



Maple Leaf Green World Inc. – Annual Information Form



MAPLE LEAF GREEN WORLD INC.

ANNUAL INFORMATION FORM

For the fiscal year ended December 31, 2017

DATED: May 14, 2018



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GLOSSARY OF TERMS

The following is a glossary of terms used in this Annual Information Form.

“**Abridgment Application**” means the abridgment application to Health Canada made by the Company for a license to produce and sell cannabis under the ACMPR;

“**ACMPR**” means the *Access to Cannabis for Medical Purposes Regulations*, SOR/2013-230;

“**Annual Information Form**” or “**AIF**” means this annual information form of the Company dated May 14, 2018 for the year ended December 31, 2017;

“**Application**” means the Company’s application to the Office of Medical Cannabis at Health Canada pursuant to the ACMPR to sell and produce cannabis;

“**ARPIC**” means alternative responsible person in charge, as defined under the ACMPR;

“**Audit Committee**” means the audit committee of the Company consisting of Daniel Larkin, Najibullah Alizada, and Greg Moline;

“**BioNeva**” means BioNeva Innovations of Henderson, LLC, a subsidiary of the Company;

“**CA LOI**” means the letter of intent between the Company and Emerald;

“**cannabis**” means the substance set out in item 1 of Schedule II to the CDSA;

“**Cannabis Act**” means Bill C-45: *An Act respecting cannabis and to amend the Controlled Drugs and Substances Act, the Criminal Code and other Acts*, Eliz. II: 64-65-66;

“**CBD**” means cannabidiol;

“**CBN**” means cannabinol;

“**CCMC**” means Canadian Construction Materials Centre;

“**CDSA**” means the *Controlled Drugs and Substances Act*, SC 1996, c 19;

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

“**Company**”, “**Maple Leaf**”, “**our**”, “**us**” or “**we**” means Maple Leaf Green World Inc.;

“**CSA**” means the Controlled Substances Act 21 U.S.C. § 802 et seq.;

“**Cultivation License**” means the conditionally approved Medical Marijuana Establishment – Cultivation Facility – Class V (Cultivation) business license granted to BioNeva, also referred to as “**Nevada Medical Marijuana Registration Certificate C115**”;

“**CUP**” means Conditional Use Permit;



“**DSA**” means the Distance Separation Analysis from the City of Henderson, in Nevada with respect to the Henderson Facility;

“**DWC**” means Deepwater Culture also known as the reservoir method;

“**Emerald**” means Emerald Farm Collective Non Profit Mutual Benefit Corp.;

“**FCEN**” means the Financial Crimes Enforcement Network of the United States Treasury Department;

“**FDA**” means the *Food and Drugs Act*, RSC 1985, c F-27;

“**FDR**” means the *Food and Drugs Regulations*, CRC, c 870;

“**Financial Statements**” means the audited annual consolidated financial statements for the Company for the year ended December 31, 2017;

“**forward-looking statements**” has the meaning ascribed to such term under the heading “Forward-Looking Statements”;

“**GPPs**” means Good Production Practices as stated in Subdivision D of the ACMPR;

“**GSGW**” means Golden State Green World, LLC, a subsidiary of the Company;

“**Henderson Facility**” means SSGW’s proposed facility to be located at 2000 Burns Road, Henderson, Nevada 89011 in the Pittman Planning and Eastside Redevelopment Area;

“**Henderson LOI**” means the letter of intent entered into between the Company and BioNeva on November 8, 2016 and revised on June 15, 2017;

“**Hydroponics**” means Deepwater Culture Hydroponics technology;

“**Instalogic**” means Instalogic Inc.;

“**Intellectual Property Rights**” means any statutory or non-statutory intellectual property rights in any jurisdiction, including any issued, pending, registered, filed or unfiled application for any patent (including any utility, design or plant patent, and including any continuation, continuation-in-part, divisional, re-issue, re-examination, national phase entry or regional phase entry application), copyright, trademark, industrial design, plant breeder’s right, Plant Varieties Protection Act registration, or other statutory intellectual property right, and any trade secret, know-how, goodwill, or other intellectual property or other proprietary right, and any written or unwritten title, interest, license, right to bring or participate in any proceeding for past infringement or any other actionable right under or relating to any intellectual property right, or any other rights to any of the foregoing, relating to any standard operating procedures, production processes, packaging processes, labeling processes, ingredients, technology, inventions, plant varieties, clonally propagated plant material, stable cultivars, business management processes, compilations of information, contracts, records, specifications, business procedures, label designs, branding, compliance documentation, files, records, documents, drawings, specifications, equipment and data (data includes all information whether written or in an electronic format), and including any suppliers, manufacturers, equipment, methodologies, customer lists or other relevant information, relating to any of the foregoing, pertaining to the business of a party;



“**IT**” means information technology;

“**Key Personnel**” means any of the Company’s officers, directors, SRPIC, RPIC, and ARPIC;

“**Licensed Dealer**” means the holder of a license issued under section 9.2 of the NCR;

“**Members**” means the members of Emerald that purchase medical cannabis from Emerald;

“**Minister**” means the Minister of Health;

“**MLFI**” means Maple Leaf Reforestation Inc.;

“**MD&A**” means management’s discussion and analysis for the Company’s year ended December 31, 2017;

“**MgO**” means certified magnesium oxide;

“**MMAR**” means the *Marihuana Medical Access Regulations*, SOR/2001-227;

“**MMP**” means MMP Structural Engineering Ltd.;

“**MMPR**” means the *Marihuana for Medical Purposes Regulations*, SOR/2013-119;

“**NCR**” means the *Narcotic Control Regulations*, CRC, c 1041;

“**NEO**” means Aequitas NEO Exchange Inc.;

“**OMC**” means the Office of Medical Cannabis at Health Canada;

“**OTCQB**” means the OTCQB Venture Market for early-stage and developing U.S. and international companies organized by OTC Markets Group;

“**Paramount**” means Paramount Structures Inc.;

“**PCPA**” means the *Pest Control Products Act*, SC 2002, c 28;

“**PIPEDA**” means the *Personal Information Protection and Electronics Documents Act*, SC 2000, c 5;

“**PMRA**” means the Pest Management Regulatory Agency;

“**RC**” means RC Corp., operating as Rethinking Construction;

“**Review**” means the seven-stage review process established under the ACMPR;

“**RO**” means Reverse Osmosis;

“**RPIC**” means responsible person in charge, as defined under the ACMPR;

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



“**SRPIC**” means a senior responsible person in charge, as defined under the ACMPR;

“**SSGW**” means SSGW, LLC, a subsidiary of the Company;

“**Subsidiaries**” means the subsidiaries of the Company consisting of GSGW, SSGW, and BioNeva, and

“**Subsidiary**” means any of GSGW, SSGW, and BioNeva;

“**Telkwa Facility**” means the Company’s proposed cannabis cultivation facility in Telkwa, British Columbia, Canada;

“**THC**” means delta-9-tetrahydrocannabinol;

“**TSXV**” means the TSX Venture Exchange;

“**United States**”, “**US**” or “**USA**” means the United States of America, and the District of Columbia; and

“**Woodmere**” means Woodmere Nursery Ltd.



ANNUAL INFORMATION FORM

In this Annual Information Form, unless otherwise noted or the context indicates otherwise, the “Company”, “Maple Leaf”, “we”, “us”, and “our” refer to Maple Leaf Green World Inc. and when used in reference to activities in Canada, the terms “cannabis” and “marihuana” are used as defined in the ACMPR enacted pursuant to the CDSA and the term “marijuana” is used as defined in relevant state law.

Reference is made in this Annual Information Form to the Financial Statements and the MD&A for Maple Leaf for the year ended December 31, 2017, together with the auditors’ report thereon. The Financial Statements and MD&A are available for review under the Company’s SEDAR profiled at www.sedar.com. All financial information in this Annual Information Form is prepared in Canadian dollars and using International Financial Reporting Standards as issued by the International Accounting Standards Board. The information contained herein is dated as of May 14, 2018 unless otherwise stated.

All currency amounts in this Annual Information Form are expressed in Canadian dollars unless otherwise indicated.

All references in this Annual Information Form to the Company or Maple Leaf also include references to the Subsidiaries of the Company as applicable, unless the context requires otherwise.

FORWARD-LOOKING STATEMENTS

This Annual Information Form contains certain information that may constitute “forward-looking information” and “forward-looking statements” which are based upon the Company’s current internal expectations, estimates, projections, assumptions, and beliefs. Generally, forward-looking statements can be identified by the use of forward-looking terminology such as “plans”, “expects” or “does not expect”, “is expected”, “budget” or “budgeted”, “scheduled”, “estimates”, “projects”, “intends”, “proposes”, “complete”, “anticipates” or “does not anticipate”, “believes”, “likely”, “may”, “will”, “should”, “intend”, “anticipate”, “proposed”, “potential”, or variations of such words and phrases or state that certain actions, events, or results “may”, “can”, “could”, “would”, “might”, “will be taken”, “occur”, or “be achieved”, and other similar words, including negative and grammatical variations thereof, or statements that certain events or conditions “may” or “will” happen, or by discussions of strategy. Forward-looking statements include, but are not limited to estimates, plans, expectations, opinions, forecasts, projections, targets, guidance, or other statements that are not statements of fact. Forward-looking statements are subject to known and unknown risks, uncertainties, and other factors that may cause the actual results, level of activity, performance, or achievements of the Company to be materially different from those expressed or implied by such forward-looking information. The forward-looking statements included in this Annual Information Form are made only as of the date of this Annual Information Form. Forward-looking statements in this Annual Information Form include, but are not limited to, statements with respect to:

- the performance of the Company’s business and operations;
- the development, expansion, and assumed future results of operations of the Company’s projects;
- the intention to grow the business and operations of the Company;



- consumer perception of the medical-use and adult-use cannabis industry continuing to affect the market price of cannabis-related products;
- the anticipated timing to complete construction of the Telkwa Facility and the Henderson Facility, the respective costs, and anticipated timing associated therewith;
- the receipt of applicable approvals from Health Canada and other governmental authorities, including the status of the Company's application for a license to produce and sell cannabis under the ACMPR;
- expectations with respect to the approval of the Company's applications for licenses pursuant to federal, state, and provincial regulation and legislation;
- the competitive conditions of the medical cannabis industry;
- any commentary related to the legalization of cannabis and the timing related thereto;
- the applicability of certain laws, regulations, and any amendments thereof;
- future legislative and regulatory developments involving medical cannabis;
- the ability to access sufficient capital from internal and external sources and the ability to access sufficient capital on favourable terms;
- the ability of the Company to generate cash flow from operations;
- income and sales tax regulatory matters, competition, crop projections, currency, and interest rate fluctuations;
- the competitive and business strategies of the Company;
- the Company's investment in the United States, the characterization and consequences of the investment under U.S. federal law, and the framework for the enforcement of medical cannabis and cannabis-related offences in the United States; and
- the grant and the impact of any license or supplemental license to conduct activities with cannabis or any amendments thereof.

With respect to the forward-looking statements contained in this AIF, we have made assumptions regarding, among other things: (i) our ability to generate cash flow from operations and obtain necessary financing on acceptable terms; (ii) general economic, financial market, regulatory, and political conditions in which we operate; (iii) the yield from the growing operations; (iv) consumer interest in our products; (v) competition; (vi) anticipated and unanticipated costs; (vii) government regulation of our activities and products and in the areas of taxation and environmental protection, including in the United States and in Canada; (viii) the timely receipt of any required regulatory approvals; (ix) our ability to obtain qualified staff, equipment, and services in a timely and cost efficient manner; (x) our ability to conduct operations in a safe, efficient, and effective manner; and (xi) our construction plans and timeframe for completion of such plans.



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

Forward-looking statements are based on certain assumptions and analyses made by the Company in light of the experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate, and are subject to risks and uncertainties. Although we believe that the assumptions underlying these statements are reasonable, they may prove to be incorrect, and we cannot assure that actual results will be consistent with these forward-looking statements. Given these risks, uncertainties, and assumptions, readers should not place undue reliance on these forward-looking statements. Whether actual performance, or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors, including those listed under "Risk Factors" in this AIF. Additional information on these and other factors which could affect the Company's operations and financial results are discussed in the sections relating to risk factors of our business filed in the Company's required securities filings with applicable securities commissions or other securities regulatory authorities and which may be accessed through the SEDAR website (www.sedar.com).

Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, the Company can give no assurance that such expectations will prove to be correct. The Company's forward-looking statements are expressly qualified in their entirety by this cautionary statement. In particular, but without limiting the foregoing, disclosure in this Annual Information Form under "Description of the Business" as well as statements regarding the Company's objectives, plans, and goals, including future operating results, economic performance, and patient acquisition efforts may make reference to or involve forward-looking statements. A number of factors could cause actual events, performance, or results to differ materially from what is projected in the forward-looking statements. The purpose of forward-looking statements is to provide the reader with a description of management's expectations, and such forward-looking statements may not be appropriate for any other purpose. You should not place undue reliance on forward-looking statements contained in this Annual Information Form. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by applicable law.

CORPORATE STRUCTURE

Name, Address, and Incorporation

The Company was formed by the amalgamation of MLFI and Intercontinental Mining Corp. under the *Business Corporations Act* (Alberta), RSA 2000, c B-9 on February 24, 2005. MLFI changed its name to "Maple Leaf Green World Inc." by Certificate of Amendment dated October 9, 2012.

Maple Leaf's Common Shares are listed under the symbol "MGWFF" on the OTCQB and were previously listed under the symbol "MGW" on the TSXV. On April 19, 2018 the Company voluntarily delisted its



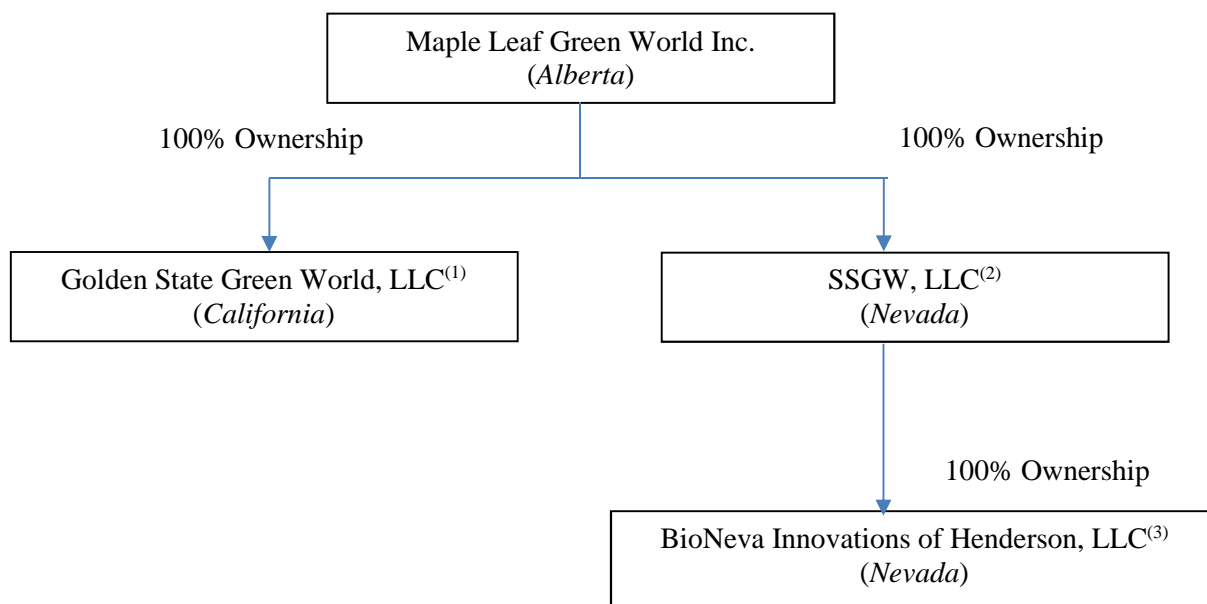
Common Shares from the TSXV and subsequently completed the listing of the Common Shares on the NEO on April 20, 2018.

Maple Leaf has a registered office and head office located at Suite 500, 1716 – 16 Avenue NW, Calgary, Alberta T2M 1H1. The Company's telephone number is (403) 452-4552 and Maple Leaf's corporate website is www.mlgreenworld.com.

Intercorporate Relationships

On November 3, 2014, the Company filed Articles of Organization to form a limited liability company, GSGW, under the laws of the State of California. The registered address of GSGW is 120 Puerto del Sol, San Clemente, CA, USA 92673. The Company owns 100% of the membership interests of GSGW.

On March 1, 2017, the Company filed Articles of Organization to form a limited liability company, SSGW, under the laws of the State of Nevada. The Company owns 100% of the membership interests of SSGW. SSGW purchased all of the ownership interests in BioNeva effective January 23, 2018. The registered address of both SSGW and BioNeva is 710 Coronado Center Drive, Suite 121, Henderson, Nevada, USA 89052. The following diagram describes the current intercorporate relationships of the Company.



Notes:

- (1) The Company owns 100% of the membership interests of GSGW. GSGW is a limited liability company formed under the laws of the State of California.
- (2) The Company owns 100% of the membership interests of SSGW. SSGW is a limited liability company formed under the laws of the State of Nevada.
- (3) SSGW, a subsidiary of the Company, purchased all of the ownership interests in BioNeva effective January 23, 2018. BioNeva is now a subsidiary of the Company as a result of the transaction.



GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

General Description of the Business

Maple Leaf and its Subsidiaries focus on the emerging cannabis industry in North America. The Company devotes its time, effort, and capital to seek medical cannabis business opportunities, including seeking to obtain a license to produce and sell cannabis from Health Canada pursuant to the ACMPR. On January 23, 2018, the Company announced completion of the purchase of all of the ownership interests in BioNeva (which holds Nevada Medical Marijuana Registration Certificate C115, the permit that allows the Company to cultivate cannabis in Nevada). Maple Leaf is engaged in medical cannabis related activities in the USA, solely in the state of Nevada as of the date of this Annual Information Form. On April 9, 2018, the Company announced that its application under the ACMPR has progressed to “active review” status.

Activities in Canada

The Company filed an Application with the OMC at Health Canada for a license to produce and sell dried marihuana under the provisions of the MMPR on July 21, 2014. The MMPR were replaced by the ACMPR on August 24, 2016, and the Application was continued under the ACMPR. In January of 2017, the Company received notice from Health Canada that its application had progressed to stage 5 review of the Review process established under the ACMPR. On April 9, 2018, the Company announced that its application under the ACMPR has progressed to “active review” status.

During the Review, the Application is thoroughly reviewed and scrutinized to validate the information provided. The Company’s physical security plans are reviewed and assessed in detail. It is important to note that although the Application is now at the Review stage, security clearances are not issued until the applicant is licensed, which occurs following Health Canada’s review of the pre-license inspection. Further, Health Canada may also consider relevant information brought to its attention by external sources when assessing an application. Any changes to the application, such as changes in Key Personnel, such as an individual authorized to place an order for cannabis on behalf of the licensed producer or physical security measures, may result in additional processing times. The quality, completeness, and complexity of applications are key variables affecting application processing times. In the “active review” stage, the Company’s ACMPR application for the Company’s proposed cannabis cultivation facility located in Telkwa, British Columbia is thoroughly reviewed by Health Canada. The Company anticipates receiving requests for information and will be ready to participate in active communications with the OMC at Health Canada for additional information and clarifications to support Maple Leaf’s ACMPR application.

In August 2017, the Company submitted an Abridgment Application to the OMC at Health Canada for a license to produce and sell cannabis under the ACMPR. The Abridgment Application is an update and revision of the Application (filed under the MMPR) to conform to the ACMPR. The Abridgment Application provides an updated general description of the Company’s Telkwa Facility, which is currently under construction, and outlines certain revisions to the Application, including the following initial capacities of the Telkwa Facility, each of which may be increased:

1. canopy of 27,200 ft² (total capacity expected to be 80,000 ft²); and
2. production of up to 3,500 kg per year of dried marihuana or equivalent.



Maple Leaf expects that upon approval, the Company may be required to submit pictures, videos, and other relevant documentation to Health Canada to demonstrate that the Telkwa Facility is built and ready to produce, after which a license could then be issued to Maple Leaf, provided Health Canada finds the Company's submission compliant with the ACMPR licensing requirements. (See "Risk Factors - Reliance on Licensing" in this Annual Information Form).

Once the Application is successful, the Company expects to be granted a license under section 35 of the ACMPR and to become a Licensed Producer under the ACMPR. During the pendency of the Application, Maple Leaf has also been investing in assets to pursue licensed cannabis cash flow generating opportunities, so that the Company is ready to commence operations when it has obtained the license. This expanding industry is possible as a result of the Canadian government's widely known decision to decriminalize and regulate production, distribution, sale, and consumption of cannabis and its ancillary medical and adult use products (including recreational products, health products, and cosmetics). An amendment to Bill C-45 dated October 5, 2017 adds phytocannabinoid-infused edibles and concentrates to Schedule 4 of the *Cannabis Act*, which lists cannabis products that can be sold commercially. The House of Commons health committee announced that this amendment is to take place no later than one year after Bill C-45 comes into force. The Amendment is provided in Part 12.1 of the *Cannabis Act*.

In April of 2014, the Company entered into an intention to lease agreement with Woodmere, a private company, to lease 80,000 ft² of greenhouse space located near Telkwa, British Columbia. The parties revised the terms of the intention to lease agreement in September of 2017, from a lease of greenhouse space to a lease of land, whereby the Company intends to build the Telkwa Facility on 30 acres of land leased from Woodmere. The Company executed a formal lease agreement on November 1, 2017 whereby the Company will pay a yearly \$240,000 land lease fee adjusted for inflation, with an option to purchase the land after one year at a fixed price of \$500,000. The Company also granted 500,000 options at \$0.55 per share to the principals of Woodmere, which options will be valid for a period of 2 years until October 31, 2019 and will not vest until November 1, 2018.

In preparation for receiving the license to produce cannabis under the ACMPR, on May 24, 2017, the Company announced it engaged Paramount as the procurement, engineering, and construction manager for its cannabis cultivation facilities at Telkwa, British Columbia and Nevada. In June of 2017, Paramount commenced planning on the Telkwa Facility when Maple Leaf made a deposit payment to Paramount of \$1,102,500. On October 24, 2017, the Company further announced a structural engineering firm, MMP, is acting as the Company's project manager for the facility in Telkwa, British Columbia. On February 22, 2018, the Company proceeded to end its engagement with Paramount. As of the date of this Annual Information Form, Woodmere has obtained a foundation building permit in connection with the Telkwa Facility and has commenced construction on the Telkwa Facility. The exterior of the Telkwa Facility has been completed by RC, as announced by the Company on May 1, 2018 and as confirmed by the Company's project manager, MMP, and interior construction for the Telkwa Facility has commenced.

Activities in the United States

(a) California

In October of 2014, the Company entered into the CA LOI with Emerald, based out of Anza, California, to help support Emerald's supply of medical cannabis needs to its Members. The CA LOI expressed Maple Leaf's intention to provide land, building, equipment, capital, and consulting services to Emerald in support of Emerald's medical cannabis production. Emerald is incorporated and regulated by the California Secretary



of State as a non-profit mutual benefit corporation. Emerald and the Company subsequently agreed to reorganize their business arrangement by dividing the obligations under the CA LOI into two separate agreements, the terms of which superseded the CA LOI. The two agreements were a Lease & Property Agreement and a Consulting Agreement. By September of 2016, Emerald started to harvest the various test plants it had chosen to cultivate, but experienced final product delivery issues. Therefore, Emerald reported to the Company that it did not realize a cash profit. However, pursuant to the agreements in place, the Company had already started to charge Emerald the lease fee and the consulting fee. During the first quarter of 2017, the Company recorded a consulting fee of \$96,202 and lease fee (revenue) of \$115,443 on its financial statements, but ultimately it did not actually receive these revenues. Maple Leaf therefore did not book the lease and consulting fees in any subsequent period, nor record a receivable. Emerald did not have the cash to pay to Maple Leaf, in spite of selling a portion of the production, because it was only able to pay its own expenses. Due to ongoing productivity issues, the Company terminated its relationship with Emerald on January 1, 2018, as announced by the Company on January 23, 2018.

In March of 2015, GSGW entered into an agreement to purchase approximately twenty acres of land in Riverside, California for an aggregate purchase price of \$120,000 USD. The Company paid \$18,866 (USD\$15,000) in cash, with the balance payable by way of a promissory note secured by a Deed of Trust and bearing interest at the rate of 6% per annum. The maturity date on the promissory note is March 1, 2020.

(b) Nevada

In November of 2016, SSGW entered into a letter of intent with BioNeva to purchase 100% of the Cultivation License for USD\$500,000 cash. On June 15, 2017, the Henderson LOI was updated to allow for the acquisition of all outstanding ownership interests in BioNeva on the same terms, which would permit SSGW to indirectly acquire the Cultivation License.

In January of 2017, Maple Leaf entered into a purchase agreement to acquire four acres of land in the City of Henderson, Nevada, for USD\$875,000. This land will house the Henderson Facility, to be owned by SSGW. In order for SSGW and BioNeva to operate under Nevada Medical Marijuana Registration Certificate C115 at the Henderson Facility, the City of Henderson must approve the transfer of Nevada Medical Marijuana Registration Certificate C115 to the Henderson Facility.

In February of 2017, the Company received a DSA from the City of Henderson with respect to the Henderson Facility as a “Medical Marijuana Establishment – Cultivation Facility”. The Henderson Facility was reviewed for compliance with the Title 19 – Medical Marijuana Establishment Distance Separation Requirements as listed in Table 19.5.5-2 of the Henderson Development Code. Based on the findings in the DSA, the Henderson Facility is suitable for a “Medical Marijuana Establishment – Cultivation Facility” within the City’s municipal boundaries. The DSA is an important step in transferring Nevada Medical Marijuana Registration Certificate C115 to the Henderson Facility from its previous address. The next step required SSGW to submit its building plan to the City of Henderson for approval, leading to a CUP. SSGW has received the CUP and may now complete construction of the Henderson Facility. After receipt of all final approvals, SSGW may commence cannabis productions. SSGW also received final approval for the transfer of ownership of BioNeva on January 29, 2018.

In March of 2017, Maple Leaf paid USD\$875,000 into escrow to acquire the land for the Henderson Facility at 2000 Burns Ave, Henderson, NV 89011, USA, and the land title was transferred upon closing to SSGW in April of 2017. In August of 2017, the Company engaged Thompson Global Partners, LLC to initiate the design, engineering and construction of the Henderson Facility, consisting of a 20,000 ft² greenhouse.



Effective January 29, 2018 the Company purchased all of the ownership interest in BioNeva for USD\$500,000, through the Company's wholly owned subsidiary, SSGW. BioNeva previously obtained conditional approvals for obtaining the Cultivation License in the City of Henderson, Nevada. The Cultivation License is for the proposed Henderson Facility.

Debt and Equity Financings

On April 8, 2015, the Company closed a non-brokered private placement of 4,000,000 units at a price of \$0.05 per unit for aggregate gross proceeds of \$200,000. Each unit consisted of one Common Share and one Common Share purchase warrant. Each warrant entitled the holder to purchase an additional Common Share at an exercise price of \$0.075 per share for a period of two years from the date of issue. These warrants have all since expired.

On November 16, 2015, the Company closed a non-brokered private placement of 11,000,000 units at a price of \$0.05 per unit for aggregate gross proceeds of \$550,000. Each unit consisted of one Common Share and one Common Share purchase warrant exercisable for two years from the date of closing at a price of \$0.075. These warrants have all since expired.

On May 24, 2016, the Company closed a non-brokered private placement of 6,000,000 units at a price of \$0.10 per unit for aggregate gross proceeds of \$600,000. Each unit consisted of one Common Share and one Common Share purchase warrant, entitling the holder to purchase an additional Common Share at a price of \$0.15 per share for a period of two years.

On May 4, 2017, the Company closed a non-brokered private placement of 13,216,070 units at \$0.55 per unit for aggregate gross proceeds of \$7,268,838.50. Each unit consisted of one Common Share and one Common Share purchase warrant. Each whole warrant is exercisable into one Common Share at a price of \$0.85 per Common Share until May 4, 2019.

Significant Acquisitions

The Company did not complete any significant acquisitions during Maple Leaf's most recently completed financial year for which disclosure is required under Part 8 of National Instrument 51-102 – *Continuous Disclosure Obligations* and as a result, the Company has not filed a Form 51-105F4 in respect of any acquisitions.

DESCRIPTION OF THE BUSINESS

General

Maple Leaf and its Subsidiaries focus on the emerging cannabis industry in North America. The Company devotes its time, effort, and capital to seek medical cannabis business opportunities, including seeking to obtain a license to produce and sell cannabis from Health Canada pursuant to the ACMPR. The Company's objective is to acquire a license pursuant to the ACMPR and produce pesticide-free, top quality cannabis in the Telkwa Facility, utilizing Hydroponics technology, as described in detail under "Production and Services" below. It is expected that medical cannabis patients will initially be consumers of this product. However, Health Canada has not published any standards or timelines regarding the length of time for approval of license applications under the ACMPR. Therefore, the timeline for grant of the license by Health Canada is uncertain and cannot be estimated since the Company is still in the license application process. There is no assurance



that the Company will obtain the license. Additionally, there is no assurance that the Company will be able to acquire the required financing, assets, or personnel to grow medical cannabis.

Maple Leaf is also engaged in medical cannabis related activities in the USA, in the state of Nevada only at the date of this Annual Information Form.

Experimental Estimates of Cannabis Consumption in Canada, 1960 to 2015 by Ryan McDonald and Michelle Rotermann – Economic Analysis Division and Health Analysis Division – Statistics Canada estimated Canada's cannabis black market was worth as much as \$6.2 billion in 2015. The report used several estimates of the price of cannabis to determine the market was about one-half to two-thirds of the size of the \$9.2 billion beer sector. Statistics Canada also estimated it would have represented around 70 to 90 percent of the size of the \$7 billion wine market. The estimates come as Statistics Canada prepares for the legalization of the recreational use of marijuana next year and what that means for its economic and social statistics programs. The report estimates Canadians consumed 697.5 tonnes of cannabis in 2015 and assumed a price range of \$7.14 to \$8.84 per gram. Statistics Canada hopes to improve its estimates in the future as additional data sources become available.¹

Nevada's potential marijuana market remains difficult to estimate. Although Nevada's population is only roughly three million persons as of 2017², Nevada ranked second for population growth between 2016 and 2017 at two percent.³ The vast majority of Nevada residents reside in Clark County, the county in which Las Vegas is located, and in Washoe County, where Reno is located. Nevada is also host to nearly 42 million visitors each year.⁴ While the local market is relatively modest, the tourism market for cannabis is growing. In October of 2017, marijuana sales in Nevada reached USD\$37,900,000.00.⁵ The wholesale value for marijuana is currently (for tax purposes) around USD\$2,300.00 per pound for flower, USD\$600.00 per pound for trim and USD\$1,500.00 per pound for small buds. Independent analysis estimates that Nevada's recreational sales market could reach USD\$622,000,000.00 by the year 2020.⁶ If these projections are correct, marijuana will potentially will be one of the largest industries in Nevada.

Summary

(a) Canadian Operations

For a general summary of the Company's Canadian activities, please see "General Development of Business – Three Year History – Activities in Canada" in this Annual Information Form. The Company has not received any revenues from its Canadian activities to date.

As of the date of this AIF, the exterior of the Telkwa Facility has been completed by RC and interior constructions for the Telkwa Facility have commenced. Site supervision, co-ordination, and general contracting have been awarded to MMP, who are supported by RC for construction of the Telkwa Facility.

¹ Ryan Macdonald and Michelle Rotermann, "Experimental Estimates of Cannabis Consumption in Canada, 1960 to 2015" (18 December 2017), online: Statistics Canada, Economic Analysis Division and Health Analysis Division <<http://www.statcan.gc.ca/pub/11-626-x/11-626-x2017077-eng.htm/>>.

² <https://www.census.gov/quickfacts/NV>

³ <https://www.census.gov/newsroom/press-releases/2017/estimates-idaho.html>

⁴ <http://www.lvcva.com/includes/content/images/media/docs/2016-Vegas-FAQs.pdf>

⁵ <https://www.reviewjournal.com/news/pot-news/nevada-recreational-marijuana-sales-soar-to-nearly-38m-in-october/>

⁶ <https://newfrontierdata.com/wp-content/uploads/2015/11/Nevada-Press-Release.pdf>



The Telkwa Facility will be completed using RC's Canna-Shield™ system, which offers a factory manufactured panelized building solution using CCMC certified MgO board. RC has over a decade of experience working with MgO board and offers CCMC certified MgO board for interior and exterior sheathing. RC is currently supplying its Canna-Shield™ system to several cannabis operations in North America.

The Company has applied for the building permit from the Regional District of Bulkley-Nechako for the Telkwa Facility. The Company has received the building permit and the Company has begun the process of construction of the Telkwa Facility, which is intended to be an approximately 27,200 ft² facility. The Company proposes that the Telkwa Facility will have 5 flowering rooms, 2 vegetation rooms, 1 genetics room, 1 propagation room, 1 processing room, 2 product drying rooms, 1 vault room for products, 1 vault room for moneys and petty cash, 1 fulfillment room, 1 loading/unloading area, 1 staging area for shipping, 1 conference room, 2 offices, 1 reception/waiting room, 1 mechanical/irrigation room, 1 break room, 1 electrical room, and 1 janitorial room. The estimated costs of construction for the Telkwa Facility is estimated to be around \$9,000,000.

(b) Nevada

For a general summary of the Company's Nevada operations, please see "General Development of Business – Three Year History – Activities in the United States" in this Annual Information Form. The Company has not received any revenues from its activities in the United States to date.

The Company's objective in Nevada is for SSGW to build a 20,000 ft² greenhouse facility and produce pesticide-free, top quality cannabis utilizing Hydroponics technology. However, the Federal government of the USA has not lifted restrictions that criminalize cannabis production and distribution federally, even though individual states like Nevada have not enforced federal statutes, and have not enforced federal restrictions on the production, distribution, and use of cannabis. In November of 2016, Nevada voters approved Ballot Initiative 2, which effectively legalized the production and distribution of cannabis to persons over the age of 21 years in Nevada under Nevada law. Nevertheless, pursuant to the Supremacy Clause of the Constitution of the United States, federal law will supersede state law when there is a conflict between the two. Additionally, there is no assurance that the Company will be able to acquire the required financing, assets, or personnel to grow medical cannabis in Nevada.

