in future periods, the Company cannot assure that it will achieve sufficient revenues from sales to achieve or maintain profitability or positive cash flow from operating activities.

The Company is a holding company

The Company is a holding company and the vast majority its assets are the capital stock of its subsidiaries. As a result, investors in the Company are subject to the risks attributable to its subsidiaries. As a holding company, the Company conducts substantially all of its business through its subsidiaries, which generate substantially all of its revenues. Consequently, the Company's cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of its subsidiaries and the distribution of those earnings to the Company. The ability of these entities to pay dividends and other distributions will depend on their operating results and will be subject to applicable

laws and regulations which require that solvency and capital standards be maintained by such companies and contractual restrictions contained in the instruments governing their debt. In the event of a bankruptcy, liquidation or reorganization of any of the Company's material subsidiaries, holders of indebtedness and trade creditors may be entitled to payment of their claims from the assets of those subsidiaries before the Company.

Insurance coverage

The Company has insurance to protect its assets, operations, directors and employees. While the Company believes its insurance coverage addresses all material risks to which it is exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Company is exposed. In addition, no assurance can be given that such insurance will be adequate to cover the Company's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Company were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Company were to incur such liability at a time when it is not able to obtain liability insurance, there could be a material adverse effect on the Company's business, financial condition and results of operation.

Risks inherent in an agricultural business

Cannabis is an agricultural product which comes with inherent risks, such as insects, plant diseases and similar agricultural risks. Although the products are usually grown indoors under climate-controlled conditions, with monitoring, there can be no assurance that natural elements will not have a material adverse effect on them.

Difficulty implementing 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.

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, among other things, corporations, partnerships and joint ventures, 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 conflict with or diverge from the Company's interests.

In accordance with applicable corporate law, directors who have a material interest in or who are parties 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 transaction. 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.

Resale of Common Shares.

Although the Common Shares are listed on the CSE, there can be no assurance that an active and liquid market for the Common Shares will develop or be maintained and an investor may find it difficult to resell any securities of the Company. In addition, there can be no assurance that the publicly traded stock price of the Company 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.

Section 18.2 Risks Related to the United States

Risks specifically related to the United States regulatory system.

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 or be able to predict how such risks may result in actual results differing from the results contained in any forward-looking statements. 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's investments and, therefore, on the Company's prospective returns.

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 our ability to conduct our 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 our financial statements could also occur for the period in which the effect of an unfavorable final outcome becomes probable and reasonably capable of being estimated. The 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's investments 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 investments' earnings and could make future capital investments or the Company's investments' operations uneconomic. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

The Company intends to derive a portion of its revenues from the cannabis industry in certain states of the United States, **which industry is illegal under United States federal law**. While the Company's business activities are compliant with applicable state and local laws, such activities remain illegal under United States federal law. The Company intends to be involved in the cannabis industry in the United States where local and state laws permit such activities or provide limited defenses to criminal prosecutions. The enforcement of relevant laws is a significant risk.

Thirty of the states in the United States have enacted comprehensive legislation to regulate the sale and use of medical cannabis. Notwithstanding the permissive regulatory environment of medical cannabis at the state level, cannabis continues to be categorized as a Schedule 1 controlled substance under the United States Controlled Substances Act of 1970. As such, cannabis-related practices or activities, including without limitation, the cultivation, manufacture, importation, possession, use or

distribution of cannabis, are illegal under United States federal law. Strict compliance with state laws with respect to cannabis will neither absolve the Company of liability under United States federal law, nor will 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.

Because of the conflicting views between state legislatures and the federal government of the United States regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation, regulation, and enforcement. Unless and until the United States Congress amends the United States Controlled Substances Act with respect to cannabis or the Drug Enforcement Agency reschedules or de-schedules cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current federal law, which would adversely affect the current and future investments of the Company in the United States. As a result of the tension between state and federal law, there are a number of risks associated with the Company's existing and future investments in the United States.

