

PURE EXTRACTS TECHNOLOGIES CORP.

ANNUAL INFORMATION FORM

For The Financial Year Ended June 30, 2021

January 10, 2022

7341 Industrial Way
Pemberton, B.C. V0N 2K0

CONTENTS

TERMS OF REFERENCE	3
MARKET DATA	3
CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS	3
GLOSSARY OF TERMS	5
CORPORATE STRUCTURE	9
Name, Address and Incorporation	9
Intercorporate Relationships.....	9
GENERAL DEVELOPMENT OF THE BUSINESS	10
Summary	10
Recent Developments.....	12
Significant Acquisitions	14
OVERVIEW OF BUSINESS	14
<i>Extraction Methods</i>	18
<i>Testing Methods</i>	18
Intangible Properties.....	26
Economic Dependence	26
Business Cycle	26
CANNABIS LEGISLATION	27
Regulatory Framework.....	27
United States Federal Overview	27
State-Level Overview & Compliance Summary	35
The Regulatory Landscape on a U.S. State Level	38
RISK FACTORS	39
DIVIDENDS AND DISTRIBUTIONS	60
DESCRIPTION OF CAPITAL STRUCTURE	60
MARKET FOR SECURITIES	61
Trading Price and Volume.....	61
Prior Sales	61
ESCROWED SECURITIES	63
DIRECTORS AND OFFICERS	64
Name, Occupation and Security Holding	64
CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS	67
CONFLICTS OF INTEREST	68
PROMOTORS	69
LEGAL PROCEEDINGS AND REGULATORY ACTIONS	69
Legal Proceedings	69
Regulatory Proceedings.....	69
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS	69

TRANSFER AGENTS AND REGISTRARS.....	69
MATERIAL CONTRACTS	70
INTERESTS OF EXPERTS.....	70
ADDITIONAL INFORMATION.....	70

TERMS OF REFERENCE

In this Annual Information Form (the “AIF”), unless the context otherwise dictates, references to the “Corporation”, “Pure Extracts”, “we” and “our” refer to Pure Extracts Technologies Corp.

This AIF, which covers the Corporation’s year ended June 30, 2021, is dated January 10, 2021, and, unless specifically stated otherwise, all information disclosed in this AIF is provided as of the date hereof. For an explanation of the capitalized terms and expressions and certain defined terms, please refer to the “Glossary of Terms” below.

All references to dollars (\$) in this AIF are expressed in Canadian dollars, unless otherwise indicated.

MARKET DATA

Unless otherwise indicated, information contained in this AIF concerning the industry and markets in which the Corporation operates, including its general expectations and market position, market opportunity and market share is based on information from independent industry organizations, and other third-party sources (including industry publications, surveys and forecasts), and management estimates.

The management estimates in this AIF are derived from publicly available information released by independent industry analysts and third party sources, as well as data from the Corporation’s internal research, and are based on assumptions made by the Corporation based on such data and its knowledge of such industry and markets, which the Corporation believes to be reasonable. The Corporation’s internal research has not been verified by any independent source, and it has not independently verified any third-party information. While the Corporation is not aware of any misstatement regarding any industry or market data included in this AIF, such information is inherently imprecise. In addition, projections, assumptions and estimates of the Corporation’s future performance and the future performance of the industry in which the Corporation operates are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described under the “Risk Factors”.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This AIF contains forward-looking statements that relate to the Corporation’s current expectations and views of future events. In some cases, these forward-looking statements can be identified by words or phrases such as “may”, “might”, “will”, “expect”, “anticipate”, “estimate”, “intend”, “plan”, “indicate”, “seek”, “believe”, “predict” or “likely”, or the negative of these terms, or other similar expressions intended to identify forward-looking statements. The Corporation has based these forward-looking statements on its current expectations and projections about future events and financial trends that it believes might affect its financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, among other things, statements relating to:

- the Corporation’s business and operations;
- the Corporation’s anticipated revenues and cash flows from operations and consequent funding requirements;
- the funds available to the Corporation and the principal purposes of those funds;
- the Corporation’s business objectives and discussion of trends affecting the business of the Corporation; and
- the Corporation’s anticipated operating expenses.

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

A number of factors could cause actual events, performance or results to differ materially from what is projected in forward looking statements. 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, investors should not place undue reliance on these forward-looking statements. Whether actual results, performance or achievements will conform to the Corporation'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".

If any of these risks or uncertainties materialize, or if assumptions underlying the forward-looking statements prove incorrect, actual results might vary materially from those anticipated in those forward-looking statements. The assumptions referred to above and described in greater detail under "*Risk Factors*" should be considered carefully by readers. Accordingly, readers should not place undue reliance on forward-looking statements. We do not undertake to update or revise any forward-looking statements, except as, and to the extent required by, applicable securities laws in Canada.

All of the forward-looking statements contained in this AIF are expressly qualified by the foregoing cautionary statements.

GLOSSARY OF TERMS

Unless otherwise defined in this AIF, the following is a glossary of certain terms used in this AIF:

“**ACMPR**” means the Access to Cannabis for Medical Purposes Regulations (Canada) pursuant to the *Controlled Drugs and Substances Act* (Canada).

“**Acquireco**” means 1270233 B.C. Ltd., which was a wholly-owned subsidiary of the Corporation incorporated for the purpose of carrying out the Amalgamation and which amalgamated with Pure to form PEM pursuant to the Amalgamation Agreement.

“**Affiliate**” means a corporation that is affiliated with another corporation as described below. A corporation is an “**Affiliate**” of another corporation if:

- (a) one of them is the subsidiary of the other; or
- (b) each of them is controlled by the same Person.

A corporation is “**controlled**” by a Person if:

- (a) voting securities of the corporation are held, other than by way of security only, by or for the benefit of that Person; and
- (b) the voting securities, if voted, entitle the Person to elect a majority of the directors of the corporation.

A Person beneficially owns securities that are beneficially owned by:

- (a) a corporation controlled by that Person; or
- (b) an Affiliate of that Person or an Affiliate of any corporation controlled by that Person.

“**AIF**” means this annual information form of the Corporation.

“**Amalgamation Agreement**” means the amalgamation agreement dated October 20, 2020 between the Corporation, Acquireco, and Pure in respect of the Amalgamation.

“**Amalgamation**” means the amalgamation of Acquireco and Pure, pursuant to the terms of the Amalgamation Agreement.

“**ASME**” has the meaning ascribed to it under the heading “*Narrative Description of the Business – General Product Development Process – Extraction Methods*”.

“**Associate**” when used to indicate a relationship with a Person, means:

- (a) an issuer of which the Person beneficially owns or controls, directly or indirectly, voting securities entitling him to more than 10% of the voting rights attached to outstanding securities of the issuer;
- (b) any partner of the Person;
- (c) any trust or estate in which the Person has a substantial beneficial interest or in respect of which a Person serves as trustee or in a similar capacity; or
- (d) in the case of a Person who is an individual:
 - (i) that Person's spouse or child, or
 - (ii) any relative of the Person or of his spouse who has the same residence as that Person.

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

“**BC Cannabis Act**” has the meaning ascribed to it under the heading “*Narrative Description of the Business – Regulatory Framework – Provincial and Territorial Developments*”.

“**Board of Directors**” means the board of directors of the Corporation.

“**Cannabis Act**” means Bill C-45, *An Act respecting cannabis and to amend the Controlled Drug and Substances Act, the Criminal Code and other Acts* (Canada).

“**Cannabis Regulations**” means the Cannabis Regulations (SOR/2018-144) promulgated under the Cannabis Act.

“**CBD**” means cannabidiol.

“**CDS**” means the Canadian Depository for Securities.

“**CDSA**” means the *Controlled Drugs and Substances Act* (Canada).

“**Common Shares**” means common shares in the capital of the Corporation.

“**Corporation**” means Pure Extracts Technologies Corp. (formerly Big Sky Petroleum Corporation), a company incorporated under the *Canada Business Corporations Act* and continued into British Columbia under the *Business Corporations Act* (British Columbia) on July 6, 2009.

“**Convertible Notes**” has the meaning ascribed to it under the heading “*Narrative Description of the Business – Financings*”.

“**CSA**” has the meaning ascribed to it under the heading “*Narrative Description of the Business – General Product Development Process – Extraction Methods*”.

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

“**CSE Policies**” means the rules and policies of the CSE in effect as of the date hereof.

“**Customer**” has the meaning ascribed to it under the heading “*Narrative Description of the Business – History of the Business*”.

“**Dealer’s License**” has the meaning ascribed to it under the heading “*Narrative Description of Business – Overview*”.

“**Definitive Agreement**” means the definitive agreement dated August 23, 2021, regarding the joint venture between Pure Extracts USA, and Golden Harvest LLC.

“**DOJ**” means the U.S. Department of Justice.

“**Escrow Agreement**” means the escrow agreement entered into by the Corporation and certain securityholders of the Corporation in compliance with the requirements of the CSE.

“**EU-GMP**” means European Union Good Manufacturing Practices (“**EU-GMP**”) standards.

“**FDA**” means the U.S. Food and Drug Administration.

“**GMP**” means good manufacturing practices, a system for ensuring that products are consistently produced and controlled according to quality standards.

“**Golden Harvest**” means Golden Harvest LLC, a limited liability company controlled by Grown Rogue International Inc.

“**License Agreement**” has the meaning ascribed to it under the heading “*Narrative Description of the Business – History of the Business*”.

“**License Holder**” means holder of license issued by Health Canada authorizing the cultivation, processing or sale of cannabis and cannabis products.

“**Licensed Producer**” means the holder of license issued by Health Canada authorizing the cultivation, processing or sale of cannabis and cannabis products.

“**MMMA**” means the Michigan Medical Marihuana Act.

“**MRTMA**” means the Michigan Regulation and Taxation of Marihuana Act

“**Natural Health Products**” means natural health products (NHPs) regulated under the Natural and Nonprescription Health Products Directorate (NNHPD) and the *Natural Health Product Regulations under the Food and Drug Act* (Canada).

“**NP 46-201**” means National Policy 46-201 – *Escrow for Initial Public Offerings*.

“**Option Plan**” means the 15% rolling stock option plan of the Corporation as more particularly described under “Options to Purchase Securities”.

“**Options**” means the stock options of the Corporation which are outstanding under the Stock Option Plan.

“**OTC Market**” means over-the-counter market.

“**Pemberton Facility**” has the meaning ascribed to it under the heading “*Narrative Description of the Business – Overview*”.

“**PEM**” means Pure Extracts Manufacturing Corp., the entity formed upon completion of the Amalgamation, which is a direct wholly-owned subsidiary of the Corporation.

“**Performance Securities**” means the rights of the Corporation which are issued and outstanding and which become exercisable on the satisfaction of certain conditions.

“**Person**” means any individual, corporation, company, partnership, unincorporated association, trust, joint venture, governmental body or any other legal entity whatsoever.

“**Processing License**” has the meaning ascribed to it under the heading “*Narrative Description of Business – Overview*”

“**Pure**” means Pure Extract Technologies Inc., which amalgamated with Acquireco to form PEM pursuant to the Amalgamation Agreement.

“**Pure Extracts USA**” means Pure Extracts USA Inc., a wholly-owned subsidiary of the Corporation.

“**Pure Mushrooms**” means Pure Mushrooms Corp., a wholly-owned subsidiary of the Corporation.

“**Pure Options**” means the options to purchase Pure Shares which were issued and outstanding prior to the Amalgamation and which were exchanged for Options pursuant to the Amalgamation.

“**Pure Performance Securities**” means the rights of Pure which were issued and outstanding prior to the Amalgamation, which were exchanged for the Performance Securities pursuant to the Amalgamation.

“**Pure Shares**” means common shares in the capital of Pure.

“**Pure Shareholders**” means the former holders of Pure Shares.

“**Pure Warrants**” means the share purchase warrants of Pure which were issued and outstanding prior to the Amalgamation, and which were exchanged for Warrants pursuant to the Amalgamation.

“**R&D**” means research and development.

“**Sales Amendment**” means the Sales Amendment issued by Health Canada on July 19, 2021.

“**SEC**” means the U.S. Securities and Exchange Commission.

“**Service Providers**” has the meaning ascribed to it under the heading “*Options to Purchase Securities*”.

“**Shareholders**” means shareholders of the Corporation.

“**SOP**” means standard operating procedures.

“**Special Warrant**” means a special warrant that is convertible into a Unit that is comprised of one Common Share and one-half of one Warrant.

“**Taste-T**” has the meaning ascribed to it under the heading “*Narrative Description of the Business – History of the Business*”.

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

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

“**Unit**” means a unit comprised of one Common Share and one-half of one Warrant.

“**Vitalis**” has the meaning ascribed to it under the heading “*Narrative Description of the Business – General Product Development Process – Extraction Methods*”.

“**Warrants**” means the share purchase warrants of the Corporation which are issued and outstanding.

CORPORATE STRUCTURE

Name, Address and Incorporation

The Corporation was incorporated on February 3, 2006 under the name “Waverley Biotech Inc.” under the *Canada Business Corporations Act*. Effective July 6, 2009, the Corporation continued into British Columbia under the *Business Corporations Act* (British Columbia). On August 18, 2008, the Corporation changed its name to “Fox Resources Ltd.” and subsequently on December 1, 2011 changed its name to “Big Sky Petroleum Corporation”. On October 28, 2020, the Corporation changed its name to “Pure Extracts Technologies Corp.” in connection with the Amalgamation.

The Corporation’s Common Shares were previously listed on the NEX Board of the TSXV under the trading symbol “BSP.H”. Trading was halted on February 19, 2020 pending announcement of the Amalgamation and the Common Shares were voluntarily delisted from the NEX Board of the TSXV on October 27, 2020.

The Common Shares are listed on the CSE under the trading symbol “PULL”. The Corporation is a reporting issuer in Canada in the provinces of British Columbia, Alberta, Manitoba, Ontario, New Brunswick, and Nova Scotia.

The head office of the Corporation is located at 7341 Industrial Way, Pemberton, B.C. V0N 2K0 and its registered office is located at 1500-1055 West Georgia Street, Vancouver, British Columbia, V6E 4N7.

Intercorporate Relationships

As at the date of the AIF, the Corporation has one wholly-owned subsidiary, Pure Extracts Manufacturing Corp., which was formed pursuant to the Amalgamation of Acquireco and Pure. See “General Development of the Business – The Amalgamation”. [

Name of Subsidiary	Jurisdiction of Incorporation	Shareholders and Interest held
Pure Extracts Manufacturing Corp.	British Columbia	Pure Extracts Technologies Corp. (100%)
Pure Mushrooms Corp.	British Columbia	Pure Extracts Technologies Corp. (100%)
Pure Extracts USA Inc.	Michigan	Pure Extracts Technologies Corp. (100%)

GENERAL DEVELOPMENT OF THE BUSINESS

Summary

Prior to October 28, 2020, the Corporation was a junior oil and gas issuer that had been inactive for the past several years. On August 31, 2017, the Corporation sold all its former wholly-owned subsidiaries, along with the related assets and liabilities, to an arm's length private company for approximately \$14,000.

The Corporation's Common Shares were previously listed on the NEX Board of the TSXV under the trading symbol "BSP.H". Trading was halted on February 19, 2020 pending announcement of the Amalgamation and the Common Shares were voluntarily delisted from the NEX Board of the TSXV on October 27, 2020.

The Amalgamation was completed on October 28, 2020, pursuant to which the Corporation assumed the business of Pure.

On October 28, 2020, immediately prior to the completion of the Amalgamation, the Corporation completed a consolidation of the Common Shares on the basis of one new Common Share for each six old Common Shares.

The Amalgamation

On October 20, 2020, the Corporation entered into the Amalgamation Agreement with Acquireco and Pure, pursuant to which the Corporation acquired all of the issued and outstanding Pure Shares by way of a "three-cornered" amalgamation whereby:

- (1) Acquireco and Pure amalgamated, thereby forming PEM;
- (2) each Pure Shareholder transferred their Pure Shares to the Corporation in exchange for Common Shares on the basis of 2.6666666 Common Shares for each Pure Share, resulting in an aggregate of 63,621,026 Common Shares being issued to the former Pure Shareholders;
- (3) the Corporation received one fully paid and non-assessable common share of PEM for each common share of Acquireco held by the Corporation, following which all such common shares of Acquireco were cancelled;
- (4) the Corporation received, for each Common Share issued in the Amalgamation, one common share of PEM and PEM became a wholly-owned subsidiary of the Corporation; and
- (5) Options, Warrants and Performance Securities of the Corporation were issued to the holders of the Pure Options, Pure Warrants and Pure Performance Securities, respectively, in exchange and replacement for, on an equivalent basis, such Pure Options, Pure Warrants and Pure Performance Securities, which were then cancelled.

The Amalgamation resulted in PEM becoming a wholly-owned subsidiary of the Corporation. On October 28, 2020, concurrently with the completion of the Amalgamation, the Corporation changed its name to "Pure Extracts Technologies Corp." and PEM continued under the name "Pure Extracts Manufacturing Corp."

The valuation ascribed to Pure in the Amalgamation was determined by arm's length negotiation between the Corporation and Pure and based in part upon Pure's pre-Amalgamation financings.

The Amalgamation was approved by the written consent of all of the Pure Shareholders and by the Corporation, in its capacity as sole shareholder of Acquireco. The Amalgamation was approved by the written consent of greater than 50% of the Corporation's pre-Amalgamation shareholders.

History of the Business

In the last three years, Pure has achieved the following milestones:

- Renovation of the Pemberton Facility was substantially completed in March of 2020 under Building Permit #1817;
- On June 19, 2020, it purchased an ATG RoboCap cartridge filling and packaging system;
- On June 22, 2020, it entered into a lease and option to purchase agreement for the Vitalis R200;
- The Processing License was issued by Health Canada on September 25, 2020;
- In April of 2020, Pure entered into a manufacturing and distribution license agreement (the "**License Agreement**") with Taste-T, LLC ("**Taste-T**"), a company existing under the laws of Nevada which has obtained intellectual property and other proprietary rights to certain materials, names, brands and/or trademarks, relating to the cannabis brand "Fireball Cannabis Gummies", a well-known brand of cinnamon liqueur;
- On May 3, 2021, Pure entered into a lease and option to purchase agreement for the Vitalis Co-Solvent Injection System ("**CIS**"); and
- The Sales Amendment was issued by Health Canada on July 19, 2021.

Financings

Pure received loans in the aggregate principal amount of \$240,000 from 1205457 B.C. Ltd. (the "**Lender**") pursuant to the terms of a convertible note dated May 7, 2019 (the "**May 2019 Note**"). In accordance with its terms, prior to the completion of the Amalgamation the May 2019 Note automatically converted into 4,500,000 Pure Shares and 4,500,000 Pure Warrants based on a conversion price of \$0.05333, which Pure Shares and Pure Warrants were then exchanged for Common Shares and Warrants of the Corporation pursuant to the Amalgamation on the basis of one Common Share and one Warrant for each \$0.02 of the principal amount of the May 2019 Note for an aggregate of 12,000,000 Common Shares and 12,000,000 Warrants. Each Warrant is exercisable at \$0.05 per Common Share for a period of two years from the date of issue.

Pure received loans in the aggregate principal amount of \$1,309,054 from the Lender pursuant to the terms of a convertible note dated June 7, 2019 (the "**June 2019 Note**"). In accordance with its terms, prior to the completion of the Amalgamation the June 2019 Note automatically converted into 6,545,270 Pure Shares based on a deemed conversion price of at \$0.20, which Pure Shares were then exchanged for Common Shares of the Corporation pursuant to the Amalgamation on the basis of one Common Share for each \$0.075 of the principal amount of the June 2019 Note for an aggregate of 17,454,053 Common Shares.

Pure received loans in the principal amount of \$2,429,791 from the Lender pursuant to the terms of a convertible note dated December 13, 2019 (the “**December 2019 Note**”) and \$5,420,301 from the Lender pursuant to the terms of a convertible note dated January 22, 2020, as amended (the “**January 2020 Note**”). In accordance with their terms, prior to the completion of the Amalgamation the December 2019 Note and the January 2020 Note automatically converted into 9,812,615 Pure Shares based on a conversion price of \$0.80, which Pure Shares were then exchanged for Common Shares of the Corporation pursuant to the Amalgamation on the basis of one Common Share for each \$0.30 of the principal amount of the December 2019 Note and the January 2020 Note for an aggregate of 26,166,973 Common Shares.

The May 2019 Note, June 2019 Note, the December 2019 Note and the January 2020 Note are collectively referred to herein as the “**Convertible Notes**”. Upon conversion of the Convertible Notes, the Convertible Notes were deemed to have been repaid and satisfied in full and the Lender forfeited any accrued and unpaid interest on the Convertible Notes. Following the conversion of the Convertible Notes and completion of the Amalgamation, the Lender distributed the Common Shares received on conversion to debenture holders of the Lender in accordance with the terms of their debentures.

