

**FORM 2A  
UPDATED LISTING STATEMENT  
TERRANUEVA CORPORATION**

**DATED JANUARY 28, 2021**

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## 1. DEFINITIONS

The following is a glossary of certain definitions used in this Listing Statement. Terms and abbreviations used in this Listing Statement and appearing in the documents attached as schedules to the Listing Statement (including the financial statements) are defined separately if the terms and abbreviations defined below are not used therein, except where otherwise indicated. Any capitalized term used but not defined in this Listing Statement have the meanings ascribed thereon in the CSE's policies. Words below importing the singular, where the context requires, include the plural and vice versa, and words importing any gender include all genders. All dollar amounts herein are in Canadian dollars, unless otherwise stated.

“**Affiliate**” has the meaning ascribed thereto in National Instrument 45-106 – Prospectus and Registration Exemptions;

“**Agent**” means Leede Jones Gable Inc. or any intermediary who referred subscribers to the Company within the scope of the Axe Financing;

“**Agent Warrant**” means a non-transferable common share purchase warrant issued to an Agent entitling the holder thereof to acquire one Common Share of the Company at a price of \$0.50 for a period of 18 months from the Closing of the Axe Financing. Each Agent Warrant and underlying Common Share issued pursuant to the Agent Warrant is subject to a mandatory hold period of four (4) months and one (1) day from the Closing of the Axe Financing;

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

- (a) an issuer of which the Person or company beneficially owns or controls, directly or indirectly, voting securities entitling him to more than ten percent (10%) of the voting rights attached to outstanding securities of the issuer;
- (b) any partner of the Person or company;
- (c) any trust or estate in which the Person or company has a substantial beneficial interest or in respect of which a Person or company serves as trustee or in a similar capacity;
- (d) in the case of a Person, a relative of that person, including:
  - (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;but
- (e) where the Exchange determines that two (2) Persons shall, or shall not, be deemed to be associates with respect to a Member firm, Member corporation or holding company of a Member corporation, then such determination shall be determinative of their relationships with respect to that Member firm, Member corporation or holding company.

“**Acquisition**” means the acquisition of Terranueva pursuant to the Share Purchase Agreement;

“**Articles**” means the Company's articles dated October 17, 2007;

“**Affiliated entity**” has the meaning ascribed to it in Ontario Securities Commission Rule 45-501;

“**Annual Financial Statements of Terranueva**” means the audited financial statements for the 12 months ended September 30, 2020, 2019 and 2018 of Terranueva and the corresponding annual Management Discussion and Analysis, as indicated at Item 25.1 - Audited Financial Statements for the Issuer and for Corporation Terranueva Pharma of this Listing Statement and attached in Appendix B to this Listing Statement;

“**Audited Financial Statements of Terranueva Pharma**” means the audited financial statements for the 10-month period ended September 30, 2018 and the corresponding annual Management Discussion and Analysis, as indicated at Item 25.1 - Audited Financial Statements for the Issuer and for Corporation Terranueva Pharma of this Listing Statement and attached in Appendix C to this Listing Statement;

“**Axe Financing**” means the private placement of Units by Axe completed on December 14, 2018 pursuant to which Axe has issued 4,620,000 Units at a price of \$0.50 each for an aggregate gross proceed of approximately \$2.31 million, including the payment of any commission in connection with such private placement;

“**Terranueva MD&A**” means the management’s discussion and analysis for the years ended September 30, 2020, 2019 and 2018 which have been filed under Terranueva’s profile on SEDAR and are hereby incorporated by reference;

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

“**Cannabis Act**”: means An Act respecting cannabis and to amend the *Controlled Drugs and Substances Act*, as last amended on October 17, 2020, the *Cannabis Regulations*, as last amended on October 17, 2020, the *Criminal Code* and other related Acts or Regulations;

“**Cannabis Laws**” mean collectively, the *Cannabis Act*, the *Cannabis Regulations*, the *Food and Drug Act*, the *Cannabis Exemption (Food and Drug Act) Regulations*, the *Medical Devices Regulations*, the *Natural Health Product Regulations*, the *Narcotic Control Act* and the *Narcotic Control Regulations* and all provisions of any laws, statutes, ordinances, rules, regulations, or governmental directives applicable to the production, testing, packaging, labeling, sending, delivering, transporting, selling, possessing, disposing and exporting of cannabis or any class of cannabis, as amended from time to time or individually, the relevant law, statute, ordinance, rule, regulation, governmental directive applicable to the production, testing, packaging, labeling, sending, delivering, transporting, selling, possessing, disposing and exporting of cannabis or any class of cannabis, as amended from time to time;