BioNeva previously received conditional approvals from the City of Henderson to transfer the Cultivation License from its previous location at 585 North Gibson Road, Henderson, Nevada 89011 to the Company's newly acquired property, the Henderson Facility, located on four (4) acres of industrial land, located at 2000 Burns Road, Henderson, Nevada 89011. SSGW is currently applying for the building permit from the City of Henderson. Upon receipt of the building permit from the City of Henderson, SSGW will begin the process of construction for the Henderson Facility, which is to be a 20,000 ft² facility. The Henderson Facility is anticipated to have 10 flowering rooms, 2 vegetation rooms, 1 genetics room, 1 propagation room, 1 processing room, 2 product drying rooms, 1 vault room for product, 1 vault room for moneys and petty cash, 1 fulfillment room, 1 loading/unloading area, 1 staging area for shipping purposes, 1 conference room, 2 offices, 1 reception/waiting room, 1 mechanical room/irrigation room, 1 break room, 1 electrical room, and 1 janitorial room. Cost of construction for the Henderson Facility is estimated to be around USD\$3,000,000.

The Henderson Facility is anticipated to have four different sized RO Water reservoirs for irrigation, three 1,000 gallon tanks, and one 7,500 gallon tank. The City of Henderson will supply potable water that will run through the RO units. Construction materials for the Henderson Facility are expected to include a panelized



wall system using MgO and expanded polystyrene foam, a roof truss system, flat roof with a parapet. The main equipment for the Henderson Facility will include an emergency generator, a CO₂ system leased on a monthly basis, a HVAC system, a RO system to supply clean water to the plants, and a nutrient feed system.

The Company expects to expedite the construction of the Henderson Facility by utilizing the same structural insulated panel technology to be employed at the Company's proposed Canadian cannabis cultivation facility located in Telkwa, British Columbia, Canada. Maple Leaf anticipates the Henderson Facility to be completed and operational in the summer of 2018.

Production and Services

The Company plans to utilize the Deepwater Culture Hydroponics system for cannabis cultivation purposes. The Company believes that there are many advantages associated with the Deepwater Culture Hydroponics system, which are in line with the Company's objectives to produce pesticide-free, top quality cannabis in the Telkwa Facility and the Henderson Facility.

DWC, also known as the reservoir method, is an efficient method for growing plants with hydroponics. In a DWC hydroponic system, the roots are suspended in a nutrient solution. An aquarium air pump oxygenates the nutrient solution, which keeps the roots of the plants from drowning. The primary benefit to utilizing a DWC hydroponic system is that there are no drip or spray emitters to clog. This makes DWC a favourable choice for organic hydroponics, as hydroponics systems that utilize organic nutrients are more prone to clogging.

The Company believes that hydroponics is a favourable choice for all types of cannabis growers as it gives the ability to meticulously control the variables that effect how well the cannabis plants grow. The Company believes that a fine-tuned hydroponic system can surpass a soil based system in plant quality and the overall amount of produce yielded.

Hydroponics, by definition, is a method of growing plants in a water based, nutrient rich solution. Hydroponics do not use soil, but instead the root system is supported using an inert medium such as perlite, rockwool, clay pellets, peat moss, or vermiculite. The basic premise behind hydroponics is to allow the plants roots to come in direct contact with the nutrient solution, while also having access to oxygen, which is essential for proper growth. There are advantages associated with a hydroponics system, which includes a greatly increased rate of growth. With the proper setup, plants can mature up to 25% faster and produce up to 30% more than the same plants grown in soil.⁷

The Company is aware that a large-scale hydroponics system will require significant resources and time. The hydroponics system will also require daily monitoring in order to balance the pH and nutrient levels required for adequate cannabis plant growth. There are significant risks associated with a hydroponics system. A pump failure can kill off the cannabis plants within hours depending on the size of the system. As a result, the cannabis plants can die quickly because the growing medium cannot store water like soil and the cannabis plants are dependent on a fresh supply of water.

⁷ <http://www.fullbloomhydroponics.net/hydroponic-systems-101/>



Specialized Skill and Knowledge

All aspects of the Company's business require specialized skills and knowledge. Such skills and knowledge include the areas of cultivation and growing of medical cannabis, and specifically the unique indoor agricultural skills required for the cultivation of cannabis in accordance with the ACMPR requirements. (See also "Risk Factors – Reliance on Key Personnel" and "Description of the Business – License and Regulations" in this Annual Information Form).

Knowledge with respect to cultivating and growing medical cannabis is important to the medical cannabis industry; however, the nature of growing marijuana is not substantially different from the nature of growing other greenhouse products. Variables such as temperature, humidity, lighting, air flow, watering, and feeding cycles are meticulously defined and controlled to produce consistent product and to avoid contamination. The product is cut, sorted, and dried under defined conditions that are established to protect the activity and purity of the product. Once processing is complete, each and every processing batch is subjected to full testing against stringent quality specifications set for activity and purity. The Company plans to employ numerous industry experts in the cultivation and processing of the product.

Maple Leaf has assembled a management team with extensive experience in agriculture, agribusiness, and public company governance. Coupled with operational experience, Maple Leaf expects to be a low-cost producer of medical cannabis, owing to various cost-saving planning and strategies.

All aspects of the Company's business require specialized skills and knowledge. Such skills and knowledge include indoor cultivation of medical cannabis in compliance with the ACMPR. Knowledge of cultivating and growing medical cannabis is important to the medical cannabis industry and to the Company. Knowledge of growing other greenhouse products held by Key Personnel is considered to be an asset by the Company. (See also "Risk Factors – Reliance on Key Personnel" and in this Annual Information Form).

Joseph Wong, Vice President of Operations and a director of the Company, has spent the last 30 years improving reforestation nursery production systems and greenhouse systems. He has managed the growth of quality reforestation seedlings in the field from bare-root and in containers. Mr. Wong began his reforestation nursery career with the British Columbia Ministry of Forests in 1978 with the Nursery Development Section where he was involved in research trials that were aimed at developing nursery sites, new growing systems, fertilization treatments, and growing regimes. From 1980 to 1984, Mr. Wong worked as the Quality Assurance Supervisor at the Ministry of Forest, Red Rock Nursery in Prince George, British Columbia where he managed the quality control and the practical research department. In 1985, Mr. Wong started a reforestation nursery, Woodmere Nursery Ltd., which manages the design and construction of greenhouse facilities. Initial crop production at this nursery was 2.5 million containerized seedlings. Today this facility has an area of 6 acres under protected cultivation and grows 12 million seedlings annually.

Bill Monroe serves as a consultant in Business Development for the Company's Nevada operations including providing his input on design, construction, completion, and growing for the Henderson Facility. Mr. Monroe has been involved in the cannabis industry for the past 8 years and over this time he has developed excellent connections in Nevada for the distribution and sale of cannabis products. Mr. Monroe is also a national board member of the National Council of the Cannabis Chamber of Commerce and consults for the Company by coordinating with MMP on design, construction, completion, and growing for the Telkwa Facility, to ensure the success of obtaining the ACMPR license.



Kenneth Suydam is the Chief Cultivator Consultant for Nevada operations and has a background in planning, construction, and use of cultivation facilities.

Competitive Conditions

There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories, more financial resources, and greater manufacturing and marketing experience than the Company. Increased competition by larger and better-financed competitors could materially and adversely affect the business, its financial condition, and in general the operations of the Company.

The Canadian government has only issued to date a limited number of licenses under the ACMPR, to produce and sell medical cannabis. There are, however, several hundred applicants for licenses. The number of licenses granted could have an impact on the 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. According to Health Canada, there are approximately 104 Licensed Producers as of May 14, 2018. If the number of users of medical cannabis in Canada increases or if adult use of cannabis is legalized in Canada, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Company will require a continued level of investment in research and development, marketing, sales, and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales, and client support efforts on a competitive basis which could materially and adversely affect the business, its financial condition, and results of operations.

Management believes that the principal aspects of competition between Maple Leaf and its competitors will be the price and quality of cannabis, and the client service provided to patients. While Maple Leaf will price its cannabis according to market demands, it anticipates a lower cost of production compared to its competitors. This is expected to provide Maple Leaf with pricing flexibility while maintaining healthy margins relative to its competitors. Additionally, Maple Leaf will strive to have better and faster service by having more on hand trained staff than other Licensed Producers. Maple Leaf also plans to maintain a minimum level of inventory to ensure that the Company can continue to provide its customers with unmatched quality on a consistent basis while also acquiring new customers without supply interruptions.

Competitive conditions in Nevada are expected to remain stable. Nevada is a highly regulated market with a limited number of licenses. Competition is limited to other Nevada licensed marijuana establishments. There are roughly 120 cultivation licenses operational in Nevada with a few more that may become operational soon. As of March 5, 2018, there are approximately 66 operational dispensaries in Nevada that are dual licensed to sell recreational and medical marijuana. In 2018, we expect that an additional 66 retail marijuana store licenses will be issued; those stores will only be able to sell recreational marijuana. The state may also issue additional cultivation and production licenses in the future, which will be limited at the state's discretion. Only Nevada licensed marijuana establishments are permitted to produce and sell marijuana in Nevada. No marijuana may be legally imported into or exported from Nevada.

Environmental Protection

In Nevada and Canada the Company's operations are subject to all relevant state, provincial, local, and federal environmental protection laws and regulations.



Nevada's strictly regulated market bans the use of many chemical fertilizers and harmful pesticides. Marijuana establishments are also required to implement scent remediation techniques in order to reduce or remove the smell of marijuana emanating from the facilities. Because the Company intends to operate a cultivation facility, scent remediation will be a critical element of its operations. The Company will be required to adhere to the terms of Nevada's state and local regulations. Nevada also favors the use of green energy and water reduction; therefore the Company may adopt strict policies and procedures to ensure that it is using natural resources as conservatively as possible. Water usage is especially critical given Nevada's particular environmental concerns. The importance of proper water usage and waste disposal cannot be overstated.

GPPs as defined by the ACMPR, limit the pesticides that can be used on cannabis to pesticides that are approved under the PCPA. As of September 13, 2017, twenty pesticides are registered by the approved by the PMRA for use on commercially-produced cannabis. The Company is entitled apply any pesticide approved by the PMRA. However, the Company plans to avoid using all pesticides – even approved pesticides. In addition, odour containment is also important for avoiding causing a nuisance in the community in which the Telkwa Facility is located. The Company intends to construct the Telkwa Facility with effective odour remediation equipment.

Employees

As of December 31, 2017, Maple Leaf had 1 employee in total. The Company also employed 6 other contractors and/or consultants, some of whom also serve in executive officer roles.

Social and Environmental Policies

Social outreach is an important factor in Nevada. Many in the community, especially in Henderson where the Company's facility is located, oppose marijuana. Once the Company becomes operational it expects to adopt a robust social outreach program. Some marijuana establishments have worked hard to reach out to the community for charitable functions such as canned food drives.⁸ As discussed in the Environmental Protection section *supra*, the adoption of sound environmental practices is not only required by law, but can also be seen as a social outreach measure. Scent and odour remediation is very important for marijuana cultivation facilities. Complaints by neighbors can lead to community backlash and fines from the local authorities, so the Company intends to invest in this area to avoid any potential issues with the community.

Social outreach is also an important factor for licensed producers in Canada. While British Columbia has generally liberal views toward cannabis, a significant portion of the population remains opposed to cannabis. In some sections of British Columbia, opposition is specifically directed to the regulated cannabis industry, in favour of the illicit cannabis industry. Once the Company becomes operational, it expects to adopt a robust social outreach program. The Company's environmental efforts described above may also be seen as a social outreach measure. The Company's plans for odour remediation may also be viewed as a positive in the community. By correctly managing odour remediation, complaints by neighbors are less likely. Such complaints may lead to community backlash and fines from the local authorities, so the Company intends to invest in this area to avoid any potential issues with the community.

⁸ <https://www.reviewjournal.com/news/pot-news/las-vegas-marijuana-shop-donates-156k-pounds-of-food-to-charity/>



License and Regulations

Canadian Laws

Background

Cannabis is subject to unique and specific regulation in Canada. Currently, the Company's activities related to medical cannabis are regulated by the CDSA and regulations pursuant to the CDSA, including the ACMPR and the NCR. Cannabis will continue to be regulated under the CDSA until the *Cannabis Act* comes into force.

Cannabis is a controlled substance listed in Schedule II of the CDSA. Cannabis is a narcotic scheduled in and subject to the NCR. Cannabis is defined in both the CDSA and the NCR as including cannabis resin and cannabis (marihuana). "Cannabis resin" includes extracts of plant matter, such as CO₂ or ethanol extracts dissolved in a carrier oil. "Cannabis (marihuana)", has the same meaning as "marihuana" in the ACMPR and includes both fresh and dried marihuana. THC, CBD, and CBN as pure compounds also each specifically fall within the definition of "cannabis".

Sale of cannabis as a drug would, as with any substance, be subject to the provisions of the FDA and to Part C of the FDR. Sativex[®] buccal spray, which includes THC and CBD, and Marinol[®] capsules, which include THC, are examples of drugs in compliance with the FDR that include cannabis.

Unlike drugs including THC and/or CBD, cannabis itself is not authorized for sale as a drug by Health Canada under the FDR. However, Canadian Courts have ruled that individuals with a demonstrated need for cannabis for medical purposes are entitled to a legal source of cannabis (recognized in *R v Smith* and *R v Allard* [2016] 3 FCR 303, 2016 FC 236 [*R v Allard*] and in earlier decisions, including *R v Parker* (Ontario Court of Appeal, (2000), 146 CCC (3d) 193)). Sale of cannabis by Licensed Producers to clients, other Licensed Producers, or other identified groups in accordance with the ACMPR is exempt from the application of the FDR by the *Cannabis Exemption (Food and Drugs Act) Regulations*, SOR/2016-231 issued pursuant to the FDA. The ACMPR includes provisions regulating production, processing, and labelling of cannabis to ensure that quality, safety, and predictability of effect are available. The provisions of the ACMPR in this respect are unique to cannabis and distinct from similar provisions applicable to drugs in the FDR.

Access to cannabis includes the option for clients to purchase dried marihuana or cannabis oil from Licensed Producers, which is delivered to clients in the mail (the ACMPR do not provide for retail sales of cannabis). Access also includes growing by or on behalf of individuals remaining under the MMAR through the *R v Allard* injunction. Cultivation for personal use is also permitted under the ACMPR, with Licensed Producers now being permitted by the ACMPR to provide seeds or plants to clients who hold a Health Canada registration certificate. The amounts of cannabis, seeds, and plants that a client may be provided with per month is determined with reference to a permitted daily quantity of cannabis, normalized to the number of grams of dried marihuana per day, specific to the client.

Possession and sale of cannabis for adult use purposes other than through the ACMPR is not currently legal in Canada. Once the *Cannabis Act* comes into force, which is generally expected to be during 2018, possession, personal production, and sale of cannabis for adult use will be possible. In addition, storefront sales, product diversification, greater inclusion of smaller businesses, and other features of the cannabis industry are expected to be updated with the *Cannabis Act*.



The Application

Once the Application is approved, the Company will be a Licensed Producer and will be entitled to undertake some or all of the following activities under the ACMPR:

- possess, produce, provide, ship, deliver, transport and destroy dried cannabis or cannabis oil;
- possess, produce, and destroy cannabis in its natural form, other than marihuana or cannabis oil, for the purpose of producing cannabis oil;
- possess and destroy cannabis, other than marihuana or cannabis oil, for the purpose of conducting *in vitro* testing that is necessary to determine the cannabinoid content of marihuana or cannabis oil;
- sell dried marihuana, fresh marihuana and cannabis oil to:
 - a client of Maple Leaf or an individual who is responsible for the client;
 - a hospital employee, if the purpose is in connection with their employment;
 - another Licensed Producer;
 - a Licensed Dealer;
 - the Minister; or
 - a person to whom an exemption relating to the substance has been granted under section 56 of the CDSA;
- ship dried marihuana or cannabis oil to a health care practitioner in the case referred to in subparagraph 130(1)(f)(iii) of the ACMPR;
- sell plants or seeds to a client who holds a registration certificate with Health Canada;
- apply for an import permit to import plants, dried marihuana, fresh marihuana, seeds or cannabis other than marihuana or cannabis oil, for the purpose of conducting *in vitro* testing that is necessary to determine the cannabinoid content of marihuana or cannabis oil;
- apply for an export permit to export plants, dried marihuana, seeds, fresh marihuana or cannabis other than marihuana or cannabis oil, for the purpose of conducting *in vitro* testing that is necessary to determine the cannabinoid content of marihuana or cannabis oil;
- purchase or sell cannabis in its natural form, other than marihuana or cannabis oil, for the purpose of producing cannabis oil, may be provided, shipped, delivered, or transported if it was obtained or produced for that purpose; and
- purchase or sell cannabis, other than marihuana or cannabis oil, for the purpose of conducting *in vitro* testing that is necessary to determine the cannabinoid content of marihuana or cannabis oil may be provided, shipped, delivered, or transported if it was obtained or produced for that purpose.



Statutory Reporting Requirements

The ACMPR require production sites to be located indoors and not within a private dwelling. The ACMPR set out physical security requirements for any site where a Licensed Producer conducts activities with cannabis. Cannabis and marihuana plants can only be accessed by a SRPIC, RPIC, or ARPIC, and along with all officers and directors, the “**Key Personnel**”. The SRPIC, the RPIC, or an ARPIC must be present in the vault at all times if the doors are opened.