For the reasons set forth above, the Company's existing interests in the United States cannabis market may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in Canada. It has been 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. CDS is Canada's central securities depository, clearing and settlement hub settling trades in the Canadian equity, fixed income and money markets. 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 ("CSA") and recognized Canadian securities exchanges, the TMX Group announced the signing of a Memorandum of Understanding ("TMX MOU") with Aequitas NEO Exchange Inc., 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 companies 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 companies. As a result, there is no CDS ban on the clearing of securities of companies 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 as until an alternative was implemented, investors would have no ability to effect a trade of the Common Shares through the facilities of a stock exchange. The Company has obtained eligibility with the Depository Trust Company ("DTC") for its Common Share quotation on the OTCQB and such DTC eligibility provides another possible avenue to clear Common Shares in the event of a CDS ban.

The activities of the Company's investments may be subject to evolving regulation by governmental authorities. The Company's investments are directly or indirectly engaged in the medical and recreational cannabis industry in the United States and Canada, where local state laws permit such activities. The legality of the production, extraction, distribution and use of cannabis differs among each North American jurisdictions.

Over half of the U.S. states have enacted legislation to legalize and regulate the sale and use of medical cannabis. However, the U.S. federal government has not enacted similar legislation. As such, the cultivation, manufacture, distribution, sale and use of cannabis remains illegal under U.S. federal law. Further, on January 4, 2018, U.S. Attorney General, Jeff Sessions, formally rescinded the standing DOJ federal policy guidance governing enforcement of marijuana laws, as set forth in a series of memos and guidance from 2009-2014, principally the Cole Memorandum. The Cole Memorandum generally directed U.S. Attorneys not to enforce the federal marijuana laws against actors who are compliant with state laws, provided enumerated enforcement priorities were not implicated. The rescission of this memo and other Obama-era prosecutorial guidance did not create a change in federal law as the Cole Memorandums were never legally binding; however, the revocation removed the DOJ's guidance to U.S. Attorneys that state regulated cannabis industries substantively in compliance with the Cole Memorandum's guidelines should not be a prosecutorial priority. The federal government of the United States has always reserved the right to enforce federal law regarding the sale and disbursement of medical or recreational marijuana, even if state law sanctioned such sale and disbursement. Although the rescission of the above memorandums does not necessarily indicate that marijuana industry prosecutions are now affirmatively a priority for the DOJ, there can be no assurance that the federal government will not enforce such laws in the future.

Additionally, there can be no assurance 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. It is also important to note that local and city ordinances may strictly limit and/or restrict the distribution of cannabis in a manner that could make it extremely difficult or impossible to transact business in the cannabis industry. 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 state laws are repealed or curtailed, the Company's investments in such businesses would be materially and adversely affected notwithstanding the fact that the Company is not directly engaged in the sale or distribution of cannabis. Federal actions against any individual or entity engaged in the marijuana industry or a substantial repeal of marijuana related legislation could adversely affect the Company, its business and its investments.

The Company's investments in the United States 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 recordkeeping and proceeds of crime, including the U.S. Currency and Foreign Transactions Reporting Act of 1970 (commonly known as the Bank Secrecy Act), as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), 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. Further, 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, aiding and abetting, or conspiracy.

Despite these laws, FinCEN issued a memorandum on February 14, 2014 outlining the pathways for financial institutions to bank marijuana businesses in compliance with federal enforcement priorities. The FinCEN Memorandum 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. It refers to the 2014 Cole Memo, but the 2014 Cole Memo has been rescinded as of January 4, 2018, along with the Cole Memorandum, removing guidance that enforcement of applicable financial crimes was not a DOJ priority.