In connection with the Convertible Notes, eligible finders received finders fees in the aggregate amount of \$270,477 and were issued an aggregate of 464,992 Warrants, exercisable for twenty four months from the issue date at a price of \$0.50 per Common Share, subject to acceleration rights of the Corporation if the volume weighted average closing price of the Common Shares is greater than \$1.00 for a period of 10 consecutive trading days.

On October 16, 2020, Pure completed a rights offering pursuant to which Pure issued 4,500,000 Pure Performance Securities. Each of the Pure Performance Securities was exercisable by the holder to purchase one Pure Share at a price of \$0.0533333 per share for a period of five years from the date of issue following the completion of the listing of the Pure Shares on a recognized stock exchange, or exchange of the Pure Shares for securities listed on a recognized stock exchange. The Pure Performance Securities were exchanged for an aggregate 12,000,000 Performance Securities pursuant to the Amalgamation with an adjusted exercise price of \$0.02.

On January 11, 2021, the Corporation complete a private placement of 6,061,033 Special Warrants at a price of \$0.505 per Special Warrant for gross proceeds of \$3,060,821.67. On January 20, 2021, the Corporation complete a private placement of 10,834,458 Special Warrants at a price of \$0.505 per Special Warrant for gross proceeds of \$5,471,401.29. In accordance with their terms, the Special Warrants automatically converted to units (the “**Units**”) on March 8, 2021 upon the Corporation having filed a prospectus supplement with the securities commissions in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia and Prince Edward Island. Each Unit is comprised of one Common Share and one-half of one Warrant. Each whole Warrant entitle the holder to acquire one Common Share (a “**Warrant Share**”) at an exercise price of \$0.65 per Warrant Share until March 8, 2023.

Recent Developments

In December 2020, the Corporation commenced a study on the formulation and manufacturing of psilocybin-based active treatments for oral tablets, capsules and nasal gels. The study, conducted by Dr. Alexander McGregor at the Toronto Institute of Pharmaceutical Technology, focused on clinical batch manufacturing, packaging and labelling, conformity and stability of rapid onset psilocybin doses.

On January 7, 2021, the Corporation received trading approvals form the OTC Market and started trading on the OTC Market under the ticker “PRXTF”, in addition to trading on the CSE and the Frankfurt Stock Exchange.

On January 27, 2021, the Corporation announced that its common shares became eligible for electronic clearing and settlement through The Depository Trust Company (DTC).

On February 10 2021, the Corporation completed its first commercial sale of CBD oil and prepared for first of multiple shipments.

On February 10 2021, the Corporation announced that it had engaged Native Ads Inc. and Winning Media to provide digital advertising campaigns.

On February 25, 2021, the Corporation announced that its wholly owned subsidiary, PEM, submitted a Notice of New Cannabis Product application to Health Canada on behalf of the Corporation seeking approval for retail cannabis extract and edible cannabis products. The Corporation submitted 20 stock keeping units (SKUs) for approval, and plans to launch the products under the ‘Pure Pulls Vapes’ and ‘Pure Chews Gummies’ product lines. The Corporation also submitted an application to Health Canada for a sales licence to permit the sale of cannabis extract products to provincially authorized distributors and retailers. On July 28, 2021, PEM received the sales license from Health Canada permitting the sale of cannabis to provincially authorized retailers and holders of licenses for sale of medical cannabis extracts.

On March 11, 2021, the Corporation announced that it had extracted 65% pure THC spectrum oil and 85% pure THC distillate from a purchase of EU-GMP dry cannabis flower. The oil and distillate were sold to a German pharmaceutical company and were further processed in Germany for medicinal use. This was the Corporation’s first sale to the German market.

On April 9, 2021, the Corporation announced that it had signed a letter of intent to form a joint venture with the affiliate of a publicly traded multi-state operator (MSO) to install a cannabis and hemp extraction system in an existing Michigan facility. On August 23, 2021, the Corporation announced that it has signed a definitive agreement for a joint venture between its Michigan subsidiary, Pure Extracts USA Inc. (“**Pure Extracts USA**”), and Grown Rogue International Inc.’s subsidiary, Golden Harvest LLC (“**Golden Harvest**”). Grown Rogue will be adding Pure Pulls and Pure Chews to their product line. The joint venture plans to build out 2,600 sq. feet of space in an existing facility and will consider building dedicated greenhouse production space. The Corporation anticipates that products will be distributed and on shelves by the beginning of Q2 of 2022.

On May 3, 2021, the Corporation signed a tolling agreement for the extraction of 80-85% pure CBD distillate from 500kgs of hemp biomass. The Corporation has used this particular biomass before and has found that it runs efficiently through its extraction systems and is ideal for use in vape cartridges, topical, beverages and edible gummies/ chocolates.

On June 22, 2021, the Corporation wholly owned subsidiary, PEM, entered into custom manufacturing/ white label agreement with FLO Brands (based out of Richmond, BC) to launch a line of cannabis vape products. The agreement calls for initial production of 3 SKUs of .5 gram, 510 vape cartridges which will be created collaboratively with a reliance on Pure Extracts proprietary formulations.

On July 15, 2021, the Corporation’s wholly owned subsidiary, PEM, signed a purchase order with cannabis distributor in Saskatchewan to sell vape cartridges and gummies. The purchase order includes, .5-gram full spectrum oil (FSO) THC vape cartridges, THC/CBD blended vape carts, THC gummies as well as ultra-high potency CBD gummies.

On July 27, 2021, the Corporation entered into a supply agreement with Canada House Wellness Group. Under the agreement, Abba Medix Corp. (a wholly owned subsidiary of Canada House) will purchase the Corporation’s full line of concentrate products for sale to its established medical patient base. In addition,

the Corporation's wholly owned subsidiary, PEM, signed a purchase order with a Saskatchewan cannabis distributor to expand sales in western Canada. The purchase order includes, .5-gram full spectrum oil (FSO) THC vape cartridges, THC/CBD blended vape cartridges, THC gummies as well as ultra-high potency CBD gummies.

On July 27, 2021, the Corporation's wholly owned subsidiary, PEM, signed a custom manufacturing/ white label agreement with a subsidiary of Green Light Solutions Corp. (Joe's Hemp Shack Inc.) to launch a line of vape products. The agreement involves extraction and formulation of hemp into high quality CBD vape cartridges with the Corporation providing co-manufacturing extraction services including all sales and distribution, labelling, packaging, applying of excise stamps and shipping.

On September 28, 2021, the Corporation and Psyence Group Inc. ("**Psyence**") announced the incorporation of a joint venture company called Pure Psyence Corp. (the "**Psyence JV**"). The purpose of the Psyence JV is development of nature-derived psilocybin extracts and formulations for treatment of psychological trauma. The Psyence JV will use Psyence's supply of psilocybin mushrooms grown in house, with the Corporation's expertise in extraction technologies.

On November 23, 2021, the Corporation's joint venture company with Golden Harvests, Pure Grown Extracts, LLC, ("**Pure Grown Extracts**"), a Michigan incorporated limited liability company, received its medical Prequalification Status Letter from the Michigan Marijuana Regulatory Agency ("**MNR**"). The prequalification allows Pure Grown Extracts to submit a facility license application 60 days prior to when the facility will be ready for inspection by the MNR.

Significant Acquisitions

See General Development of the Business – The Amalgamation.

OVERVIEW OF BUSINESS

The Corporation is an integrated Canadian extraction company specializing in the processing of cannabis, hemp and functional mushrooms to produce oils and various derivative products. The Corporation was issued a standard processing license issued by Health Canada (Licence No. LIC-XHX0W8TMCO-2020 (the "**Processing License**") on September 25, 2020 which permits the Corporation to (a) possess cannabis, (b) to produce cannabis, other than obtain it by cultivating, propagating or harvesting it, and (c) to sell cannabis in accordance with subsection 17(5) of the Cannabis Regulations.

Upon receiving the Processing License, the Corporation commenced operations focused on toll processing, white labelling, and developing its own private label of products incorporating its full spectrum THC and CBD based extracted oils. The Corporation utilizes supercritical carbon dioxide (CO₂) and ethanol extraction technology to produce cannabis oils, extracts and derivative products for distribution in the Canadian recreational cannabis market. In the future the Corporation may seek to expand its business to other targeted jurisdictions where CBD products are legal and approved for sale to its adult population, although the Corporation has no immediate plans to do so and does not expect to operate in emerging markets. The Corporation is also developing functional mushroom extraction processes integrating its existing infrastructure for the purpose of commercial scale extraction services and product development.

The Corporation is in active negotiations with licensed Canadian cultivators of cannabis and hemp for orders filling its capacity for toll processing and contract manufacturing services and has signed four definitive agreements. The Corporation is also in active negotiations with Canadian functional mushroom CPG companies regarding toll processing and contract manufacturing services, but has not signed any definitive agreements. It also continues to seek out individuals who can add in-house expertise for

extraction operations, post-production packaging, facilities management and professional services requirements such as cost-accounting, and further develop its customer acquisition strategy.

The Corporation's operations are located in Pemberton, British Columbia, where it has a purpose-built processing facility (the "**Pemberton Facility**"). The Pemberton Facility has been built to European Union Good Manufacturing Practices ("**EU-GMP**") standards, which will allow the Corporation, subject to obtaining any necessary permits, to export its products from the Pemberton Facility to international destinations where Cannabis is legal for recreational usage purposes. The Corporation will not directly or indirectly make any exports to the United States unless and until (i) there is a change in United States federal law with respect to cannabis and cannabis extracts and (ii) corresponding changes in Canadian laws permit the same.

Additionally, the Corporation is presently expanding its business to include functional mushrooms extraction. It is in the process of working on functional mushroom extraction processes compatible with its existing infrastructure at the Pemberton Facility. Currently, the Corporation has outsourced the production of three functional mushroom products (Reishi, Maitake and a Blended formulation) to a Vancouver based co-packer.

The Corporation has made an application to Health Canada for a Dealer's License under the *Food and Drugs Regulations* (Part J) to the *Food and Drugs Act* (Canada)(the "**Dealer's License**") for controlled drugs and substances to permit the manufacture and sale of such compounds to third parties for research and clinical studies.

Principal Products

The Corporation's primary products are (i) cannabis extract, created by processing and refining dried cannabis flower/ biomass - the raw, harvested plant material from the cannabis plant; (ii) CBD oil extraction from dried hemp; and (iii) various derivative cannabis product lines including edible products such as THC infused gummies. The Corporation utilizes supercritical carbon dioxide (CO₂) and ethanol extraction technology to produce cannabis extract products.

The Corporation's business model entails five different revenue streams: (i) revenue from toll-processing, (ii) revenue from branded extracts and cannabis-derived products; (iii) revenue from white-label products, (iv) revenue from licensed cannabis retailers that the Corporation may acquire in the future, and (v) revenue from functional mushroom toll-processing and branded product sales.

Toll Processing

Canadian cannabis cultivation licenses do not allow cultivators to process their own biomass into extracts. The Corporation provides third-party contractual extraction services to other Health Canada cannabis and hemp cultivation license holders, as well as universities, laboratories and research facilities. The Corporation assists cultivators through processing biomass and returning it to the suppliers in the form of high-quality extract at a cost offset (tolling). As extracts command a much higher selling price than biomass and/or dried flower cannabis, the Corporation is able to assist its customers in producing extracts to achieve higher revenue and cater to the demand for edibles and extract based products. The Corporation collects fees for such services and does not take ownership of the supplied biomass product.

The Corporation intends to obtain a Natural Health Products (NHP) site license from the Natural and Non-Prescription Health Products Directorate (NNHPD) at such date in the future when and if its current co-packer can no longer keep up with the demand for the Corporation's functional mushroom products prior to commencing mushroom extraction. The Corporation has been granted four product licenses from the

Natural and Non-Prescription Health Products Directorate (NNHPD), specifically for Reishi, Maitake, Lion's Mane and a Blended formulation. The Corporation is currently selling its Reishi and Maitake products through its Amazon e-Commerce platform and plans to add the Blended formulation in Q1 2022.

The Corporation is negotiating multiple agreements for toll services. The Corporation is also in talks with several Canadian licensed cultivators to secure a steady supply of high-quality cannabis biomass for its branded and white-label products. To-date, no white-label agreements have been signed. Management anticipates that many of these licensed cultivators may also serve as the Corporation's customers for its toll-processing services.

Extracts and Derivative Products and White Label Products

The products planned for production by the Corporation include the following:

Phase 2 (Q4, 2021)

- Wholesale packaged THC and CBD vape cartridges, gummies and tinctures
- Consumer packaged THC and CBD edibles
- Functional mushroom consumer packaged products for the wellness industry

Phase 3 (H1, 2022)

- THC and CBD concentrates
- Consumer packaged THC and CBD beverages
- Other innovative THC and CBD products including infused pre-roll cannabis joints
- Other advanced functional mushroom products including some with CBD

As the Corporation develops its own proprietary product lines it will also contract its services for production of formulated client-branded cannabis derivative products.

Licensed Retailers

Through Management's network and backgrounds, the Corporation already has contacts and relationships with licensed cannabis retailers. Management of the Corporation envisions the licensed cannabis retailers will serve as the primary distribution channel for the Corporation's white-label and toll-processing clients and will allow the Corporation to service customers across Canada.

Gummies

The Corporation currently has a License Agreement with Taste-T, dated effective May 1, 2020, which has obtained intellectual property and other proprietary rights to certain materials, names, brands and/or trademarks, relating to the cannabis brand "Fireball Cannabis Gummies", a well-known brand of cinnamon liqueur and which provides the Corporation with manufacturing equipment and operating procedures to produce cannabis infused gummies with certain brand names and flavour profiles. The Corporation has exclusive distribution rights of the branded products in Canada and 31 other countries around the world outside of the United States. The term of the agreement is six years, and the Corporation has the option for renewal terms in five-year intervals.

On February 16, 2021, the Corporation signed a licensing agreement for the exclusive rights to sell Taste-T cannabis gummy products in Canada. As part of the agreement, Taste-T will deliver one of its custom

gummy manufacturing machines to the Pemberton Facility. On April 15, 2021, the Corporation started production of approximately 50,000 Pure Chew edible gummy packs using the proprietary manufacturing system licensed from Taste-T LLC. The retail launch of the gummies will be targeted at BC, AB, SK and Ontario and revenue associated with this batch is estimated at \$200,000. On June 22, 2021 PEM received an initial purchase order for cannabis gummies from the BC Liquor Distribution Branch and on July 29, 2021 PEM received an initial purchase order for cannabis gummies from Alberta Gaming, Liquor and Cannabis.

Functional Mushrooms

The Corporation is developing functional mushroom extraction processes and products compatible with its existing infrastructure for the purpose of commercial scale extraction product and service development. The Corporation intends to integrate these services with its other product and service lines as its distribution and branding partners continue to gain market share.

On July 27, 2021, the Corporation's wholly owned subsidiary, Pure Mushrooms, submitted a license application to Health Canada for a blended functional mushroom product after the successful launch of other functional mushroom products on its Amazon e-commerce site. The Corporation may build-out its mushroom extraction facility to bring more products to market if its existing co-packer cannot keep up with the demand for the products. Pure Mushrooms also applied for a Class 3 license to Health Canada for claims of cognitive health for Lion's Mane product. This would augment the Class 1 license that Pure Mushroom's has and would allow the Corporation to include cognitive health benefits in the product description. Class 1 product launch occurred in Q4 of 2021 and Class 3 product launch is expected in Q1 of 2022.

Pure Mushrooms has developed three premium, functional mushroom formulations, that come in safe and convenient vegan capsules. These products are available through its online e-Commerce store.

The Company's JV, Pure Psyence Corp., will formulate a psilocybin extract for use in two clinical trials at Canadian universities.

Psychoactive Compounds

On March 4, 2021, the Corporation, through PEM, submitted an application to Health Canada for a Dealer's License under the *Controlled Drugs and Substances Act*. The Dealer's License would allow the Corporation to engage in (i) the procurement of controlled substances, including by import, synthesis, propagation, cultivation and harvesting of psychedelic mushrooms for psilocybin extraction, (ii) research and manufacture of controlled substances such as psilocybin and psilocin, and (iii) business-to-business sale of controlled substances, including by export, and (iv) sale of controlled substance via pharmacies.

The market for psychoactive compounds is in its infancy and there currently are few legal sources of psychoactive compounds for use in medical research. The FDA's recent granting of Breakthrough Therapy designations to the Usona Institute for psilocybin for the treatment of major depressive disorder and to COMPASS Pathways for psilocybin for the treatment-resistant depression, appears to have increased interest and the number of clinical studies of psilocybin and other psychedelic compounds.

Any expansion of the Corporation's business to start manufacturing controlled drugs and substances is subject to all necessary regulatory approvals, including the approval of the CSE, which approval has not yet been sought.

General Product Development Process

Extraction Methods

The Corporation has two types of extraction equipment which use either CO₂ or ethanol solvents.

CO₂ Extraction

The Corporation acquired CO₂ extraction equipment from industry-leading extraction equipment provider Vitalis Extraction Technology Inc. (“**Vitalis**”). The extraction machines are produced in Vitalis’ American Society of Mechanical Engineers (“**ASME**”) accredited facility in Kelowna, British Columbia. All of Vitalis’ pressure equipment meets ASME and Canadian Standards Association (“**CSA**”) standards.

The Corporation is currently using the Q-Series and R-Series extraction systems. The R-Series is the highest volume extraction machine offered by Vitalis, having total extraction volume of 200 litres per run. The Q-Series has a total extraction volume of 90 litres per run.

The Vitalis extraction system uses supercritical CO₂ extraction technology to product cannabis oils, extracts and products. The supercritical CO₂ extraction process utilized temperature and pressure to create phase changes in carbon dioxide. Initially, the CO₂ solvent comes into contact with plant biomass and diffuses through its pores. The plant extractants are then dissolved in the solvent and are transferred from the extraction cell into a separator at a lower pressure for the extractants to be settled. The CO₂ fluid is then cooled, re-compressed, and recycled for use in the next run.

Ethanol Extraction

In addition to its CO₂ extraction equipment, the Corporation acquired a state-of-the-art Co-Solvent Injection System (“**CIS**”) from Vitalis Extraction Technology Inc. The CIS provides versatility in extraction and offers a cost-effective solution to future scaling ambitions. By injecting a controlled amount of ethanol into the CO₂ extraction process, the cosolvent system is designed to dramatically increase the extraction efficiency for hemp and cannabis processors by leveraging the benefits of CO₂ extraction (capturing terpenes, targeting desired cannabinoids, lowering operating cost) and the power of ethanol. The novel cosolvent option provides the flexibility that the Corporation needs to expand its operations and grow its product lines. Compared to CO₂ extraction using conventional winterization methods, or a cold ethanol extraction, the cosolvent process significantly reduces the volume of ethanol used for each gram of oil produced. Engineered as a plug-n-play add-on rather than an alteration to CO₂ extraction equipment, the CIS design allows for continued operation of R-series equipment for mono-solvent CO₂ processing when desired.

Testing Methods

All extracted oil and edible products will be batch-tested by an accredited laboratory prior to shipping, according to strict Health Canada guidelines for heavy metals, aflatoxins, pesticides and potency. Testing commenced on December 14, 2020.

Facility

The Corporation’s Pemberton Facility is located in Pemberton, British Columbia. The Pemberton Facility is held under a lease for a portion of a warehouse and has a footprint of approximately 10,000 square feet, which includes an adjacent bay of the building of approximately 1,800 square feet. The lease has a five

year term expiring April 30, 2025, with an option for the Corporation to renew for a further five years. Pursuant to the terms of the lease, the Corporation pays basic rent of \$3,300 per month for the first three years of the lease, increasing to \$3,500 for the fourth and fifth year of the lease. Having received the Processing License, the Corporation received a municipal license for the Pemberton Facility on February 10, 2021.

The Pemberton Facility was chosen for the business for the following key reasons: (i) a location within the Lower Mainland of British Columbia provides easy access to service Licensed Producers and other cannabis industry operations; (ii) the Corporation has a good working relationship with the municipal government; and (iii) the facility infrastructure provides optimal shipping accessibility for cannabis product transportation. The Pemberton Facility was designed with assistance from a consultant specializing in Health Canada cannabis licensing and an EU-GMP consultant to ensure compliance with the respective regulations. The Corporation intends to apply for EU-GMP certification in Q3 2021 in order to expand its products and brands to the European market.

The flow of personnel through the Pemberton Facility is set out in Figures 1 and 2. Staff have limited access according to their roles, which include cannabis receiving and grinding, processing (extraction and lab/winterization). The Corporation is taking reasonable commercial steps to ensure it complies with all Health Canada security clearances.