With respect to the management and administration of the Company, the ACMPR provides that:

- (a) In order to confirm any information submitted in support of the Application, or an amendment or renewal of a license, an inspector may, at a time during normal business hours and with the reasonable assistance of the Company, inspect the site in respect of which the Application was made.
- (b) If the Company experiences a theft of cannabis or an unusual waste or disappearance of cannabis that cannot be explained on the basis of normally accepted business activities, the Company must report the occurrence to a member of a police force within 24 hours after becoming aware of it and provide a written report to the Minister within 10 days after becoming aware of the occurrence.
- (c) The Company must apply for and obtain the Minister’s approval before making a change involving the replacement or the addition of any Key Personnel.
- (d) The Minister must be notified not later than five days after the event, if a person ceases to be an officer or director of the Company.
- (e) The Minister must be notified not later than the next business day if the SRPIC and the RPIC cease to carry out their duties and there is no person designated as an ARPIC.
- (f) The Company must notify the Minister, within five days after such change, of any change to the method used for keeping records or the telephone number, the facsimile number, or the email address for the Company’s site or each building within the site where the Company cultivates, processes, packages, labels and ships dried marihuana and cannabis oil.

With respect to clients of Maple Leaf and products provided by the Company or sold by Maple Leaf, the ACMPR requires that:

- (a) In respect of fresh or dried marihuana or cannabis oil sold by Maple Leaf, the Minister be provided with a case report for each serious adverse reaction to the substance within 15 days after the day on which the Licensed Producer becomes aware of the reaction.
- (b) The Company must annually prepare and maintain a summary report that contains a concise and critical analysis of all adverse reactions to fresh or dried marihuana or cannabis oil sold by Maple Leaf that have occurred during the previous 12 months (the serious adverse reaction reports and annual summary reports must be retained for a period of 25 years after the day on which they were made).
- (c) The Company must report any new dried marihuana equivalency factor determined under section 79 of the ACMPR, and the method used to determine it, at least 10 days before Maple Leaf sells fresh



cannabis, dried marihuana or cannabis oil, in respect of which the label referred to in sections 84 or 88 of the ACMPR indicates the new factor, to a client.

- (d) Maple Leaf, if provided with the given name, surname, date of birth, and gender of an individual by a member of a Canadian police force who requests information in the course of an investigation under the CDSA or the ACMPR, verify in a reasonable manner that the person requesting the information is a member of a Canadian police force. If the person is verified as a member of a Canadian police force, Maple Leaf must provide as soon as feasible, within 72 hours after receiving the request, the following information to that Canadian police force:
 - (i) an indication of whether or not the individual is one of Maple Leaf's clients or an individual who is responsible for one of Maple Leaf's clients,
 - (ii) in the case of a Maple Leaf client, whether the client is registered with the Minister under Part 2 of the ACMPR and, if so, whether the client's registration with the producer is for the purpose of obtaining an interim supply of fresh or dried marihuana or cannabis oil, marihuana plants or seeds, or both, and
 - (iii) the daily quantity of dried marihuana that is specified in the medical document supporting the client's registration or that is specified in that individual's registration with the Minister made under Part 2 of the ACMPR.
- (e) The Company must provide the Minister with any information that the Minister may require in respect of the records, documents, and information referred to in Division 2 of the ACMPR, in the form and at the times that the Minister specifies.

Reporting Requirements from the Licenses

In addition to the above general reporting requirements of the ACMPR, the licenses require that the Company report the following additional information to the Office of Medical Cannabis on a monthly basis, unless otherwise stated:

- (a) The total amount of dried marihuana (kg) tested, approved and ready for sale, produced by the Company during the reporting period.
- (b) The total amount of dried marihuana (kg) transferred to the Company from other Licensed Producers during the reporting period.
- (c) The total amount of dried marihuana (kg) sold by Maple Leaf during the reporting period to (i) registered clients, (ii) other Licensed Producers, (iii) Licensed Dealers, and (iv) other clients.
- (d) The total number of marihuana plants sold during the reporting period.
- (e) The number of Maple Leaf clients at the end of the reporting period, including only those clients whose registrations were valid on the last day of the reporting period, and the total number new clients of Maple Leaf registered during the reporting period.



- (f) The number of Maple Leaf clients who attempted to register with Maple Leaf during the reporting period, but could not be registered, regardless of the reason.
- (g) The number of Maple Leaf clients who placed orders or tried to place orders that could not be filled during the reporting period, regardless of the reason.
- (h) The total amount of the following that the Company has in stock on the final day of the reporting period: (i) number of harvested plants in the drying process, (ii) cannabis (kg) that has been dried but not tested, (iii) cannabis (kg) that has been dried and tested but not approved for sale, (iv) cannabis (kg) that has been dried, tested, approved, and ready for sale, (v) cannabis (kg) held as samples, (vi) number of marihuana plants identified as ready to be destroyed, (vii) dried marihuana (kg) identified as ready to be destroyed, and (ix) number of live marihuana plants.
- (i) The total amount of dried marihuana (kg) that Maple Leaf imported and exported during the reporting period.
- (j) The total amount of dried marihuana (g) lost and/or stolen during the reporting period.
- (k) The total amount of dried marihuana (g) destroyed during the reporting period, specifying the reason(s) and amount(s) of each (e.g., contaminated, past expiration date, recalled).
- (l) The total amount of waste marihuana (e.g., plants, leaves, twigs) destroyed during the reporting period (kg).
- (m) The total number of shipments from the Company to the following in each province or territory during the reporting period: (i) registered clients, (ii) other Licensed Producers, (iii) Licensed Dealers, and (iv) other clients.
- (n) The average and median daily amounts of dried marihuana (g) supported by healthcare practitioners to be used by Maple Leaf's registered clients during the reporting period for all clients whose registrations were valid on the last day of the reporting period.
- (o) The average and median amounts of dried marihuana (g) shipped to Maple Leaf's registered clients during the reporting period.
- (p) The 10 highest and 10 lowest amounts of dried marihuana shipped to registered clients during the reporting period.
- (q) The total number of shipments of dried marihuana to registered clients categorized into 10-gram ranges increasing in size from 0 to 10 g to 141 to 150 g.
- (r) A list of all healthcare practitioners who provided a medical document for a registered client in the reporting period, the location of the healthcare practitioner, and the number of medical documents the healthcare practitioner signed during the reporting period.
- (s) The amount of dried marihuana (kg) that the Company expects to produce during each month of the upcoming three months.



- (t) The amount of dried marihuana (kg) that the Company expects to have in inventory during each month of the upcoming three months.

United States Laws and Disclosure Required by CSA Staff Notice 51-352 – Issuers with U.S. Marijuana-Related Activities

Background and the Controlled Substances Act

It is unquestionable that marijuana is illegal under United States federal law. The production, possession, use, and distribution of cannabis, or products derived therefrom, is prohibited pursuant to the CSA. Due to the federal prohibition of cannabis, any person or business that is operating in the cannabis industry in the United States of America faces risks of federal criminal prosecution and other penalties. Violations of federal law are subject to serious legal penalties. Criminal prosecution for violations of federal marijuana law can result in lengthy prison terms. Persons convicted of criminal violations could also be subject to fines, loss of rights such as voting or firearms possession, immigration issues, and a myriad of civil legal issues. Marijuana also remains illegal under the laws of several other jurisdictions both within and outside of the United States.

Present State of Federal Enforcement in Nevada

Nevada is in an uncertain position due to the uncertainty of the Trump Administration. When President Trump took office, he requested the resignation of Nevada's long serving U.S. Attorney, Daniel Bogden, who complied with the President's request. Mr. Bogden had largely adhered to the terms of the Cole Memorandum during his time in office and had seemed to make state legal marijuana activities a relatively low priority. When Mr. Bogden resigned, he was replaced for a period of time by his second in command, who continued a policy of non-intervention in Nevada's cannabis industry. On January 3, 2018, Mr. Sessions appointed Ms. Dayle Elieson as the interim U.S. Attorney for the state of Nevada. Ms. Elieson, a graduate of Brigham Young University, has a long history as a prosecutor at both the state and federal levels in Texas. Ms. Elieson's appointment came as a shock as she is not a licensed attorney in Nevada and it appears that neither U.S. Senators for the state of Nevada were consulted. The failure to consult with Nevada's senators was a break with tradition. It is unclear if Ms. Elieson will be the actual nominee for Nevada's U.S. Attorney, or whether or not she will move to shut down Nevada's marijuana industry.

In spite of the recent rescission of the Cole Memorandum, federal marijuana law has remained virtually unchained since the 1970's. Marijuana was illegal at a federal level before the Cole Memorandum was issued and it remains illegal to this day. Rescinding the Cole Memorandum did nothing to change the legal status of marijuana in the United States, it simply restated that U.S. Attorneys are to use their prosecutorial discretion in their jurisdictions. Although it is far too early to tell how things will unfold in the post Cole Memorandum era, to date we are unaware of any Nevada state-licensed cannabis business that has been subjected to federal criminal prosecution in any form. Other states that have legalized cannabis for both recreational and adult use such as Colorado, California, Oregon and Alaska have also experienced very low numbers of prosecutions in recent years for businesses operating in accordance with state laws. However, it is important to understand that a lack of prosecution does not equal legalization.

In addition to the risk of criminal prosecution, marijuana businesses in the United States face other risks such as banking restrictions and high tax burdens. *See*, 18 U.S.C. §§ 1956, 1957; *see also*, IRS Chapter 280-E. Marijuana businesses are prohibited from transacting with traditional banking institutions pursuant to federal law. The Company may be forced to operate on a cash-only basis in the United States and may be unable to



move its cash to Canada. The restrictions force many marijuana businesses to deal strictly in cash, which creates an obvious security risk. Being forced to deal exclusively in cash also creates difficulties in paying employees and other bills that occur in normal business practice. Most companies are currently forced to work on a cash only basis. Once the Company is operational, it will likely lose any banking services that it is using in Nevada and be forced to proceed on a cash basis. The Company will have to consult with its Canadian counsel to ensure that they are not violating any laws of Canada prior to bringing funds are sent across the border.

Nevada State Cannabis Laws

a) Nevada State Constitution

On November 7, 2000, sixty-five percent of voters in Nevada chose to amend the State Constitution to allow for the use of marijuana for medical purposes making Nevada one of the few states that has enshrined a right to use marijuana for medical purposes in its Constitution. Article IV, Section 38 of the Constitution of the State of Nevada states:

“Use of plant of genus *Cannabis* for medical purposes.

1. The legislature shall provide by law for:

(a) The use by a patient, upon the advice of his physician, of a plant of the genus *Cannabis* for the treatment or alleviation of cancer, glaucoma, acquired immunodeficiency syndrome; severe, persistent nausea of cachexia resulting from these or other chronic or debilitating medical conditions; epilepsy and other disorders characterized by seizure; multiple sclerosis and other disorders characterized by muscular spasticity; or other conditions approved pursuant to law for such treatment.

(b) Restriction of the medical use of the plant by a minor to require diagnosis and written authorization by a physician, parental consent, and parental control of the acquisition and use of the plant.

(c) Protection of the plant and property related to its use from forfeiture except upon conviction or plea of guilty or nolo contendere for possession or use not authorized by or pursuant to this section.

(d) A registry of patients, and their attendants, who are authorized to use the plant for a medical purpose, to which law enforcement officers may resort to verify a claim of authorization and which is otherwise confidential.

(e) Authorization of appropriate methods for supply of the plant to patients authorized to use it.

2. This section does not:

(a) Authorize the use or possession of the plant for a purpose other than medical or use for a medical purpose in public.



(b) Require reimbursement by an insurer for medical use of the plant or accommodation of medical use in a place of employment.”

See, Nev. Const. Art IV § 38 .

Accordingly, Nevada residents who suffer from certain “chronic or debilitating medical conditions” are allowed to possess marijuana under Nevada state law. Chronic or debilitating conditions are currently defined as “1. Acquired immune deficiency syndrome (AIDS); 2. Cancer; 3. Glaucoma; 4. A medical condition or treatment for a medical condition that produces, for a specific patient, one or more of the following: (a) Cachexia; (b) Persistent muscle spasms, including, without limitation, spasms caused by multiple sclerosis; (c) Seizures, including, without limitation, seizures caused by epilepsy; (d) Severe nausea; or (e) Severe pain; or (f) Post Traumatic Stress Disorder; 5. Any other medical condition or treatment for a medical condition that is: (a) Classified as a chronic or debilitating medical condition by regulation of the Division; or (b) Approved as a chronic or debilitating medical condition pursuant to a petition submitted in accordance with NRS 453A.710.”

Once an individual is granted permission to possess marijuana for medical purposes, they will be issued a medical marijuana “Nevada Registry Identification Card”, commonly referred to simply as your “patient card”. Under Nevada Statute NRS 453A.140, the card is defined as “a document issued by the State of Nevada or its designee that identifies: A person who is exempt from state prosecution for engaging in the medical use of marijuana; or the designated primary caregiver, if any, of a person described in subsection 1.”

b) SB374 Legalized State Medical Marijuana Industry

After a long legal battle, Nevada’s medical marijuana patients finally won the right to legally buy their medicine at a state licensed marijuana establishment thanks to state senators Tick Segerblom (D; NV) and Mark Hutchinson (R; NV) who sponsored SB374 and paved the way for a safe, legal, marijuana industry in Nevada. The Nevada Legislature passed SB374 and on June 12, 2013, Governor Brian Sandoval signed the bill into law. SB374 made sweeping changes to Nevada’s medical marijuana laws. Prior to the passage of SB374, the only legal avenue for Nevada marijuana patients to acquire their medicine was to grow their own (of course state law did not provide a legal means to acquire clones or seeds). SB374 also provided reciprocity for marijuana patients from other jurisdictions to possess and purchase marijuana from state licensed marijuana establishments.

c) Question 2 and the Legalization of Recreational Marijuana in Nevada

In November of 2016, Nevadans voted yes on ballot Question 2 to legalize the recreational use of marijuana. The ballot required the state to begin sales by January 1, 2018, but the Nevada Tax Commission approved temporary regulations that would allow businesses to launch as early as July 1, 2017. The “early start” program has been a resounding success, generating revenue for marijuana establishments and millions of dollars of tax revenue for the state and local governments. With Question 2’s passage, persons over the age of 21 may consume or purchase retail marijuana from a state licensed marijuana establishment. Adults over the age of 21 are permitted to carry 1 ounce of marijuana flower on their person at a time, or 3.5 grams of marijuana concentrate. Generally, individuals are not permitted to grow their own marijuana in Nevada, except that those residing more than 25 miles from their nearest retail dispensary may cultivate up to 6 plants. Regardless of how one is permitted to acquire marijuana, no individual may consume or display marijuana in public in Nevada.



Businesses permitted to sell, produce, or cultivate retail marijuana (and independent testing laboratories) are required to have a marijuana establishment license conferred by the Nevada Department of Taxation. The screening process for a marijuana establishment license is intensive, licenses are highly coveted, and currently there are only a finite number of licenses outstanding. In other words, one cannot simply come to Nevada, set up shop, and start growing and selling marijuana.

d) Medical Marijuana Establishments

Nevada law provides for 4 types of medical marijuana establishment licenses. Under Nevada revised statutes 453A, the 4 types of medical marijuana establishment certificates are:

- Medical Marijuana Dispensary
- Medical Marijuana Cultivation Facility
- Medical Marijuana Production Facility
- Independent Testing Laboratory

Each medical marijuana establishment certificate only allows the specific type of activity permitted by the certificate. For example, a cultivation certificate only permits the holder to engage in the cultivation of marijuana; they cannot make retail sales to customers or produce marijuana infused products like edibles. Similarly, a production facility cannot cultivate marijuana. All transactions with a marijuana establishment must be made in accordance with Nevada law; any sales to unauthorized individuals or businesses are strictly forbidden and are subject to severe penalties including loss of licensure and criminal prosecution.

The following provides a brief description of each type of facility:

i) Medical Marijuana Dispensary

A marijuana dispensary certificate allows the holder to purchase marijuana from state licensed marijuana cultivation facilities and state licensed edible facilities. Dispensaries cannot purchase marijuana or marijuana infused products from any unauthorized sources, including out of state facilities regardless of whether or not those facilities are licensed in their jurisdiction (i.e. no importing from other states). A marijuana dispensary is the only facility permitted to make sales to individual patients and customers. The number of dispensary licenses are held to a specific number by state law, meaning once they are all taken, no more will be issued by the state unless the law were to be amended.

ii) Medical Marijuana Cultivation Facility

A marijuana cultivation certificate allows the holder to cultivate marijuana. Marijuana cultivation facilities may acquire their initial plants from those patients authorized to possess marijuana plants. Marijuana cultivation facilities may sell the marijuana they cultivate to marijuana production facilities and dispensaries after such products have passed Nevada's rigorous testing processes. Marijuana cultivation facilities, like all marijuana establishments in Nevada, are subject to very strict regulations regarding safety, security and cleanliness.



iii) Medical Marijuana Production Facility

A marijuana production certificate allows the holder to produce marijuana infused products, including edibles and extracts. A marijuana production facility may only purchase marijuana cultivated at a Nevada licensed facility. A marijuana production facility may only sell its products to a Nevada licensed dispensary or another production facility. Like all marijuana establishments, marijuana production facilities are strictly regulated by the state for the safety and security of their products.

iv) Independent Testing Laboratory

A marijuana independent testing laboratory certificate allows the holder to test marijuana grown at a state licensed facility or products produced at a state licensed production facility to test for the presence of banned or unsafe substances. Independent testing laboratories must remain truly independent. If you own any part of one of the other 3 types of marijuana licenses in the state of Nevada, you may not own any part of an independent testing laboratory. The reason for this separation of ownership is to ensure that the labs remain objective in their analysis of the products.

e) Retail Marijuana Licenses

When the voters passed Question 2, marijuana for adult-use became legal (called retail marijuana). This initiative petition was codified in Nevada Revised Statutes 453D. While some facilities are dual-licensed (medical *and* retail), each license should be treated separately. The law provides for several types of licenses which are similar to medical marijuana establishment licenses.