Attorney General Sessions' revocation of the Cole Memorandum and the 2014 Cole Memo has not affected the status of the FinCEN Memorandum, nor has the Department of the Treasury given any indication that it intends to rescind the FinCEN Memorandum itself. Though it was originally intended for the 2014 Cole Memo and the FinCEN Memorandum to work in tandem, the FinCEN Memorandum appears to remain in effect as a standalone document which explicitly lists the eight enforcement priorities originally cited in the rescinded Cole Memorandum. Although the FinCEN Memorandum remains intact, indicating that the Department of the Treasury and FinCEN intend to continue abiding by its guidance, it is unclear whether the current administration will continue to follow the guidelines of the FinCEN Memorandum.

The Company's investments, and any proceeds thereof, are considered proceeds of crime due to the fact that 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 Common 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.

Enforcement of Cannabis Laws and Regulations

As a result of the conflicting views between U.S. state legislatures and the U.S. federal government regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation. Unless and until cannabis is removed from categorization as a Schedule I controlled substance under the Controlled Substances Act, there can be no assurance that the federal government will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law.

Such potential proceedings could involve significant restrictions being imposed upon the Company or third parties, while diverting the attention of key executives. Such proceedings could have a material adverse effect on the Company's business, revenues, operating results and financial condition as well as the Company's reputation, even if such proceedings were concluded successfully in favour of the Company. In the extreme case, such proceedings could ultimately involve the prosecution of key executives of the Company or the seizure of corporate assets.

Banking Matters

Since the production and possession 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 with certain institutions may make it difficult to operate the Company's business.

The Company's investments in the United States may be subject to heightened scrutiny by Canadian authorities.

For the reasons set forth above, the Company's future investments in the United States cannabis industry, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to invest in the United States or any other jurisdiction, in addition to those described herein.

Although the TMX MOU has confirmed that there is currently no CDS ban on the clearing of securities of companies with cannabis-related activities in the United States, 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 as until an alternative was implemented, investors would have no ability to effect a trade of the Common Shares through the facilities of a stock exchange.

Change in laws, regulations and guidelines.

Each proposed investment and proposed operation are subject to a variety of laws, regulations and guidelines, including, but not limited to, those relating to the manufacture, management, transportation, storage and disposal of cannabis, as well as laws and regulations relating to health and safety (including those for consumable products), the conduct of operations and the protection of the environment. These laws and regulations are broad in scope and subject to evolving interpretations. If any changes to such laws, regulations and guidelines occur, which are matters beyond the control of the Company, the Company may incur significant costs in complying with such changes or it may be unable to comply therewith, which in turn may result in a material adverse effect on the Company's business, financial condition and results of operation. 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 its planned operations.

Changes in regulations, more vigorous enforcement thereof, the imposition of restrictions on the Company's ability to operate in the U.S. as a result of the federally illegal nature of cannabis in the U.S. or other unanticipated events could require extensive changes to the Company's 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.

United States tax residence of the Company.

The Company, which is and will continue to be a Canadian corporation generally would be classified as a non-United States corporation (and, therefore, as a non-United States tax resident) under general rules of United States federal income taxation. Section 7874 of the United States Tax Code, however, contains rules that can cause a non-United States corporation to be taxed as a United States corporation for United States federal income tax purposes. The rules described in this paragraph are relatively new, their application is complex and there is little guidance regarding their application. Under section 7874 of the United States Tax Code, a corporation created or organized outside the United States (i.e., a non-United States corporation) will nevertheless be treated as a United States corporation for United States federal income tax purposes (such treatment is referred to as an "**Inversion**") if each of the following three conditions are met (i) the non-United States corporation acquires, directly or indirectly, or is treated as acquiring under applicable United States Treasury Regulations, substantially all of the assets held, directly or indirectly, by a United States corporation, (ii) after the acquisition, the former stockholders of the acquired United States corporation hold at least 80% (by vote or value) of the shares of the non-United States corporation by reason of holding shares of the United States acquired corporation, and (iii) after the acquisition, the non-United States corporation's expanded affiliated group does not have substantial business activities in the non-United States corporation's country of organization or incorporation when compared to the expanded affiliated group's total business activities (clauses (i) – (iii), collectively, the "**Inversion Conditions**"). For this purpose, "expanded affiliated group" means a group of corporations where (i) the non-United States corporation owns stock representing more than 50% of the vote and value of at least one member of the expanded affiliated group, and (ii) stock representing more than 50% of the vote and value of each member is owned by other

members of the group. The definition of an “expanded affiliated group” includes partnerships where one or more members of the expanded affiliated group own more than 50% (by vote and value) of the interests of the partnership.

