

NABIS HOLDINGS INC.



ANNUAL INFORMATION FORM

For the year ended December 31, 2020

DATED: May 6, 2021

TABLE OF CONTENTS

ARTICLE 1 INTRODUCTORY NOTES	1
Section 1.1 Date of Information.....	1
Section 1.2 Currency and Exchange Rates	1
Section 1.3 Financial Information.....	1
Section 1.4 Forward-Looking Information	1
ARTICLE 2 GLOSSARY OF TERMS	2
ARTICLE 3 CORPORATE STRUCTURE	4
Section 3.1 Name, Address, and Incorporation	4
Section 3.2 Intercorporate Relationships	4
ARTICLE 4 GENERAL DEVELOPMENT OF THE BUSINESS.....	5
Section 4.1 Three Year History	5
ARTICLE 5 DESCRIPTION OF BUSINESS.....	12
Section 5.1 General.....	12
Section 5.2 Risk Factors	12
Section 5.3 Specialized Skill and Knowledge	19
Section 5.4 Intellectual Property.....	20
Section 5.5 Cycles.....	20
Section 5.6 Employees.....	20
Section 5.7 The Company’s Foreign Operations.....	20
Section 5.8 Lending	20
Section 5.9 Recapitalization and Proposal under Bankruptcy and Insolvency Act.....	20
ARTICLE 6 DIVIDENDS AND DISTRIBUTIONS	21
ARTICLE 7 DESCRIPTION OF CAPITAL STRUCTURE.....	21
ARTICLE 8 MARKET FOR SECURITIES	22
Section 8.1 Trading Price and Volume.....	22
Section 8.2 Prior Sales	23
ARTICLE 9 ESCROWED SECURITIES	23
ARTICLE 10 DIRECTORS AND OFFICERS	23
Section 10.1 Directors and Officer Information	23
Section 10.2 Cease Trade Orders, Bankruptcies, Penalties or Sanctions	24
Section 10.3 Conflicts of Interest.....	25
ARTICLE 11 PROMOTERS.....	26
ARTICLE 12 AUDIT, COMPENSATION AND CORPORATE GOVERNANCE COMMITTEE.....	26
Section 12.1 Audit, Compensation, and Corporate Governance Committee Charter	26
Section 12.2 Composition of the Audit, Compensation, and Corporate Governance Committee.....	26
Section 12.3 Relevant Education and Experience	26
Section 12.4 Reliance on Certain Exemptions.....	27
Section 12.5 Audit, Compensation, and Corporate Governance Committee Oversight.....	27
Section 12.6 Pre-Approval Policies and Procedures.....	27

Section 12.7 External Auditor Services Audit Fees	27
Section 12.8 Audit-Related Fees.....	27
Section 12.9 Tax Fees	27
Section 12.10 All Other Fees	27
Section 12.11 Exemptions	27
ARTICLE 13 LEGAL PROCEEDINGS AND REGULATORY ACTIONS.....	27
Section 13.1 Legal Proceedings.....	27
Section 13.2 Regulatory Actions	29
ARTICLE 14 INTEREST OF MANAGEMENT OR OTHERS IN MATERIAL TRANSACTIONS	29
Section 14.1 Interest of Management or Others in Material Transactions	29
ARTICLE 15 TRANSFER AGENTS AND REGISTRARS	29
ARTICLE 16 MATERIAL CONTRACTS	29
ARTICLE 17 INTERESTS OF EXPERTS	29
ARTICLE 18 RISK FACTORS	30
Section 18.1 Risks Related to the United States	41
Section 18.2 Risks Related to Expansion into Foreign Jurisdictions.....	47
Section 18.3 Reliance on International Advisors and Consultants	47
Section 18.4 Geographic Expansion Risks	47
ARTICLE 19 ADDITIONAL INFORMATION.....	48
Audit Committee Charter.....	1

ARTICLE 1 INTRODUCTORY NOTES

Section 1.1 Date of Information

All information contained in this Annual Information Form (“AIF”) is current as of the year ended December 31, 2020.

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:

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

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

“**BCSC**” means the British Columbia Securities Commission;

“**BIA**” means the *Bankruptcy and Insolvency Act* (Canada);

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

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

“**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 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*;

“**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*;

“**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 Company was later continued into British Columbia on May 29, 2019. The head office of the Company is located at 7-B Pleasant Blvd. Suite 978, Toronto, Ontario, Canada, M4T 1K2.

The Common Shares previously traded on the TSX-V and the Company subsequently voluntarily delisted its Common Shares from the TSX-V and moved to the CSE on September 3, 2014. The Common Shares commenced trading on the CSE under the symbol “INR”. On December 3, 2018, the Company voluntarily changed its trading symbol to “NAB”. On May 29, 2019, the Company changed its name to its current name, “Nabis Holding Inc.”. On November 13, 2019, the Company’s common shares commenced trading on the OTCQB Venture market under the symbol “NABIF”.

The Company is a reporting issuer in the Provinces of British Columbia, 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 were previously leasing those machines to a third party for mining operations. Leasing of the machines ceased during Fiscal 2019 and the machines were disposed of for minimal proceeds during Fiscal 2020.
- Be In Synergy Inc.
- Abis Biopharma Corporation
- Nabis (CAN) Holdings Corp.
- Nabis (US) Corp.
- Nabis AZ, LLC
- Nabis Arizona Property, LLC
- Perpetual Healthcare, Inc.
- Nabis Joint Ventures (AZ), LLC
- Nabis Hemp Holdings, LLC
- Nabis Holdings California Inc.
- Nabis Holdings California, LLC

- Nabis Holdings, LLC
- Nabis Holdings Michigan LLC.
- 1904 Peck Street Ventures, LLC
- 1904 Peck Street, Inc.
- 1904 Peck, LLC
- 50680 28th Avenue, LLC
- 190 Wash & 140 Locust, LLC
- 190 N Washington, LLC
- 135 W. Monroe, LLC
- Fifty Knapp Drive, LLC
- 50 Knapp, LLC
- 1230 E. Michigan Avenue, LLC
- 1230 Michigan Inc.
- 1639 S. Huron, LLC
- 1639 Huron Inc.
- Nabis NM LLC
- Nabis Holdings Oklahoma Inc.
- Nabis Oklahoma Patient Care Inc.
- Nabis Holdings Washington, LLC

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.

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.

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.

2019

During the fiscal year ended December 31, 2019, the Company made the decision to continue the Company into the governing jurisdiction of the Province of British Columbia (the “**Continuance**”) and to adopt new Articles in accordance with the *Business Corporations Act* (British Columbia) (the “**New Articles**”). Management of the Company made this decision because the *Business Corporations Act* (British Columbia) (the “**BCBCA**”) is a more recent statute than the CBCA and provides more flexibility than that of the CBCA. In particular, the BCBCA, unlike the CBCA, does not require that at least 25% of the directors be ordinarily resident in Canada and the Corporation may need the flexibility to recruit directors who can contribute to its growth and development, wherever such persons may reside. The Continuance under the BCBCA also provided added flexibility with respect to corporate transactions.