The following license types exist in the retail program:

i) Retail Marijuana Store

A marijuana dispensary certificate allows the holder to purchase marijuana from state licensed marijuana cultivation facilities and state licensed edible facilities. Dispensaries cannot purchase marijuana or marijuana infused products from any unauthorized sources, including out of state facilities regardless of whether or not those facilities are licensed in their jurisdiction (i.e. no importing from other states). A marijuana dispensary is the only facility permitted to make sales to individual patients and customers. The number of dispensary licenses are held to a specific number by state law, meaning once they are all taken no more will be issued by the state unless the law were to be amended.

ii) Retail Marijuana Cultivation Facility

A marijuana cultivation certificate allows the holder to cultivate marijuana. Marijuana cultivation facilities may acquire their initial plants from those patients authorized to possess marijuana plants. Marijuana cultivation facilities may sell the marijuana they cultivate to marijuana production facilities and dispensaries after such products have passed Nevada's rigorous testing processes. Marijuana cultivation facilities, like all marijuana establishments in Nevada, are subject to very strict regulations regarding safety, security and cleanliness.



iii) Retail Marijuana Production Facility

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iv) Independent Testing Laboratory

A marijuana independent testing laboratory certificate allows the holder to test marijuana grown at a state licensed facility or products produced at a state licensed production facility to test for the presence of banned or unsafe substances. Independent testing laboratories must remain truly independent. If you own any part of 1 of the other 3 types of marijuana licenses in the state of Nevada, you may not own any part of an independent testing laboratory. The reason for this separation of ownership is to ensure that the labs remain objective in their analysis of the products.

v) Marijuana Distributor License

A marijuana distribution license can be thought of as a fifth type of marijuana establishment certificate. The law regarding adult use or recreational marijuana in Nevada required that recreational marijuana be regulated like alcohol. Therefore, the system is modeled on Nevada's three-tiered alcohol distribution system. Accordingly, any marijuana designated for adult use must be transported by a state licensed marijuana distributor. This system has created some confusion in the state and a lot of litigation due to the perceived availability of individuals eligible to apply for distributor licenses and their ability or lack thereof to service the needs of the marijuana industry. Medical-only marijuana may still be delivered to other marijuana facilities by the medical marijuana licensees.

f) New Bills Being Proposed

Nevada's legislature only meets every 2 years. The last session ended in July of 2017 and they are not scheduled to meet until 2019. Accordingly, at this time there are no pending bills. Nevertheless, some new bills relating to cannabis were passed in the last legislative session that are being implemented at this time. The following bills passed during the last legislative session:

- AB135, which revised Nevada's marijuana DUI law.
- AB422, which transferred control of the state medical marijuana program from the Division of Public and Behavioral Health to the Department of Taxation and implemented the provisions of Question 2.
- SB344 which placed restrictions on the production of edibles, packaging, labeling and advertising that could be appealing to children.
- SB375 which authorized the Governor of Nevada to enter into compacts with Nevada Indian Tribes to engage in the cannabis industry.
- SB487 which amended the tax provisions relating to medical marijuana and placed an excise tax on recreational marijuana.



Nevada regulatory authorities have implemented the changes to Nevada's cannabis laws called for in the aforementioned bills. Additionally, Nevada also passed SB396, which legalized a state licensed commercial industrial hemp industry.

At present, the Company has not achieved operational status in Nevada. Accordingly, the Company is not yet in a position to operate under Nevada's highly regulated market. The Company has however completed the acquisition of a Provisional Nevada Medical Marijuana Cultivation Establishment Certificate. The Certificate has been maintained in good standing and once its facility is operational, the Company will be permitted to engage in the cultivation of marijuana pursuant to Nevada state law. Before the Company's facility can become operational, it will have to complete construction and pass several inspections by state and local regulators. The Company will initially only be able to sell marijuana for medical purposes and will not be able to sell recreational marijuana until it acquires a license to do so from both the state and local authorities.

Upon issuance of the final license, the Company will be subject to strict regulations at both the state and local level; staying in compliance with these regulations is critical. Failure to adhere to the regulations will be subject to a progressive disciplinary regimen. Penalties for violations of the regulations can range from warnings to monetary fines and even up to revocation of the license depending on the severity of the infraction. If the Company's license is revoked, it is essentially valueless. The Company is aware of several marijuana establishments that have had their licenses suspended for violations of Nevada laws and regulations. Management understands that companies with robust training programs and sound internal policies rarely receive severe infractions from the regulatory authorities.

Nevada is a very strict state with regard to regulated businesses such as marijuana and gaming. Nevada allows rarely, if ever, any exceptions to the rules. The federal government of the United States does provide for exceptions to the CSA through federally approved research studies, but such studies are exceptionally rare. The Company is not aware of any such studies that would provide an exception to the Company's future business activities in Nevada.

RISK FACTORS

There are a number of risk factors that could cause future results to differ materially from those described herein. The risks and uncertainties described herein are not the only ones the Company faces. Additional risks and uncertainties, including those that the Company does not know about now or that it currently considers immaterial, may also adversely affect the Company's business. If any of the following risks actually occur, the Company's business may be harmed, and its financial condition and results of operations may suffer significantly. This section discusses factors relating to the business of Company that should be considered by both existing and potential investors. The information in this section is intended to serve as an overview and should not be considered comprehensive and the Company may face risks and uncertainties not discussed in this section, or not currently known to us, or that we deem to be immaterial. All risks to the Company's business have the potential to influence its operations in a materially adverse manner.

Reliance on Licensing

Maple Leaf's ability to produce, store and sell dried marihuana and cannabis oil in Canada is dependent on becoming a Licensed Producer. The Company's objective is to acquire the ACMPR license and produce pesticide-free, top quality cannabis using Hydroponics in its Telkwa Facility. The Company will initially sell to its clients, who will be medical cannabis patients that have received a medical document from their physicians. Health Canada has not published any standards or timelines regarding the length of time for



approval of applications for a section 35 ACMPR license. Therefore, the timeline of the Application is uncertain and cannot be estimated. There is no assurance that the Application will be successful. (See “General Development of the Business – Activities in Canada”, “Description of the Business – General”, and “Description of the Business – License and Regulations” in this Annual Information Form).

Any changes to the Company’s Application (e.g., changes in Key Personnel, officers, directors, or physical security measures, etc.) may result in additional processing times. The quality, completeness, and complexity of license applications are key variables affecting application processing times. There are over 100 applications currently in the review stage.⁹ As above, the timeline of the Application cannot be predicted. However, it may take several months for file review and communications with the OMC for additional information and clarifications to support the Application.

The Company’s ability to grow, store, and sell medical cannabis in Canada is dependent on a license. The license under the ACMPR is subject to ongoing compliance and reporting requirements. Failure to comply with the requirements of the license or any failure to maintain the license would have a material adverse impact on the business, financial condition, and operating results of the Company. If the Application is successful, there is no guarantee that the license will be extended or renewed on the same or similar terms. Should Health Canada not issue, extend, or renew the license or should it renew the license on different terms, the business, financial condition, and results of the operation of Maple Leaf would be materially adversely affected.

The Company also faces regulatory risks related to licensing in Nevada. The Company’s ability to operate in Nevada is tied to its license. If the Company were to lose its license for any reason, then it would effectively be shut down. Accordingly, the Company will need to adopt strict policies and procedures to ensure that it adheres to Nevada’s regulations.

Construction of Facilities

There is no guarantee that Health Canada will approve the contemplated construction of the Telkwa Facility in a timely fashion, nor is there any guarantee that the construction will be completed in its currently proposed form, if at all. The failure of the Company to successfully execute its construction strategy (including receiving the expected Health Canada approvals in a timely fashion) could adversely affect the business, financial condition, and results of operations of the Company. The Company’s facilities in Nevada are subject to strict construction guidelines. Each stage of construction must be inspected by the governing authorities. The Department of Taxation will also send out its inspectors to approve the facility prior to it beginning operations.

Changes in Laws, Regulations, and Guidelines

On November 27, 2017, the House of Common passed the *Cannabis Act*. The *Cannabis Act* provides for the regulation of the production, distribution, and sale of cannabis for unqualified adult use, with a target implementation date during 2018. The *Cannabis Act* is currently awaiting approval from the Senate. It is unknown whether the proposed *Cannabis Act* will be approved in the current form including, but not limited to, permitting home cultivation, potentially easing barriers to entry into a Canadian adult use cannabis market, and restrictions on advertising and branding. The finalized form of the *Cannabis Act*, and the details of any regulations enacted pursuant to the *Cannabis Act*, could materially and adversely affect the business, financial condition, and results of operations of the Company. In the United States, marijuana remains federally illegal

⁹ <https://www.canada.ca/en/health-canada/services/drugs-health-products/medical-use-marijuana/licensed-producers/application-process-becoming-licensed-producer.html>



however there have been recent bills submitted in the United States Congress recently that would legalize marijuana at a federal level. (See also “Risk Factors - Risk Factors Related to the United States” in this Annual Information Form).

Results of Future Research

Clinical trials, observational studies, and basic research in Canada, the U.S., and internationally regarding the medical benefits, viability, safety, efficacy, dosing, and social acceptance of cannabis or isolated cannabinoids (such as CBD and THC) remain in early stages. There have been relatively few clinical trials or observational studies on the benefits of cannabis or isolated cannabinoids. Although Maple Leaf believes that published articles, reports, and studies support the Company’s beliefs regarding the medical benefits, viability, safety, efficacy, dosing, and social acceptance of cannabis, future clinical trials, observational studies, and basic research may prove such statements to be incorrect, or could raise concerns regarding cannabis and perceptions relating to cannabis. Given these risks, uncertainties and assumptions, investors and prospective investors should not place undue reliance on such articles, reports, and studies. Future research studies and clinical trials may draw opposing conclusions to those stated in this AIF or reach negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance, or other facts and perceptions related to medical cannabis, which could have a material adverse effect on the demand for the Company’s products with the potential to lead to a material adverse effect on the Company’s business, financial condition, and results of operations.

Reliance on Key Inputs

The Company’s business is dependent on a number of key inputs both domestically and abroad and their related costs including raw materials and supplies related to its growing operations, as well as electricity, water, and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition, and operating results of the Company. 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 the Company.

Client Acquisition and Retention

The Company’s success depends on its ability to attract and retain clients in Canada and the United States. There are many factors which could impact the Company’s ability to attract and retain clients, including but not limited to the Company’s ability to continually produce desirable and effective product, the successful implementation of the Company’s patient-acquisition plan, and the continued growth in the aggregate number of patients selecting medical cannabis as a treatment option and other companies producing and supplying similar products. The Company’s failure to acquire and retain patients would have a material adverse effect on the business, financial condition, and operating results of the Company.

Legislative or Regulatory Reform and Compliance

The commercial medical cannabis industry is a new industry and the Company anticipates that such regulations will be subject to change as the federal government monitors Licensed Producers. Maple Leaf’s operations are subject to a variety of laws, regulations, guidelines, and policies relating to the manufacture, import, export, management, packaging, labelling, advertising, sale, transportation, storage, and disposal of medical cannabis, but also including laws and regulations relating to drugs, controlled substances, health and



safety, the conduct of operations, and the protection of the environment. While to the knowledge of management, Maple Leaf is currently in compliance with all such laws, any changes to such laws, regulations, guidelines, and policies due to matters beyond the control of Maple Leaf may cause adverse effects to its operations. (See also “Risk Factors - Risk Factors Related to the United States” in this Annual Information Form).

Regulatory Risks

Successful execution of the Company’s business is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products, including obtaining the License pursuant to the ACMPR. The commercial medical cannabis industry is a new industry and the Company cannot predict the impact of the changes to the compliance regime. Similarly, the Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. The impact of Health Canada’s compliance regime, any delays in obtaining, or failure to obtain regulatory approvals may significantly delay or impact the development of markets, products, and sales initiatives and could have a material adverse effect on the business, financial condition, and operating results of the Company. Without limiting the foregoing, failure to comply with the requirements of the Licensed Producer’s license or any failure to obtain the license would have a material adverse impact on the business, financial condition and operating results of the Company. There can be no guarantees that Health Canada will grant the license.

The Company will 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 on the Company’s operations. Failure to adhere to the Nevada regulations will result in fines and other penalties including revocation of the license to operate the Company’s business. If the violations are serious enough members of the Company could even be subject to criminal prosecution. In Nevada, the Company currently holds a provisional license. If the Company is not able to achieve full licensure in the near future, the Company risks having its provisional license revoked. If the Company’s provisional license is revoked, it will be unable to operate at all. In addition, changes in regulations, more vigorous enforcement thereof, 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, financial condition, and operating results of the Company. (See also “Risk Factors - Risk Factors Related to the United States” in this Annual Information Form).

Environmental Regulations and Risks

The Company’s operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage, and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines, and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company’s operations. Government approvals and permits are currently, and may in the future, be required in connection with the Company’s operations. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from its proposed production of medical cannabis or from proceeding with the development of its operations as currently proposed. Failure to comply



with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The Company may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations, and permits governing the production of medical cannabis, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in expenses, capital expenditures, or production costs, or reduction in levels of production or require abandonment or delays in development. (See also “Risk Factors - Risk Factors Related to the United States” in this Annual Information Form).

Market Risk for Securities

The market price for the Common Shares of the Company could be subject to wide fluctuations. Factors such as commodity prices, government regulation, interest rates, share price movements of peer companies, and competitors, as well as overall market movements, may have a significant impact on the market price of the Company. The stock market has from time to time experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of particular companies.

Volatile Market Price of Common Shares

The market price of the Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company’s control. This volatility may affect the ability of 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.

The demand, pricing and terms for the sale of medical cannabis largely depend upon the level of industry activity for Canada and the United States and, to a lesser extent, the development of the Canadian and American medical cannabis markets. Industry conditions are influenced by numerous factors over which the Company has no control, including the level of medical cannabis prices, expectations about future medical cannabis prices and production, the cost of producing and delivering medical cannabis, any rates of declining current production, political, regulatory, and economic conditions, alternative fuel requirements, and the ability of medical cannabis companies to raise equity capital or debt financing, which can all have a direct impact on the volatility and the market price of the Common Shares.



The level of activity in the Canadian and American medical cannabis industry is volatile. No assurance can be given that expected trends in medical cannabis production and sales activities will continue or that demand for medical cannabis will reflect the level of activity in the industry. Any prolonged substantial reduction in medical cannabis prices would likely affect medical cannabis production levels and therefore affect the demand for medical cannabis. A material decline in medical cannabis prices or Canadian and American industry activity could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows, and the market price of the Common Shares.

Risks Related to Dilutions

The Company may issue additional Common Shares in the future, which may dilute a shareholder's holdings in the Company. The Company's articles permit the issuance of an unlimited number of Common Shares, and 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 issue 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. Further, the testing standards in Nevada are some of the strictest in the world. If the Company's crops fail testing, the crops may have to be destroyed resulting in a total loss.

Risks Inherent in an Agricultural Business

Maple Leaf's business involves the growing of medical cannabis, an agricultural product. Such business will be subject to the risks inherent in the agricultural business, such as insects, plant diseases, and similar agricultural risks. Although Maple Leaf expects that any such growing will be completed indoors under climate controlled conditions, there can be no assurance that natural elements will not have a material adverse effect on any such future production.

Reliance on a Single Location in Canada

Maple Leaf's activities and resources will primarily be focused on the Telkwa Facility. Maple Leaf expects to continue the focus on this facility for the foreseeable future. Adverse changes or developments affecting the existing facility and location could have a material and adverse effect on Maple Leaf's ability to continue producing medical cannabis, its business, financial condition, and prospects.

Third Party Transportation

In order for customers of Maple Leaf to receive their product, Maple Leaf must rely on third party transportation services. This can cause logistical problems and delays in patients obtaining their orders; this cannot be directly controlled by Maple Leaf. Any delay by third party transportation services may adversely affect Maple Leaf's financial performance. Moreover, security of the product during transportation to and from the Company's facilities is critical due to the nature of the product. A breach of security during transport could have material adverse effects on Maple Leaf's business, financials, and prospects. Any such breach could impact Maple Leaf's ability to continue operating under its licenses or the prospect of renewing its licenses. Rising costs associated with the courier service used by the Company to ship its products may also adversely impact the business of the Company and its ability to operate profitably. (See also "Risk Factors - Risk Factors Related to the United States" in this Annual Information Form).



Reliance on Key Personnel

The success of the Company is dependent upon the ability, expertise, judgment, discretion, and good faith of its Key Personnel. Maple Leaf's future success depends on its continuing ability to attract, develop, motivate, and retain the Key Personnel. Qualified individuals for Key Personnel positions are in high demand, and the Company may incur significant costs to attract and retain them. The loss of the services of Key Personnel, or an inability to attract other suitably qualified persons when needed, could have a material adverse effect on Maple Leaf'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. Since Maple Leaf is a Licensed Producer, each Key Personnel is subject to a security clearance by Health Canada. Under the ACMPR, a security clearance cannot be valid for more than 5 years and must be renewed before the expiry of a current security clearance. There is no assurance that any of the Company's existing personnel who presently or may in the future require a security clearance will be able to obtain or renew such clearances or that new personnel who require a security clearance will be able to obtain one. A failure by Key Personnel to maintain or renew security clearance could result in a material adverse effect on the Company's business, financial condition, and results of operations. If Key Personnel leave the Company, and the Company is unable to find a suitable replacement that has a security clearance required by the ACMPR in a timely manner, or at all, there could occur a material adverse effect on the Company's business, financial condition, and results of operations. While employment agreements are customarily used as a primary method of retaining the services of Key Personnel, these agreements cannot assure the continued services of such employees.