Figure 1 - First Floor Personnel Flow

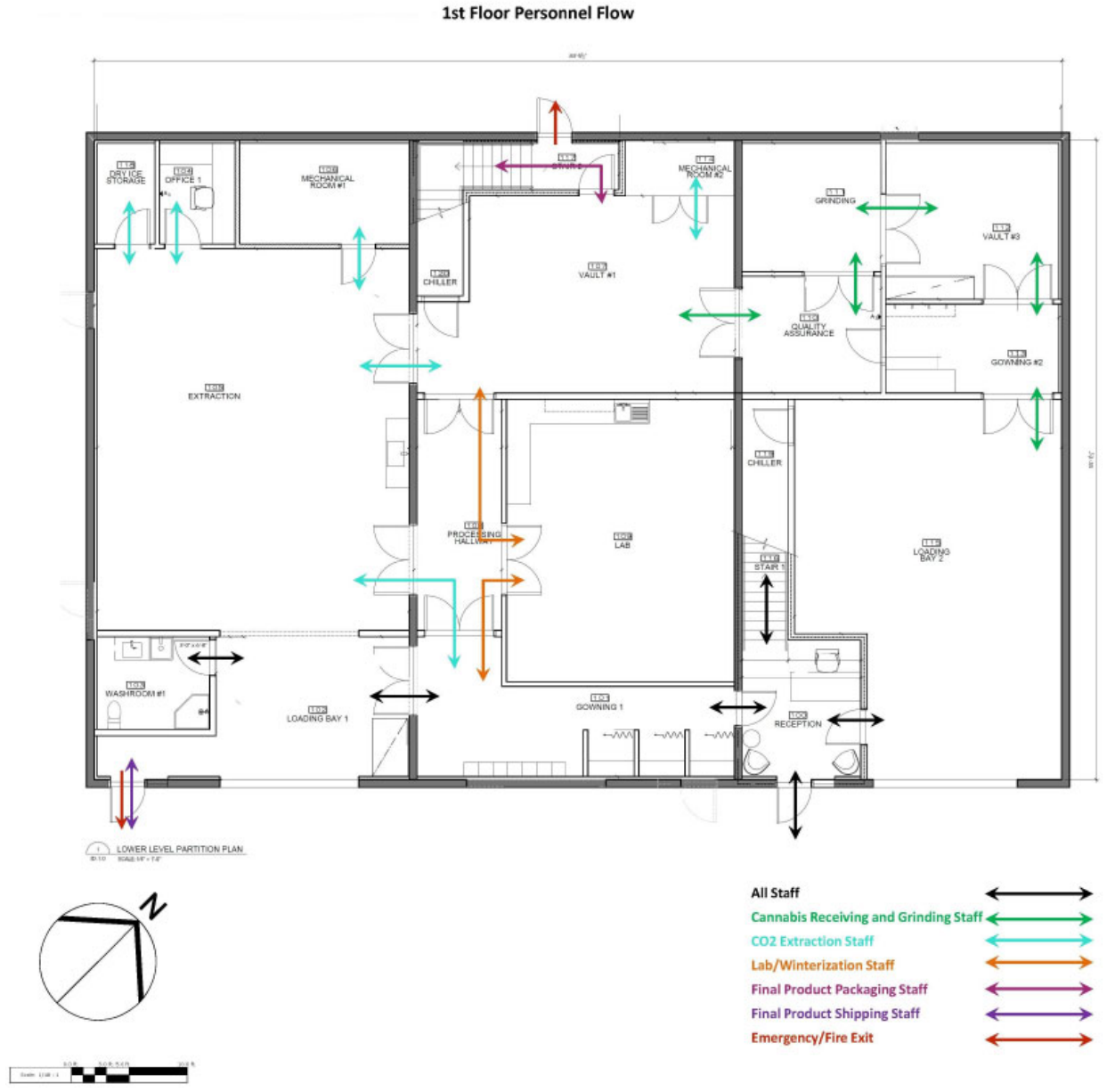
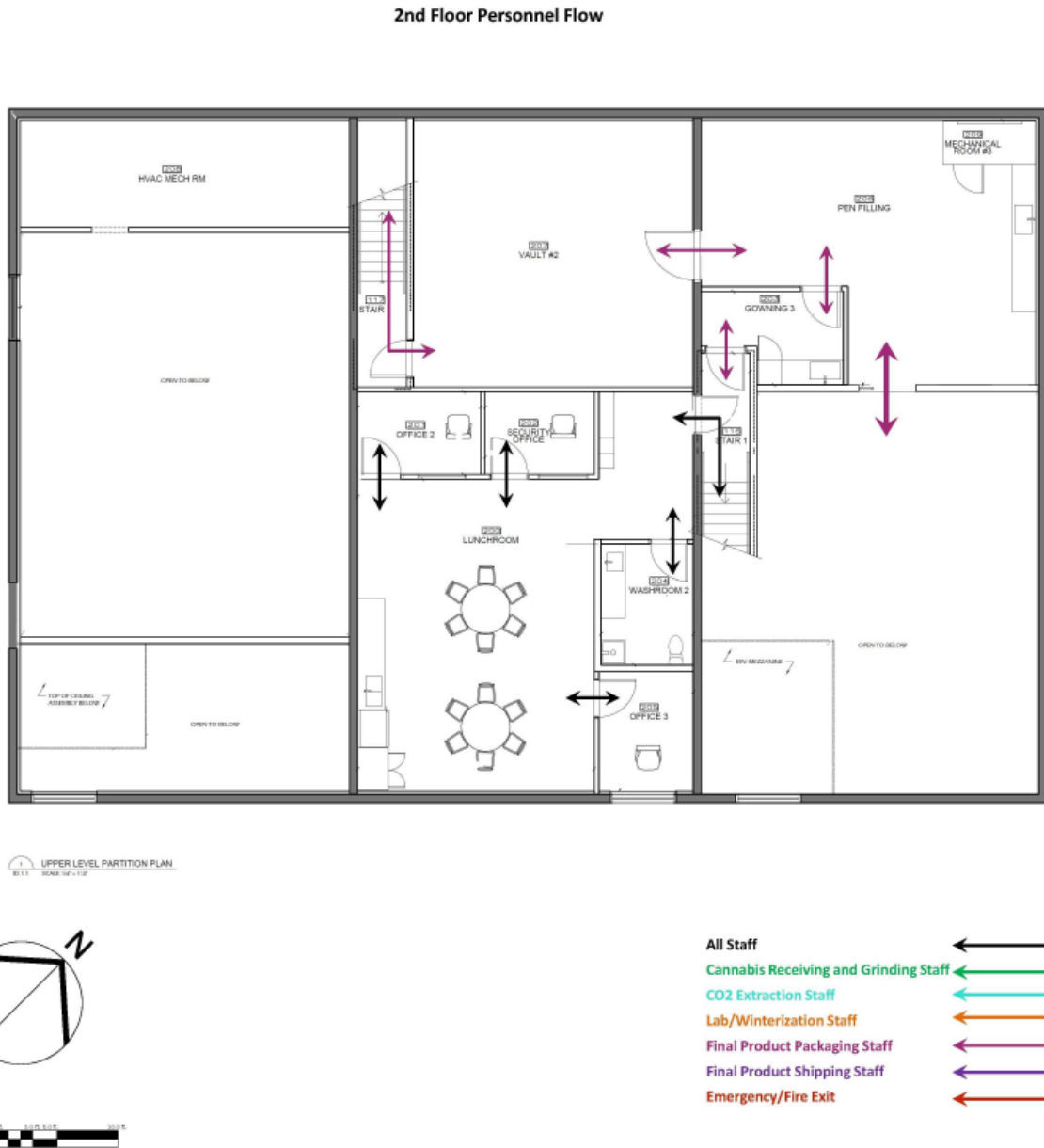


Figure 2 - Second Floor Personnel Flow



The flow of product through the Pemberton Facility is set out in Figures 3 and 4. The Pemberton Facility has been designed with dedicated lab and packaging spaces and is expected to process up to 200,000 kilograms of dry cannabis and hemp biomass on an annual basis, producing up to 20,000 kilograms of extracted oil, by utilizing its Vitalis R200, CIS and Q90 Series of extraction machines. The Pemberton Facility is capable of operating two 12-hour shifts per day and running 350 days per year, accounting for production downtime and maintenance.

Figure 3 - First Floor Product Flow

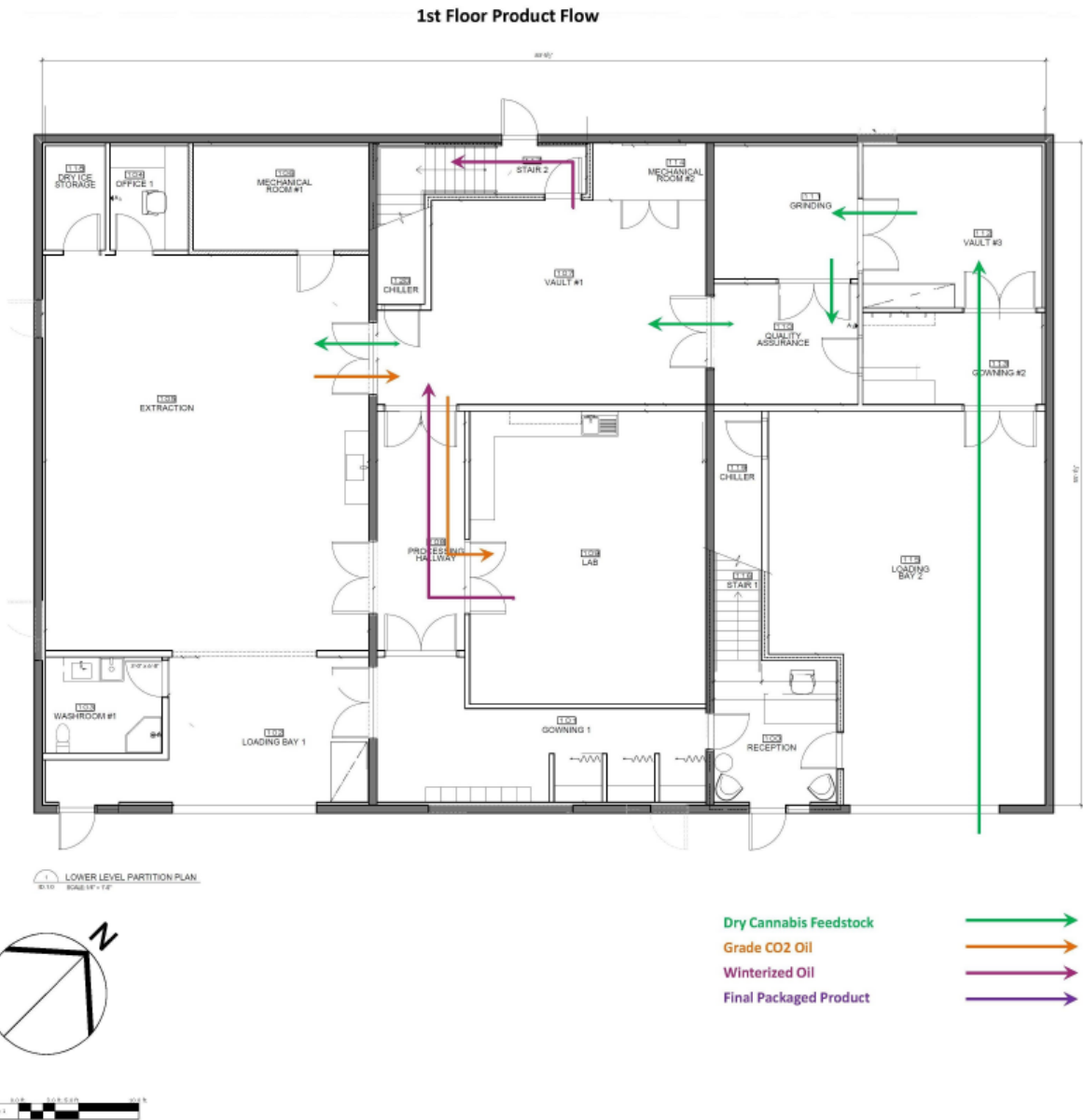
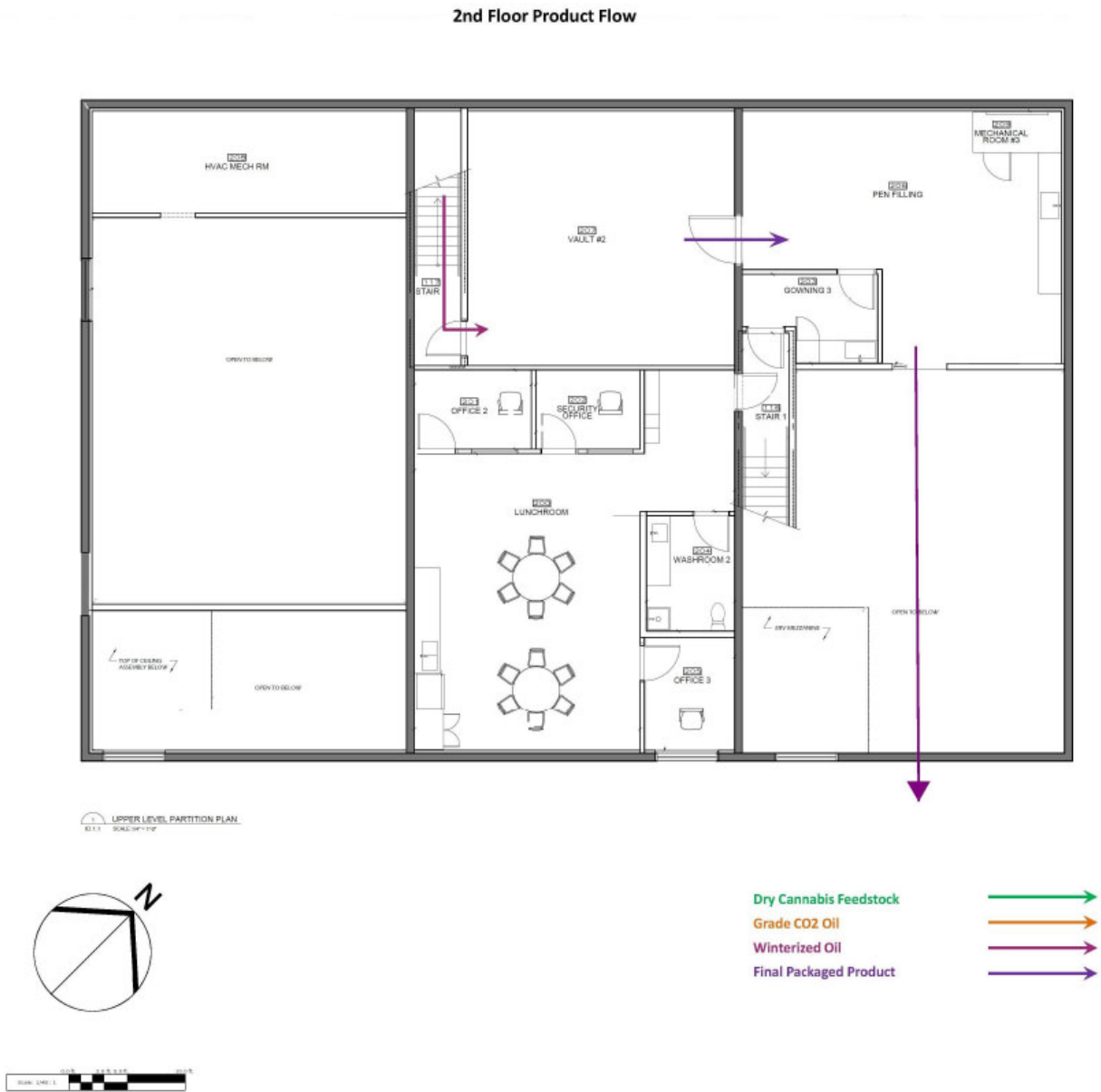


Figure 4 - Second Floor Product Flow



Employees

As of the date of this AIF, the Corporation (including its subsidiaries) has twenty-two full time employees. As the Corporation increases production, management estimates that the Corporation will require additional personnel, including extraction engineers, general productions staff, marketing staff, and administrative staff. Its ongoing recruiting efforts will continue to target candidates with the following qualifications:

- Experience in the processing and extraction of cannabis or equivalent skills.
- Biochemistry and analytic science degrees.

- Experience in quality assurance/quality control
- No criminal record.
- Experience in restricted-access facilities.

At the operational level, the Corporation has deep relationships in the cannabis industry in both the United States and Canada, resulting in a talented pool of human resources to draw from. Management positions for the Pemberton Facility include:

- *Responsible Person in Charge (RPIC)* – Contact point for Health Canada. Organize and supervise day-to-day operations.
- *Chief Operating Officer (COO)* – Supervise the safe processing, retail packaging, acquisition, and inventory of new supplies.
- *Quality Assurance Person (QAP)* - Responsible for compliance with Health Canada’s regulations under Cannabis Act.
- *Head of Security*

The Corporation plans to employ additional full-time and part-time employees to staff the Pemberton Facility. Staffing needs will increase as the Corporation ramps up production for toll-processing customers and distribution to licensed cannabis and functional mushroom retailers.

Individual job descriptions have been developed for each position in the Corporation’s organization. The purpose is to ensure that all personnel are clear about their role and responsibilities, and understand how their position contributes to the safe, efficient operation of the Pemberton Facility. The Corporation hires locally to the extent possible.

Specialized Skill and Knowledge

Our business requires specialized knowledge and technical skill around cannabis processing in Canada, clinical sciences, product formulations, product testing, clinical testing, quality assurance, GMP standards and ingredient sourcing. The required skills and knowledge are available to us through our current employees and management and through our ongoing recruitment of new employees.

Competitive Conditions

As of October 31, 2021 according to Health Canada, there were 791 Licence Holders in Canada, 198 of which are in British Columbia. As there are many License applicants waiting for approval from Health Canada, we anticipate more competition to continue to enter the market.

The functional mushroom market has over 30 established competitors in various stages of research & development, product formulation, branding and retail distribution. There are a multitude of micro-brands available in health food stores across the country, most carrying over a dozen SKUs. Additional online functional mushroom products are also widely available.

The Cannabis market in Canada is segmented into three distinct categories: Medical, Recreational, and Black Market. After the introduction of the Cannabis Act which legalized recreation use, the Black Market continues to thrive, due primarily to high cost and limited accessibility of legal Cannabis.

Statistics Canada reports as of the second quarter of 2019, the Black Market represents approximately 61% of all sales. A major market opportunity lies in reducing and ultimately eliminating the Black Market. Approximately 8.3 million Canadians are Cannabis consumers, 2.6 million of which are daily users.

The Corporation faces competition from current processors and retailers of cannabis for medicinal purposes, some of which have been operating for several years. Such companies possess established cannabis supply sources, supply chain frameworks, retail outlets and consumer bases. Additionally, such companies possess experience in complying with current applicable federal regulatory frameworks, which the Corporation does not possess.

The Corporation also faces competition from other license holders and retailers in the legal recreational cannabis market and functional mushroom space, some of which can be expected to have greater financial resources, market access and manufacturing and marketing experience than the Corporation. Increased competition by numerous independent dispensaries and larger and better financed competitors could materially and adversely affect the business, financial condition and results of the proposed operations of the Corporation. Because of the preliminary stage of the potential recreational cannabis market in which the Corporation operates, the Corporation expects to face additional competition from new entrants. To remain competitive, the Corporation will require a continued high level of investment in research and development, marketing, sales and client support. The Corporation 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 operating results of the Corporation.

Competitive Advantages

Years of Cannabis and Mushroom Experience

The Corporation's current management team is experienced in cannabis and corporate finance and possesses the necessary skill sets to implement the Corporation's business plan. The leadership team's expertise in general management, marketing, product development, supply chain management, the handling of large amounts of biomass, consumer insights and analytics, sales and customer management differentiates us among our peers. In addition, the Corporation will be able to leverage the management team's experience and connections in the cannabis industry to secure toll-processing agreements with Licensed Producers and purchasers for its white-label products, and to form partnerships with retailers to pursue distribution arrangements. National Cannabis Distribution Inc., based in Saskatchewan, is the only independent retail distributor that has agreed to distribute the Corporation's products to date.

Established Product Line

Cannabis consumers increasingly want a variety of products offered at reasonable prices from reputable suppliers. The Corporation already has product lines ready for release into the recreational cannabis market once it obtains its sale license, which it intends to build out into a portfolio of cannabis branded products. The Corporation's in-house processing, formulation and testing capabilities gives it the advantage of being able to provide consumers with reliable information regarding the safety and origin of its products.