During the fiscal year ended December 31, 2019, the Company also implemented a rolling restricted share unit plan (the “**RSU Plan**”). The RSU Plan was designed to provide certain directors, officers, consultants and other key employees (an “**Eligible Person**”) of the Company and its related entities with the opportunity to acquire restricted share units (“**RSUs**”) of the Company. The acquisition of RSUs allows an Eligible Person to participate in the long-term success of the Company thus promoting the alignment of an Eligible Person’s interests with that of the Shareholders.

During the fiscal year ended December 31, 2019 the Company implemented a name change with shareholder approval to continue under the name Nabis Holding Inc.

During the fiscal year ended December 31, 2019, the Company agreed to acquire certain assets from PDT Technologies, LLC (“**PDT**”), a Washington-based private company, for consideration of \$402,234 (US\$300,000). Among the assets acquired were extraction and production equipment, rights to lease PDT’s current production facility and exclusive licensing rights throughout the State of Washington to Chong’s Choice brand products. Upon closing of the acquisition, PDT leased back from the Company the extraction and production equipment through an equipment lease, the production facility through a sublease, as well as the licensing rights to Chong’s Choice brand products for a fee of US\$2,675 per month. On September 30, 2019, the licensing agreement with Chong’s Choice was terminated. In addition, the Company also acquired an assignable option to purchase PDT’s license to process marijuana and marijuana products in the State of Washington for US\$25,000, subject to applicable law. Thereafter, the Company assigned the option to a Washington company (the “**Assignee**”) and the Assignee then elected to exercise the option prior to the Option expiry date. The Assignee paid an additional US\$25,000 to PDT once the licensing process was finalized. Upon the Assignee's acquisition of the license, the Assignee assumed the equipment lease and the sublease.

During the fiscal year ended December 31, 2019, the Company agreed to acquire 49% interest in Cannova Medical Ltd. (“**Cannova**”), a private company located in Israel that provides innovative solutions

for cannabis consumption for a consideration of \$1,343,350 (US\$1,000,000) in cash and issuance of 5,911,111 common shares at a fair value of \$0.33 per share. The Company also has an option to acquire the remaining 51% interest of Cannova by issuing and additional 7,388,888 common shares (“option shares”) at a fair value of \$0.90 per share upon the completion of certain milestones. The option shares were issued and were reflected in the number of shares outstanding at December 31, 2019 and were held in escrow until certain milestones were achieved. The option to acquire the remaining 51% interest in Cannova has a 5-year life and, if not exercised, will expire on May 23, 2024.

During the fiscal year ended December 31, 2019, the Company acquired exclusive rights to operate the Emerald dispensary in Phoenix, Arizona, whose license was held by PHI.

During the fiscal year ended December 31, 2019, the Company acquired six properties and a parcel of land in the state of Michigan. The vendors of these properties offered financing to the Company to facilitate with the acquisitions.

During the fiscal year ended December 31, 2019, the Company closed the acquisition of a 44,000 square foot cultivation, production and fulfillment facility located on 2.5 acres of land in Camp Verde, Arizona, near Phoenix.

2020

On January 20, 2020, the Company’s wholly-owned subsidiary, Nabis Hemp Holdings Inc. announced that they have secured a full hemp license in Arizona. The Company successfully secured all five types of hemp licenses available, including licenses to: Nurse; Grow; Harvest; Transport and Process. Having obtained these hemp licenses, the Company believed this would give it the ability to manufacture its own CBD oil extracts for certain lines of products, allowing for better cost control and increased margins and profitability.

On January 28, 2020, the Company announced that they entered into a binding memorandum of understanding (“MOU”) with Panaxia Pharmaceutical Industries, Ltd. (“**Panaxia**”). Under the terms of the MOU, Panaxia would provide proprietary pharma grade cannabis-based products that have proven to be in high demand in other states in the U.S. including New Mexico, Colorado and California. The products are produced in the first operating EU GMP facility in Arizona, under Nabis licenses, located at Nabis’ “Camp Verde” facility in Arizona, a 44,000 square foot cultivation, production and fulfillment facility. Under the MOU, Nabis would provide the raw materials for production of the products and would also be responsible for sales, marketing and distribution through their already established dispensary and whole-sale channels which serve more than 50% of Arizona dispensaries. Panaxia would be responsible for the production, clinical affairs and quality. All products of the joint venture are sold under the Panaxia brand, of which Nabis owns 50% in Arizona. Under the MOU, there is an opportunity for Nabis and Panaxia to expand their joint venture into additional states in the U.S.

On March 17, 2020, the Company announced that it had terminated the definitive agreement dated June 12, 2019, as amended, for the acquisition of Desert’s Finest.

On June 17, 2020, the British Columbia Securities Commission issued a management cease trade order in connection with the filing of the Company’s audited annual financial statements, management’s discussion and analysis and related officer certificates for the financial year ended December 31, 2019.

On June 29, 2020, the Company announced that it would not make the interest payments due on June 30, 2020 for the outstanding \$35,000,000 convertible debentures with a maturity date of March 26, 2022. In addition, the Company received a statement of claim against the Company by Odyssey Trust Company Ld. For breach of the terms of the debentures as a result of the missed June 30, 2020 interest payment.

On July 17, 2020, the Company announced that it closed the sale of its cultivation, production and fulfillment facility located in Camp Verde, Arizona, outside of the greater Phoenix area for gross proceeds of \$6.1M (US\$4.5M).

On July 27, 2020, the Company announced that they received a demand for payment from Odyssey Trust Company Ltd. The Company was notified after the close of business on July 24, 2020 that Odyssey Trust Company Ltd. had commenced a legal action against the Company, alleging a breach of the indenture agreement between the parties occurred when the Company deferred the interest payment due to the unsecured debenture holders on June 30, 2020.

On August 31, 2020, the Company defaulted on its mortgages relating to the Michigan properties it owned. As a result of the default, ownership of the properties reverted back to the seller. At the time of default, the properties had a carrying value of \$10,482,589 and associated mortgage obligations of \$4,777,846, resulting in a loss on disposal of \$5,704,743 recognized during the three and nine-month periods ended September 30, 2020.

On October 6, 2020, the Company announced that it would not make the interest payments due on September 30, 2020 for the outstanding \$35,000,000 convertible debentures with a maturity date of March 26, 2022.

On October 16, 2020 the Company announced it had commenced civil proceedings in the Arizona Superior Court and the Ontario Superior Court of Justice, both brought against Mark Krytiuk – the Company’s former director and officer for failure to transition control of material assets of the Company following his resignation from the Company and for a breach of fiduciary duty.