If the Company is treated as a United States corporation for United States federal income tax purposes under section 7874 of the United States Tax Code (which is considered likely, although no definitive determination of this matter has been reached, and no tax ruling has been sought or obtained in this regard), the Company would be considered a United States tax resident and subject to United States federal income tax on its worldwide income. However, for Canadian tax purposes, the Company is expected, regardless of any application of section 7874 of the United States Tax Code, to be treated as a Canadian resident company (as defined in the Tax Act) for Canadian income tax purposes. As a result, if the Company is considered a United States corporation under section 7874, the Company would be subject to taxation both in Canada and the United States which could have a material adverse effect on its financial condition and results of operations. In addition, any distributions paid by the Company to a holder of Common Shares may be subject to United States withholding tax as well as any applicable Canadian withholding tax. A Non-United States Holder may also be subject to United States tax, including withholding tax, on disposition of its Common Shares.

Passive Foreign Investment Company.

There is a risk that the Company may, in the future, be construed as a passive foreign investment Company (“PFIC”). If the Company is a PFIC, its shareholders in the U.S. are likely subject to adverse U.S. tax consequences. Under U.S. federal income tax laws, if a Company is a PFIC for any year, it could have adverse U.S. federal income tax consequences to a U.S. shareholder with respect to its investment in the Company’s shares. The Company earns royalty and franchise revenue which may be treated as passive income unless the royalty and franchise revenue is derived in the active conduct of a trade or business. Assessing whether royalty or franchise revenue received by the Company and its subsidiaries is derived in the active conduct of a trade or business involves substantial factual and legal ambiguity. Based on current business plans and financial expectations, the Company expects that it will not be a PFIC for its current tax year. PFIC classification is fundamentally factual in nature, generally cannot be determined until the close of the tax year in question, and is determined annually. Furthermore, because PFIC determinations are made annually, it is possible that the Company will meet the requirements to be treated as a PFIC in one or more years, but not meet such requirements in other years. U.S. shareholders should consult their own tax advisors regarding the potential adverse tax consequences to owning PFIC stock, and whether they are able to and should make any elections or take other actions to mitigate such potential adverse tax consequences.

If the Company is deemed to be an investment Company under the United States Investment Issuer Act of 1940, as amended (the “Investment Issuer Act”), it may be required to institute burdensome compliance requirements and its activities may be restricted.

The Company intends to conduct its operations so that it is not required to register as an investment Company under the Investment Issuer Act. Section 3(a)(1)(C) of the Investment Issuer Act defines an Investment Issuer as any issuer that is engaged or proposes to engage in the business of investing, reinvesting, owning, holding or trading in securities and owns or proposes to acquire investment securities having a value exceeding 40.0% of the value of the issuer’s total assets (exclusive of government securities and cash items) on an unconsolidated basis. However, any issuer primarily engaged, directly or through a wholly-owned subsidiary or subsidiaries, in a business or businesses other than that of investing, reinvesting, owning, holding, or trading in securities is exempt from the requirements of the Investment Issuer Act under Section 3(b)(1).

If the Company is deemed to be an investment Issuer under the Investment Issuer Act, its activities may be restricted, including restrictions on the nature of the Company's investments and restrictions on the issuance of securities. In addition, the Company may have imposed upon it burdensome requirements, including:

- registration as an investment Issuer;
- adoption of a specific form of corporate structure; and
- reporting, record keeping, voting, proxy and disclosure requirements and other rules and regulations.

In sum, if the Company were to be characterized as an investment Issuer, the inability of the Company to satisfy such regulatory requirements, whether on a timely basis or at all, could, under certain circumstances, have a material adverse effect on the Company and its ability to continue pursuing its business plan could be limited.