Standard Operating Procedures

The Corporation has developed a set of proprietary SOPs related to the extraction and manufacturing processes based on the significant industry experience of its staff. The SOPs contain detailed procedures, provide an excellent tool for training and address a wide variety of topics, including: security, sanitation, production, waste disposal/destruction, packaging, shipping, inventory, compliance and quality assurance.

Superior Technology

Supercritical CO₂ extraction is widely regarded as the industry's gold standard for cannabis. The Corporation's Vitalis CO₂ Extraction System, coupled with its Vitalis ethanol CIS, allows for full spectrum cannabis oil extraction which produces the purest and highest quality oil. Compared to other extraction methods, CO₂ is a low-cost option and also the most environmentally friendly. The Vitalis machines produce high quality extracts and have several advantages over other existing extraction methods, including the ability to rapidly process cannabis biomass, generate maximum yield on every run, recirculate solvent to minimize waste and retain higher terpene content in the end product.

Highly Technical Expertise

The Corporation's management team possesses the requisite specialized knowledge and technical skills around cannabis processing in Canada, clinical sciences, product formulations, product testing, clinical testing, quality assurance, GMP standards and ingredient sourcing.

Intangible Properties

The Corporation owns trademarks, domain names, and standard operating procedures related to the acquisition of these assets from DSD. Specifically, the Corporation has acquired two trademark applications – one for the words "Pure Pulls" and one for the Pure Pulls brand logo. The Corporation also acquired the domain name purepulls.com and some manufacturing standard operating procedures written by DSD on the following operational aspects: security, sanitation, production, waste disposal/destruction, packaging, shipping, inventory, compliance and quality assurance. The Corporation does not have any patents on its extraction systems.

Management consistently evaluates the importance of obtaining intellectual property protection for the Corporation's brands, products, applications and processes and maintaining trade secrets. When applicable to its business and products, the Corporation will seek to obtain, license and enforce patents, protect its proprietary information and maintain trade secret protection without infringing the proprietary rights of third parties. It will also make use of trade secrets, proprietary unpatented information and trademarks to protect its technology and enhance its competitive position.

Economic Dependence

The Corporation's activities and resources are located in its Pemberton Facility in British Columbia and are expected to continue to be located in the Pemberton Facility for the foreseeable future. Adverse changes or developments affecting the Pemberton Facility could have a material and adverse effect on the Corporation's ability to process, package and distribute cannabis extracts and its derivative products, its business, financial condition and prospects. As a result, the Corporation is economically dependent on the Processing License for the Pemberton Facility and the ongoing regulatory requirements of and ongoing changes to the Canadian cannabis legal regime.

Business Cycle

Both the cannabis industry and the functional mushroom industry are in a preliminary stage in Canada, and predictable business cycles have not yet been established. The Corporation must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources.

Environmental Protection

Cannabis and mushroom refuse and post-extraction waste need to be handled with care and the Corporation follows well-established industry standard systems and procedures for the storage, handling and disposal of its waste materials and by-products, as mandated by Health Canada. The Corporation does not expect that there will be any financial or operational effects as a result of the environmental protection requirements on its capital expenditures, profit or loss, or the competitive position of the Corporation in the current fiscal year or future years.

CANNABIS LEGISLATION

Regulatory Framework

In accordance with the Canadian Securities Administrators Staff Notice 51-352 (Revised) - *Issuers with U.S. Marijuana-Related Activities*, below is a discussion of the federal and state-level U.S. regulatory regimes in those jurisdictions where the Corporation is currently involved in the cannabis industry. The Corporation has a joint venture agreement in place with a license holder to assist in the manufacture, possession, sale or distribution of cannabis in the adult-use marketplace in Michigan. In accordance with Staff Notice 51-352, the Corporation will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented and amended to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding cannabis regulation. Staff Notice 51-352 does not pertain to CBD derived hemp in the United States.

Any non-compliance, citations or notices of violation which may have an impact on the Corporation's license, business activities or operations will be promptly disclosed by the Corporation.

United States Federal Overview

The United States federal government regulates drugs through the federal Controlled Substances Act of 1970 (21 U.S.C. § 811) (the "CSA"), which places controlled substances, including cannabis, in a schedule. Cannabis is classified as a Schedule I controlled substance. The CSA explicitly prohibits the manufacturing, distribution, selling and possession of cannabis and cannabis-derived products as a consequence of its Schedule I classification. Classification of substances under the CSA is determined jointly by the U.S. Drug Enforcement Agency and the U.S. Food and Drug Administration. The United States Department of Justice defines Schedule I drugs and substances as drugs with no currently accepted medical use, a high potential for abuse and a lack of accepted safety for use under medical supervision. The FDA has approved Epidiolex, which contains a purified form of the drug CBD, a nonpsychoactive ingredient in the cannabis plant, for the treatment of seizures associated with two epilepsy conditions. The FDA has not approved cannabis or cannabis compounds as a safe and effective drug for any other condition.

Unlike in Canada, which has federal legislation uniformly governing the cultivation, distribution, sale and possession of medical and recreational cannabis under the Cannabis Act, S.C. 2018, c. 16, and the Cannabis for Medical Purposes Regulations, cannabis is largely regulated at the state level in the United States.

As of the date of this AIF, 37 U.S. states, plus the District of Columbia (and the territories of Guam, Puerto Rico, the U.S. Virgin Islands and the Northern Mariana Islands), have legalized the cultivation and sale of cannabis for medical purposes. In 14 states, the sale and possession of cannabis is legal for both medical and adult use, and the District of Columbia has legalized adult use but not commercial sale.

State laws that permit and regulate the production, distribution, and use of cannabis for medical or recreational purposes are in direct conflict with the federal CSA, which makes the use, distribution, and possession of cannabis federally illegal. Although certain states and territories of the U.S. authorize medical

or recreational cannabis production and distribution by licensed or registered entities, under U.S. federal law, the possession, use, cultivation and transfer of cannabis and any related drug paraphernalia is illegal and any such acts are criminal acts under any and all circumstances under the CSA. The Supremacy Clause of the United States Constitution establishes that the United States Constitution and federal laws made pursuant to it are paramount and in case of conflict between federal and state law, the federal law shall apply. Although the Corporation's activities are believed to be compliant with applicable U.S. state and local laws, strict compliance with state and local laws with respect to cannabis may neither absolve the Corporation of liability under United States federal law, nor may it provide a defense to any federal proceeding which may be brought against the Corporation.

The prior U.S. administration under President Obama attempted to address the inconsistencies between federal and state regulation of cannabis in August 2013 in a memorandum which then-Deputy Attorney General James Cole sent to all U.S. attorneys with the Offices of United States Attorneys (the "**Cole Memorandum**") outlining certain priorities for the DOJ relating to the prosecution of cannabis offenses. The Cole Memorandum acknowledged that, notwithstanding the designation of cannabis as a Schedule I controlled substance at the federal level, several states had enacted laws authorizing the use of cannabis. The Cole Memorandum also noted that jurisdictions that have enacted laws legalizing cannabis in some form have also implemented strong and effective regulatory and enforcement systems to control the cultivation, processing, distribution, sale and possession of cannabis. As such, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. The DOJ did not provide (and has not provided since) specific guidelines for what regulatory and enforcement systems would be deemed sufficient under the Cole Memorandum. In light of limited investigative and prosecutorial resources, the Cole Memorandum concluded that the DOJ should be focused on addressing only the most significant threats related to cannabis, such as distribution of cannabis from states where cannabis is legal to those where cannabis is illegal, the diversion of cannabis revenues to illicit drug cartels and sales of cannabis to minors.

On January 4, 2018, then-U.S. Attorney General Jeff Sessions formally issued a new memorandum (the "**Sessions Memorandum**"), which rescinded the Cole Memorandum effective upon its issuance. The Sessions Memorandum stated, in part, that current law reflects "Congress' determination that cannabis is a dangerous drug and cannabis activity is a serious crime," and Mr. Sessions directed all U.S. Attorneys to enforce the laws enacted by Congress by following well-established principles when pursuing prosecutions related to cannabis activities. As a result of the Sessions Memorandum, federal prosecutors are now free to utilize their investigative and prosecutorial discretion to decide whether to prosecute cannabis activities, despite the existence of state-level laws that may be inconsistent with federal prohibitions. The Sessions Memorandum provided no direction to federal prosecutors as to the priority they should ascribe to such cannabis activities, and as a result, it is uncertain how active U.S. federal prosecutors will be in relation to such activities. There can be no assurance that the federal government will not enforce federal laws relating to cannabis in the future.

Additionally, under United States federal law, it may potentially be a violation of federal money laundering statutes for financial institutions to take any proceeds from the sale of cannabis or any other Schedule I controlled substance. Canadian banks are likewise hesitant to deal with cannabis companies, due to the uncertain legal and regulatory framework of the industry. Banks and other financial institutions, particularly those that are federally chartered in the United States, could be prosecuted and possibly convicted of money laundering for providing services to cannabis businesses. While Congress is considering legislation that may address these issues, there can be no assurance of the content of any proposed legislation or that such legislation is ever passed.

Despite these laws, the U.S. Department of the Treasury's Financial Crimes Enforcement Network ("**FinCEN**") issued a memorandum on February 14, 2014 (the "**FinCEN Memorandum**") outlining the

pathways for financial institutions to bank state-sanctioned cannabis businesses in compliance with federal enforcement priorities. The FinCEN Memorandum echoed the enforcement priorities of the Cole Memorandum and 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. Under these guidelines, financial institutions must submit a Suspicious Activity Report (“SAR”) in connection with all cannabis-related banking activities by any client of such financial institution, in accordance with federal money laundering laws. These cannabis-related SARs are divided into three categories – cannabis limited, cannabis priority, and cannabis terminated – based on the financial institution’s belief that the business in question follows state law, is operating outside of compliance with state law, or where the banking relationship has been terminated, respectively. On the same day that the FinCEN Memorandum was published, the DOJ issued a memorandum (the “**2014 Cole Memorandum**”) directing prosecutors to apply the enforcement priorities of the Cole Memorandum in determining whether to charge individuals or institutions with crimes related to financial transactions involving the proceeds of cannabis-related conduct. The 2014 Cole Memorandum was rescinded as of January 4, 2018, along with the Cole Memorandum, removing guidance that enforcement of applicable financial crimes legislation against state-compliant actors was not a DOJ priority.

However, former Attorney General Sessions’ revocation of the Cole Memorandum and the 2014 Cole Memorandum has not affected the status of the FinCEN Memorandum, nor has the Department of the Treasury given any indication that it intends to rescind the FinCEN Memorandum itself. Though it was originally intended for the 2014 Cole Memorandum and the FinCEN Memorandum to work in tandem, the FinCEN Memorandum is a standalone document which explicitly lists the eight enforcement priorities originally cited in the Cole Memorandum. As such, the FinCEN Memorandum remains intact, indicating that the Department of the Treasury and FinCEN intend to continue abiding by its guidance. However, in the United States, it is difficult for cannabis-based businesses to open and maintain a bank account with any bank or other financial institution.

Although the Cole Memorandum has been rescinded, one legislative safeguard for the medical cannabis industry remains in place. Congress adopted a so-called “rider” provision to the fiscal years 2015, 2016, 2017, and 2018, 2019, 2020 and 2021 Consolidated Appropriations Acts (referred to as the “**Rohrabacher/Blumenauer Amendment**”) to prevent the U.S. federal government from using congressionally appropriated funds to enforce federal cannabis laws against regulated medical cannabis actors operating in compliance with state and local law. The Rohrabacher/Blumenauer Amendment was included in the consolidated appropriations bill signed into legislation by President Trump in December 2019 to remain in effect until September 30, 2020. In signing the Rohrabacher/Blumenauer Amendment, President Trump issued a signing statement noting that the Rohrabacher/Blumenauer Amendment “provides that the Department of Justice may not use any funds to prevent implementation of medical cannabis laws by various states and territories,” and further stating “I will treat this provision consistent with the President’s constitutional responsibility to faithfully execute the laws of the United States.” While the signing statement can fairly be read to mean that the executive branch intends to enforce the CSA and other federal laws prohibiting the sale and possession of medical cannabis, the president did issue a similar signing statement in 2017 and no major federal enforcement actions followed. On October 1, 2020, the 2020 Appropriations Bill was extended through the signing of a stopgap spending bill known as a continuing resolution, effective through December 11, 2020.

The Consolidated Appropriations Act of 2021 was passed by both houses of Congress on December 21, 2020 and was signed into law by President Trump on December 27, 2020. The Consolidated Appropriations Act of 2021 makes appropriations for the fiscal year ending September 30, 2021. At such time, the Rohrabacher/Blumenauer Amendment may or may not be included in the next omnibus appropriations package or a continuing budget resolution once the current Act expires.

Despite the legal, regulatory, and political obstacles the cannabis industry currently faces, the industry has continued to grow. It was anticipated that the federal government would eventually repeal the federal prohibition on cannabis and thereby leave the states to decide for themselves whether to permit regulated cannabis cultivation, production and sale, just as states are free today to decide policies governing the distribution of alcohol or tobacco.

Given current political trends, however, these developments are considered unlikely in the near-term. As an industry best practice, despite the recent rescission of the Cole Memorandum, the Corporation abides by the following to ensure compliance with the guidance provided by the Cole Memorandum:

- ensure that its operations are compliant with all licensing requirements as established by the applicable state, county, municipality, town, township, borough, and other political/administrative divisions;
- ensure that its cannabis related activities adhere to the scope of the licensing obtained;
- implement policies and procedures to ensure that cannabis products are not distributed to minors;
- implement policies and procedures in place to ensure that funds are not distributed to criminal enterprises, gangs or cartels;
- implement an inventory tracking system and necessary procedures to ensure that such compliance system is effective in tracking inventory and preventing diversion of cannabis or cannabis products into those states where cannabis is not permitted by state law, or cross any state lines in general;
- ensure that its state-authorized cannabis business activity is not used as a cover or pretense for trafficking of other illegal drugs, and is not engaged in any other illegal activity, or any activities that are contrary to any applicable anti-money laundering statutes; and
- ensure that its products comply with applicable regulations and contain necessary disclaimers about the contents of the products to prevent adverse public health consequences from cannabis use and prevent impaired driving.

In addition, the Corporation may (and frequently does) conduct background checks to ensure that the principals and management of its operating subsidiaries are of good character, and have not been involved with other illegal drugs, engaged in illegal activity or activities involving violence, or use of firearms in cultivation, manufacturing or distribution of cannabis. The Corporation will also conduct ongoing reviews of the activities of its cannabis businesses, the premises on which they operate and the policies and procedures that are related to possession of cannabis or cannabis products outside of the licensed premises, including the cases where such possession is permitted by regulation. See “Risk Factors.”

The Cole Memorandum and the Rohrabacher/Blumenauer Amendment gave licensed medical cannabis operators and investors in states with legal regimes greater certainty regarding enforcement of federal laws in those states. While the Sessions Memorandum has introduced some uncertainty regarding federal enforcement, the cannabis industry continues to experience growth in legal medical and adult use markets across the U.S. On November 7, 2018, U.S. Attorney General Jeff Sessions resigned. On February 14, 2019, William Barr was confirmed as U.S. Attorney General. On January 27, 2021, Acting Attorney General Monk Wilkinson, appointed by President Joseph Biden, rescinded the Sessions Memorandum in a directive to the DOJ. Acting Attorney General Wilkinson stated in connection with this directive that the DOJ should handle criminal prosecutions on a case-by-case basis, considering different factors, including

personal circumstances, the gravity of the alleged offense, the probable sentence and the consequences of a conviction.

On January 6, 2021, then- President-Elect Joseph Biden announced the nomination of Merrick Garland as the U.S. Attorney General, who was ultimately confirmed by the Senate and sworn in on March 10, 2021. Although Attorney General Garland did not confirm whether he would reinstate the 2014 Cole Memorandum, he did indicate that he plans to reduce resources towards the enforcement of federal marijuana laws during his confirmation hearing in response to questions from Senator Cory Booker.

Under the current administration, while President Biden campaigned on a platform of federal decriminalization and expungement, and despite the statements issued by his administration on February 2021 reaffirming the pledge, it is unclear what impact, if any, the new administration will have on U.S. federal government enforcement policy. Nonetheless, there is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. Unless and until the United States Congress amends the CSA with respect to cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current U.S. federal law.

Additionally, the Strengthening the Tenth Amendment Through Entrusting States Act (the “**STATES Act**”) was introduced in the U.S. Senate on June 7, 2018 by Senators Cory Gardner (R-CO) and Elizabeth Warren (D-MA). A companion bill was introduced the same day in the U.S. House of Representatives, sponsored by Representatives Earl Blumenauer and David Joyce. The bill provides in relevant part that the provisions of the CSA, as applied to cannabis, “shall not apply to any person acting in compliance with state law relating to the manufacture, production, possession, distribution, dispensation, administration, or delivery of marijuana.” Even though cannabis will remain within Schedule I of the CSA under the STATES Act, the bill makes the CSA unenforceable to the extent it conflicts with state law. In essence, the bill extends the limitations afforded by the protection within the federal budget—which prevents the DOJ and the DEA from using funds to enforce federal law against state-legal medical cannabis commercial activity—to both medical and adult-use cannabis activity in all states where it has been legalized. The STATES Act was reintroduced on April 4, 2019 in both the U.S. House of Representatives and the U.S. Senate. Since the STATES Act is currently draft legislation, there is no guarantee that the STATES Act will become law in its current form.

On December 4, 2020, the House of Representatives passed the *Marijuana Opportunity Reinvestment and Expungement Act of 2019* (the “**MORE Act**”). The MORE Act would provide for the removal of cannabis from the list of controlled substances in the CSA and other federal legislation. It would end the applicability of Section 280E of the federal tax code to cannabis businesses, but would impose a 5% federal excise tax. The MORE Act would still need to be passed by the Senate and signed into law by the president. There is no guarantee the MORE Act will become law in its current form.

Despite the expanding market for legal cannabis, traditional sources of financing, including bank lending or private equity capital, are lacking which can be attributable to the fact that cannabis remains a Schedule I substance under the CSA. These traditional sources of financing are expected to remain scarce unless and until the federal government legalizes cannabis cultivation and sales.

Pursuant to Staff Notice 51-352, issuers with U.S. cannabis-related activities are expected to clearly and prominently disclose certain prescribed information in prospectus filings and other required disclosure documents, such as this AIF. In accordance with the Staff Notice 51-352, below is a table of concordance that is intended to assist readers in identifying those parts of this AIF that address the disclosure expectations outlined in Staff Notice 51-352.