On October 28, 2020 announced that Nabis AZ, LLC (“**Nabis AZ**”), a wholly-owned subsidiary of the Company, failed to fund its deferred payment obligation in respect of an asset purchase agreement for the assets and management agreements related to the operation and management of Perpetual Healthcare Inc. (“**Perpetual**”), the operator of the Emerald medical marijuana retail dispensary located in Arizona. Nabis AZ was required to make payment to the vendors under such asset purchase agreement of approximately USD \$8.1 million, including accrued interest, which was due on October 25, 2020 (the “**Deferred Obligation**”). Nabis AZ received formal written notice of its default on the Deferred Obligation. Following the lapse of a 10 business day cure period ending November 10, 2020, in addition to the acceleration of the approximately USD \$8.1 million owing, the terms of the Deferred Obligation contemplated that (i) a specified representative of the vendor was to be appointed to the board of directors of Perpetual, and (ii) an amended and restated operating agreement in respect of Nabis AZ was to become effective, providing certain specified representatives of the vendor with an aggregate 75% membership interest in Nabis AZ with certain limited governance rights, whereby such persons were entitled to a monthly pro rata preferred distribution in respect of their 75% aggregate membership interest until the Deferred Obligation is satisfied.

On November 5, 2020, the Company provided an update on civil proceedings in the Arizona Superior Court initiated by Nabis AZ, the Company’s wholly-owned subsidiary, against Mark Krytiuk (“**Krytiuk**”), the Company’s former President, Chief Operations Officer and director. On October 16, 2020, Nabis AZ filed an application with the Arizona Superior Court to request expedited injunctive relief against Krytiuk in respect of, among other things, Krytiuk’s position as a director of Perpetual, the operator of the Emerald medical marijuana retail dispensary. The application was heard on November 2, 2020, following which the Arizona Superior Court denied the application. The Court released a minute entry on November 4, 2020 with reasons for its denial of the application on the basis that Nabis AZ had not met the legal threshold for such expedited relief. The Arizona Superior Court’s decision to deny the application does not preclude the Company from continuing to seek monetary and other relief against Krytiuk, including his removal as a director of Perpetual. The Arizona Superior Court also confirmed that Nabis can amend its lawsuit to bring additional claims against Krytiuk. PNTM Management Services, LLC (“**PNTM**”) and Nolan Ryan have filed a lawsuit against Nabis AZ, the Company and Krytiuk in the Arizona Superior Court. The lawsuit involves Nabis AZ’s failure to fund its deferred payment obligation in respect of an asset purchase agreement for the assets and management agreements related to the operation and management of Perpetual. PNTM and Mr. Ryan allege claims against Nabis AZ and the Company for breach of contract and declaratory judgment. PNTM and Mr. Ryan allege claims against Krytiuk for intentional interference with contract and declaratory judgment.

On November 5, 2020, the Company announced that the disputes with Mr. Krytiuk were resolved, including in respect of outstanding employment entitlements. Mr. Krytiuk agreed to an orderly transition of his directorship and other positions and interests in Perpetual to a nominee of the Company. The Company's nominee was appointed to the board of directors of Perpetual subsequent to year end. The actions will be discontinued on a without costs and with prejudice basis.

On November 23, 2020, the Company announced that it entered into a support agreement (the "**Support Agreement**") with certain holders ("**Debentureholders**") of the Company's outstanding \$35 million principal amount 8.0% unsecured convertible debentures (the "**Debentures**"). Pursuant to the Support Agreement, the Debentureholders party thereto agreed to support a recapitalization plan for the Company that would, subject to required approval of Nabis' creditors (the "**Creditors**") and the Ontario Superior Court of Justice, result in the recapitalization of the Debentures and all other debts of the Company (the "**Recapitalization**"). The Recapitalization was implemented pursuant to a proposal (the "**Proposal**") under the Bankruptcy and Insolvency Act of Canada (the "**BIA**"). The Proposal was filed with the Official Receiver on November 23, 2020.. The material terms of the Proposal were: (i) the cancellation of all of the common shares, preferred shares, warrants, stock options and any other similar equitytype securities in the capital of the Company (collectively, "**Equity Claims**"); (ii) all Equity Claims will be irrevocably and finally extinguished upon implementation of the Proposal; (iii) in full and final satisfaction of all Creditor claims, which will be irrevocably and finally extinguished, on the implementation date of the Proposal, the Company shall issue and pay to each Creditor its pro rata share of: (a) 3,700,000 new common shares in the capital of the Company; and (b) new 5.3% first lien notes in the aggregate amount of \$23 million due 2022 on the terms set out in the Proposal; and (iv) certain persons, including the Company and each of its affiliates and the Debentureholders party to the Support Agreement, and each of their respective former and current officers, directors, principals and employees, will receive releases of certain claims pursuant to the BIA. KSV Restructuring Inc. acted as proposal trustee pursuant to the BIA in respect of the Proposal (in such capacity, the "**Proposal Trustee**"). Under the Support Agreement, the Debentureholders party thereto agreed, subject to certain conditions precedent and termination rights, to support and vote for the Proposal at the meeting of the Creditors to be held on December 14, 2020 (the "**Creditors' Meeting**"). Under the terms of the Support Agreement, the Company agreed to certain customary covenants and restrictions with respect to its business and operations until the Proposal was implemented.

On December 10, 2020 the Company announced it amended its previously announced Proposal under the BIA, pursuant to which the Company was to implement a recapitalization of the Company's outstanding CDN\$35 million principal amount Debentures and all other debts of the Company. The amended proposal (the "**Amended Proposal**") was made with the support of the holders of Debentures who were party to the previously announced support agreement in respect of the Recapitalization. A full copy of the Amended Proposal is available from KSV Restructuring Inc., as proposal trustee in respect of the Amended Proposal, at www.ksvadvisory.com/insolvency-cases/case/nabis-holdings (the "**Proposal Trustee's Website**"). Other than as follows, the material terms of the Amended Proposal are the same as the terms of the Proposal previously disclosed in the Company's November 23, 2020 news release. In full and final satisfaction of all Creditors' (as defined below) claims, which will be irrevocably and finally extinguished, on the implementation date of the Proposal, the Company shall issue and pay to each Creditor its pro rata share of: (i) 3,700,000 new common shares in the capital of the Company; and (ii) new 5.3% senior unsecured notes in the aggregate amount of CDN\$23 million due 2022 on the terms set out in the Amended Proposal. The Recapitalization was subject to, among other things, the required approval of the Company's creditors (the "**Creditors**") at the Creditors of the Creditors held virtually on December 14, 2020 at 10:00 a.m. (Toronto time) (the "**Creditors' Meeting**"). .

On December 15, 2020, the Company announced that the Company's previously announced Proposal under the BIA was unanimously approved by the Creditors who were present (in person or by proxy) and voted at the meeting of the Creditors held virtually on December 14, 2020, in accordance with the voting procedures established by the Proposal and the BIA. Pursuant to the Proposal, the Company will implement a recapitalization of the Company's outstanding CDN\$35 million principal amount of 8.0% unsecured convertible debentures and all other debts of the Company. The Proposal Trustee applied for an

order from the Ontario Superior Court of Justice (Commercial List) approving the Proposal in accordance with the BIA (the “**Order**”) at a hearing scheduled for 10:00 a.m. (Toronto time) on December 21, 2020.