In the Company's Nevada operations, Maple Leaf will rely heavily on its Key Personnel. Key Personnel will be taking the lead on the Company's cultivation operations in Nevada. The Company has also retained a Nevada law firm experienced in Nevada's highly complex marijuana regulations. Similar to Canadian law, each person who works at a Nevada licensed marijuana establishment is required to maintain a clean criminal record and be able to pass a background check to show that they do not have any convictions for excluded felony offenses. If any of the Company's Key Personnel were to become ineligible to maintain a Nevada marijuana establishment agent card, they will not be able to own any interest in the Company or work at the Company's facilities.

The Company's success has depended, and continues to depend upon, its ability to attract and retain Key Personnel including technical experts and sales personnel. The Company will attempt to enhance its management and technical expertise by continuing to recruit qualified individuals who possess desired skills and experience in certain targeted areas. The Company's inability to retain employees and attract and retain sufficient additional employees or engineering and technical support resources could have a material adverse effect on the Company's business, results of operations, sales, cash flow, or financial condition. Shortages in qualified personnel or the loss of key personnel could adversely affect the financial condition of the Company, results of operations of the business, and could limit the Company's ability to develop and market its cannabis-related products. The loss of any of the Company's senior management or key employees could materially adversely affect the Company's ability to execute its business plan and strategy, and the Company may not be able to find adequate replacements on a timely basis, or at all.

Conflict of Interest

Certain of the Company's directors and officers are also directors and officers in other companies. 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 interests. In accordance with the *Business Corporations Act* (Alberta), directors who have a material interest in any person who is a party to a material



contract or a proposed material contract are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract.

Limited Operating History

The Company has limited operating history, and is therefore subject to many of the risks common to early-stage enterprises, including undercapitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. 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.

No Assurance of Profitability

The Company has incurred operating losses in recent periods. The Company may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, the Company expects to continue to increase operating expenses as it implements initiatives to grow its business. If the Company's revenues do not increase to offset these expected increases in costs and operating expenses, the Company will not be profitable. There is no assurance that the Company will be successful in achieving a return on shareholders' investments and the likelihood of success must be considered in light of the early stage of operations.

Realization of Growth Targets

The Company's ability to produce cannabis will be affected by a number of factors, including plant design errors, non-performance by third party contractors, increases in materials or labour costs, construction performance falling below expected levels of output or efficiency, environmental pollution, contractor or operator errors, breakdowns, aging or failure of equipment or processes, labour disputes, as well as factors specifically related to indoor agricultural practices, such as reliance on provision of energy and utilities to the facility, and potential impacts of major incidents or catastrophic events on the facility, such as fires, explosions, earthquakes, or storms.

Management of Growth

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

Odour Remediation

Cannabis has a distinctive and strong smell, which can permeate within and outside a growing facility. As a result, odour remediation is a priority for businesses involved in the cultivation of cannabis. The Company intends to construct the Telkwa Facility and any of its other proposed facilities with effective odour remediation equipment, including, but not limited to, carbon filters, ozone generators, and ionizers. The Company's operations and perception depend, in part, on how well it is able to remediate odour from its cannabis cultivation facilities. The Company's operations also dependent on the timely maintenance, upgrade, and replacement of odour remediation equipment, as well as pre-emptive expenses to mitigate the risks of



odour remediation failures. Any of these and other events could result in equipment failures, delays, and/or increases in capital expenses. The failure of successful odour remediation or a component of odour remediation could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations.

Liability Related to the Sale of Cannabis and Cannabis Oil

As a manufacturer and distributor of products designed to be ingested by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action, and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of cannabis products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of cannabis products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the products produced by the Company caused injury or illness, the product labels include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the business, financial condition, and operating results of the Company. There can be no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of products.

Dependence on Suppliers and Skilled Labour

The ability of the Company to compete and grow medical cannabis will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts, and components. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labour, equipment, parts, and components.

Fluctuating Prices of Raw Materials

The Company's revenues will be derived from the production, sale, and distribution of cannabis. The price of production, sale, and distribution of cannabis will fluctuate widely due to how young the cannabis industry is and is affected by numerous factors beyond the Company's control including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities, and increased production due to new production and distribution developments, and improved production and distribution methods. The effect of these factors on the price of product produced by the Company and, therefore, the economic viability of any of the Company's business, cannot accurately be predicted.

Reputational Damage to the Company

Damage to the Company's reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. The increased usage of social media and other web-based tools used to generate, publish, and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and



views in regards to the Company and its activities, whether true or not. Although the Company believes that it operates in a manner that is respectful to all stakeholders and that it takes care in protecting its image and reputation, the Company does not ultimately have direct control over how it is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations, and an impediment to the Company's overall ability to advance its projects, thereby having a material adverse impact on financial performance, financial condition, cash flows, and growth prospects.

Competition

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 manufacturing and marketing experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition, and results of operations of the Company.

The government has only issued to date a limited number of licenses under the ACMPR, to produce and sell medical cannabis. There are, however, several hundred applicants for licenses. The number of licenses granted could have an impact on the 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. According to Health Canada, there are approximately 104 Licensed Producers as of May 14, 2018. If the number of users of medical cannabis in Canada increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Company will require a continued level of investment in research and development, marketing, sales, and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales, and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition, and results of operations of the Company.

In Nevada, competition in the cannabis industry is largely limited to the other licensed facilities; the importation of marijuana into Nevada is strictly prohibited and the number of licensed facilities is strictly regulated by the state. At present, there are approximately 130 other licensed cultivation facilities in Nevada; however, the state may issue more licenses in 2018 or 2019 if the state determines that there is sufficient demand. At present, there is a robust demand for marijuana products in Nevada. Currently, the wholesale price of marijuana flower has been hovering around USD\$2,500.00 per pound and trim is selling for around USD\$1,000.00 per pound. Nevada licensed facilities also have to compete with the black market. Illegal operators routinely smuggle marijuana into Nevada from other jurisdictions and sell their products on the black market. These unlicensed operators are generally able to sell their products for less than legal operators due to their ability to forego paying the hefty tax and licensing burdens placed on legal operators.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety, and inadequate or inaccurate labelling disclosure. If any of Maple Leaf's products are recalled due to an alleged product defect or for any other reason, Maple Leaf could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. Maple Leaf may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management



attention. Although Maple Leaf has detailed procedures in place for testing its products, there can be no assurance that any quality, potency, or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action, or lawsuits. Additionally, if one of Maple Leaf's significant brands were subject to recall, the image of that brand and Maple Leaf could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for Maple Leaf's products and could have a material adverse effect on the results of operations and financial condition of Maple Leaf. Additionally, product recalls may lead to increased scrutiny of Maple Leaf's operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Insurance Coverage

While the Company will obtain insurance coverage that will address all material risks to which it may be exposed and are adequate and customary in its future operations, such insurance may be subject to coverage limits and exclusions and may not be available for the risks and hazards to which Maple Leaf 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.

Uninsured or Uninsurable Risk

The Company may be subject to liability for risks against which it cannot insure or against which the Company may elect not to insure due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available for the Company's normal business activities. Payment of liabilities for which the Company does not carry insurance may have a material adverse effect on the Company's financial position and operations.

Negative Consumer Perception

The Company believes the medical cannabis industry is highly dependent upon consumer perception regarding the medical benefits, safety, efficacy, and quality of the cannabis distributed for medical purposes to such consumers. Consumer perception of Maple Leaf's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, political statements both in Canada and in other countries, media attention, and other publicity (whether or not accurate or with merit) regarding the consumption of cannabis products for medical purposes, including unexpected safety or efficacy concerns arising with respect to the products of the Company or its competitors. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention, or other research findings or publicity will be favorable to the medical 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 favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's products and the business, results of operations and financial condition of the Company. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention, or other publicity (whether or not accurate or with merit), could have an adverse effect on any demand for Maple Leaf's products which could have a material adverse effect on the Company's business, financial condition, and results of operations. Further, adverse publicity reports or other media attention



regarding the safety, efficacy, and quality of cannabis for medical purposes in general, or the Company's products specifically, or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. 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.

Securing Adequate Financing to Fund Operations and Meet Expected Consumer Demand

There is no guarantee that the Company will be able to achieve its business objectives. The continued development of Maple Leaf may require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of current business objectives or the Company ceasing to carry on business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favorable to the Company. In addition, from time to time, Maple Leaf may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed wholly or partially with debt, which may increase the Company's debt levels above industry standards. Any debt financing secured in the future could involve 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. Debt financings may also contain provisions which, if breached, may entitle lenders or their agents to accelerate repayment of loans and/or realize upon security over the assets of the Company, and there is no assurance that the Company would be able to repay such loans in such an event or prevent the enforcement of security granted pursuant to such debt financing.

Identify and Execute Future Acquisitions or Dispositions, or to Successfully Manage the Impact of Such Transactions on its Operations

Although there is no present intention to undertake any of the following transactions, material acquisitions, dispositions, and other strategic transactions involve a number of risks, including: (i) potential disruption of the Company's ongoing business; (ii) distraction of management; (iii) Maple Leaf may become more financially leveraged; (iv) the anticipated benefits and cost savings of those transactions may not be realized fully or at all or may take longer to realize than expected; (v) increasing the scope and complexity of the Company's operations, and (vi) loss or reduction of control over certain of the Company's assets.

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

Regulatory or Agency Proceedings, Investigations, and Audits

The Company's business requires compliance with many laws and regulations, including the NCR and the FDA. Failure to comply with these laws and regulations could subject the Company to regulatory or agency proceedings or investigations and could also lead to damage awards, fines and penalties. Maple Leaf may become involved in a number of government or agency proceedings, investigations, and audits. The outcome of any regulatory or agency proceedings, investigations, audits, and other contingencies could harm the Company's reputation, require the Company to take, or refrain from taking, actions that could harm its



operations or require Maple Leaf to pay substantial amounts of money, harming its financial condition. There can be no assurance that any pending or future regulatory or agency proceedings, investigations, and audits will not result in substantial costs or a diversion of management's attention and resources or have a material adverse impact on the Company's business, financial condition, and results of operation.

The Company's operations in Nevada are subject to heavy regulations at both the state and local level. Nevada state regulators often conduct inspections and audits of marijuana companies. Failure to strictly adhere to the Nevada state regulations will result in progressive fines and penalties; serious violations will result in suspension and revocation of the Company's license to grow and sell cannabis in Nevada.

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 value of the Common Shares and could use significant resources. Even if Maple Leaf is involved in litigation and wins, litigation can redirect significant Company resources, including the time and attention of management and available working capital. Litigation may also create a negative perception of the Company's brand.

Intellectual Property

“Intellectual Property Rights” means any statutory or non-statutory intellectual property rights in any jurisdiction, including any issued, pending, registered, filed or unfiled application for any patent (including any utility, design or plant patent, and including any continuation, continuation-in-part, divisional, re-issue, re-examination, national phase entry or regional phase entry application), copyright, trademark, industrial design, plant breeder's right, *Plant Varieties Protection Act* registration, or other statutory intellectual property right, and any trade secret, know-how, goodwill, or other intellectual property or other proprietary right, and any written or unwritten title, interest, license, right to bring or participate in any proceeding for past infringement or any other actionable right under or relating to any intellectual property right, or any other rights to any of the foregoing, relating to any standard operating procedures, production processes, packaging processes, labeling processes, ingredients, technology, inventions, plant varieties, clonally propagated plant material, stable cultivars, business management processes, compilations of information, contracts, records, specifications, business procedures, label designs, branding, compliance documentation, files, records, documents, drawings, specifications, equipment and data (data includes all information whether written or in an electronic format), and including any suppliers, manufacturers, equipment, methodologies, customer lists or other relevant information, relating to any of the foregoing, pertaining to the business of a party.

Intellectual Property Rights are significant aspects of the Company's future success. Unauthorized parties may attempt to replicate or otherwise obtain and use the Company's products and technology. Policing the unauthorized use of the Company's current or future Intellectual Property Rights could be difficult, expensive, time-consuming, and unpredictable, as may be enforcing these rights against unauthorized use by others. Identifying unauthorized use of the Intellectual Property Rights may be complicated in the event that Maple Leaf is unable to effectively monitor and evaluate the products being distributed by its competitors, including parties selling illicit cannabis, and the processes used to produce such products. In addition, in any infringement proceeding, some or all of the Company's Intellectual Property Rights, may be found invalid, unenforceable, anti-competitive, or not infringed. An adverse result in any litigation or defense proceedings could put one or more of the Company's Intellectual Property Rights at risk of being invalidated or interpreted



narrowly and could put pending applications for registration of Intellectual Property Rights at risk of not being issued. In addition, other parties may claim that the Company's products infringe on their proprietary and perhaps patent protected rights. 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, or require the payment of damages. Maple Leaf may need to obtain licenses from third parties who allege that the Company has infringed their Intellectual Property Rights. However, such licenses may not be available on terms acceptable to the Company or at all. In addition, the Company may not be able to obtain or utilize on terms that are favorable to it, or at all, licenses, or other rights with respect to Intellectual Property Rights that it does not own. Any or all of these events could materially and adversely affect the business, financial condition, and results of operations of the Company. (See also "Risk Factors - Risk Factors Related to the United States" in this Annual Information Form).

Constraints on Marketing Products

The development of the Company's business and operating results may be hindered by restrictions on sales and marketing activities imposed by the OMC under the ACMPR, NCR, and the FDA. After the *Cannabis Act* is passed, the *Cannabis Act* and regulations thereunder will apply to advertising, marketing and any other communications about the Products. The regulatory environment in Canada limits the Company's ability to compete for market share in a manner similar to other industries. If Maple Leaf is unable to effectively market its products and compete for market share, or if the costs of compliance cannot be absorbed through increased selling prices for its products, the Company's sales and operating results could be adversely affected.

The regulatory environment in Canada limits the Company's ability to compete for market share in a manner similar to other industries. If the Company is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Company's sales and operating results could be adversely affected.

Nevada places heavy regulations on advertising and marketing marijuana products. Products may not be marketed in any manner which may be appealing to persons under the age of twenty-one. Each advertisement, logo, packaging, product name, or sponsorship must be approved by the Nevada Department of Taxation before the dissemination or publication of the same. Failure to adhere to the Nevada regulations regarding marketing is subject to penalties such as fines and revocation of the Company's license. The Company should rely on its legal counsel in Nevada to maintain compliance with Nevada's advertising regulations and have staff dedicated to tracking its advertising submissions and approvals.

Fraudulent or Illegal Activity by Employees, Contractors, and Consultants

The Company is exposed to the risk that its employees, independent contractors, and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Company that violates: (i) government regulations; (ii) manufacturing standards; (iii) federal and provincial healthcare fraud and abuse laws and regulations; or (iv) laws that require the true, complete, and accurate reporting of financial information or data. It is not always possible for the Company to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against Maple Leaf, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on Maple Leaf's business, including the



imposition of civil, criminal, and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits, and future earnings, and curtailment of the Company's operations, any of which could have a material adverse effect on the Company's business, financial condition, and results of operations.

Information Technology Systems and Cyber Attacks

Maple Leaf plans to enter into agreements with third parties for hardware, software, telecommunications, and other IT services in connection with its operations. The Company's operations will depend, in part, on how well it and its suppliers protect networks, equipment, IT systems, and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage, destruction, fire, power loss, hacking, computer viruses, vandalism, and theft. The Company's operations will also depend on the timely maintenance, upgrades, and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays, and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations.

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

Breaches of Security at Facilities, or in respect of Electronic Documents and Data Storage and Risks Related to Breaches of Applicable Privacy Laws

Given the nature of the Company's product and its lack of legal availability outside of channels approved by the Government of Canada, as well as the concentration of inventory in its facilities, despite meeting or exceeding Health Canada's security requirements, there remains a risk of shrinkage as well as theft. A security breach at one of the Company's facilities could expose Maple Leaf to additional liability and to potentially costly litigation, increased expenses relating to the resolution and future prevention of these breaches and may deter potential patients from choosing the Company's products.

In addition, Maple Leaf will collect and store personal information about its clients and will be responsible for protecting that information from privacy breaches. A privacy breach may occur through procedural or process failure, information technology malfunction, or deliberate unauthorized intrusions. Theft of data for competitive purposes, particularly patient lists and preferences, is an ongoing risk whether perpetrated via employee collusion or negligence or through deliberate cyber-attack. Any such theft or privacy breach would have a material adverse effect on the Company's business, financial condition and results of operations.

In addition, there are a number of federal and provincial laws protecting the confidentiality of certain patient health information, including patient records, and restricting the use and disclosure of that protected information. In particular, the privacy rules under the PIPEDA protect medical records and other personal health information by limiting their use and disclosure of health information to the minimum level reasonably necessary to accomplish the intended purpose. If Maple Leaf was found to be in violation of the privacy or



security rules under the PIPEDA or other laws protecting the confidentiality of patient health information, it could be subject to sanctions and civil or criminal penalties, which could increase its liabilities, harm its reputation, and have a material adverse effect on the business, results of operations, and financial condition of the Company.