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	AIF Cross Reference
All Issuers with U.S. Marijuana-Related Activities	Describe the nature of the Corporation’s involvement in the U.S. marijuana industry and include the disclosures indicated for at least one of the direct, indirect and ancillary industry involvement types noted in this table.	<p><i>“General Development of the Business – Recent Developments”</i></p> <p><i>“Cannabis Legislation – Regulatory Framework”</i></p>
	Prominently state that marijuana is illegal under U.S. federal law and that enforcement of relevant laws is a significant risk.	<p><i>“Cannabis Legislation – United States Federal Overview”</i></p> <p><i>“Risk Factors – Risks Related to the U.S. Cannabis Operations of the Corporation – Some of the Corporation’s planned business activities, while believed to be compliant with applicable U.S. state and local laws, are illegal under U.S. federal law”</i></p>
	Discuss any statements and other available guidance made by federal authorities or prosecutors regarding the risk of enforcement action in any jurisdiction where the Corporation conducts U.S. marijuana-related activities.	<p><i>“Cannabis Legislation – Regulatory Overview - United States Federal Overview”</i></p> <p><i>“Risk Factors – Risks Related to the U.S. Cannabis Operations of the Corporation – The Corporation’s Business Activities are Illegal under U.S. Federal Law”</i></p> <p><i>“Risk Factors – Risks Related to the U.S. Cannabis Operations of the Corporation – U.S. State Regulatory Uncertainty”</i></p>
	Outline related risks including, among others, the risk that third-party service providers could suspend or withdraw services and the risk that regulatory bodies could impose certain restrictions on the Corporation’s ability to operate in the U.S.	<p><i>“Risk Factors – Risks Related to the U.S. Cannabis Operations of the Corporation– The Corporation’s Business Activities are Illegal under U.S. Federal Law”</i></p> <p><i>“Risk Factors – Service Providers”</i></p>

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	AIF Cross Reference
	<p>Given the illegality of marijuana under U.S. federal law, discuss the Corporation’s ability to access both public and private capital and indicate what financing options are / are not available in order to support continuing operations.</p>	<p><i>“Risk Factors – Risks Related to the Operations of the Corporation Generally - The continued development of the Corporation may require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of current business strategy or the Corporation ceasing to carry on business.”</i></p> <p><i>“Risk Factors – Risks Related to the U.S. Cannabis Operations of the Corporation – U.S. State Regulatory Uncertainty”</i></p> <p><i>“Risk Factors – Risks Related to the U.S. Cannabis Operations of the Corporation - Due to the classification of cannabis as a Schedule I controlled substance under the CSA, banks and other financial institutions which service the cannabis industry are at risk of violating certain financial laws, including anti-money laundering statutes”</i></p>
	<p>Quantify the Corporation’s balance sheet and operating statement exposure to U.S. marijuana-related activities.</p>	<p><i>At the date of this AIF, none of the Corporation’s operations are in the United States.</i></p>
	<p>Disclose if legal advice has not been obtained, either in the form of a legal opinion or otherwise, regarding (a) compliance with applicable state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law.</p>	<p><i>The Corporation and its subsidiaries have obtained legal advice regarding (a) compliance with applicable state regulatory frameworks, and (b) potential exposure and implications arising from U.S. federal law.</i></p>
<p>U.S. Marijuana Issuers with direct involvement in</p>	<p>Outline the regulations for U.S. states in which the Corporation operates and confirm how the Corporation complies with applicable licensing requirements</p>	<p><i>“Cannabis Legislation Regulatory Overview – State-Level Overview & Compliance Summary”</i></p>

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	AIF Cross Reference
cultivation or distribution	and the regulatory framework enacted by the applicable U.S. state.	
	Discuss the Corporation’s program for monitoring compliance with U.S. state law on an ongoing basis, outline internal compliance procedures and provide a positive statement indicating that the Corporation is in compliance with U.S. state law and the related licensing framework. Promptly disclose any non-compliance, citations or notices of violation which may have an impact on the Corporation’s license, business activities or operations.	
U.S. Marijuana Issuers with indirect involvement cultivation or distribution	Outline the regulations for U.S. states in which the Corporation’s investee(s) operate.	<i>“Cannabis Legislation – Regulatory Overview – The Regulatory Landscape on a U.S. State Level – Michigan”</i>
	Provide reasonable assurance, through either positive or negative statements, that the investee’s business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state. Promptly disclose any non-compliance, citations or notices of violation, of which the Corporation is aware, that may have an impact on the investee’s license, business activities or operations.	
U.S. Marijuana Issuers with material ancillary involvement	Provide reasonable assurance, through either positive or negative statements, that the applicable customer’s or investee’s business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.	<i>“Cannabis Legislation – Regulatory Overview – The Regulatory Landscape on a U.S. State Level – Michigan”</i>

In accordance with Staff Notice 51-352, the Corporation will evaluate, monitor and reassess the foregoing disclosure, and any related risks, on an ongoing basis and any supplements or amendments hereto will be reflected in, and provided to, investors in public filings of the Corporation, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations

regarding cannabis regulation. Any non-compliance, citations or notices of violation which may have a material impact on any subsidiary's licenses, business activities or operations will be promptly disclosed by the Corporation.

Michigan Operations

On August 23, 2021, the Corporation announced that it has signed a Definitive Agreement for a joint venture between its Michigan subsidiary, Pure Extracts USA, and Grown Rogue International Inc.'s subsidiary, Golden Harvest LLC. Grown Rogue will be adding Pure Pulls and Pure Chews to their product line. The joint venture plans to build out 2,600 sq. feet of space in an existing facility and will consider building dedicated greenhouse production space. The Corporation anticipates that products will be distributed and on shelves by the beginning of Q2 of 2022.

The Corporation has formed a wholly owned US subsidiary, Pure Extracts USA, incorporated in Michigan, which has agreed to become a member of Pure Grown Extracts, and hold 50% of the membership interests, once approved by the MNR to become an owner of a cannabis processing license. The current, sole member of Pure Grown Extracts is Golden Harvests, the holder of a cannabis cultivation license in Michigan and a company controlled by Grown Rogue International Inc. The Corporation will oversee the buildout of the existing facility and the procurement of the extraction equipment required to commence operations. The cost to the Corporation is expected to be USD \$625,000, to be comprised of existing equipment, new equipment purchases and renovation costs. The Corporation is currently working with local Michigan contractors on building plans and permit applications.

Golden Harvests has submitted the processing license application to the MNR and will manage the licensing process.

State-Level Overview & Compliance Summary

While the Corporation is in compliance with the rules, regulations and license requirements governing each state in which the subsidiaries and contractual parties operate, there are significant risks associated with their business and the business of the subsidiaries and contractual parties. Further, the rules and regulations as outlined below are not a full complement of all the rules that the subsidiaries are required to follow in each applicable state.

Although each state has its own laws and regulations regarding the operation of cannabis businesses, certain of the laws and regulations are consistent across jurisdictions. As a general matter, to operate legally under state law, cannabis operators must obtain a license from the state and in certain states must also obtain local approval. In those states where local approval is required, local authorization is a prerequisite to obtaining state licenses, and local governments are permitted to prohibit or otherwise regulate the types and number of cannabis businesses allowed in their locality. The license application and license renewal processes are unique to each state. However, each state's application process requires a comprehensive criminal history, regulatory history, financial and personal disclosures, coupled with stringent monitoring and continuous reporting requirements designed to ensure only good actors are granted licenses and that licensees continue to operate in compliance with the state regulatory program.

License applicants for each state must submit standard operating procedures describing how the operator will, among other requirements, secure the facility, manage inventory, comply with the state's seed-to-sale tracking requirements, dispense cannabis, and handle waste, as applicable to the license sought. Once the standard operating procedures are determined compliant and approved by the applicable state regulatory agency, the licensee is required to abide by the processes described and seek regulatory agency approval before any changes to such procedures may be made. Licensees are additionally required to train their

employees on compliant operations and are only permitted to transact with other legal and licensed businesses.

As a condition of each state's licensure, operators must consent to inspections of the commercial cannabis facility as well as the facility's books and records to monitor and enforce compliance with state law. Many localities have also enacted similar standards for inspections and have already commenced both site-visits and compliance inspections for operators who have received state temporary or annual licensure.

The Corporation currently only has operations in the Province of British Columbia, but it regularly monitors the applicable rules and regulations in the State of Michigan. The Corporation tracks each license or permit held by Pure Extracts USA and its joint venture partner, Golden Harvests, showing the renewal date, inspection schedules, and the results of any regulatory inspection reports. The Corporation enhances its compliance program through the review of web-based services that provide access to cannabis-related state, county, municipal and federal rules and regulations which organizes the laws into distinct categories (such as taxation, zoning, application and licensing, and packaging and labeling) and sorts them by license type (such as cultivation, dispensary and testing). The Corporation will also monitor any action taken by Pure Extracts USA or Golden Harvests in response to a change of governing regulations or suggestions from regulators.

The Corporation's legal compliance team continually monitors and reviews correspondence and changes to, and updates of, rules or regulatory policies impacting the Corporation and the operation of the businesses carried on by it in the State of Michigan. The Corporation has employed an experienced team of legal and compliance professionals with expertise in regulatory and corporate compliance to oversee its activities. Its legal compliance team has implemented internal policies and procedures at corporate and subsidiary levels designed to facilitate compliance with relevant laws and regulations. The Corporation strives to ensure its overall operations are in compliance with U.S. state law and the related licensing framework (see "*Regulatory Framework – The Regulatory Landscape on a U.S. State Level*"). Marijuana remains a Schedule I controlled substance in the U.S. and therefore federally illegal. The Corporation has not received any non-compliance citations or notices of violation which may have a material impact on its licenses, business activities or operations.

The Corporation is classified as having a "direct," "indirect" and "ancillary" involvement in the United States cannabis industry and it, Pure Extracts USA and, to the best of its knowledge, each entity through which it has ancillary involvement in the United States cannabis industry, is in compliance with applicable United States state law and related licensing requirements and the regulatory framework enacted by each of the states in which it has operations. The Corporation is not subject to any citations or notices of violation with applicable licensing requirements and the regulatory frameworks which may have a material impact on its licenses, business activities or operations. The Corporation uses reasonable commercial efforts to ensure that its business is in compliance with applicable licensing requirements and the regulatory frameworks enacted by the State of Michigan through the advice of its legal counsel in Michigan, who monitors and reviews its business practices and changes to U.S. federal and state enforcement priorities and rules. Its legal counsel has provided legal advice to Pure Extracts USA regarding, among other things, (a) compliance with applicable state regulatory frameworks, and (b) potential exposure and implications arising from U.S. federal law.

The Corporation will continue to use reasonable commercial efforts to ensure it is in compliance with applicable licensing requirements and the regulatory framework enacted in states where it conducts business by continuous review of its licenses and affirmation certifications from management.

The Corporation has a commitment to training its personnel on the relevant issues in order to facilitate its overall compliance effort. The Corporation's training program includes, among other items, the following topics:

- importance of compliance with state and local laws
- extraction Standard Operating Procedures (SOPs)
- patient confidentiality
- security and safety policies and procedures
- inventory control
- quality control
- cash management and control
- transportation procedures

The Corporation's training program emphasizes security and inventory control to ensure strict monitoring of cannabis and inventory from delivery to sale or disposal. Only authorized, properly trained employees are allowed to access the Corporation's computerized seed-to-sale system. All of the Corporation's facilities are monitored 24-hours a day, seven days a week. Visitors to the facilities are only permitted in strict accordance with relevant state laws and appropriately monitored and logged in.

The Corporation's compliance team closely monitors and promptly addresses all compliance notifications from the regulators and inspectors in each market, in an effort to resolve any issues identified on a timely basis. The Corporation keeps records of all compliance notifications received from the state regulators or inspectors and how and when the issue was resolved.

Further, the Corporation has created comprehensive standard operating procedures that include detailed descriptions and instructions for receiving shipments of inventory, inventory tracking, recordkeeping and record retention practices related to inventory, as well as procedures for performing inventory reconciliation and ensuring the accuracy of inventory tracking and recordkeeping. The Corporation maintains records of its inventory at all licensed facilities. Adherence to the Corporation's standard operating procedures is mandatory and ensures that the Corporation's operations are compliant with the rules set forth by the applicable state and local laws, regulations, ordinances, licenses and other requirements. The Corporation ensures adherence to standard operating procedures by regularly conducting internal inspections and is committed to ensuring any issues identified are resolved quickly and thoroughly.

In order to comply with industry best practices, despite the rescission of the Cole Memorandum, the Corporation continues to do the following to ensure compliance with the guidance provided by the Cole Memorandum:

- Ensure the operations are compliant with all licensing requirements that are set forth with regards to cannabis operation by the applicable state, county, municipality, town, township, borough, and other political/ administrative divisions. To this end, the Corporation uses its internal legal department and retains appropriately experienced legal counsel to conduct the necessary due diligence to ensure compliance of such operations with all applicable regulations;

- The activities relating to cannabis business adhere to the scope of the licensing obtained;
- The Corporation only works through licensed operators, which must pass a range of requirements, adhere to strict business practice standards and be subjected to strict regulatory oversight whereby sufficient checks and balances ensure that no revenue is distributed to criminal enterprises, gangs and cartels; and
- The Corporation conducts reviews of products and product packaging to ensure that the products comply with applicable regulations and contain necessary disclaimers about the contents of the products to prevent adverse public health consequences from cannabis use and prevent impaired driving.

The Corporation will continue to monitor compliance on an ongoing basis in accordance with its compliance program and standard operating procedures. While the Corporation’s operations strive to be in compliance with all applicable state laws, regulations and licensing requirements, some of such activities remain illegal under United States federal law. For the reasons described above and the risks further described in Risk Factors below, there are significant risks associated with the business of the Corporation. See “Risk Factors”.

The Regulatory Landscape on a U.S. State Level

Michigan

Michigan Legislative History

In 2008, the Michigan Compassionate Care Initiative established a medical cannabis program for serious and terminally ill patients. This program, which was approved by the House but not acted upon, defaulted to a public initiative on the November ballot. Proposal 1 was approved by 63% of voters on November 8, 2008. Proposal 1 was then written into law and approved by Michigan’s lawmakers in December 2008. The resulting Act became the Michigan Medical Marihuana Act (“**MMMA**”).

In 2016, the Michigan legislature passed two new acts and also amended the original MMMA. The first act, amended effective January 1, 2019, established a licensing and regulation framework for medical marihuana growers, processors, secure transporters, provisioning centers, and safety compliance facilities. The second act established a “seed-to-sale” system to track marihuana that is grown, processed, transferred, stored, or disposed of under the Medical Marihuana Facilities Licensing Act.

The passage of the Michigan Regulation and Taxation of Marihuana Act (“**MRTMA**”) by voter initiative on November 6, 2018, made Michigan the tenth state to legalize the recreational use of marijuana. On December 1st, 2019, adult-use cannabis sales commenced. On June 22, 2020, the Marijuana Regulatory Agency promulgated administrative rules governing medical and adult-use cannabis licensing.

The Marijuana Regulatory Agency is responsible for the oversight of medical and adult-use cannabis in Michigan and consists of the Licensing Division, the Enforcement Division and the Michigan Medical Marihuana Program Division. The MMMA provides access to state residents to cannabis and cannabis related products under one of 11 debilitating conditions, including epilepsy, cancer, HIV/AIDS, cancer and post-traumatic stress disorder. In July 2018, the Licensing Division approved 11 additional conditions to the list of ailments to qualify for medical cannabis. The additional 11 include chronic pain, colitis and spinal cord injury.

Michigan Licenses

Neither the Corporation nor Pure Extracts USA nor Pure Grown Extracts possess any Michigan cannabis licenses.

U.S. Attorney Statements in Michigan

On November 8, 2018, United States Attorneys Matthew Schneider and Andrew Birge for the Eastern and Western Districts of Michigan, respectively, issued a joint statement regarding the legalization of adult-use marijuana in Michigan. They stated that since they had taken oaths to protect and defend the Constitution and the laws of the United States, they would not immunize the residents of Michigan from federal law enforcement. They stated that they would continue to the investigation, prosecution of marijuana crimes as they do with any other crime. They stated they would consider the federal law enforcement priorities set by the DOJ, the seriousness of the crime, the deterrent effect of prosecution, and the cumulative impact of the crime on a community, while also considering their ability to prosecute with limited resources. They stated that combating illegal drugs was just one of many priorities, and that even within the area of drugs, they were focused on combating the opioid epidemic. They stated that they have not focused on prosecution of low-level offenders, which they stated would not change (unless aggravating factors were present). They did state that certain crimes involving marijuana could pose serious risks and harm to a community, including interstate trafficking, involvement of other illegal drugs or activity, persons with criminal records, presence of firearms or violence, criminal enterprises, gangs and cartels, bypassing local laws and regulations, potential for environmental contamination, risks to minors, and cultivation on federal property.

To the knowledge of management of the Corporation, other than as disclosed in this AIF, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in

Michigan. See “*Risk Factors - The Corporation’s Business Activities are Illegal under U.S. Federal Law*”.

RISK FACTORS

The following are certain factors relating to the Corporation’s business which prospective investors should carefully consider before deciding whether to purchase Common Shares in the Corporation’s authorized capital. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this AIF. These risks and uncertainties are not the only ones the Corporation is facing. Additional risk and uncertainties not presently known to us, or that we currently deem immaterial, may also impair our operations. If any such risks actually occur, the business, financial condition, liquidity and results of our operations could be materially adversely affected.

An investment in securities of the Corporation should only be made by persons who can afford a significant or total loss of their investment.

Risks Related to the Cannabis Operations of the Corporation

Regulatory Risks

The business and activities of the Corporation are heavily regulated in all jurisdictions where it carries on business or intends to carry on business. The activities of the Corporation are subject to various laws, regulations and guidelines by governmental authorities, including, but not limited to, Health Canada. Laws and regulations, applied generally, grant government agencies and self-regulatory bodies broad administrative discretion over the activities of the Corporation, including the power to limit or restrict

business activities as well as impose additional disclosure requirements on the Corporation's products and services. The Corporation's business objectives are contingent upon, in part, compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products and/or provision of its services. The Corporation cannot predict the time required to secure all appropriate regulatory approvals for its products and services, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Corporation.

Although the operations of the Corporation are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail the Corporation's ability to conduct business in the jurisdictions and industries in which it currently operates or intends to operate, including the cannabis and natural health supplements industries. Amendments to current laws and regulations governing the Corporation's current and/or intended operations, more stringent implementation thereof or other unanticipated events could have a material adverse impact on the business, financial condition and operating results of Corporation.

Regulatory Approvals, Permits and Licenses

The Processing License and any other licenses the Corporation obtains in Canada and/or abroad are expected to be subject to ongoing compliance and reporting requirements. Although the Corporation believes it will meet the requirements for their applications and future renewals for their licenses (if awarded), there can be no guarantee that government bodies will award or renew any applicable licenses or, if renewed, that such licenses will be renewed on the same or similar terms or that regulatory authorities will not revoke any licenses. Failure by the Corporation to comply with the requirements of its licenses or any failure to maintain such licenses would have a material adverse impact on the business, financial condition and operating results of the Corporation. Should any jurisdiction in which the Corporation considers a license important not grant, extend or renew such license or should it renew such license on different terms, or should it decide to grant more than the anticipated number of licenses to other businesses, the business, financial condition and results of operations of the Corporation could be materially adversely affected.

Government licenses are currently, and in the future may be, required in connection with the Corporation's operations, in addition to other unknown permits and approvals which may be required. To the extent such permits and approvals are required and not obtained, the Corporation may be prevented from continuing to operate and/or expanding its business, which could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Changes in Laws, Regulations and Guidelines

The Corporation's operations are subject to various laws, regulations, guidelines and licensing requirements both in Canada and potentially abroad. The Corporation is in compliance with all such laws, but any changes to such laws, regulations, guidelines and policies due to matters beyond the control of the Corporation could have a material adverse effect on the Corporation's business, results of operations and financial condition. In particular, any amendment to or replacement of the Cannabis Act may cause adverse effects to the Corporation's operations.

On April 13, 2017, the Canadian Federal Government put forward proposed legislation, the Cannabis Act, outlining the framework for the legalization of adult use cannabis, as well as laws to address drug-impaired

driving, protect public health and safety and prevent youth access to cannabis. The provincial and municipal governments have been given explicit authority by the Federal Government to provide regulations regarding retail and distribution, as well as the ability to alter some of the existing baselines, such as increasing the minimum age of 18 years for purchase and consumption of cannabis. On June 21, 2018, the Cannabis Act received Royal Assent and came into force on October 17, 2018. The ACMPR will continue to operate in tandem with the recreational regime, and will be re-evaluated within five years of the Cannabis Act coming into force. Although the impact of such changes is uncertain and highly dependent on which specific laws or regulations are changed, the impact on the Corporation should be comparable to other companies in the same business as the Corporation.

Further, the general legislative framework pertaining to the Canadian recreational cannabis market is subject to significant provincial and territorial regulation, which varies across provinces and territories. Unfavourable regulatory changes, delays or both may therefore materially and adversely affect the future business, financial condition and results of operations of the Corporation.

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

The Canadian Cannabis Market

As a license holder under the Cannabis Act, the Corporation is operating its business in a relatively new industry and market. In addition to being subject to general business risks, the Corporation must continue to build brand awareness in this industry and market through significant investments in its strategy, its production capacity, quality assurance and compliance with regulations. In addition, there is no assurance that the industry and market will continue to exist and grow as currently estimated or anticipated or function and evolve in the manner consistent with management's expectations and assumptions. Any event or circumstance that adversely affects the cannabis industry and market could have a material adverse effect on the Corporation's business, financial conditions and results of operations.

Service Providers

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

Risks Related to the U.S. Cannabis Operations of the Corporation

The Corporation's Business Activities in the U.S. are Illegal under U.S. Federal Law

Cannabis (with the exception of hemp containing no more than 0.3% THC by dry weight) is illegal under U.S. federal law. In those states in which the use of cannabis has been legalized, its use remains a violation of federal law pursuant to the CSA. The CSA classifies cannabis as a Schedule I controlled substance, and as such, medical and adult use cannabis consumption is illegal under U.S. federal law. Unless and until Congress amends the CSA with respect to cannabis (and the President approves such amendment), there is a risk that federal authorities may enforce current federal law. If that occurs, the Corporation's subsidiaries

or other entities in which the Corporation may have an interest from time to time may be deemed to be producing, cultivating or dispensing cannabis and drug paraphernalia in violation of federal law, or the Corporation may be deemed to be facilitating the selling or distribution of cannabis and drug paraphernalia in violation of federal law with respect to the Corporation's investment in its subsidiaries. Since federal law criminalizing the use of cannabis preempts state laws that legalize its use, strict enforcement of federal law regarding cannabis is a significant risk which would greatly harm the Corporation's business, prospects, results of operation, and financial condition.