On December 22, 2020, the Company announced that the approval of the Proposal under the BIA. On December 21, 2020, the Ontario Superior Court of Justice (Commercial List) granted an order (the “**Approval Order**”) approving the Proposal in accordance with its terms and the BIA. Pursuant to the Proposal, the Company will implement a recapitalization of the Company’s outstanding CDN\$35 million principal amount of 8.0% unsecured convertible debentures and all other debts of the Company. KSV Restructuring Inc. is acting the proposal trustee in respect of the Proposal. A copy of the Proposal and the Approval Order are available on the Proposal Trustee's website: www.ksvadvisory.com/insolvency-cases/case/nabis-holdings. Implementation of the Proposal remained subject to satisfaction or waiver of certain conditions as set forth in the Proposal. In accordance with the Proposal and Approval Order, upon implementation of the Proposal, the Company’s board of directors were to be deemed to have resigned and each of Bruce Langstaff, Jennifer Law, Scott Kelly and Jared Carroll (the “**New Board Members**”) were to be deemed to have been appointed without any further action by the Company or by the Company's shareholders.

2021

On January 4, 2021, the Company announced that the Proposal under the BIA pursuant to which the Company was to implement a recapitalization of the Company’s outstanding CDN\$35 million principal amount of 8.0% unsecured convertible debentures and all other debts of the Company, was expected to be implemented on or prior to January 31, 2021.

On January 21, 2021, the Company provided an update with respect to the Proposal under the BIA. The Company and the Consenting Debentureholders (as defined in the Proposal) set March 1, 2021 as the deadline (the “**Certification Deadline**”) for all Debentureholders and all other creditors to receive consideration under the Proposal (other than Convenience Creditors (as defined in the Proposal)) (collectively with the Debentureholders, the “**Debtholders**”) to certify as to their eligibility to receive their pro rata share of (a) 3,700,000 new common shares of the Company (“**New Common Shares**”) and (b) new 5.3% senior unsecured notes in the aggregate amount of CDN\$23 million due 2023 (“**New Unsecured Notes**”). Debtholders who fail to certify as to their eligibility to receive the New Common Shares and New Unsecured Notes by the Certification Deadline will receive the net cash proceeds, if any (“**Net Cash Proceeds**”), realized from the sale of their pro rata share of New Common Shares and New Unsecured Notes on the Canadian Securities Exchange or such other exchange on which the New Common Shares and New Unsecured Notes are listed and posted for trading, conducted by a selling agent (the “**Selling Agent**”) to be appointed by the Company.

On January 26, 2021 the Company announced that it completed the Proposal under the BIA pursuant to which the Company implemented a recapitalization of its previously outstanding CDN\$35 million principal amount of 8.0% Debentures and all other prior debts of the Company. Upon implementation of the Proposal, (i) all existing equity claims in the Company were irrevocably and finally extinguished; and (ii) in full and final satisfaction of all claims of Nabis' creditors, which were irrevocably and finally extinguished, the Company issued an aggregate of 3,700,000 New Common Shares and an aggregate principal amount of CDN\$23 million new 5.3% New Unsecured Notes on the terms set out in the Proposal. The Debentures previously posted for trading on the Canadian Securities Exchange (the “**CSE**”) under the ticker symbol “NAB.DB” and the Company's warrants previously posted for trading on the CSE under the ticker symbol “NAB.WT” were both cancelled pursuant to the Proposal and were delisted from the CSE as of close of on January 26, 2021. The Company's previously outstanding common shares that were cancelled pursuant to the Proposal were delisted and concurrently the New Common Shares were listed under a new CUSIP on the CSE, each effective as of close of markets today. The New Unsecured Notes began trading on the CSE on January 27, 2021 under the ticker symbol “NAB. NT”. In connection with the implementation of the Proposal, all of the prior directors of Nabis were deemed to have resigned, and have been replaced with each of Bruce Langstaff, Jennifer Law, Scott Kelly and Jared Carroll. Nicole Rusaw has agreed to remain as a consultant to the Company.

On January 28, 2021, the Company provided clarification regarding the completion on January 26, 2021, of Proposal under the BIA, pursuant to which the Company implemented the Recapitalization. Upon implementation of the Proposal on January 26, 2021, all existing equity claims in the Company, including all of the 121,729,441 previously outstanding common shares of the Company (CUSIP: 629523101) (the "**Old Common Shares**"), were irrevocably and finally extinguished and cancelled for no consideration. If a shareholder held Old Common Shares, and the shareholder did not and will not receive any cash or securities in exchange for your Old Common Shares. In full and final satisfaction of all claims of the Company's creditors, the Company issued an aggregate of 3,700,000 New Common Shares and an aggregate principal amount of CDN\$23 million new 5.3% New Unsecured Notes") to former creditors of the Company. As of January 28, 2021, the Company had issued and outstanding 3,700,000 New Common Shares (CUSIP: 629523309), all of which are held by former creditors of the Company. The Debentures previously posted for trading on the CSE under the ticker symbol "NAB.DB" and the Company's warrants previously posted for trading on the CSE under the ticker symbol "NAB.WT" were both cancelled pursuant to the Proposal and were delisted from the CSE as of close of markets on January 26, 2021. The Company's Old Common Shares (CUSIP: 629523101) were cancelled pursuant to the Proposal and were delisted, and concurrently the New Common Shares were listed under a new CUSIP on the CSE, each effective as of close of markets on January 26, 2021. The New Unsecured Notes began trading on the CSE on January 27, 2021 under the ticker symbol "NAB. NT".

On February 2, 2021, the Company announced that Perpetual received its "Dual License" from the Arizona Department of Health Services, enabling it to sell cannabis products to adult users in addition to continuing to service its established medical clientele. Perpetual intends to commence sales to the "adult use" market as quickly as practicable. Further, PNTM, the plaintiffs in the lawsuit against the Company's wholly-owned subsidiary, Nabis AZ have agreed to a stipulation to dismiss after the Company discharged its US\$8.5M deferred payment obligation to PNTM in respect of an asset purchase agreement for the assets and management agreement relating to the operation and management of Perpetual. Funding for the PNTM obligation was obtained from an unsecured US\$9M 1-year loan bearing interest at 12% (the "**Loan**"). The remainder of the proceeds from the Loan will be used for general corporate purposes. At the time of the Loan the lender was at arm's length to the Company, however the lender has subsequently become a related party of the Company upon completion of the Company's Proposal under the Bankruptcy and Insolvency Act (Canada).

On February 26, 2021 the Company announced that its Arizona subsidiary, Nabis AZ, LLC ("**AZ Sub**") entered into an agreement (the "**Verano Agreement**") with Verano Arizona LLC ("**Verano Arizona**"), a subsidiary of Verano Holdings Corp. ("**Verano**"), whereby AZ Sub transferred the management and governance of Perpetual Healthcare Inc. ("**PHI**"), which operates the Emerald Dispensary in Phoenix, Arizona to Verano Arizona. Under the terms of the Verano Agreement, AZ Sub assigned the Management Rights associated with PHI to Verano Arizona, and the Company's appointed director of PHI appointed certain Verano representatives as directors of PHI, and subsequently resigned. The substantive effect of these transactions was equivalent to the sale of all of the Company's right, title, and interest in the Emerald Dispensary to Verano Arizona. In consideration of the foregoing, AZ Sub received US\$11.25 million in cash, 541,994 Class A Subordinate Voting Shares (the "**Verano Shares**") of Verano, and a promissory note of US\$6.125 million. Closing of the Verano Agreement occurred on March 10, 2021.