In Nevada, the Company is not authorized to make retail sales to marijuana patients or retail customers, therefore it is not likely to encounter a situation where it would be in possession of sensitive medical or customer information. Nevertheless, the Company should adopt best practices to ensure the private or confidential information of its employees or customers is protected and to maintain compliance with Nevada state privacy laws such as NRS Chapter 603A and the federal *Health Insurance Portability and Accountability Act* of 1996 protections. Such measures should include operating secure electronic storage systems, facilities, and adopting strict protocols for its staff in order to ensure the security of private information.

Political and Economic Instability

The Company may be affected by possible political or economic instability. The risks include, but are not limited to, terrorism, military repression, extreme fluctuations in currency exchange rates, and high rates of inflation. Changes in medicine and agriculture development or investment policies or shifts in political attitude in certain countries may adversely affect the Company's business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, distribution, price controls, export controls, income taxes, and expropriation of property, maintenance of assets, environmental legislation, land use, land claims of local people, and water use. The effect of these factors cannot be accurately predicted. (See also "Risk Factors - Risk Factors Related to the United States" in this Annual Information Form).

Global Economy Risk

An economic downturn of global capital markets has been shown to make the raising of capital by equity or debt financing more difficult. The Company will be dependent upon the capital markets to raise additional financing in the future, while it establishes a user base for its products. As such, the Company is subject to liquidity risks in meeting its development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the Company's ability to raise equity or obtain loans and other credit facilities in the future and on terms favorable to the Company and its management. If uncertain market conditions persist, the Company's ability to raise capital could be jeopardized, which could have an adverse impact on the Company's operations and the trading price of the Company's shares.

Vulnerability to Rising Energy Costs

Maple Leaf's proposed operations will consume considerable energy, making Maple Leaf vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the proposed business of Maple Leaf and its ability to operate profitably.

Forecast Uncertainties

Maple Leaf will need to 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 cannabis industry in Canada. A failure in the demand for its products to materialize as a result of competition, technological change or other



factors could have a material adverse effect on the proposed investments, business, results of operations, and financial condition of Maple Leaf.

No License

Investors should be aware that companies cannot legally conduct a medical cannabis business in Canada without a license from the OMC, and that there is likely significant time and cost required to obtain such a license. Entering this sector requires a commitment of significant resources, and there are a number of risks, cost, implications, and time required before a company can begin licensed operations. There is no assurance that Maple Leaf will be successful in obtaining a license, having access to requisite funds, or in creating shareholder value.

Risk Factors Related to the United States

While Cannabis is Legal in many American State Jurisdictions, it continues to be a Controlled Substance under the United States Federal Controlled Substances Act

The concepts of “medical cannabis” and “retail cannabis” do not exist under U.S. federal law. The CSA classifies “marijuana” as a Schedule I drug. Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of safety for the use of the drug under medical supervision. As such, cannabis-related practices or activities, including without limitation, the manufacture, the production, possession, use and distribution of cannabis, or products derived therefrom, is prohibit pursuant to the CSA and remains illegal under U.S. federal law. Although the Company believes that its business activities are compliant with applicable U.S. state and local law, strict compliance with state and local laws with respect to cannabis may neither absolve the Company of liability under U.S. federal law, nor may it provide a defense to any federal proceeding which may be brought against the Company. Any such proceedings brought against the Company may adversely affect the Company’s operations and financial performance.

Violations of any U.S. federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the U.S. federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, its holding (directly or indirectly) of medical 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 the Company to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

Due to the federal prohibition of cannabis, any person or business that is operating in the cannabis industry in the United States faces risks of federal criminal prosecution and other penalties. Irrespective of the federal prohibition of cannabis, several states have authorized the production, use, and distribution of cannabis for medical or adult use purposes, including Nevada and California.

The United States Congress has passed appropriations bills each of the last three years that have not appropriated funds for prosecution of cannabis offenses of individuals who are in compliance with state



medical cannabis laws. American courts have construed these appropriations bills to prevent the federal government from prosecuting individuals when those individuals comply with state law. However, because this conduct continues to violate federal law, American courts have observed that should Congress at any time choose to appropriate funds to fully prosecute the CSA, any individual or business even those that have fully complied with state law could be prosecuted for violations of federal law. If Congress restores funding, the government will have the authority to prosecute individuals for violations of the law before it lacked funding under the CSA's five-year statute of limitations. Violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions, or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities, or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, its holding (directly or indirectly) of medical 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 the Company to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

The Approach to the Enforcement of Cannabis Laws may be Subject to Change or may not proceed as Previously Outlined

As a result of the conflicting views between state legislatures and the United States federal government regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation. The response to this inconsistency was addressed in August of 2013 when then Deputy Attorney General, James Cole, authored the Cole Memorandum addressed to all United States district attorneys acknowledging that notwithstanding the designation of cannabis as a controlled substance at the federal level in the United States, several US states have enacted laws relating to cannabis for medical purposes.

The Cole Memorandum outlined certain priorities for the Department of Justice relating to the prosecution of cannabis offenses. In particular, the Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale, and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. Notably, however, the Department of Justice has never provided specific guidelines for what regulatory and enforcement systems it deems sufficient under the Cole Memorandum standard.

In light of limited investigative and prosecutorial resources, the Cole Memorandum concluded that the Department of Justice should be focused on addressing only the most significant threats related to cannabis. States where medical cannabis had been legalized were not characterized as a high priority. In March of 2018, newly appointed Attorney General Jeff Sessions again noted limited federal resources and acknowledged that much of the Cole Memorandum had merit, although he disagreed that it had been implemented effectively and has not committed to utilizing the Cole Memorandum framework going forward.

The board of directors of the Company has informed its decision to authorize and approve the investments in California and Nevada based on the guidelines outlined in the Cole Memorandum and believes that the risk of federal prosecution and enforcement is currently unlikely. However, unless and until the Cole Memorandum is memorialized in federal legislation, there can be no assurance that the federal government



will not seek to prosecute cases involving medical 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.

There is Uncertainty Surrounding the Current Federal Administration and the Administration's Influence and Policies in Opposition to the Cannabis Industry as a Whole

There is significant uncertainty surrounding the policies of the current U.S. federal administration about adult-use and medical cannabis. Although the U.S. Department of Justice has stated in the Cole Memorandum that it is not an efficient use of limited resources to direct federal law enforcement agencies to prosecute those abiding by state laws allowing the use and distribution of medical cannabis, there is no guarantee that the U.S. Department of Justice's position in this regard will not change. Should the U.S. Department of Justice decide to repeal or amend the Cole Memorandum, there is no certainty as to how the U.S. Department of Justice, U.S. Federal Bureau of Investigation and other government agencies will handle cannabis matters in the future. There can be no assurances that the U.S. federal administration will not change the current enforcement policy and decide to strongly enforce the U.S. federal laws. The Company regularly monitors the activities of the current administration for evidence if the Company will contravene the Rohrabacher-Farr Amendment or the guidance provided in the Cole Memorandum.

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 *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, the *Criminal Code (Canada)* and any related or similar rules, regulations or guidelines, issued, administered, or enforced by governmental authorities in the United States and Canada.

In February of 2014, the FCEN of the U.S. Treasury Department issued a memorandum providing instructions to banks seeking to provide services to cannabis-related businesses. The FCEN Memo states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. It refers to supplementary guidance that Deputy Attorney General Cole issued to federal prosecutors relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the CSA. It is unclear at this time whether the current administration will follow the guidelines of the FCEN Memo.

In the event that any of the Company's investments, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such investments in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Company to declare or pay dividends, effect other distributions or



subsequently repatriate such funds back to Canada. Furthermore, while the Company has no current intention to declare or pay dividends on its Common Shares in the foreseeable future, in the event that a determination was made that the investments in California and Nevada (or any future investments in the United States) could reasonably be shown to constitute proceeds of crime, the Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time. As of the date hereof, following discussions with its legal counsel, the Company is not aware of any violation of the above noted statutes as a result of its operations in Nevada and California and has no reason to believe that such investments may be constituted as, whether directly or indirectly, money laundering or proceeds of crime. However, any future exposure to money laundering or proceeds of crime could subject the Company to financial losses, business disruption, and damage to the Company's reputation. In addition, there is a risk that the Company may be subject to investigation and sanctions by a regulator and/or to civil and criminal liability if the Company has failed to comply with the Company's legal obligations relating to the reporting of money laundering or other offences.

The Company's Investments in the United States may be Subject to Heightened Scrutiny

For the reasons set forth above, the Company's existing investments 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 invest in the United States or any other jurisdiction.

Canadian Securities Administrators issued CSA Staff Notice 512 - 352 (Revised) – *Issuers with U.S. Marijuana-Related Activities*, as revised on February 8, 2018, provides specific disclosure expectations for Canadian issuers that currently have, or are in the process of developing, cannabis-related activities in U.S. states where such activity has been authorized within a state regulatory framework. Issuers such as the Company are now required to address the current legal and regulatory environment governing their U.S. operations in their disclosures, including any risks that result from changes in the approach to enforcement of U.S. federal law. The political and regulatory circumstances surrounding the treatment of U.S. cannabis-related activities are uncertain and in the event that U.S. federal law against cannabis is enforced, there could be material consequences for any issuer with U.S. cannabis related activities, including prosecution and asset seizure.

U.S. Federal Trademark and Patent Protection may not be available for the Intellectual Property of the Company due to the Current Classification of Cannabis as a Schedule I Controlled Substance

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



The Company's Contracts may not be Legally Enforceable in the U.S.

Because the Company's contracts involve cannabis and other activities that are not legal under U.S. federal law, the Company may face difficulties in enforcing its contracts in U.S. federal and certain state courts.

DIVIDENDS AND DISTRIBUTIONS

As of the date of this Annual Information Form, Maple Leaf has no current intention to declare dividends on its Common Shares in the foreseeable future. Any decision to pay dividends on its Common Shares in the future will be at the discretion of Maple Leaf's board of directors and will depend on, among other things, the Company's results of operations, current and anticipated cash requirements and surplus, financial condition, any future contractual restrictions and financing agreement covenants, solvency tests imposed by corporate law, and other factors that the board of directors may deem relevant.

DESCRIPTION OF CAPITAL STRUCTURE

The company is authorized to issue an unlimited number of Common Shares and Preferred Shares. As at December 31, 2017, there were 141,073,331 Common Shares issued and outstanding. No Preferred Shares are issued and outstanding. The holders of the Common Shares are entitled to one vote per share at all meetings of the shareholders of the Company. The holders of Common Shares are also entitled to dividends, if and when declared by the directors of the Company, and the distribution of the residual assets of the Company in the event of a liquidation, dissolution, or winding up of the Company.

Common Shares

Each Common Share carries the right to attend and vote at all general meetings of shareholders. Holders of Common Shares are entitled to receive on a pro rata basis such dividends, if any, as and when declared by the board of directors at its discretion from funds legally available for the payment of dividends and upon the liquidation, dissolution, or winding up of the Company are entitled to receive on a pro rata basis the net assets of the Company after payment of debts and other liabilities, in each case subject to the rights, privileges, restrictions, and conditions attaching to any other series or class of shares ranking senior in priority to or on a pro rata basis with the holders of Common Shares with respect to dividends or liquidation. The Common Shares do not carry any pre-emptive, subscription, redemption, or conversion rights, nor do they contain any sinking or purchase fund provisions.

The Company adopted a stock option plan under which it is authorized to grant options to officers, directors, employees, and consultants enabling them to acquire Common Shares of the Company. The maximum number of Common Shares reserved for issuance of stock options that may be granted under the plan is 10% of the issued and outstanding Common Shares of the Company. The options granted can be exercised for a maximum of 5 years and vest as determined by the Board of Directors. The exercise price of each option may not be less than the market price of the Common Shares on the date of grant. As of December 31, 2017, there are 6,920,000 options outstanding to purchase Common Shares.

In addition, the Company has warrants outstanding to purchase up to an aggregate of 18,816,070 Common Shares.

The dilutive securities are summarized as follows:



Security Type	Common Shares Issuable #	Exercise Price (Average) \$	Cash Proceeds if Exercised \$
Warrants ⁽¹⁾	18,816,070	0.639	12,016,160
Options ⁽²⁾	7,520,000	0.17	1,243,000

(1) Details of Warrants Outstanding:

- (i) 1,150,000 common share purchase warrants exercisable at a price of \$0.10 until April 8, 2018
- (ii) 4,450,000 common share purchase warrants exercisable at a price of \$0.15 until May 24, 2018
- (iii) 13,216,070 common share purchase warrants exercisable at a price of \$0.85 until May 4, 2019

(2) Details of Options Outstanding:

- (i) 6,400,000 options exercisable at a price of \$0.10 until April 10, 2021
- (ii) 300,000 options exercisable at a price of \$0.24 until Sep 27, 2021
- (iii) 320,000 options exercisable at a price of \$0.80 until Nov 6, 2019
- (iv) 500,000 options exercisable at a price of \$0.55 until September 30, 2109

MARKET FOR SECURITIES

Trading Price and Volume

Common Shares are listed and traded on the NEO under the trading symbol “MGW” and under the symbol “MGWFF” on the OTCQB. Prior to listing on the NEO on April 20, 2018, the Common Shares were listed and traded on the TSXV. The following table sets forth the reported intraday high and low prices and monthly trading volumes of the Common Shares for the 12-month period ending March 29, 2018 as quoted on the TSXV:

Period	High Trading Price	Low Trading Price	Volume (#)
March 2018	\$1.06	\$0.78	10,189,600
February 2018	\$1.24	\$0.75	34,292,640
January 2018	\$2.06	\$0.75	12,891,729
December 2017	\$0.81	\$0.52	33,770,051
November 2017	\$0.65	\$0.44	14,385,057
October 2017	\$0.58	\$0.435	14,385,057
September 2017	\$0.495	\$0.37	6,066,208
August 2017	\$0.44	\$0.36	3,594,281
July 2017	\$0.54	\$0.315	7,395,291
June 2017	\$0.50	\$0.30	11,050,620
May 2017	\$0.59	\$0.49	7,522,499
April 2017	\$0.76	\$0.55	20,617,125
March 2017	\$0.69	\$0.49	17,498,123
February 2017	\$0.70	\$0.68	15,661,217



January 2017	\$0.78	\$0.57	31,996,967
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Prior Sales

The following table summarizes details of the following securities that are not listed or quoted on a marketplace issued by Maple Leaf during the twelve month period between December 31, 2016 and December 31, 2017:

Date of issuance	Security	Issuance/Exercise price per security	Number of securities
May 4, 2017	Warrants	\$0.85	13,216,070

ESCROWED SECURITIES AND SECURITIES SUBJECT TO RESTRICTION ON TRANSFER

As at the date of this Annual Information Form, to the knowledge of the Corporation, no securities of any class of Maple Leaf are held in escrow or are subject to a contractual restriction on transfer.

DIRECTORS AND OFFICERS

Name, Occupation and Security Holding

The following table provides the names of Maple Leaf's current directors and executive officers, the positions held by each of them, and the date of their first appointment.

Raymond Lai Calgary, Alberta, Canada Age: 67 Director Since: April, 2007	Mr. Lai holds a Bachelor of Commerce degree received from the University of Calgary in 1975, and has been a registered member of the Certified Management Accountant Society for over 25 years. Mr. Lai has been a successful key executive for public companies in the manufacturing and mining industries for over 10 years, and has been instrumental in securing public and private corporate financing both domestically and internationally.
Board Committees	
None	
Principal Occupation	
President & Chief Executive Officer of Maple Leaf	
Common Shares, Options, and Warrants (as at December 31, 2017)	
Common Shares	Options
1,728,000	3,000,000
	Warrants
	200,000
Terence Lam Calgary, Alberta, Canada Age: 54 Director Since: March, 2012	Mr. Lam is a member of the Public Business Accountant Association of Alberta. Prior to spending 9 years in public accounting practice, Mr. Lam owned and managed a wholesale business for 6 years and a retail business for 5 years. Mr. Lam has worked with employees, financial institutions, suppliers, and accountants to understand what is required for a sound business culture. Mr. Lam prides himself on having a practical approach to meeting objectives, a good work ethic, and is focused on building successful businesses with proven results.
Board Committees	



Compensation Committee, Nominating and Corporate Governance Committee

Principal Occupation

Corporate Secretary of Maple Leaf

Common Shares, Options and Warrants (as at December 31, 2017)

Common Shares	Options	Warrants
1,991,000	900,000	0

Daniel Chu
Calgary, Alberta,
Canada
Age: 57
Director Since:
July, 2012

Mr. Chu graduated from the University of Saskatchewan with a Bachelor of Commerce Degree and has been a Certified Public Accountant since 1984. Mr. Chu has served on several public company boards as a director and was also one of the original founders of Maple Leaf, which included serving as its Chief Financial Officer and as a director from its inception until June, 2010. In June, 2012 Mr. Chu was re-appointed as Chief Financial Officer and a director. He is currently running his own financial coaching/education agency and anti-aging/self-healing business in Calgary.

Board Committees

None

Principal Occupation

Chief Financial Officer of Maple Leaf

Common Shares, Options and Warrants (as at December 31, 2017)

Common Shares	Options	Warrants
100,000	700,000	0

Joe Wong, Telkwa,
British Columbia,
Canada
Age: 62
Director Since:
July, 2010
Not Independent

Mr. Wong has spent the last 30 years improving reforestation nursery production systems and greenhouse systems and growing quality reforestation seedlings in the field as bare-root and in containers outdoor. Mr. Wong began his reforestation nursery career with the British Columbia Ministry of Forests in 1978 with the Nursery Development Section where he was involved in research trials that were aimed at developing nursery sites, new growing systems, fertilization treatments, and growing regimes. From 1980 to 1984, he worked as the Quality Assurance Supervisor at the Ministry of Forest, Red Rock Nursery in Prince George, British Columbia where he managed the quality control and the practical research department. In 1985, Mr. Wong started reforestation nursery, Woodmere Nursery Ltd., during which he managed the design and construction of a greenhouse facility. Initial crop production at this nursery was 2.5 million containerized seedlings. Today this facility has an area of 6 acres under protected cultivation and grows 12 million seedlings annually. Mr. Wong is not only the manager, but also the principal horticulturist and researcher for the Corporation.