Some of the Corporation's operations are cannabis-related and conducted in the United States and will continue to be subject to evolving regulation by governmental authorities. The Corporation's Michigan subsidiary is directly or indirectly engaged in the medical and adult use cannabis industry in the U.S. where local state law permits such activities. The legality of the production, cultivation, extraction, distribution, retail sales, transportation and use of cannabis differs between states in the U.S. Due to the current regulatory environment in the U.S., new risks may emerge, and management may not be able to predict all such risks.

As of the date of this Circular, 36 U.S. states, Washington D.C. and the territories of Puerto Rico, the U.S. Virgin Islands, Guam, and the Northern Mariana Islands have laws and/or regulations that recognize, in one form or another, legitimate medical uses for cannabis and consumer use of cannabis in connection with medical treatment. In addition, Alaska, Arizona, California, Colorado, Illinois, Maine, Massachusetts, Michigan, Montana, Nevada, New Jersey, Oregon, South Dakota, Vermont, Washington and the District of Columbia have legalized cannabis for both medical and recreational use. Fourteen states have also enacted low-THC/high-CBD only laws for medical cannabis patients.

The funding by the Corporation of the activities of the Corporation's Michigan subsidiary involved in the medical and adult use cannabis industry through equity investments, loans or other forms of investment, may be illegal under the applicable federal laws of the U.S. and other applicable laws. There can be no assurances that the federal government of the U.S. or other jurisdictions will not seek to enforce the applicable laws against the Corporation. The consequences of such enforcement would be materially adverse to the Corporation and the Corporation's business, including its reputation, profitability, the market price of its publicly traded shares, and could result in the forfeiture or seizure of all or substantially all of the Corporation's assets.

The prior U.S. administration attempted to address the inconsistent treatment of cannabis under state and federal law in the Cole Memorandum which then Deputy Attorney General James Cole sent to all U.S. Attorneys in August 2013 that outlined certain priorities for the DOJ relating to the prosecution of cannabis offenses. The Cole Memorandum held that enforcing federal cannabis laws and regulations 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, processing, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations was not a priority for the DOJ. The DOJ did not provide (and has not provided since) specific guidelines for what regulatory and enforcement systems would be deemed sufficient under the Cole Memorandum.

On January 4, 2018, then U.S. Attorney General Jeff Sessions formally issued the Sessions Memorandum, which rescinded the Cole Memorandum effective upon its issuance. The Sessions Memorandum stated, in part, that current law reflects "Congress' determination that cannabis is a dangerous drug and cannabis activity is a serious crime", and Mr. Sessions directed all U.S. Attorneys to enforce the laws enacted by Congress and to follow well-established principles when pursuing prosecutions related to cannabis activities. There can be no assurance that the federal government will not enforce federal laws relating to cannabis in the future. Jeff Sessions resigned as U.S. Attorney General on November 7, 2018. On February 14, 2019, William Barr was confirmed as U.S. Attorney General. It is unclear what impact this development

will have on U.S. federal government enforcement policy. However, in a written response to questions from U.S. Senator Cory Booker made as a nominee, Attorney General Barr stated, “I do not intend to go after parties who have complied with state law in reliance on the Cole Memo.” Nonetheless, there is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. Unless and until the United States Congress amends the CSA with respect to cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current U.S. federal law.

The Department of Justice under Mr. Barr has not taken a formal position on federal enforcement of laws relating to cannabis. Mr. Barr has stated publicly that his preference would be to have a uniform federal rule against cannabis, but, absent such a uniform rule, his preference would be to permit the existing federal approach of leaving it up to the states to make their own decisions. There is no guarantee that the position of the Department of Justice will not change. If the Department of Justice policy under Attorney General William Barr were to aggressively pursue financiers or owners of cannabis-related businesses, and United States Attorneys followed such Department of Justice policies through pursuing prosecutions, then the Corporation could face (i) seizure of its cash and other assets used to support or derived from its cannabis operations, (ii) the arrest of its employees, directors, officers, managers and investors, and charges of ancillary criminal violations of the CSA for aiding and abetting and conspiring to violate the CSA by virtue of providing financial support to cannabis companies that service or provide goods to state-licensed or permitted cultivators, processors, distributors, and/or retailers of cannabis, and/or (iii) the barring of its employees, directors, officers, managers and investors who are not United States citizens from entry into the United States for life.

On December 20, 2019, President Donald Trump signed the Consolidated Appropriations Act, 2020 which included the Rohrabacher/Blumenauer Amendment, which prohibits the funding of federal prosecutions with respect to medical cannabis activities that are legal under state law, extending its application until September 30, 2020. There can be no assurances that the Rohrabacher/Blumenauer Amendment will be included in future appropriations bills.

On January 6, 2021, then- President-Elect Joseph Biden announced the nomination of Merrick Garland as the U.S. Attorney General, who was ultimately confirmed by the Senate and sworn in on March 10, 2021. Prior to the confirmation of Merrick Garland, Acting Attorney General Monk Wilkinson, under the Biden administration, rescinded the Sessions Memorandum in a directive to the DOJ on January 27, 2021. Acting Attorney General Wilkinson stated in connection with this directive that the DOJ should handle criminal prosecutions on a case-by-case basis, considering different factors, including personal circumstances, the gravity of the alleged offense, the probable sentence and the consequences of a conviction.

Although Attorney General Garland did not confirm whether he would reinstate the 2014 Cole Memorandum, he did indicate that he plans to reduce resources towards the enforcement of federal marijuana laws during his confirmation hearing in response to questions from Senator Cory Booker. Under the current administration, while President Biden campaigned on a platform of federal decriminalization and expungement, and despite the statements issued by his administration on February 2021 reaffirming the pledge, it is unclear what impact, if any, the new administration will have on U.S. federal government enforcement policy.

There is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed, amended or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. Unless and until the United States Congress amends or repeals the CSA with respect to medical and/or adult-use cannabis (and as to the timing or scope of any such potential amendment or repeal there can be no assurance), there is a significant risk that federal

authorities may enforce current federal law. If the federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing applicable state laws are repealed or curtailed, the Corporation's business, results of operations, financial condition and prospects would be materially adversely affected.

Marijuana remains a Schedule I controlled substance under the CSA, and neither the Cole Memorandum nor its rescission nor the continued passage of the Rohrabacher/Blumenauer Amendment has altered that fact. The federal government of the United States has always reserved the right to enforce federal law in regard to the sale and disbursement of medical or adult-use marijuana, even if state law sanctions such sale and disbursement. If the United States federal government begins to enforce United States federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing applicable state laws are repealed or curtailed, the Corporation's business, results of operations, financial condition and prospects would be materially adversely affected.

Some of the Corporation's planned business activities, while believed to be compliant with applicable U.S. state and local laws, are illegal under U.S. federal law

Although over forty (40) U.S. states and territories of the U.S. authorize medical and/or recreational cannabis production and distribution by licensed or registered entities, under U.S. federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal and any such acts are criminal acts under federal law under any and all circumstances under the CSA. An investor's contribution to and involvement in such activities may result in federal civil and/or criminal prosecution, including forfeiture of his, her or its entire investment. Since the possession and use of cannabis and any related drug paraphernalia is illegal under U.S. federal law, the Corporation may be deemed to be aiding and abetting illegal activities and engaging in money-laundering through the contracts it has entered into and the products that it intends to provide. The Corporation intends to manufacture, distribute and sell recreational and medical cannabis in the State of Michigan. As a result, U.S. law enforcement authorities, in their attempt to regulate the illegal use of cannabis and any related drug paraphernalia, may seek to bring an action or actions against the Corporation, including, but not limited, a claim regarding the Corporation's possession, use and sale of cannabis, money-laundering and aiding and abetting another's criminal activities. The Federal aiding and abetting statute provides that anyone who "commits an offense against the United States or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal." As a result of such an action, the Corporation may be forced to cease operations in the United States, should have its U.S. assets and funds seized and its investors could lose some of their investment. Such an action would have a material negative effect on the Corporation's business and operations. The enforcement of relevant U.S. federal laws is a significant risk.

U.S. State Regulatory Uncertainty

There is no assurance that state laws legalizing and regulating the sale and use of cannabis will not be repealed, amended or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. If the U.S. federal government begins to enforce U.S. federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing state laws are repealed or curtailed, the Corporation's business or operations in those states or under those laws would be materially and adversely affected. Federal actions against any individual or entity engaged in the cannabis industry or a substantial repeal of cannabis related legislation could adversely affect the Corporation, its business and its assets or investments.

Certain U.S. states where medical and/or adult use cannabis is legal have or are considering special taxes or fees on the cannabis industry. It is uncertain at this time whether other states are in the process of reviewing such additional taxes and fees. The implementation of special taxes or fees could have a material

adverse effect upon the businesses, results of operations and financial condition of the Corporation or its subsidiaries.

Limited Trademark Protection

The Corporation and its subsidiaries will not be able to register any U.S. federal trademarks for their cannabis products. Because producing, manufacturing, processing, possessing, distributing, selling, and using cannabis is illegal under the CSA, the United States Patent and Trademark Office will not permit the registration of any trademark that identifies cannabis products. As a result, the Corporation and its subsidiaries likely will be unable to protect their cannabis product trademarks beyond the geographic areas in which they conduct business. The use of its trademarks outside the states in which they operate by one or more other persons could have a material adverse effect on the value of such trademarks.

Civil Asset Forfeiture

Because the cannabis industry remains illegal under U.S. federal law, any property owned by participants in the cannabis industry, such as the Corporation, which is either used in the course of conducting such business, or is the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture.

There is uncertainty of existing protection from U.S. federal prosecution

Congress adopted a so-called “rider” provision to the fiscal years 2015, 2016, 2017, and 2018, 2019 and 2020 Consolidated Appropriations Acts to prevent the federal government from using congressionally appropriated funds to enforce federal cannabis laws against regulated medical cannabis actors operating in compliance with state and local law. The Rohrabacher/Blumenauer Amendment was included in the consolidated appropriations bill signed into legislation by President Trump in December 2019 and remained in effect until September 30, 2020. Prior to the expiration of the Rohrabacher/Blumenauer Amendment, the U.S. House of Representatives passed the Blumenauer-McClintockNorton-Lee Amendment on July 30, 2020 (“**BMNL Amendment**”), which restricts the United States Department of Justice from investigating or prosecuting conduct and commerce related to both state medical marijuana and adult-use marijuana programs. In late-2020, the BMNL Amendment was renewed through a series of stopgap spending bills on October 1, December 11, December 18, December 20 and December 22, 2020. On December 27, 2020, the BMNL Amendment was renewed through the signing of the FY 2021 omnibus spending bill, effective through September 30, 2021. While the U.S. House of Representatives passed the BMNL Amendment, there can be no certainty that Congressional support for the BMNL Amendment will continue after the September 30, 2021 expiration. If the BMNL Amendment or an equivalent thereof is not successfully amended to the next or any subsequent federal omnibus spending bill, the protection afforded thereby to U.S. legal cannabis businesses under state-authorized programs will lapse, and such businesses would be more at risk to prosecution under federal law. There is a possibility that all amendments may be banned from federal omnibus spending bills, and if this occurs and the substantive provisions of the BMNL Amendment are not included in the base federal omnibus spending bill or other law, these protections would lapse. The Corporation regularly monitors the regulatory activities of Congress.

There is uncertainty surrounding the current U.S. presidential administration and its influence and policies in opposition to the cannabis industry as a whole.

There is significant uncertainty surrounding the policies of President Joe Biden and the Biden Administration or the policies of any future presidential administration about recreational and medical cannabis.

On January 4, 2018, Former Attorney General Jeff Sessions and the DOJ issued the Sessions Memo. The effect of the Sessions Memo has been to rescind the guidance issued on August 29, 2013 relative to medical marijuana enforcement under the Cole Memo. The effect of the Cole Memo's rescission remains to be seen. On the same day of the Sessions Memo's release, numerous government officials, legislators and federal prosecutors in states with medical and recreational marijuana statutes announced their intention to continue the Cole-Memo-era status quo despite the DOJ's decision to rescind it. The Sessions Memo was ultimately rescinded by Acting Attorney General Monk Wilkinson, under the Biden administration, on January 27, 2021. Acting Attorney General Wilkinson stated in connection with this directive that the DOJ should handle criminal prosecutions on a case-by-case basis, considering different factors, including personal circumstances, the gravity of the alleged offense, the probable sentence and the consequences of a conviction..

On January 6, 2021, then- President-Elect Joseph Biden announced the nomination of Merrick Garland as the U.S. Attorney General, who was ultimately confirmed by the Senate and sworn in on March 10, 2021.

Although Attorney General Garland did not confirm whether he would reinstate the 2014 Cole Memorandum, he did indicate that he plans to reduce resources towards the enforcement of federal marijuana laws during his confirmation hearing in response to questions from Senator Cory Booker. Under the current administration, while President Biden campaigned on a platform of federal decriminalization and expungement, and despite the statements issued by his administration on February 2021 reaffirming the pledge, it is unclear what impact, if any, the new administration will have on U.S. federal government enforcement policy.

While Attorney General Garland has stated publicly that he intends on reducing DOJ resources on the prosecution of federal marijuana laws, he has not agreed to reinstate the 2014 Cole Memorandum and his position could change. The impact that this lack of uniformity between state and federal authorities could have on individual state cannabis markets and the businesses that operate within them is unclear and the enforcement of relevant federal laws is a significant risk.

There is no certainty as to how Attorney General Merrick Garland, Federal Bureau of Investigation, the Drug Enforcement Agency and other federal government agencies will handle cannabis matters in the future. There can be no assurances that the Biden administration would not change the current enforcement policy and decide to strongly enforce the federal laws. The Corporation regularly monitors the activities of the current administration for evidence that it will contravene the RLA enacted by Congress.

The Corporation is operating at a regulatory frontier. The U.S. cannabis industry is a new industry that may not succeed.

Should the federal government in the U.S. begin prosecuting those dealing in recreational cannabis under applicable law, there may not be any market for the Corporation's products and services in the U.S.

Cannabis is a new industry subject to extensive regulation, and there can be no assurance that it will grow, flourish or continue to the extent necessary to permit the Corporation to succeed. The Corporation is treating the cannabis industry in the U.S. as a deregulating industry with significant unsatisfied demand for its proposed products and will adjust its future operations, product mix and market strategy as the industry develops and matures.

The Corporation's U.S. business operations may come under additional scrutiny by governmental and non-governmental agencies.

The cannabis industry may come under scrutiny or further scrutiny by the FDA, the SEC, the DOJ, the Financial Industry Regulatory Advisory or other federal, the State of California or other applicable state or nongovernmental regulatory authorities or self-regulatory organizations that supervise or regulate the production, distribution, sale or use of cannabis for medical or nonmedical purposes in the United States. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any proposals will become law. The regulatory uncertainty surrounding the Corporation's industry may adversely affect the U.S. business and operations of the Corporation, including without limitation, the costs to remain compliant with applicable laws and the impairment of its ability to raise additional capital, which could reduce, delay or eliminate any return on investment in the Corporation.

Due to the classification of cannabis as a Schedule I controlled substance under the CSA, the property of the Corporation may be seized and the operations of the Corporation shut down.

The U.S. federal government, through both the DEA and IRS, has the right to actively investigate, audit and shut-down marijuana growing facilities, processors and retailers. The U.S. federal government may also attempt to seize the Corporation's U.S. property. Any action taken by the DEA and/or the IRS to interfere with, seize, or shut down the Corporation's U.S. operations will have a material adverse effect on the Corporation's business, operating results and financial condition.

The Corporation's operations in the United States cannabis market may become the subject of heightened scrutiny.

The Corporation's operations in the United States cannabis market may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in Canada. It has been reported by certain publications in Canada that the Canadian Depository for Securities Limited is considering a policy shift that would see its subsidiary, CDS, refuse to settle trades for cannabis issuers that have investments in the United States. CDS is Canada's central securities depository, clearing and settlement hub settling trades in the Canadian equity, fixed income and money markets. CDS or its parent company has not issued any public statement in regard to these reports. On February 8, 2018, CDS signed a memorandum of understanding (the "CDS MOU") with the Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange and the TSX-V. The CDS MOU outlines CDS' and these exchanges' understanding of Canada's regulatory framework applicable to the rules and procedures and regulatory oversight of these exchanges and CDS. The CDS MOU confirms, with respect to the clearing of listed securities, that CDS relies on these exchanges to review the conduct of listed issuers. As a result, there currently is no CDS ban on the clearing of securities of issuers with marijuana-related activities in the U.S. However, if CDS were to proceed in the manner suggested by these publications, and apply such a policy to the Corporation, it would have a material adverse effect on the ability of Common Shares to make trades. In particular, the Common Shares would become highly illiquid as investors would have no ability to effect a trade of Common Shares through the facilities of a stock exchange.

The Corporation may have difficulty accessing the service of banks and processing credit card payments in the future, which may make it difficult for the Corporation to operate.

In February 2014, the FinCEN bureau of the U.S. Treasury Department issued guidance (which is not law) with respect to financial institutions providing banking services to cannabis business, including burdensome due diligence expectations and reporting requirements. This guidance does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the DOJ, FinCEN or other federal regulators. Thus, most banks and other financial institutions do not appear to be comfortable

providing banking services to cannabis-related businesses, or relying on this guidance, which can be amended or revoked at any time by the Biden Administration. In addition to the foregoing, banks may refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis-related businesses. As a result, the Corporation may have limited or no access to banking or other financial services in the U.S., and may have to operate the Corporation's U.S. business on an all-cash basis. The inability or limitation in the Corporation's ability to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments, may make it difficult for the Corporation to operate and conduct its business as planned. The Corporation is actively pursuing alternatives that ensure its operations will continue to be compliant with the FinCEN guidance and existing disclosures around cash management and reporting to the IRS.

Due to the classification of cannabis as a Schedule I controlled substance under the CSA, banks and other financial institutions which service the cannabis industry are at risk of violating certain financial laws, including anti-money laundering statutes.

Because the manufacture, distribution, and dispensation of cannabis remains illegal under the CSA, banks and other financial institutions providing services to cannabis-related businesses risk violation of federal anti-money laundering statutes (18 U.S.C. §§ 1956 and 1957), the unlicensed money-remitter statute (18 U.S.C. § 1960) and the U.S. Bank Secrecy Act. These statutes can impose criminal liability for engaging in certain financial and monetary transactions with the proceeds of a "specified unlawful activity" such as distributing controlled substances which are illegal under federal law, including cannabis, and for failing to identify or report financial transactions that involve the proceeds of cannabis-related violations of the CSA. The Corporation may also be exposed to the foregoing risks.

Some CBD is classified as a Schedule I controlled substance in the U.S. The DEA recently published a final rule in the Federal Register creating a new drug code for "marihuana extracts".

In connection with the new drug code, the DEA has clarified that all CBD products derived from the parts of the cannabis plant that fall within the CSA's definition of "marihuana" are Schedule I controlled substances. However, CBD derived from parts of the cannabis plant that are excluded from the definition of "marihuana" under the CSA are not Schedule I controlled substances. The Corporation is presently unable to determine what the impact of this will be on its business in the United States.

Canadian investors in the Common Shares and the Corporation's directors, officers and employees may be subject to travel and entry bans into the United States.

News media have reported that United States immigration authorities have increased scrutiny of Canadian citizens who are crossing the United States–Canada border with respect to persons involved in cannabis businesses in the United States. There have been a number of Canadians barred from entering the United States as a result of an investment in or act related to United States cannabis businesses. In some cases, entry has been barred for extended periods of time.

The majority of persons travelling across the Canadian and U.S. border do so without incident. Some persons are simply denied entry one time. The U.S. Department of State and the Department of Homeland Security have indicated that the United States has not changed the admission requirements in response to the pending legalization of recreational cannabis in Canada. Admissibility to the United States may be denied to any person working or 'having involvement in' the marijuana industry according to United States Customs and Border Protection. Additionally, legal experts have indicated that if the admission criteria are applied broadly, this may result in a determination that the act of investing in or working or collaborating with a U.S. cannabis company is considered trafficking in a Schedule I controlled substance or aiding, abetting, assisting, conspiring or colluding in the trafficking of a Schedule I controlled substance.

Inadmissibility in the United States implies a lifetime ban for entry as such designation is not lifted unless an individual applies for and obtains a waiver.

Directors, officers or employees of the Corporation traveling from Canada to the United States for the benefit of the Corporation may encounter enhanced scrutiny by United States immigration authorities that may result in the employee not being permitted to enter the United States for a specified period of time. If this happens to its directors, officers or employees, then this may reduce the Corporation's ability to manage its business effectively in the United States.