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.

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 discontinued its administrative management aspect as the Company determined that this was no longer feasible. Until August of 2020, the Company was focused on assembling a premier cannabis business with a vision to becoming a worldwide industry leader. The execution of this strategy was deferred in mid-2020 owing to the Company's financial difficulties. Subsequent to year end, the Company adopted a strategy of monetizing its remaining assets, consisting of certain cannabis-related businesses in the United States and fixed assets in Canada, in order to discharge its remaining liabilities and position itself to pursue future opportunities to create value for its shareholders.

Section 5.2 Risk Factors

The following are certain risk factors relating to the business and securities of the Company. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this AIF. These risks and uncertainties are not the only ones facing the Company. Additional risks and uncertainties not presently known to the Company, or that the Company currently deems immaterial, may also impair the operations of the Company. If any such risks actually occur, the business, financial condition and/or liquidity and results of operations of the Company could be materially adversely affected.

The COVID-19 outbreak and its effect on the Company's business

In December 2019, a strain of novel coronavirus (now commonly known as COVID-19) ("COVID-19") was reported to have surfaced in Wuhan, China. COVID-19 has since spread rapidly throughout many countries, and, on March 11, 2020, the World Health Organization declared COVID-19 to be a pandemic. In an effort to contain and mitigate the spread of COVID-19, many countries, including Canada, have imposed unprecedented restrictions on travel, and there have been business closures and a substantial reduction in economic activity in countries that have had significant outbreaks of COVID-19.

It is currently not possible to predict how long the pandemic will last or the time that it will take for economic activity to return to prior levels. The COVID-19 pandemic has resulted in significant financial market volatility and uncertainty in recent weeks. A continuation or worsening of the levels of market disruption and volatility seen in the recent past could have an adverse effect on the Company's ability to access capital, business, results of operations and financial condition, and on the market price of the Common Shares. The extent of this potential disruption on the Company's business cannot be assessed as the full extent of the outbreak and its impact on the global economy cannot be predicted.

Failure to Manage Growth

If the Company's is unable to manage its continued growth successfully, its business and results of operations could suffer. The Company's ability to manage growth will require it to continue to build its operational, financial and management controls, contracting relationships, marketing and business development plans and controls and reporting systems and procedures. The Company's ability to manage its growth will also depend in large part upon a number of factors, including the ability for it to rapidly:

- expand its internal and operational and financial controls significantly so that it can maintain control over operations;
- attract and retain qualified technical personnel in order to continue to develop reliable and flexible products and provide services that respond to evolving customer needs;

- build a sales team to keep customers and partners informed regarding the technical features issues and key selling points of its products and services;
- develop support capacity for customers as sales increase; and
- build a channel network to create an expanding presence in the evolving marketplace for its products and services.

An inability to achieve any of these objectives could harm the business, financial condition and results of operations of the Company.

Disruption due to Acts of God

Disruptions in the activities of the Company may be caused by natural disasters, effects of climate change and man-made activities, pandemics, trade disputes and disruptions, war, terrorism, and any other forms of economic, health, or political disruptions. The Company's financial conditions are reliant on continued operations, and in circumstances where continued operations are not possible, the Company is likely to experience a decline in its revenue, and may suffer additional disruptions in the form of lack of access to its workforce, customers, technology, or other assets. The extent of the impact on the Company will vary with the extent of the disruption and cannot be adequately predicted in advance.

Profitability

There is no assurance that the Company will be able to reach or sustain profitability. There is no assurance that future revenues will be sufficient to generate the funds required to continue the Company's business development and marketing activities. If the Company does not have sufficient capital to fund its operations, it may be required to reduce its sales and marketing efforts or forego certain business opportunities.

Dependence on Management and Key Personnel

The Company depends on the business and technical expertise of its management team and it is unlikely that this dependence will decrease in the near term. The Company's success largely depends on certain key personnel. The loss of the services of such key personnel may have a material adverse effect on the Company's business, financial condition, results of operations and prospects. Contributions made by the existing management team and additions made to the management team are of central importance to the Company's immediate and near-term operations. In addition, the competition for qualified personnel in the Company's industry is significant and there can be no assurance that the Company will be able to continue to attract and retain all personnel necessary for the development and operation of its business.

Advertising, Marketing and Promotion

The Company's results depend on the impact of its pricing, promotional and marketing plans and its ability to adjust these plans to respond quickly to economic and competitive conditions while remaining compliant with relevant legislation and regulations. The Company's existing or future pricing strategies and the value proposition they represent will continue to be important components of its overall plan, but may not be successful and could negatively impact sales and margins. The promotion of its offerings may yield results below desired levels. If the Company's pricing, promotional and marketing plans are not successful, or are not as successful as those of its competitors, the Company's sales, market share, and financial results could be adversely affected. Some of the Company's competitors are much larger than the Company, and expend more resources on their advertising and marketing programs, or use different approaches, which may provide them with a competitive advantage. The Company's marketing, advertising and promotional programs may not be effective or could require increased expenditures, which could have a material adverse effect on its revenue, profitability, and results of operations. The Company may need to adjust its marketing, advertising and promotional programs effectively and more quickly as Internet-based and other digital or

mobile communication channels and other social media rapidly evolve, and it may not successfully do so. In addition, the Company must comply with regulatory restrictions on advertising and marketing. Non-compliance could result in penalties and/or increased costs.

Dilution

The Company may make future acquisitions or enter into financings or other transactions involving the issuance of the Company's securities which may be dilutive to the existing shareholders.

Price Volatility of Publicly Traded Securities

In recent years, the securities markets in the US 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. There can be no assurance that continuing fluctuations in price will not occur. Any quoted market for the Common Shares will be subject to market trends generally, notwithstanding any potential success of the Company in generating revenues, cash flows or earnings. The value of the Common Shares will be affected by such volatility. A public trading market in the Common Shares having the desired characteristics of depth, liquidity and orderliness depends on the presence in the marketplace of willing buyers and sellers of Common Shares at any given time, which presence is dependent on the individual decisions of investors over which the Company has no control. There can be no assurance that an active trading market in Common Shares will be established and sustained. The market price for Common Shares could be subject to wide fluctuations, which could have an adverse effect on the market price the Common Shares. The stock market has, from time to time, experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance, net asset values or prospects of particular companies. If an active public market for Common Shares does not develop or is not maintained, the liquidity of a shareholder's investment may be limited and the Common Share price may decline.

Conflicts of Interest

Certain of the Company's directors are also directors of other companies and as such may, in certain circumstances, have a conflict of interest requiring them to abstain from certain decisions.

Debt Levels

The Company currently has, and will continue to have, indebtedness. The Company's ability to make payments of principal and interest on the debt or to refinance its indebtedness will depend on the Company's future operating performance and its ability to enter into additional debt and equity financings, which to a certain extent is subject to economic, financial, competitive and other factors beyond the Company's control.