Section 18.3 Risks Related to Expansion into Foreign Jurisdictions

The Company's expansion into jurisdictions outside of Canada is subject to risks. In addition, in jurisdictions outside of Canada, there can be no assurance that any market for the Company's products will develop. The Company may face new or unexpected risks or significantly increase its exposure to one or more existing risk factors, including economic instability, changes in laws and regulations, and the effects of competition. These factors may limit the Company's ability to successfully expand its operations into such jurisdictions and may have a material adverse effect on the Company's business, financial condition and results of operations.

Section 18.4 Reliance on International Advisors and Consultants

The legal and regulatory requirements in the foreign countries in which the Company operates or will operate with respect to the cultivation and sale of cannabis, banking system and controls, as well as local business culture and practices are different from those in Canada. The Company must rely, to a large extent, on local legal counsel, consultants and other advisors retained by it to keep apprised of legal, regulatory and governmental developments as they affect the Company's business, and to assist the Company with its governmental relations. The Company must rely, to some extent, on those members of management who have previous experience working and conducting business in these countries, if any, in order to enhance its understanding of and appreciation for the local business culture and practices. The Company also relies on the advice of local experts and professionals in connection with current and new regulations that develop in respect of the cultivation and sale of cannabis as well as in respect of banking, financing, labour, litigation and tax matters in these jurisdictions. Any developments or changes in such legal, regulatory or governmental requirements or in local business practices are beyond the control of the Company. The impact of any such changes may adversely affect the business of the Company.

Section 18.5 Geographic Expansion Risks

The Company may in the future expand into other geographic areas, which could increase its operational, regulatory, compliance, reputational and foreign exchange rate risks. The failure of the Company's operating infrastructure to support such expansion could result in operational failures and regulatory fines or sanctions. Future international expansion could require the Company to incur a number of up-front expenses, including those associated with obtaining regulatory approvals, as well as additional ongoing expenses, including those associated with infrastructure, staff and regulatory compliance. The Company may not be able to successfully integrate such operations successfully with its existing operations.

**ARTICLE 19
ADDITIONAL INFORMATION**

Additional information relating to the Company is available under the Company's profile on SEDAR at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, and securities authorized for issuance under the Stock Option Plan is contained in the Management Information Circular dated September 22, 2017 under its corporate profile on SEDAR at www.sedar.com. Additional financial information is provided in the Company's Audited Consolidated Financial Statements and Management's Discussion and Analysis for the year ended October 31, 2018.

Appendix A

Audit Committee Charter

1. Purpose

1.1 The Audit Committee is ultimately responsible for the policies and practices relating to integrity of financial and regulatory reporting, as well as internal controls to achieve the objectives of safeguarding of corporate assets; reliability of information; and compliance with policies and laws. Within this mandate, the Audit Committee's role is to:

- (a) support the Board of Directors in meeting its responsibilities to shareholders;
- (b) enhance the independence of the external auditor;
- (c) facilitate effective communications between management and the external auditor and provide a link between the external auditor and the Board of Directors;
- (d) increase the credibility and objectivity of the Company's financial reports and public disclosure.

1.2 The Audit Committee will make recommendations to the Board of Directors regarding items relating to financial and regulatory reporting and the system of internal controls following the execution of the Committee's responsibilities as described herein. 3

1.3 The Audit Committee will undertake those specific duties and responsibilities listed below and such other duties as the Board of Directors from time to time prescribe.

2. Membership

2.1 Each member of the Audit Committee must be a director of the Company.

2.2 The Audit Committee will consist of at least three members, the majority of whom are neither officers nor employees of the Company or any of its affiliates.

2.3 The members of the Audit Committee will be appointed annually by and will serve at the discretion of the Board of Directors.