Board Committees

None

Principal Occupation

President of Woodmere Nursery Ltd.

Common Shares, Options and Warrants (as at December 31, 2017)

Common Shares	Options	Warrants
1,050,000	0	0



Najibullah “Naj” Alizada, Calgary, Alberta, Canada
 Age: 37
 Director Since: June, 2016

Najibullah “Naj” Alizada has over 16 years of technology, sales, and marketing experience. As current President of Instalogic, Naj oversees the operations, development, and marketing of the organization, including overseeing more than 200 custom projects and over 500 ongoing service accounts. Naj readily identifies strategic markets and opportunities for Instalogic, leading to unique cutting-edge projects such as InstaTable Inc. (restaurant reservations application and technology), IQuRe Inc. (charitable donations application and technology), and SoftAlive Inc. (internal complete project management software technology.) His vision, expertise, and focus on growth have fostered his organization’s expansion and success.

Board Committees

Audit Committee, Nominating and Corporate Governance Committee, and Compensation Committee

Principal Occupation

President of Instalogic

Common Shares, Options and Warrants (as at December 31, 2017)

Common Shares	Options	Warrants
491,034	140,000	0

Greg Moline
 Leduc, Alberta,
 Canada
 Age: 55
 Director Since:
 December, 2013

Mr. Greg Moline is the President and Chief Executive Officer of High Brix Manufacturing Inc. based in Leduc, Alberta. For the past 32 years, Mr. Moline has very successfully managed and operated two uniquely diverse businesses. After earning his bachelor degree in the faculty of commerce, he started his own construction company in Edmonton which he ran for 25 years. Because of his background in farming, Mr. Moline became involved with a soil-testing laboratory, which eventually led him to people who studied and followed the methods of Dr. Carey Reams and William Albrecht, as well as their new world of soil and plant health discoveries. Mr. Moline has spent the past seven years on manufacturing, distributing, and educating farmers in various parts of the world on such new revolutionary scientific methods in agriculture.

Board Committees

Audit Committee, Nominating and Corporate Governance Committee, and Compensation Committee

Principal Occupation

President of High Brix Manufacturing Inc.

Common Shares, Options and Warrants (as at December 31, 2017)

Common Shares	Options	Warrants
715,909	300,000	1,190,909

Daniel Larkin
 Carson City,
 Nevada, USA
 Age:
 Director Since:
 January, 2017

Mr. Daniel Larkin serves as the cofounder and manager of BLM5 Investments, LLC and for Bumble Partners, LLC. Mr. Larkin one of the cofounders of BioNeva, and is also involved in several other cannabis consulting companies. Mr. Larkin possesses extensive experience in the cannabis industry. Mr. Larkin will play an important role in the Company’s operations in Nevada as he has assisted in the development of partnerships for vertically integrated medical cannabis licenses in multiple American states. Mr. Larkin is a graduate of the



University of Nevada, Reno and earned a Bachelor of Science with an emphasis in corporate and international finance and investment with a Minor in Economics.

Board Committees

Audit Committee

Principal Occupation

Cofounder/Manager at BLM5 Investments, LLC and Bumblebee Partners, LLC

Common Shares, Options and Warrants (as at December 31, 2017)

Common Shares	Options	Warrants
0	0	0

Cease Trade Orders, Bankruptcies, Penalties, or Sanctions

To the knowledge of Maple Leaf, no director or executive officer of Maple Leaf, or shareholder holding a sufficient number of securities of Maple Leaf to affect materially the control of the Company:

- (a) is, as at the date hereof, or has been, within the ten (10) years before the date hereof, a director or executive officer of any corporation that, while that person was acting in such capacity:
 - (i) was subject to a cease trade or similar 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 thirty (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
 - (ii) was subject to a cease trade or similar 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 thirty (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; or
 - (iii) 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.
- (b) has, within the ten (10) years before the date hereof, become bankrupt, made a proposal under any legislation relating to the bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer or shareholder.

To the knowledge of Maple Leaf, no director or executive officer of Maple Leaf, or a shareholder holding sufficient number of securities of Maple Leaf to affect materially the control of Maple Leaf, has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or



- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

There does not exist any conflicts of interest or potential material conflicts of interest between the Company or a Subsidiary and any director or officer of the Company or of a Subsidiary.

Maple Leaf may, from time to time, become involved in transactions in which directors and officers of the Company have a direct interest or influence. The interests of these persons could conflict with those of the Company, and fiduciary duty may be impaired as a result. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, in the event that such a conflict of interest arises at a meeting of directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith, and in the best interests of the Company.

AUDIT COMMITTEE INFORMATION

As of May 14, 2018, the Audit Committee of the Corporation consists of Daniel Larkin, Najibullah Alizada, and Greg Moline, all of whom are “independent” and “financially literate” within the meaning of National Instrument 52-110 — *Audit Committees*. Each director has an understanding of the accounting principles used to prepare Maple Leaf’s financial statements; experience in preparing, auditing, analyzing, or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the issuer’s financial statements; or experience actively supervising individuals engaged in such activities, and experience as to the general application of relevant accounting principles; and an understanding of the internal controls and procedures necessary for financial reporting. Greg Moline is the chair of the Audit Committee.

The Audit Committee has the primary function of fulfilling its responsibilities in relation to reviewing the integrity of Maple Leaf’s financial statements, financial disclosures, and internal controls over financial reporting; monitoring the system of internal control; monitoring Maple Leaf’s compliance with legal and regulatory requirements, selecting the external auditor for shareholder approval; reviewing the qualifications, independence and performance of the external auditor; and reviewing the qualifications, independence and performance of Maple Leaf’s internal auditors. The Audit Committee has specific responsibilities relating to Maple Leaf’s financial reports; the external auditor; the internal audit function; internal controls; regulatory reports and returns; legal or compliance matters that have a material impact on Maple Leaf; and Maple Leaf’s whistleblowing procedures. In fulfilling its responsibilities, the Audit Committee meets regularly with the internal and external auditor and key management members. Information concerning the relevant education and experience of the Audit Committee members can be found in “*Directors and Officers*” above. The full text of the Audit Committee Charter is disclosed in Schedule “A” – Audit Committee Charter.

Pre-Approval Policies and Procedures

The Committee will pre-approve all non-audit services to be provided to Maple Leaf or any subsidiary entities by its external auditors or by the external auditors of such subsidiary entities. The Committee may delegate to one or more of its members the authority to pre-approve non-audit services but preapproval by such member or members so delegated shall be presented to the full Committee at its first scheduled meeting following such pre-approval.



External Auditor Service Fees

The following table sets forth, by category, the fees for all services rendered by the Company's external auditors, Smythe LLP, for the financial year ended December 31, 2016 and MNP LLP, for the financial year ended December 31, 2017.

	December 2016	December 2017
Audit Fees ⁽¹⁾	\$20,600	\$26,000
Audit Related Fees ⁽²⁾	-	-
Tax Fees ⁽³⁾	-	-
All Other Fees	-	-

Notes:

- (1) Includes fees necessary to perform the annual audit reviews of the Company's financial statements. Audit Fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.
- (2) Includes services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.
- (3) Includes fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities

PROMOTERS

There does not exist any promoters of the Company as of the date of this Annual Information Form.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

As of December 31, 2017, there are no legal proceedings to which the Company is a party to or to which any of its property is subject outside of the ordinary course of the Company's business, and no such proceedings are known to the Company to be contemplated. Maple Leaf is currently not aware of any existing or contemplated legal proceedings to which it is or was a party to, or to which any of its properties is or was the subject of. Maple Leaf is not aware of any settlement agreements, penalties, or sanctions that Company has entered into before a court relating to securities legislation or with a securities regulatory authority or that would-be material to a reasonable investor in making an investment decision.



INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Maple Leaf has leased 30 acres land from Woodmere Nursery Ltd. in Telkwa, British Columbia, with an option to purchase said land for \$500,000 after October 1, 2018. Woodmere Nursery Ltd. is a greenhouse growing company of which Joseph Wong, a director of Maple Leaf, is the President and a minority shareholder. The Company has commenced construction on a 27,200 ft² facility for cannabis cultivation on Woodmere land.

TRANSFER AGENT AND REGISTRARS

The transfer agent and registrar of Maple Leaf is Odyssey Trust Company at its offices in Calgary, Alberta.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, there are no material contracts entered into by the Company for the period ending December 31, 2017 which are considered material.

INTERESTS OF EXPERTS

Name of Experts

The following are the persons or companies who were named as having prepared or certified a statement, report, or valuation in this Annual Information Form either directly or in a document incorporated by reference and whose profession or business gives authority to the statement, report, or valuation made by the person or company:

- Smythe LLP, the Company's independent auditors for the financial year ended December 31, 2016, has prepared an independent audit report dated April 28, 2017 in respect of the Company's audited consolidated financial statements for the years ended December 31, 2016 and 2015.
- MNP LLP, the Company's independent auditor for the financial year ended December 31, 2017, has prepared an independent audit report dated April 30, 2018 in respect of the Company's audited consolidated financial statements for the years ended December 31, 2017.

Interests of Experts

Smythe LLP is the independent auditor of the Company for the year ended December 31, 2016. Smythe LLP is independent within the meaning of the "Rules of Professional Conduct" of the Chartered Professional Accountants of British Columbia.

MNP LLP is the independent auditor of the Company for the year ended December 31, 2017. MNP LLP is independent within the meaning of the "Rules of Professional Conduct" of the Chartered Professional Accountants of British Columbia.

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 Company's equity compensation plans, as applicable, is contained in the Company's Management Information Circular for its most recent Annual General Meeting.

Additional financial information is provided in the Company's Audited Consolidated Financial Statements for the year ended December 31, 2017 and 2016 and Management's Discussion and Analysis for the year ended December 31, 2017, which may be obtained upon request from the Company's head office, or may be viewed on the Company's website (www.mlgreenworld.com) or on the SEDAR website (www.sedar.com).



SCHEDULE “A”

MAPLE LEAF GREEN WORLD INC.

AUDIT COMMITTEE CHARTER

(Adopted by the Board of Directors on May 25, 2006)

PURPOSE

The overall purpose of the Audit Committee (the “**Committee**”) is to ensure that the management of Maple Leaf Green World Inc. (the “**Corporation**”) has designed and implemented an effective system of internal financial controls, to review and report on the integrity of the consolidated financial statements of the Corporation and to review the Corporation's compliance with regulatory and statutory requirements as they relate to financial statements, taxation matters and disclosure of material facts. In particular, the Committee must ensure compliance with National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”).

COMPOSITION, PROCEDURES AND ORGANIZATION

1. Unless exempt from the requirements of Part 3 of NI 52-110, the Committee shall consist of at least three members of the Board of Directors (the “**Board**”), all of whom shall be “independent”, as that term is defined in NI 52-110 (“venture issuers” are exempt from the requirements of Part 3 of NI 52-110.)
2. Unless exempt from the requirements of Part 3 of NI 52-110, all members of the Committee shall be “financially literate”, as that term is defined in NI 52-110 (“venture Issuers” are exempt from the requirements of Part 3 of NI 52-110.)
3. The Board, at its organizational meeting held in conjunction with each annual general meeting of the shareholders, shall appoint the members of the Committee for the ensuing year. The Board may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee.
4. Unless the Board shall have appointed a chair of the Committee, the members of the Committee shall elect a chair from among their number.
5. Unless exempt from the requirements of Part 3 of NI 52-110, the secretary of the Committee shall be selected by the Committee, and shall be “financially literate” unless otherwise determined by the Committee (venture issuers are exempt from the requirements of Part 3 of NI 52-110.)
6. The quorum for meetings shall be a majority of the members of the Committee, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak and to hear each other.
7. The Committee shall have access to such officers and employees of the Corporation and to the Corporation's internal and external auditors, and to such information respecting the Corporation, as it considers necessary or advisable in order to perform its duties and responsibilities.



8. The Committee shall be entitled to engage independent counsel and other advisors as it considers necessary to carry out its duties and to set and pay the compensation for any such advisors.
9. Meetings of the Committee shall be conducted as follows:
 - (a) the Committee shall meet at least four times annually at such times and at such locations as may be requested by the chair of the Committee. The external auditors or any member of the Committee may request a meeting of the Committee;
 - (b) the external auditors shall receive notice of and have the right to attend all meetings of the Committee;
 - (c) the following management representatives shall be invited to attend all meetings, except executive sessions and private sessions with the external auditors:
 - Chief Executive Officer;
 - (d) other management representatives shall be invited to attend as necessary.
10. The internal auditors and the external auditors shall have a direct line of communication to the Committee through its chair and may bypass management if deemed necessary. The Committee, through its chair, may contact directly any employee in the Corporation as it deems necessary, and any employee may bring before the Committee any matter involving questionable, illegal or improper financial practices or transactions.

DUTIES AND RESPONSIBILITIES

11. The overall duties and responsibilities of the Committee shall be as follows:
 - (a) to assist the Board in the discharge of its responsibilities relating to the Corporation's accounting principles, reporting practices and internal controls and its approval of the Corporation's annual and quarterly consolidated financial statements;
 - (b) to establish and maintain a direct line of communication with the Corporation's internal and external auditors and assess their performance;
 - (c) to ensure that the management of the Corporation has designed, implemented and is maintaining an effective system of internal financial controls; and
12. to report regularly to the Board on the fulfilment of its duties and responsibilities.
13. The duties and responsibilities of the Committee as they relate to the external auditors shall be as follows:
 - (a) to recommend to the Board a firm of external auditors to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation and to verify the independence of such external auditors;



- (b) to review and recommend to the Board the scope and timing of the audit and other related services rendered by the external auditors and the compensation therefor;
- (c) review the audit plan of the external auditors prior to the commencement of the audit;
- (d) to directly oversee the work of the external auditor, including the resolution of disagreements between management and the external auditor regarding financial reporting;
- (e) to review with the external auditors, upon completion of their audit:
 - (i) contents of their report;
 - (ii) scope and quality of the audit work performed;
 - (iii) adequacy of the Corporation's financial and auditing personnel;
 - (iv) co-operation received from the Corporation's personnel during the audit;
 - (v) internal resources used;
 - (vi) significant transactions outside of the normal business of the Corporation;
 - (vii) significant proposed adjustments and recommendations for improving internal accounting controls, accounting principles or management systems; and
 - (viii) the non-audit services provided by the external auditors;
- (f) to discuss with the external auditors the quality and not just the acceptability of the Corporation's accounting principles;
- (g) to pre-approve all non-audit services to be provided to the Corporation by the external auditors unless otherwise provided for in NI 52-110;
- (h) to implement structures and procedures to ensure that the Committee meets the external auditors on a regular basis in the absence of management;
- (i) to review the Corporation's financial statements, MD&A and press releases announcing annual and interim earnings before the Corporation publicly discloses the information;
- (j) to ensure that procedures are in place for the review of the Corporation's disclosure of financial information extracted or derived from the Corporation's financial statements, other than the public disclosure referred to in subsection (i) above, and periodically assess the adequacy of the procedures;
- (k) to implement procedures for:
 - (i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters;



- (ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
 - (iii) to review and approve the Corporation's hiring policies regarding partners, employees or former partners and employees of the present and former external auditors of the Corporation.
- 14. The duties and responsibilities of the Committee as they relate to the internal control procedures of the Corporation are to:
 - (a) review the appropriateness and effectiveness of the Corporation's policies and business practices which impact on the financial integrity of the Corporation, including those relating to internal auditing, insurance, accounting, information services and systems and financial controls, management reporting and risk management;
 - (b) review any unresolved issues between management and the external auditors that could affect the financial reporting or internal controls of the Corporation; and
 - (c) periodically review the Corporation's financial and auditing procedures and the extent to which recommendations made by the internal audit staff or by the external auditors have been implemented.
- 15. The Committee is also charged with the responsibility to review the Corporation's quarterly statements of earnings, including the impact of unusual items and changes in accounting principles and estimates and report to the Board with respect thereto and to:
 - (a) review and approve the financial sections of:
 - (i) annual reports to shareholders;
 - (ii) annual information forms (if adopted);
 - (iii) prospectuses; and
 - (iv) other public reports requiring approval by the Board, and report to the Board with respect thereto;
 - (b) review regulatory filings and decisions as they relate to the Corporation's consolidated financial statements;
 - (c) review the appropriateness of the policies and procedures used in the preparation of the Corporation's consolidated financial statements and other required disclosure documents, and consider recommendations for any material change to such policies;
 - (d) review and report on the integrity of the Corporation's consolidated financial statements;
 - (e) review the minutes of any audit committee meeting of subsidiary companies;



- (f) review with management, the external auditors and, if necessary, with legal counsel, any litigation, claim or other contingency, including tax assessments that could have a material effect upon the financial position or operating results of the Corporation and the manner in which such matters have been disclosed in the consolidated financial statements;
- (g) review the Corporation's compliance with regulatory and statutory requirements as they relate to financial statements, tax matters and disclosure of material facts; and develop a calendar of activities to be undertaken by the Committee for each ensuing year and to submit the calendar in the appropriate format to the Board of Directors following each annual general meeting of shareholders.