If the Company is unable to generate sufficient cash flow in the future to service its debt, it may be required to refinance all or a portion of its existing debt or obtain additional financing. There can be no assurance that any such refinancing would be possible or that any additional financing could be obtained on terms acceptable to the Company. The inability to obtain additional financing could have a material adverse effect on the Company's business, financial condition, liquidity and results of operations. Any additional equity financing would result in the dilution of shareholders.

The Company's substantial indebtedness could have important consequences to shareholders including, but not limited to, the Company being unable to satisfy its obligations under its credit facilities and being vulnerable to adverse general economic and industry conditions. The Company may find it more difficult to fund future working capital, capital expenditures, general corporate purposes or other purposes, and the Company could have to dedicate a substantial portion of its cash resources to the payment of its indebtedness, thereby reducing the funds available for operations and for distribution to shareholders.

Leverage

The degree to which the Company is leveraged could have important consequences on shareholders, including: (i) the Company's ability to obtain additional financing for working capital, capital expenditures or acquisitions may be limited; (ii) a significant portion of the Company's cash flow from operations may be dedicated to the payment of the principal of, and interest on, its indebtedness, thereby reducing funds available for future operations; and (iii) the Company may be more vulnerable to economic downturns and be limited in its ability to withstand competitor pressures. These factors may increase the sensitivity of distributable cash to interest rate variations.

Competition

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.

Dependence on Management Information Systems

The Company depends on its management information systems in each stage of its operations. These management information systems also form the basis of its financial reporting. Irreparable damage to the Company's management information systems and databases, or loss of the information contained therein, could have a material adverse effect on the Company's business, financial condition, liquidity and results of operations or future prospects.

More Stringent Government Regulations

The Company is subject to various federal, provincial and municipal laws and regulations. Such laws, regulations and related rules and policies are administered by various federal, provincial and municipal agencies and other governmental authorities. New laws governing the Company's business could be enacted and changes to any existing laws could have a significant impact on the Company's business. The Company's failure to comply with applicable laws and regulations may subject it to civil or regulatory proceedings which may have a material adverse effect on the Company's business, financial condition,

liquidity, results of operations or future prospects.

Risk Factors Related to 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 investments in entities in the state of Washington that are involved in the United States cannabis industry. As a result, the Company is subject to Staff Notice 51-352 and accordingly, provides the following disclosure:

United States Federal Overview

General

In the United States, thirty-three states, Washington D.C. and Puerto Rico have legalized medical marijuana, and eleven 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.

On January 4, 2018 the Cole Memorandum was revoked by Former 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, Former 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 emphasized 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.”

In November 2018, Jeff Sessions resigned from the position of Attorney General. William Barr replaced him, and remains the active Attorney General of the United States. Mr. Barr stated during his confirmation hearing that he would not seek to prosecute companies that have relied on the Cole Memorandum. Mr. Barr confirmed this response later in writing as part of the formal confirmation proceedings.

In February 2019, Mr. Barr went on to state that when the Cole Memo was replaced by the Sessions Memo discretion was given to individual US Attorneys to address the issues surrounding cannabis in their respective districts. Mr. Barr expressed the notion that the landscape of effective law enforcement around cannabis is complicated and that individual states are best positioned to deal with the matter in the ways they see best.

However, in April, 2019 during a Senate Appropriations subcommittee hearing, Mr. Barr stated in testimony: “I am accepting the Cole Memorandum for now, but I have generally left it up to the U.S. Attorneys in each State to determine what the best approach is in that state.” He also added, “I haven’t heard any complaints from the States that have legalized marijuana.”

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 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.

As of the date of this AIF, the Biden administration and new attorney general Merrick Garland have yet to formally announce any changes to the federal government's current position regarding the reinstatement of the Cole Memorandum, or the federal government's approach to marijuana policy in general. However, certain statements made by Mr. Garland during congressional testimony appear to indicate the possibility for reinstatement of the Cole Memorandum in some form.

Enforcement of Federal Laws

For the reasons set forth above, the Company’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, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company’s ability to operate 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 the Company could expand. Any inability to fully implement the Company’s expansion strategy may have a material adverse effect on the Company’s business, financial conditions 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 Nabis,

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 Nabix 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 remained in effect by virtue of a continuing resolution under which the entire 2018 budget was operating. On December 20, 2019, the United States Congress passed an omnibus bill that continued the Leahy Amendment. The 2019 omnibus bill will be effective until September 30, 2019. 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

The Company owns or controls assets located in the United States, specifically in the states of Arizona and Washington.

Section 5.3 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 5.4 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 5.5 Cycles

The Company's business is not cyclical or seasonal.

Section 5.6 Employees

As of the date of this AIF, the Company has approximately **two** full-time employees based out of the Toronto, Ontario, Canada office.

Section 5.7 The Company's Foreign Operations

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

Section 5.8 Lending

The Company currently has not adopted any investment policies.

Section 5.9 Recapitalization and Proposal under Bankruptcy and Insolvency Act

In August, 2020, given the liquidity constraints the Company was facing and the overall decline in the cannabis capital markets, the Company's Board formed a special committee to initiate a strategic alternative review process. As part of this process, the special committee was focused on securing additional capital to meet the Company's liquidity needs, including continuing engagement with the Company's debtholders. The Company did not make the June 30, 2020 and September 30, 2020 quarterly interest payments totaling \$1,403,520 accrued on the convertible debentures. Subsequent to the nine-month period ended September 30, 2020, the Company entered into the Support Agreement with certain holders of the Company's outstanding \$35 million principal amount 8.0% unsecured convertible debentures. Pursuant to the Support Agreement, the debentureholders of the Company agreed to support a recapitalization plan for the Company that would, subject to required approval of the Company's creditors and the Ontario Superior Court of Justice, result in the recapitalization of the Company's debentures and all other debts of the Company, including the June 30, 2020 and September 30, 2020 missed interest payments. The recapitalization was implemented pursuant to a proposal under the BIA which was filed on November 23, 2020, amended as of December 10, 2020, and granted by the Ontario Superior Court of Justice (Commercial List) on December 21, 2020.

The material terms of the Proposal are: (i) the cancellation of all of the common shares, preferred shares, warrants, stock options and any other similar equity-type securities in the capital of the Company; (ii) all equity claims would be irrevocably and finally extinguished upon implementation of the Proposal; (iii) in full and final satisfaction of all Creditor claims, which would be irrevocably and finally extinguished, on the implementation date of the Proposal, the Company would issue and pay to each creditor its pro rata share of: (a) 3,700,000 new common shares in the capital of the Company; and (b) new 5.3% first lien notes in the aggregate amount of \$23 million due 2023 on the terms set out in the Proposal; and (iv) certain persons, including the Company and each of its affiliates and debentureholders party to the Support

Agreement, and each of their respective former and current officers, directors, principals and employees, would receive releases of certain claims pursuant to the BIA.