Risks Related to the Functional Mushroom Operations of the Corporation

Requirement for Licenses Which Have Yet Not Been Obtained and Licensing Risks

The Corporation's ability to sell its products in Canada is dependent on the Corporation receiving its required licenses under the NNHPD. None of the Corporation's planned functional mushroom products have received the required licenses yet and there is a risk that its proposed products may never obtain the required product licenses or that the Corporation will not obtain the Canadian Authorizations on the timeline anticipated by the Corporation. The timing and success of an applicant under the NNHPD at the various steps in the authorization process is beyond the Corporation's control and is in the sole discretion of Health Canada. If the Corporation is able to obtain the requisite licenses, failure to comply with the requirements of any of the licenses could have a material adverse impact on the business, financial condition and operating results of the Corporation.

Raw Materials

The Corporation will be required to acquire enough mushrooms so that its functional mushroom products can be produced to meet the demand of its customers. A mushroom shortage could result in loss of sales and damage to the Corporation. If the Corporation becomes unable to acquire commercial quality mushrooms on a timely basis and at commercially reasonable prices, and is unable to find one or more replacement suppliers with the regulatory approvals to supply mushrooms at a substantially equivalent cost, in substantially equivalent volumes and quality, and on a timely basis, the Corporation's will likely be unable to meet customer demand.

Consumer Perception of Mushrooms

The Corporation is dependent upon consumer perception of mushrooms and mushroom-derived products. The public may associate its mushrooms with illegal psychoactive mushrooms, which are prohibited substances. If the mushroom market declines or mushroom-derived products fail to achieve substantially greater market acceptance than they currently enjoy, the Corporation will not be able to grow its revenues sufficiently for it to achieve consistent profitability from its functional mushroom operations. Sales could be adversely affected if consumers in target markets lose confidence in the safety, efficacy, and quality of mushrooms. Adverse publicity about mushroom-derived products that the Corporation sells may discourage consumers from buying the Corporation's functional mushroom products. The Corporation's revenues may thus be negatively impacted if the market does not fully accept mushrooms-based health-food products.

Risks Related to the Cannabis and Functional Mushroom Industries

Legislative or Regulatory Reform

The Corporation's operations will be subject to a variety of laws, regulations, guidelines and policies relating to the manufacture, import, export, management, packaging/labeling, advertising, sale, transportation, storage and disposal of 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 the Corporation's management, the Corporation is currently in compliance with all such laws, changes to such laws, regulations and guidelines due to matters beyond the control of the Corporation, may cause adverse effects to its operations and financial condition.

The recreational and medical cannabis industries and the functional mushroom industry are relatively new markets and the Corporation anticipates that such regulations will be subject to change as the Federal Government monitors licensed companies.

Unfavourable Publicity or Consumer Perception

Management of the Corporation believes the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. Consumer perception of the Corporation's proposed products may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Corporation's proposed products and the business, results of operations, financial condition and cash flows of the Corporation. The Corporation'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 a material adverse effect on the Corporation, the demand for the Corporation's proposed products, and the business, results of operations, financial condition and cash flows of the Corporation.

Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis in general, or the Corporation's proposed 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 appropriately or as directed.

Development of Brands, Products and Services

If the Corporation cannot successfully develop, manufacture, distribute and provide its brands, products and services, or if the Corporation experiences difficulties in the development process, such as capacity constraints, quality control problems or other disruptions, the Corporation may not be able to develop successful brands, market-ready commercial products at acceptable costs, or provide sufficient services, which would adversely affect the Corporation's ability to effectively enter the market. A failure by the Corporation to achieve a low-cost structure through economies of scale or improvements in its

manufacturing processes would have a material adverse effect on the Corporation's commercialization plans and the Corporation's business, prospects, results of operations and financial condition.

Entry Bans into the United States

Cannabis is illegal under United States (U.S.) federal law. Individuals employed at or investing in cannabis companies could face detention, denial of entry or lifetime bans from the U.S. for their business associations with cannabis businesses. Entry to the U.S. is granted at the sole discretion of Customs and Border Protection ("CBP") officers on duty, and these officers have wide latitude to ask questions to determine the admissibility of a foreign national. The government of Canada has started warning travelers that previous use of cannabis, or any substance prohibited by U.S. federal laws, could result in denial of entry to the U.S. business or financial involvement in the cannabis industry in Canada or in the U.S. could also be reason enough for CBP officers to deny entry. On September 21, 2018, CBP released a statement outlining its position with respect to enforcement of the laws of the U.S. It stated that Canada's legalization of cannabis will not change CBP enforcement of U.S. laws regarding controlled substances and because cannabis continues to be a controlled substance under U.S. law, working in or facilitating the proliferation of the cannabis industry in U.S. states or Canada may affect admissibility to the U.S. On October 9, 2018, CBP released an additional statement regarding the admissibility of Canadian citizens working in the legal cannabis industry. CBP stated that a Canadian citizen working in or facilitating the proliferation of the legal cannabis industry in Canada coming into the U.S. for reasons unrelated to the cannabis industry will generally be admissible to the U.S.; however, if such person is found to be coming into the U.S. for reasons related to the cannabis industry, such person may be deemed inadmissible. Employees, directors, officers, managers and investors of companies involved in business activities related to cannabis in the U.S. or Canada (such as the Corporation), who are not U.S. citizens, face the risk of being barred from entry into the U.S. for life.

If any of the Corporation's directors, officers and employees are determined to be inadmissible to enter the United States, this could have a negative impact on the Corporation's ability to operate in the U.S. In addition, the perception that involvement in the cannabis industry could lead to inadmissibility to the U.S. could make it more difficult for the Corporation to continue to retain and engage qualified directors, officers and employees in the future.

Product Liability

As a distributor of products designed to be ingested by humans, the Corporation 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 sale of the Corporation's products involves 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 the Corporation's products alone or in combination with other medications or substances could occur. The Corporation may be subject to various product liability claims, including, among others, that the Corporation's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Corporation could result in increased costs, could adversely affect the Corporation's reputation with its clients and consumers generally, and could have a material adverse effect on the results of operations and financial condition of the Corporation. There can be no assurances that the Corporation 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 the Corporation's potential products.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the Corporation's products are recalled due to an alleged product defect or for any other reason, the Corporation could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Corporation 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 the Corporation has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Corporation's significant brands were subject to recall, the image of that brand and the Corporation could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Corporation's products and could have a material adverse effect on the results of operations and financial condition of the Corporation. Additionally, product recalls may lead to increased scrutiny of the Corporation's operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Competition

There is potential for the Corporation to face intense competition from other companies, some of which have longer operating histories and more financial resources, industry, manufacturing and marketing experience than the Corporation. Additionally, there is potential that the industry will undergo consolidation, creating larger companies that may have increased geographic scope and other economies of scale. Increased competition by larger and better-financed competitors with geographic and other structural advantages could materially and adversely affect the proposed business, financial condition and results of operations of the Corporation. To date, the application process to secure a license under the Cannabis Act has remained rigorous and highly competitive. Because of the early stage of the industry in which the Corporation operates, the Corporation expects to face additional competition from new entrants.

If the number of users of medical and/or recreational cannabis and functional mushroom products in Canada increases, the demand for products will increase and the Corporation 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 Corporation will require a continued high level of investment in research and development, marketing, sales and client support. The Corporation 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 the Corporation.

Client Acquisition and Retention

The Corporation's success will depend to a substantial extent on the willingness of new LPs and new customers to try or migrate to its service and products. If customers do not perceive the benefits of the Corporation's products or services, then the market for these products and services may not develop at all, or it may develop more slowly than expected, either of which would significantly adversely affect operating results. In addition, as a new company in this competitive market, the Corporation has limited insight into trends that may develop and affect its business. The Corporation may make errors in predicting and reacting to relevant economic and currency-related trends, which could harm its business.

There are many factors which could impact the Corporation's ability to attract and retain customers, including but not limited to, the Corporation's ability to provide desirable and effective products and

services, the Corporation's ability to successfully implement a customer-acquisition plan, continued growth in the number of medical and recreational cannabis users and the number of competitors providing similar products and services.

Transportation Risks

Due to the perishable nature of its proposed products, the Corporation depends on fast and efficient third-party transportation services to distribute its product. Any prolonged disruption of third-party transportation services could have an adverse effect on the financial condition and results of operations of the Corporation.

Market Unpredictability

Because the cannabis and functional mushroom industries are in an early stage with uncertain boundaries, there is a lack of information about comparable companies available for potential investors to review in deciding about whether to invest in the Corporation and, few, if any, established corporations whose business model the Corporation can follow or upon whose success the Corporation can build. Accordingly, investors will have to rely on their own estimates in deciding about whether to invest in the Corporation. There can be no assurance that the Corporation's estimates are accurate or that the market size is sufficiently large for its business to grow as projected, which may negatively impact its financial results. The Corporation regularly purchases and follows market research.

Business in New Industries

The cannabis and functional mushroom industries are relatively new, and the sale of cannabis extracts, mushroom extracts and various derivative products even more so. There can be no assurance that an active and liquid market for the Common Shares of the Corporation will develop and Shareholders may find it difficult to resell their Common Shares. Accordingly, no assurance can be given that the Corporation will be successful in the long term.

Fraudulent or Illegal Activity

The Corporation 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 Corporation that violate government regulations. It is not always possible for the Corporation to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Corporation to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Corporation 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 the Corporation, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on the Corporation'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 Corporation's operations, any of which could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Risks Related to the Operations of the Corporation Generally

Risks related to the Corporation's Facilities

Any adverse changes affecting the development of the Pemberton Facility and product processing could have a material and adverse effect on the Corporation's business, financial condition and prospects. There

is a risk that these changes or developments could adversely affect the Corporation's facilities by a variety of factors, including some that are discussed elsewhere in these risk factors and the following:

- (a) delays in obtaining, or conditions imposed by, regulatory approvals;
- (b) plant design errors;
- (c) environmental pollution;
- (d) non-performance by third party contractors;
- (e) increases in materials or labour costs;
- (f) construction performance falling below expected levels of output or efficiency;
- (g) breakdown, aging or failure of equipment or processes;
- (h) contractor or operator errors;
- (i) labour disputes, disruptions or declines in productivity;
- (j) inability to attract sufficient numbers of qualified workers;
- (k) disruption in the supply of energy and utilities;
- (l) major incidents and/or catastrophic events such as fires, explosions, earthquakes or storms;
- (m) contamination of third-party acquired biomass;
- (n) inability to source processing solvents and product ingredients for manufactured products;
- (o) unfavourable changes in local by-laws and regulations; or
- (p) flooding of the industrial park where the Pemberton Facility is located.

It is also possible that the costs of analytical and research services and hemp/cannabis cultivation, as applicable, may be significantly greater than anticipated by the Corporation's management and may be greater than funds available to the Corporation, in which circumstance the Corporation may curtail, or extend the timeframes for completing its business plans. This could have an adverse effect on the financial results of the Corporation.

Environmental Risk and Regulation

The Corporation's operations are subject to environmental regulation in the various jurisdictions in which it operates or intends to operate. 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 Corporation's operations.

Government approvals and permits are currently, and may in the future, be required in connection with the Corporation's operations.

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 Corporation 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.

Limited Operating History

Pure was incorporated and began carrying on business in May of 2018. The Corporation is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Corporation 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.

Volatile Stock Price

The stock price of the Corporation is expected to be highly volatile and will be drastically affected by governmental and regulatory regimes and community support for the cannabis industry. The Corporation cannot fully predict the results of its operations expected to take place in the future. The results of these activities will inevitably affect the Corporation's decisions related to future operations and will likely trigger major changes in the trading price of the Corporation shares.

Energy Costs

The Corporation's cannabis processing operations consume considerable energy, which make it vulnerable to rising energy costs. Accordingly, rising or volatile energy costs may, in the future, adversely impact the business of the Corporation and its ability to operate profitably.

Shelf Life Inventory

The Corporation holds finished goods in inventory and such inventory has a shelf life. Even though it is the intention of the Corporation's management to continue to review the amount of inventory on hand in the future, write-down of inventory may still be required. Any such write-down of inventory could have a material adverse effect on the Corporation's proposed business, financial condition, and results of operations.

Reliance on Management

Another risk associated with the production and sale of cannabis extracts is the loss of important staff members. The Corporation is currently in good standing with all high-level employees and believes that with well managed practices it will remain in good standing. The success of the Corporation will be dependent upon the ability, expertise, judgment, discretion and good faith of its senior management and key personnel. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Corporation's business, operating results or financial condition.

In addition, the Corporation's future success depends on its continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. Qualified individuals are in high demand, and the Corporation may incur significant costs to attract and retain them.

Conflicts of Interest

There are potential conflicts of interest to which the directors and officers of the Corporation will be subject in connection with the operations of the Corporation. In particular, certain of the directors and officers of the Corporation are involved in managerial and/or director positions with other companies whose operations may, from time to time, be in direct competition with those of the Corporation. Conflicts, if any, will be subject to the procedures and remedies available under the BCBCA. In the event that any such conflict of interest arises, a director or officer who has such a conflict will disclose the conflict to a meeting of the directors of the Corporation and, if the conflict involves a director, the director will abstain from voting for or against the approval of such a participation or such terms. In appropriate cases, the Corporation will establish a special committee of independent directors to review a matter in which several directors, or Management, may have a conflict. In accordance with the provisions of the BCBCA the directors and officers of the Corporation are required to act honestly in good faith, with a view to the best interests of the Corporation. In determining whether or not the Corporation will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the potential benefits to the Corporation, the degree of risk to which the Corporation may be exposed and its financial position at that time.

Insurance and Uninsured Risks

The Corporation's business is subject to a number of risks and hazards generally, including adverse environmental conditions, accidents, labour disputes and changes in the regulatory environment. Such occurrences could result in damage to assets, personal injury or death, environmental damage, delays in operations, monetary losses and possible legal liability.

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

Dependence on Suppliers and Skilled Labour

The ability of the Corporation to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to sufficient cannabis and mushroom biomass, skilled labour, equipment, parts and components. No assurances can be given that the Corporation will be successful in maintaining its required supply of biomass, skilled labour, equipment, parts and components. This could have an adverse effect on the financial results of the Corporation.

Difficulty to Forecast

The Corporation must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the 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 business, results of operations and financial condition of the Corporation.

Additional Financing

There is no guarantee that the Corporation will be able to continue to execute on its business strategy. The continued development of the Corporation may require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of current business strategy or the Corporation 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 favourable to the Corporation. In addition, from time to time, the Corporation may enter into transactions to acquire assets or the shares of other companies. These transactions may be financed wholly or partially with debt, which may temporarily increase the Corporation'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 Corporation to obtain additional capital and to pursue business opportunities, including potential acquisitions.

Further, the Corporation's business activities rely on newly established and/or developing laws and regulations in Canada. These laws and regulations are rapidly evolving and subject to change with minimal notice. Regulatory changes may adversely affect the Corporation's profitability or cause it to cease operations entirely. The cannabis industry may come under the scrutiny or further scrutiny by Health Canada or the CSE. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any proposals will become law. The regulatory uncertainty surrounding the Corporation's industry may adversely affect the business and operations of the Corporation, including without limitation, the costs to remain compliant with applicable laws and the impairment of its ability to raise additional capital, which could reduce, delay or eliminate any return on investment in the Corporation.

Management of Growth

The Corporation may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Corporation 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 Corporation to deal with this growth may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Internal Controls

Effective internal controls are necessary for the Corporation to provide reliable financial reports and to help prevent fraud. Although the Corporation will undertake a number of procedures and will implement a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on the Corporation under Canadian securities laws, the Corporation cannot be certain that such measures will ensure that the Corporation will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Corporation's results of operations or cause it to fail to meet its reporting obligations. If the Corporation or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Corporation's consolidated financial statements and materially adversely affect the trading price of the Common Shares.

Liquidity

The Corporation cannot predict at what prices the Corporation's Common Shares will trade, and there can be no assurance that an active trading market in the Corporation will develop or be sustained. There is a significant liquidity risk associated with an investment in the Corporation.

Dilution

The Corporation may issue equity securities to finance its activities, including future acquisitions. If the Corporation was to issue Common Shares, existing holders of such shares may experience dilution in their holdings. Moreover, when the Corporation's intention to issue additional equity securities becomes publicly known, the Corporation's share price may be adversely affected.

Litigation

The Corporation 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 Corporation becomes involved be determined against the Corporation, such a decision could adversely affect the Corporation's ability to continue operating and the market price for the Common Shares and could consume significant resources. Even if the Corporation is involved in litigation and wins, litigation can redirect significant resources of the Corporation.

The Effects of Health Epidemics (Including the Global COVID-19 Pandemic)

In December 2019, a novel strain of COVID-19 was reported in China. Since then, the COVID-19 has spread globally including across North America. The spread of COVID-19 from China to other countries has resulted in the World Health Organization (WHO) declaring the outbreak of COVID-19 as a "pandemic," or a worldwide spread of a new disease, on March 11, 2020. Many countries around the world, including Canada and the United States, have imposed quarantines and restrictions on travel and mass gatherings to slow the spread of the virus, and have closed non-essential businesses.

The Corporation's business could be materially and adversely affected by the risks, or the public perception of the risks, related to the outbreak of COVID-19. The risk of a pandemic, or public perception of the risk, could cause temporary or long-term disruptions to the Corporation's supply chains and/or its service providers or could result in reduced spending on the Corporation's products and services. "Shelter-in-place" or other such orders by governmental entities could also disrupt the Corporation's operations if employees who cannot perform their responsibilities from home are not able to report to work.

The spread of COVID-19, which has caused a broad impact globally, may materially affect the Corporation economically. While the potential economic impact brought by, and the duration of, COVID-19 may be difficult to assess or predict, a widespread pandemic could result in significant disruption of global financial markets, reducing the Corporation's ability to access capital, which could in the future negatively affect liquidity. In addition, a recession or market correction resulting from the spread of COVID-19 could materially affect the Corporation's business and the value of its common stock.

The global outbreak of COVID-19 continues to rapidly evolve. The extent to which COVID-19 may impact the Corporation's business, operations and financial performance will depend on future developments, including the duration of the outbreak, travel restrictions and social distancing in Canada and other countries, changes to the regulatory regimes under which we operate, the effectiveness of actions taken in Canada and other countries to contain and treat the disease and whether the Canada and additional countries are required to move or return to complete lock-down status. The ultimate long-term impact of COVID-19 is highly uncertain and cannot be predicted with confidence.

Inability to Protect Intellectual Property Rights

The Corporation's ability to compete may depend on the superiority, uniqueness and value of any intellectual property and technology that it may develop. To the extent the Corporation is able to do so, to

protect any proprietary rights of the Corporation, the Corporation intends to rely on a combination of patent, trademark, copyright and trade secret laws, confidentiality agreements with its employees and third parties, and protective contractual provisions. Despite these efforts, any of the following occurrences may reduce the value of any of the Corporation's intellectual property:

- patents in the cannabis and beverage industry involve complex legal and scientific questions and patent protection may not be available for some or any products;
- the Corporation's applications for trademarks and copyrights relating to its business may not be granted and, if granted, may be challenged or invalidated;
- issued patents, trademarks and registered copyrights may not provide the Corporation with competitive advantages;
- the Corporation's efforts to protect its intellectual property rights may not be effective in preventing misappropriation of any its products or intellectual property;
- the Corporation's efforts may not prevent the development and design by others of products similar to or competitive with, or superior to those the Corporation develops;
- another party may obtain a blocking patent and the Corporation would need to either obtain a licence or design around the patent in order to continue to offer the contested feature or service in its products; or
- the expiration of patent or other intellectual property protections for any assets owned by the Corporation could result in significant competition, potentially at any time and without notice, resulting in a significant reduction in sales. The effect of the loss of these protections on the Corporation and its financial results will depend, among other things, upon the nature of the market and the position of the Corporation's products in the market from time to time, the growth of the market, the complexities and economics of manufacturing a competitive product and regulatory approval requirements but the impact could be material and adverse.

Reliance on Information Technology Systems and Cyberattacks

The Corporation has entered into agreements with third parties for hardware, software, telecommunications and other information technology ("IT") services in connection with its operations. The Corporation's operations depend, in part, on how well it and its suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. The Corporation's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. 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 Corporation's reputation and results of operations.

The Corporation has not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that the Corporation will not incur such losses in the future. The Corporation'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 Corporation may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Risks Associated with Potential Entry into Psychoactive Product Market

Given the illegality of most psychedelic compounds since the 1960's and the stigma often associated with such compounds, the psychedelic industry is a relatively new and rapidly transforming industry. Should the Corporation enter the market for psychoactive compounds, the Corporation will be operating a part of its business in a very new industry and market. In addition to being subject to the various business risk associated with entry into new markets, the Corporation would have to build brand awareness in this industry through significant investments in its strategy, its production capacity, quality assurance and compliance with regulations. The psychedelic market faces specific marketing challenges given the products' status as a controlled substance, which resulted in past and current public perception that the products have negative health and lifestyle effects and have the potential to cause physical and social harm due to psychoactive and potentially addictive effects. Any future marketing efforts undertaken by the Corporation would need to overcome this perception to build consumer confidence, brand recognition and goodwill.