3. Authority

3.1 In addition to all authority required to carry out the duties and responsibilities included in this charter, the Audit Committee has specific authority to:

- (a) engage, and set and pay the compensation for, independent counsel and other advisors as it determines necessary to carry out its duties and responsibilities;
- (b) communicate directly with management and any internal auditor, and with the external auditor without management involvement; and
- (c) approve interim financial statements and interim MD&A on behalf of the Board of Directors.

4. Duties and Responsibilities

4.1 The duties and responsibilities of the Audit Committee include:

- (a) recommending to the Board of Directors the external auditor to be nominated by the Board of Directors;
- (b) recommending to the Board of Directors the compensation of the external auditor;
- (c) reviewing the external auditor's audit plan, fee schedule and any related services proposals;
- (d) overseeing the work of the external auditor;
- (e) ensuring that the external auditor is in good standing with the Canadian Public Accountability Board and will enquire if there are any sanctions imposed by the CPAB on the external auditor;
- (f) ensuring that the external auditor meets the rotation requirements for partners and staff on the Company's audits;
- (g) reviewing and discussing with management and the external auditor the annual audited financial statements, including discussion of material transactions with related parties, accounting policies, as well as the external auditor's written communications to the Committee and to management;
- (h) reviewing the external auditor's report, audit results and financial statements prior to approval by the Board of Directors;
- (i) reporting on and recommending to the Board of Directors the annual financial statements and the external auditor's report on those financial statements, prior to Board approval and dissemination of financial statements to shareholders and the public;
- (j) reviewing financial statements, MD&A and annual and interim earnings press releases prior to public disclosure of this information;
- (k) ensuring adequate procedures are in place for review of all public disclosure of financial information by the Company, prior to its dissemination to the public;
- (l) overseeing the adequacy of the Company's system of internal accounting controls and internal audit process obtaining from the external auditor summaries and recommendations for improvement of such internal accounting controls;
- (m) ensuring the integrity of disclosure controls and internal controls over financial reporting;
- (n) resolving disputes between management and the external auditor regarding financial reporting;
- (o) establishing procedures for:
 - i. the receipt, retention and treatment of complaints received by the Company from employees and others regarding accounting, internal accounting controls or auditing matters and questionable practices relating thereto; and

- ii. the confidential, anonymous submission by employees of the Company or concerns regarding questionable accounting or auditing matters.
- (p) reviewing and approving the Company's hiring policies with respect to partners or employees (or former partners or employees) of either a former or the present external auditor;
- (q) pre-approving all non-audit services to be provided to the Company or any subsidiaries by the Company's external auditor;
- (r) overseeing compliance with regulatory authority requirements for disclosure of external auditor services and Audit Committee activities.

4.2 The Audit Committee will report, at least annually, to the Board regarding the Committee's examinations and recommendations.

5. Meetings

5.1 The quorum for a meeting of the Audit Committee is a majority of the members of the Committee who are not officers or employees of the Company or of an affiliate of the Company.

5.2 The members of the Audit Committee must elect a chair from among their number and may determine their own procedures.

5.3 The Audit Committee may establish its own schedule that it will provide to the Board of Directors in advance.

5.4 The external auditor is entitled to receive reasonable notice of every meeting of the Audit Committee and to attend and be heard thereat.

5.5 A member of the Audit Committee or the external auditor may call a meeting of the Audit Committee.

5.6 The Audit Committee will meet separately with the President and separately with the Chief Financial Officer of the Company at least annually to review the financial affairs of the Company.

5.7 The Audit Committee will meet with the external auditor of the Company at least once each year, at such time(s) as it deems appropriate, to review the external auditor's examination and report.

5.8 The chair of the Audit Committee must convene a meeting of the Audit Committee at the request of the external auditor, to consider any matter that the auditor believes should be brought to the attention of the Board of Directors or the shareholders.

6. Reports

6.1 The Audit Committee will record its recommendations to the Board in written form which will be incorporated as a part of the minutes of the Board of Directors' meeting at which those recommendations are presented.

7. Minutes

7.1 The Audit Committee will maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board of Directors.