KSV Restructuring Inc. was appointed as the proposal trustee pursuant to the BIA in respect of the Proposal. Under the Support Agreement, the debentureholders party thereto agreed, subject to certain conditions precedent and termination rights, to support and vote for the Proposal at the meeting of the creditors held on December 14, 2020. Under the terms of the Support Agreement, the Company agreed to certain customary covenants and restrictions with respect to its business and operations until the Proposal was implemented.

On January 26, 2021, the Company announced that it had completed the implementation of the Proposal pursuant to the terms and conditions in the applicable documentation. Pursuant to the Proposal, the debentures of the Company previously posted for trading on the CSE under the ticker symbol "NAB.DB" and the Company's warrants previously posted for trading on the CSE under the ticker symbol "NAB.WT" were both cancelled pursuant to the Proposal and were delisted from the CSE as of close of markets on January 26, 2021. The Company's previously outstanding common shares that were cancelled pursuant to the Proposal were delisted and concurrently the aggregate of 3,700,000 new common shares in the capital of the Company were listed under a new CUSIP on the CSE, each effective as of close of markets on January 26, 2021. The new 5.3% senior unsecured notes due 2022 began trading on the CSE on January 27, 2021 under the ticker symbol "NAB. NT".

Further, in connection with the implementation of the Proposal, all of the prior directors of the Company were deemed to have resigned, and were replaced with each of Bruce Langstaff, Jennifer Law, Scott Kelly and Jared Carroll. Nicole Rusaw agreed to remain as a consultant to the Company.

ARTICLE 6 DIVIDENDS AND DISTRIBUTIONS

No dividends have been declared or paid by the Company since inception. Under the BCBCA, there are no restrictions on the Company's ability to pay dividends. 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 DESCRIPTION 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 3,700,000 common shares issued and outstanding.

Common Shares

Holders of the Company's common shares are entitled to dividends if, as and when declared by the Company Board of Directors. Holders of the Company's 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's 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's 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 rolling 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 Shares issued and outstanding, from time to time. 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.

Restricted Stock Units

On March 15, 2019 the Board approved the adoption by the Company of a restricted share unit plan (the “**RSU Plan**”). Adoption of the RSU Plan was ratified by the Shareholders at the annual meeting of the Company held on May 3, 2019. The RSU Plan was designed to provide certain directors, employees and officers of the Company and its related entities with the opportunity to acquire RSUs of the Company in order to enable them to participate in the long-term success of the Company and to promote a greater alignment of their interests with the interests of the Shareholders. The Compensation Committee (or such other committee the Board may appoint) is responsible for administering the RSU Plan.

Effective December 1, 2019, the Company Board of Directors, subject to regulatory approval and Canadian Exchange approval, if required, adopted a rolling RSU plan authorizing the granting of RSU’s to directors, officers, employee or consultants of the Company or subsidiaries of the Company to a maximum of the number of RSU’s equal to 10% of the Shares issued and outstanding, from time to time.

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	
April 2021	0.39	0.20	238,900
March 2021	1.01	0.23	148148
February 2021	-	-	-
January 2021	0.015	0.005	9361576
December 2020	0.01	0.005	27363011
November 2020	0.01	0.005	17765569
October 2020	0.015	0.005	11394246
September 2020	0.025	0.01	4723201
August 2020	0.025	0.015	953383
July 2020	0.035	0.015	2750630
June 2020	0.035	0.02	2231218

May 2020	0.035	0.02	1248780
April 2020	0.04	0.015	2317233
March 2020	0.05	0.015	3260993
February 2020	0.06	0.04	2405622
January 2020	0.07	0.04	3679587

Section 8.2 Prior Sales

During the period ended December 31, 2020 and subsequently, the Company did not issue any securities that are not traded or quoted on the CSE, or any other marketplace.

ARTICLE 9 ESCROWED SECURITIES

As at the date of this AIF, Odyssey Trust has confirmed that it did not hold any securities in escrow for the Company as at December 31, 2020.

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 nil Common Shares, representing 0% of the issued and outstanding 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⁾
Nicole Rusaw Whitby, ON	Consultant	CPA, CA, finance and accounting executive with over 15 years of experience working with public biopharma and pharma companies.	October 1, 2019 (as CFO)	Nil

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⁾
Bruce Langstaff Toronto, ON	Executive Chairman	Managing Director of Langstaff & Company Ltd. Previously in senior roles at TD Securities, Newcrest Capital, Bunting Warburg, and Canaccord Genuity.	January 28, 2021	Nil
Jared Carroll ⁽²⁾ Toronto, ON	Director	Senior commodity trader at Atlantic Forest Products.	January 28, 2021	Nil
Scott Kelly ⁽²⁾ Toronto, ON	Director	President of Cabrana Capital Advisors. Previously a Senior Vice President of TMX Equicom Group Inc. Currently CEO and Director of Westbridge Energy, and an independent director of Canoe Mining Ventures and Inter-Rock Minerals.	January 28, 2021	Nil
Jennifer Law ⁽²⁾ Toronto, ON	Director	Senior Portfolio Manager at Empire Life Investments Inc. Previously held portfolio management positions at CIBC Global Asset Management and Montrusco Bolton.	January 28, 2021	Nil

Notes:

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

(2) Member of the Audit, Compensation and Corporate Governance Committee; Jared Carroll is the Chairman of the Audit, Compensation and Corporate Governance Committee.

Section 10.2 Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Other than as stated below:

1. 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.

2. Other than Nicole Rusaw, 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.

3. 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.

On June 15, 2020, the Company announced that that its annual financial statements for the year ended December 31, 2019, including the related management discussion and analysis, and CEO and CFO certifications (collectively, the “**Annual Financial Filings**”) were not filed by the required extended filing deadline of June 15, 2020 granted by the BCSC and other members of the Canadian Securities Administrators. As a result, the Company applied to the applicable securities regulatory authorities in respect of the Annual Financial Filings and received a management cease trade order (“**MCTO**”) imposed against the Chief Executive Officer and Chief Financial Officer of the Company precluding them from trading securities of the Company. The MCTO was to be in effect until the Annual Financial Filings were filed and required that the Annual Financial Filings be filed on or before July 15, 2020. On July 22, 2020, the Company announced that it was current with all of financial reporting requirements in relation to the Fiscal 2019 and Q1 Fiscal 2020 filings and accordingly, the MCTO put into effect by the BCSC was lifted.

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 BCBCA 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 BCBCA. 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 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, COMPENSATION AND CORPORATE GOVERNANCE COMMITTEE

Section 12.1 Audit, Compensation, and Corporate Governance Committee Charter

The Company's is governed by its Audit, Compensation and Corporate Governance Committee. On November 15, 2019 the Company disbanded its three Committees, the Audit Committee, the Compensation Committee and the Corporate Governance and Regulations Committee, and formed one Committee, the Audit, Compensation and Corporate Governance Committee. A copy of the Company's Audit Committee Charter is annexed to this AIF as Appendix A.