In addition, there would be no assurance that the psychedelic market and industry would continue to exist and grow as anticipated or function and evolve in the manner consistent with management's expectations and assumptions. Any event or circumstance that adversely affects the psychedelic industry and market could have a material adverse effect on the Corporation's business, financial conditions and results of operations. Furthermore, the Corporation's potential foray into the market for psychoactive compounds for use in medical research would compete with other entities that are developing or supplying psychoactive compounds for use in medical research, including clinical trials.

DIVIDENDS AND DISTRIBUTIONS

The Corporation has not paid dividends or made distributions on its Common Shares during the past three financial years and through the date of this AIF. The future payment of dividends will be dependent upon the financial requirements of the Corporation to fund further growth, the financial condition of the Corporation and other factors which the Board of Directors may consider in the circumstances. It is not contemplated that any dividends will be paid in the immediate or foreseeable future, if at all. There are no restrictions in the Corporation's articles of incorporation or bylaws that prevent it from declaring dividends. The Corporation has no shares with preferential dividend and distribution rights authorized or outstanding.

DESCRIPTION OF CAPITAL STRUCTURE

The Corporation is authorized to issue an unlimited number of common shares without par value.

The Common Shares all rank equally with respect to the payment of dividends, return of capital and distribution of assets in the event of the liquidation, dissolution or winding up of the Corporation. In the event of the liquidation, dissolution or winding-up of the Corporation or any other distribution of its assets among its shareholders for the purpose of winding-up its affairs, whether voluntarily or involuntarily, the holders of Common Shares are entitled to participate equally, share for share, in the remaining property and assets of the Corporation available for distribution to shareholders, without preference or distinction.

Holders of Common Shares are entitled to receive, dividends out of the assets of the Corporation legally available for the payment of dividends at such times and in such amount and form as the Board of Directors may from time to time determine and the Corporation will pay dividends thereon on a pari passu basis, if, as and when declared by the Board.

As of the date of this AIF, there were 104,454,862 Common Shares issued and outstanding.

MARKET FOR SECURITIES

Trading Price and Volume

Prior to the Amalgamation, the Corporation's Common Shares were listed on the NEX Board of the TSXV under the trading symbol "BSP.H". Trading was halted on February 19, 2020 pending announcement of the Amalgamation and the Common Shares were voluntarily delisted from the NEX Board of the TSXV on October 27, 2020.

On November 1, 2020, the Corporation began trading on the CSE under the trading symbol "PULL". The table below summarizes the range and volume of trading prices for each of the months stated:

	Trading Price (\$)		Volume
	High	Low	
January 1 – 7, 2021	0.12	0.10	1,146,413
December 2021	0.125	0.10	3,906,604
November 2021	0.21	0.105	4,263,569
October 2021	0.28	0.17	4,549,528
September 2021	0.395	0.24	3,102,895
August 2021	0.405	0.34	4,744,578
July 2021	0.48	0.22	18,223,703
June 2021	0.27	0.21	5,543,847
May 2021	0.395	0.245	5,601,840
April 2021	0.485	0.32	6,827,116
March 2021	0.60	0.42	9,268,926
February 2021	0.83	0.54	1,071,813
January 2021	0.77	0.58	7,424,291

Prior Sales

Common Shares

During the year ended June 30, 2021, the Corporation issued the following Common Shares:

Date Issued	Number of Common Shares	Issue Price per Share	Consideration
October 9, 2021	-13,333,000	\$0.069	Share repurchase
October 28, 2020	55,621,043	\$0.075	Debt conversion
October 28, 2020	2,079,511	\$0.30	Reverse take-over
October 28, 2020	5,000,000	\$0.30	Shares for services
November 5, 2020	400,000	\$0.05	Warrants exercise
November 5, 2020	850,000	\$0.30	Options exercise
November 5, 2020	1,200,000	\$0.02	Performance securities exercise
November 10, 2020	500,000	\$0.30	Options exercise
November 16, 2020	300,000	\$0.30	Options exercise
December 4, 2020	1,200,000	\$0.60	Shares for services
December 14, 2020	400,000	\$0.30	Options exercise
December 17, 2020	400,000	\$0.30	Options exercise
January 15, 2021	3,600,000	\$0.02	Performance securities exercise
February 1, 2021	25,000	\$0.30	Options exercise
February 5, 2021	157,000	\$0.02	Performance securities exercise
February 12, 2021	112,000	\$0.02	Performance securities exercise
February 12, 2021	50,000	\$0.05	Warrants exercise
February 17, 2021	12,500	\$0.05	Warrants exercise
February 26, 2021	480,000	\$0.05	Warrants exercise
March 11, 2021	16,895,491	\$0.505	Warrants exercise ⁽¹⁾
April 16, 2021	406,334	\$0.075	Options exercise
June 9, 2021	83,333	\$0.075	Options exercise
June 10, 2021	67,500	\$0.02	Performance securities exercise

Notes:

(1) Issued upon the automatic conversion of Special Warrants.

Convertible Securities

During the year ended June 30, 2021, the Corporation issued the following securities convertible into Common Shares:

Date Issued	Description	Number of Securities	Price per Security/Exercise Price
October 28, 2020	Warrants	12,000,000	\$0.05
October 28, 2020	Finders' warrants	464,992	\$0.50
October 28, 2020	Performance securities	12,000,000	\$0.02
October 28, 2020	Options	1,383,336	\$0.075
October 28, 2020	Options	3,200,000	\$0.30
January 5, 2021	Special Warrants	6,061,033	\$0.505
January 5, 2021	Finder's Warrants	218,971	\$0.65
January 20, 2021	Special Warrants	10,834,458	\$0.505
January 20, 2021	Finders' warrants	413,649	\$0.65
January 21, 2021	Options	3,744,000	\$0.73
March 11, 2021	Warrants	8,447,739	\$0.505
May 31, 2021	Options	2,865,000	\$0.30

ESCROWED SECURITIES

Upon closing of the Amalgamation, as required under the CSE Policies, certain holders of Common Shares, Options and Performance Securities have entered into an escrow agreement on the terms provided in NP 46-201. The securities subject to escrow will be released on scheduled periods specified in NP 46-201 for emerging issuers, that is, 10% will be released upon listing followed by six subsequent releases of 15% every six months thereafter.

The table below includes the details of escrowed securities that are held by Computershare as of the date of this AIF:

Name of Securityholder	Designation of Class Held in Escrow	Number of Securities Held in Escrow	Percentage of Class⁽¹⁾
Doug Benville	Common Shares	1,440,000	1.4%
	Performance Securities	2,160,000	2.1%
	Options	450,000	0.4%
Ben Nikolaevsky	Options	2,437,942	2.3%

Note:

(1) Based on total issued and outstanding Common Shares of 104,454,862 on an undiluted basis.

In addition, pursuant to the terms of the Amalgamation Agreement and the Convertible Notes, certain Common Shares, Performance Securities and Warrants issued pursuant to the Amalgamation are subject to voluntary hold periods commencing from the date of listing on the CSE on November 1, 2020, during which time such securities may not be transferred without the consent of the Corporation, as follows:

- 28,254,066 Common Shares are subject to an 18 month staged release (10% subject to a 3 month hold, 15% subject to a 7 month hold, 15% subject to a 9 month hold, 15% subject to a 12 month hold, 20% subject to a 15 month hold and 25% subject to an 18 month hold);
- 11,600,000 Warrants and 7,200,000 Performance Securities are subject to an 18 month staged release (10% subject to a 3 month hold, 15% subject to a 7 month hold, 15% subject to a 9 month hold, 15% subject to a 12 month hold, 20% subject to a 15 month hold and 25% subject to an 18 month hold).

DIRECTORS AND OFFICERS

Name, Occupation and Security Holding

The following table sets forth information regarding the Corporation's Directors and executive officers. The term of office for the Directors expires at the Corporation's next Annual General Meeting.

Name, place of residence and position with Corporation	Principal occupation during the last five years	Date of appointment as director or officer	Common Shares Beneficially Owned, Directly or Indirectly, or Controlled or Directed as of the date of the AIF
Ben Nikolaevsky ⁽⁶⁾ CEO and Director Toronto, Ontario	CEO of Pure (Nov. 2019 – Present); CEO and President of Natura Naturals Inc. (Jan. 2018- Feb. 2019; President and CEO of Blue Goose Capital Corp. (Jan. 2015- Nov. 2017)	CEO and Director since the October 28, 2020	257,501 (0.2%) ⁽¹⁾
Doug Benville Chief Operating Officer and Director Whistler, British Columbia	President of Pure (May 2018 – Present); CEO & Director of DSD Manufacturing (March 2017 - November 2018)	COO and Director since the October 28, 2020	1,806,000 (1.7%) ⁽²⁾
Yana Popova CFO, Corporate Secretary and Director Vancouver, British Columbia	CFO and Director of Isracann Biosciences Inc. (Nov. 2017 – Present); Accountant at Platinum Group Metals (2015-2017); Director and CFO of the	Since 2018	125,000 (<0.1%) ⁽³⁾

Name, place of residence and position with Corporation	Principal occupation during the last five years	Date of appointment as director or officer	Common Shares Beneficially Owned, Directly or Indirectly, or Controlled or Directed as of the date of the AIF
	Corporation (2018 – Present); director of Upper Canyon Minerals Corp. (2018 – 2019).		
Sean Bromley ⁽⁶⁾ Director Vancouver, British Columbia	Business consultant (2015 – Present); Director of the Isracann Biosciences Inc. (Dec. 19, 2017 – Present); Director of White Gold Corp. (2016 – Present); Director of Pacific Rim Cobalt Corp. (2017 – Present); Chief Financial Officer of LoopShare Ltd. (2015 – 2018); Investment Advisor at Jordan Capital Markets (2013 – 2015); Director (2018 – Present) and CEO (2018 – 2020) of the Corporation; Director of Triangle Industries Inc. (2018 – Present); Director of BMGB Capital Corp. (2018 – Present)	Since 2018	100,000 (<0.1%) ⁽⁴⁾
Dwight Duncan ⁽⁶⁾ Director Windsor, Ontario	Senior Strategic Advisor at McMillan LLP, and also serves as a Principle of McMillan Vantage, the firm's wholly owned public policy advisory firm.	Since the October 28, 2020	Nil ⁽⁵⁾

Notes:

- (1) Mr. Nikolaevsky holds Options to purchase 3,812,505 Common Shares at an exercise price of \$0.075 per share.
- (2) Mr. Benville also holds 3,600,000 Performance Securities at an exercise price of \$0.02 and Options to purchase 1,515,000 Common Shares, 750,000 of which have an exercise price of \$0.075, 600,000 of which have an exercise price of \$0.30 and 165,000 of which have an exercise price of \$0.73.
- (3) Ms. Popova holds Options to purchase 836,833 Common Shares, 13,333 of which have an exercise price of \$0.530, 300,000 of which have an exercise price of \$0.30 and 523,500 of which have an exercise price of \$0.73.
- (4) Mr. Bromley holds Options to purchase 723,500 Common Shares, 200,000 of which have an exercise price of \$0.30 and 523,500 of which have an exercise price of \$0.73.
- (5) Mr. Duncan holds Options to purchase 850,000 Common Shares at an exercise price of \$0.30.
- (6) Member of the Audit Committee.

As of the date of the AIF, the Corporation's directors and executive officers, as a group, beneficially owned, directly or indirectly, or exercised control of direction over 2,288,501 Common Shares, representing approximately 2.2% of the issued and outstanding Common Shares.

Brief descriptions of the biographies for all of the proposed officers and directors of the Corporation are set out below:

Ben Nikolaevsky – Chief Executive Officer and Director

Mr. Nikolaevsky holds over a decade of experience in corporate leadership roles across the natural products, agriculture and cannabis sectors. Under his recent leadership as President & CEO of Natura Naturals Inc., a private Canadian cannabis Licensed Producer, the company was acquired by Tilray Inc. Prior to Natura, he was president & CEO of Blue Goose Capital Corp. Mr. Nikolaevsky served as Market Vice President, National Accounts at CIBC and as Chief Credit Officer & Capital Markets Manager at IBM Global Financing Canada. Mr. Nikolaevsky holds a B.A. (Economics – York University) and is a Certified Financial Auditor (Commercial Finance Association, New York, NY).

Mr. Nikolaevsky is party to an employment agreement with the Corporation which includes non-disclosure and non-solicitation provisions, bonus clauses and severance terms. Mr. Nikolaevsky is employed on a full time basis by the Corporation.

Doug Benville – Chief Operating Officer and Director

Doug Benville has been with Pure since its inception. He has several years of experience in the cannabis space, previously having worked as an extraction consultant in the legal recreational cannabis space for the last few years. He also acted as a cultivation consultant to patients growing and extracting under ACMPR licensing. Mr. Benville is highly proficient in cannabis cultivation, system operations and oil extraction.

Mr. Benville is a party to an employment agreement with the Corporation which includes non-disclosure and non-solicitation provisions, bonus clauses and severance terms. He is employed on a full time basis by the Corporation.

Yana Popova – Chief Financial Officer, Corporate Secretary and Director

Ms. Popova has over 13 years of accounting experience working with private and public companies. Throughout her career, she has acted as an accountant to multiple private and public companies. Ms. Popova was an accountant at Platinum Group Metals Ltd., a mining company focused on the production of platinum and palladium in South Africa, from January 2015 to September 2017. Ms. Popova is a current CFO and director of the Corporation (since August 2018).

Ms. Popova holds a Bachelor of Commerce and Economics degree from the University of Toronto, from which she graduated in 2005, and is a holder of the CPA designation.

Ms. Popova is not party to a written employment agreement with the Corporation. Ms. Popova devotes approximately 30% of her time to the business of the Corporation to effectively fulfill her duties as Chief Financial Officer, Corporate Secretary and Director.

Sean Bromley – Director

Mr. Bromley has worked in corporate finance as a consultant since 2015. He was the CEO of the Corporation, formerly an inactive junior oil and gas company, from 2018 until completion of the Amalgamation. Mr. Bromley was an investment advisor at Jordan Capital Markets Inc., an investment dealer firm that was acquired by Mackie Research Capital Corporation in 2015, from June 2013 to June 2015. He was the CFO of LoopShare Ltd., a transportation as a service company, from November 2015 to June 2016 and June 2017 to November 2018. He was also the CEO of Winston Resources Corp., a mining

exploration company, from November 2016 and March 2017. He is currently a director of Pacific Rim Cobalt Corp. (since October 2017), Triangle Industries Ltd. (since May 2018), the Corporation (since December 2018), White Gold Corp. (since October 2016) and BMGB Capital Corp. (since July 2018).

Mr. Bromley holds a Bachelor of Commerce from the University of Calgary, from which he graduated in 2013.

Mr. Bromley is an independent contractor and is not a party to any employment agreement with the Corporation. Mr. Bromley devotes such time as is necessary and appropriate to the business of the Corporation to effectively fulfill his duties as Director, which is approximately 15% of his time.

Dwight Duncan – Director

Mr. Duncan serves as a Senior Strategic Advisor at McMillan LLP, a large Canadian full service business law firm. Mr. Duncan also serves as a Principle of McMillan Vantage, the firm's wholly owned public policy advisory firm. Mr. Duncan also Chairs the Board of Directors of the Windsor Detroit Bridge Authority, the federal crown corporation overseeing the construction and operation of the \$5.7 billion Gordie Howe International Bridge.

Mr. Duncan was formerly a Member of the Ontario Legislature, where he served as Deputy Premier, Minister of Finance, Chair of the Management Board of Cabinet, Chair of Cabinet, Government House Leader, Minister of Energy, Minister of Revenue, Minister of Government Services and Opposition House Leader. Mr. Duncan currently sits on the Board of Directors, and Chairs the Audit Committees, of Travelers Insurance Canada and the Dominion General Insurance Corporation. In addition he sits on the Boards of Directors of Crown Crest Trust, and the Global Risk Institute. Mr. Duncan holds a Bachelor of Commerce (Hons) and MBA (University of Windsor) as well as a B.A. (Economics – McGill University).

Mr. Duncan is not a party to any employment agreement with the Corporation. Mr. Duncan devotes such time as is necessary and appropriate to the business of the Corporation to effectively fulfill his duties as Director, which is approximately 5% of his time.

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

Other than set out below, no Director or executive officer of the Corporation is, as at the date of this AIF, or has been within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including the Corporation), that:

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

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

- a) is, as at the date of this AIF, or has been within 10 years before the date of this AIF, a director or executive officer of any company (including the Corporation) that, while that person was acting in

that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

- b) has, within 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the Director.

No Director or executive officer of the Corporation has been subject to:

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

CONFLICTS OF INTEREST

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

To the best of the Corporation's knowledge, and other than disclosed herein, there are no known existing or potential conflicts of interest among the Corporation, its promoters, directors and officers or other members of management of the Corporation or of any proposed promoter, director, officer or other member of management as a result of their outside business interests except that certain of the directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Corporation and their duties as a director or officer of such other companies. If a conflict of interest arises at a meeting of the Board, any Director in a conflict will disclose his interest and abstain from voting on such matter.

PROMOTORS

A “Promoter” is defined in the *Securities Act* (British Columbia) as a “person who (a) alone or in concert with other persons directly or indirectly takes the initiative of founding, organizing or substantially reorganizing the business of the issuer; or (b) in connection with the founding, organization or substantial reorganization of the business of the Corporation, directly or indirectly receives, in consideration of services or property or both, 10% or more of a class of the Corporation’s own securities or 10% or more of the proceeds from the sale of a class of the Corporation’s own securities of a particular issue.

Doug Benville, a Director and the Chief Operating Officer of the Corporation, is considered a promoter of the Corporation as he was instrumental in the founding and organization of the business of Pure. Mr. Benville beneficially owns, controls or directs, 1,806,000 Common Shares representing approximately 1.7% of the issued and outstanding Common Shares as of the date of this AIF, on a non-diluted basis. In addition, Mr. Benville holds 3,600,000 Performance Securities at an exercise price of \$0.02 and Options to purchase 1,515,000 Common Shares at an exercise price of \$0.075. For the financial year ended June 30, 2021, Mr. Benville received from Pure an aggregate sum of \$250,000 in cash as compensation for his services with Pure. Subsequent to the financial year ended June 30, 2021 to September 30, 2021, Mr. Benville received from Pure an aggregate sum of \$50,000 in cash as compensation for his services with Pure and the Corporation.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

The Corporation is not, and was not during the most recently completed financial year, engaged in any legal proceedings and none of its property is or was during that period the subject of any legal proceedings. The Corporation does not know of any such legal proceedings which are contemplated.

Regulatory Proceedings

During the most recently completed financial year and during the current financial year, the Corporation is not and has not been the subject of any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority, any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor, or entered into any settlement agreements before a court relating to securities legislation or with a securities regulatory authority.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as described elsewhere in this AIF, none of the Directors, executive officers or shareholders, owning or exercising control or direction over more 10% of the Common Shares, or any associate or affiliate of the foregoing, has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year prior to the date of this AIF that has materially affected us or is reasonably expected to materially affect the Corporation.

TRANSFER AGENTS AND REGISTRARS

The transfer agent and registrar of the Corporation is AST Trust Corporation at its office located in Vancouver, British Columbia.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, as of the date of this AIF, the only material contracts which the Corporation entered into within the most recently completed financial year, subsequent to the most recently completed financial year to the date of this AIF, or prior to the most recently completed financial year but which are still in effect are set out below:

- (1) The Escrow Agreement

INTERESTS OF EXPERTS

Names of Experts

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

- Smythe LLP, Chartered Professional Accountants, is the external auditor of the Corporation and reported on (i) the Corporation's audited consolidated financial statements for the year ended December 31, 2019, which are filed on SEDAR and (ii) Pure's financial statements and management's discussion and analysis for the financial year ended June 30, 2020, which are included in the Listing Statement as filed on SEDAR.

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

Interests of Experts

Smythe LLP, Chartered Professional Accountants, auditors of the Corporation, have confirmed that they are independent of the Corporation within the meaning of the 'CPABC Code of Professional Conduct' of the Chartered Professional Accountants of British Columbia.

ADDITIONAL INFORMATION

Additional information relating to the Corporation may be found on SEDAR at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness, the Corporation's principal shareholders, and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Corporation's most recently filed management information circular available on SEDAR at www.sedar.com. Additional financial information is provided in the Corporation's consolidated financial statements and management's discussion and analysis for the financial year ended June 30, 2021 as available on SEDAR at www.sedar.com.