Section 12.2 Composition of the Audit, Compensation, and Corporate Governance Committee

The current members of the Committee are Mr. Carroll, Mr. Kelly, and Ms. Law, all are "independent" within the meaning of NI 52-110. Mr. Carroll is the Chairman of the committee. 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. Carroll is a senior commodity trader at Atlantic Forest Products, a trading firm. Mr. Carroll has over twenty years' experience in trading and risk management with respect to agricultural commodities. Previously, Mr. Carroll was instrumental in the establishment of Weston Forest's US commodity trading division. Mr. Carroll holds a Bachelor of Arts degree from Wilfrid Laurier University.

Mr. Kelly is the President of Cabrana Capital Advisors, a strategic advisory firm focused on emerging companies. Prior to Cabrana, Mr. Kelly was a Senior Vice President of TMX Equicom Group Inc., where he advised many public companies with respect to strategic communications. Mr. Kelly is currently CEO and Director of Westbridge Energy, and an independent director of Canoe Mining Ventures and Inter-Rock Minerals. Mr. Kelly holds a Bachelor of Arts degree from Queen's University and a further certification from the Venture Capital Executive Program at the Haas School of Business at University of California, Berkeley.

Ms. Law is a Senior Portfolio Manager at Empire Life Investments Inc., with responsibility for public equity investments across the capitalization spectrum. Ms. Law previously held portfolio management positions at CIBC Global Asset Management and Montrusco Bolton. Ms. Law holds a Bachelor of Commerce degree from the University of British Columbia and holds the CFA designation.

Section 12.4 Reliance on Certain Exemptions

For the fourteen months ended December 31 2020 and the comparative 12 months it has not relied on an exemption, in whole or in part, granted under Part 8 of NI 52-110.

Section 12.5 Audit, Compensation, and Corporate Governance Committee Oversight

The 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 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 from January 1, 2020 through to the financial year ended December 31, 2020 were \$88,582 respectively.

Section 12.8 Audit-Related Fees

There were no audit-related fees billed by the Company's external auditors from January 1, 2020 through to the financial year ended December 31, 2020.

Section 12.9 Tax Fees

The aggregate tax fees billed by the Company's external auditors from January 1, 2020 through to the financial year ended December 31, 2020 were \$3,000.

Section 12.10 All Other Fees

There were no fees other than reported above that were billed by the Company's external auditors from January 1, 2020 through to the financial year ended December 31, 2020.

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

GreenVision

On November 18, 2019 the Company was served with a Notice of Civil claim filed with the Supreme Court of British Columbia. The claimant, GreenVision, claims they are owed USD\$616,000 in relation to consulting fees payable in connection with certain acquisitions made by the Company. The claim seeks damages for breach of contract, interest pursuant to the Court Order Interest Act, costs and other

relief. The Company has filed a Statement of Defense and provided documents to meet the document disclosure requirements. Management believes the claim is without merit and is defending the action.

Mark Krytiuk

On October 16, 2020, the Company announced that it commenced civil proceedings in the Arizona Superior Court and the Ontario Superior Court of Justice, both against Mark Krytiuk, the Company's former Director, President and Chief Operating Officer. The Company took these actions as a result of the failure by Mr. Krytiuk to transition control of material assets of the Company back to the Company following his resignations from the Company.

As a consequence of his role as a fiduciary of the Company, Mr. Krytiuk is the sole director of PHI, the operator of the Emerald medical marijuana retail dispensary located in Arizona in which the Company had, at the time, a material contractual interest. Mr. Krytiuk refused to transfer the directorship of PHI as instructed by the Company and also failed to return other property belonging to the Company following his resignations from the Company. The proceedings in the Ontario Superior Court of Justice sought, inter alia, the return of certain Company property, a declaration that Mr. Krytiuk had breached his fiduciary duty to the Company, breached the terms of his employment agreement with the Company and an injunction compelling Mr. Krytiuk to transfer his directorship of PHI to a designee of the Company. Similarly, the proceedings in the Arizona Superior Court sought, inter alia, declaratory relief that Mr. Krytiuk breached his fiduciary duties to the Company and its affiliated entities and an order that Mr. Krytiuk transfer his directorship of PHI to a designee of the Company.

On November 4, 2020, the Arizona Superior Court released a minute entry with reasons for its denial of the application by AZ Sub on the basis that AZ Sub had not met the legal threshold for such expedited relief. The court's decision to deny the application did not preclude AZ Sub from continuing to seek monetary and other relief against Krytiuk, including his removal as a director of PHI.

On November 23, 2020, the Company announced that the disputes with Mr. Krytiuk had been resolved, including in respect of outstanding employment entitlements. Mr. Krytiuk agreed to an orderly transition of his directorship and other positions and interests in PHI to a nominee of the Company. The legal actions were discontinued on a without costs and with prejudice basis.

Odyssey Trust Company Ltd.

The Company was notified on July 24, 2020 that Odyssey Trust Company Ltd. had commenced a legal action against the Company, alleging that a breach of the indenture agreement between the parties occurred when the Company deferred the interest payment due to the unsecured debenture holders on June 30, 2020.

PNTM Management Services, LLC

On November 5, 2020, the Company announced that PNTM Management Services, LLC ("PNTM") and Nolan Ryan filed a lawsuit against AZ Sub, the Company and Krytiuk in the Arizona Superior Court. The lawsuit involved AZ Sub's failure to fund its deferred payment obligation in respect of an asset purchase agreement for the assets and management agreements related to the operation and management of PHI. PNTM and Mr. Ryan alleged claims against AZ Sub and the Company for breach of contract and declaratory judgment. PNTM and Mr. Ryan alleged claims against Krytiuk for intentional interference with contract and declaratory judgment.

As of February 2, 2021, PNTM, the Company and AZ Sub agreed to a stipulation to dismiss the lawsuit after the Company discharged its US\$8.5M deferred payment obligation to PNTM in respect of

such asset purchase agreement for the assets and management agreement relating to the operation and management of PHI.

Section 13.2 Regulatory Actions

In connection with the Proposal, the CSE announced on January 26, 2021 that all equity and securities convertible into equity were to be cancelled, effective January 26, 2021. Despite this, trades in the equity of the Company still continued over the period of January 26, 2021 to February 2, 2021. As is customary in events such as these, the Investment Industry Regulatory Organization of Canada ("IIROC") issued a notice on February 3, 2021 stating that all trades in the equity of the Company between January 27, 2021 and February 2, 2021 inclusive were cancelled and that IIROC took this action to protect market integrity. The Company issued a press release on February 4, 2021 confirming that they were in discussions with IIROC and the CSE regarding such trades that occurred.

As of March 16, 2021, all equity of the Company resumed trading on the CSE pursuant to the completion of the implementation of the Proposal.

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 December 31, 2020, 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, and the Support Agreement, the Company has not entered into any material contracts during the year ended December 31, 2020, 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 December 31, 2019, and October 31, 2018 and 2017, 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.

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 years ended December 31, 2019, October 31, 2018 and 2017 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 18.1 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 Aequis 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 jurisdiction.

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 summary, 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 18.2 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 18.3 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 18.4 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 2019 Management Information Circular 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 fourteen months ended December 31, 2020.

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.