“**Cannabis Regulations**” mean Health Canada’s cannabis regulation, including but not limited to *Cannabis Regulations*, SOR/2018-144, as amended;

“**BCA**” means the *Canadian Business Corporation Act*, R.S.C. 1985 C-44, as amended;

“**CEO**” means an individual who acted as the Company’s chief executive officer, or acted in a similar capacity, for any part of the most recently completed financial year;

“**CFO**” means an individual who acted as the Company’s chief financial officer, or acted in a similar capacity, for any part of the most recently completed financial year;

“**Charter**” means *Canadian Charter of Rights and Freedoms* (Canada), as amended;

“**Closing Date**”, “**Closing**” or “**Closing Time**” means the closing of the Acquisition on December 14, 2018;

“**Common Shares**” means the common shares without par value in the capital of the Company;

“**Company**” or “**Terranueva**” means Corporation Terranueva, formerly Axe Exploration Inc., incorporated on October 17, 2007 under the CBCA;

“**CRA**” means the Canada Revenue Agency;

“**CRA License**” means the license required under the *Excise Act*, 2001 to cultivate, grow and package cannabis products for both medical and non-medical purposes granted by the CRA;

“**UCRD**” means the Centre for Research and Development Unit of Terranueva Corporation;

“**CSE**” means the Canadian Securities Exchange, operated by CNSX Markets Inc.;

“**Designated Executive Officers**” means (i) the Interim President and Chief Executive Officer of the Company; (ii) the Chief Financial Officer of the Company; (iii) as well as the most highly compensated executive officer of the Company, with the exception of the Chief Executive Officer and the Chief Financial Officer, for the year ended September 30, 2020, and of which the total salary and bonus was greater than \$150,000 during the last fiscal year;

“**Director**” means the Director appointed under section 260 of the CBCA;

“**Facility**” means Terranueva proposed facility, located in the City of L’Assomption, Québec;

“**Governmental Authority**” means any multinational, federal, provincial, territorial, state, regional, municipal, local or other government or governmental body and any division, agent, official, agency, commission, board or authority of any government, governmental body, quasi-governmental or private body (including the CSE or any other stock exchange) exercising any statutory, regulatory, expropriation or taxing authority under the authority of any of the foregoing and any domestic, foreign or international judicial, quasi-judicial or administrative court, tribunal, commission, board, panel or arbitrator acting under the authority of any of the foregoing;

“**IFRS**” means the International Financial Reporting Standards as adopted by the International Accounting Standards Board, as amended from time to time;

“**License**” means any license granted by Health Canada for the production, testing, packaging, labeling, sending, delivering, transporting, selling, effecting research on, possessing, cultivating, processing, analytical testing, disposing and exporting of cannabis or any class of cannabis;

“**Licensed Producer**” means the status of being a licensed cultivator, processor, and seller, as the case may be, of cannabis for medical purposes under past and current Cannabis Laws;

“**Listed Issuer**” and “**Issuer**” both mean an issuer which has its securities qualified for listing on Exchange or which has applied to have its securities qualified for listing on the Exchange, as applicable;

“**Listing Statement**” means this CSE Form 2A updated Listing Statement dated effective January 28, 2021;

“**Material Contracts**” means, collectively, any Contract (or amendment thereto) to which Terranueva or Terranueva Pharma or its subsidiaries is a party or by which its respective assets are bound that: (A) is material to the operational activities of Terranueva or Terranueva Pharma; (B) if terminated by the other party, would reasonably be expected to result in a Material Adverse Effect; or (C) is a Contract that contains any non-competition obligations restricting in any material way the business of Terranueva or Terranueva Pharma;

“**Member**” means a person or company who has executed the members’ agreement, as amended from time to time, among the CSE and each person or company who, from time to time, is accepted as and becomes a member of the CSE under the CSE requirements;

“**MI 61-101**” means Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*;

“**MPU**” means Modular Production Unit of the Company;

“**NCR**” means the *Narcotic Control Regulations* (Canada);

“**Options**” means the outstanding and unexercised options to purchase Common Shares granted under the Stock Option Plan;

“**Person**” includes an individual, sole proprietorship, corporation, body corporate, incorporated or unincorporated association, syndicate or organization, partnership, limited partnership, limited liability company, unlimited liability company, Joint Venture, joint stock company, trust, natural person in his or her capacity as trustee, executor, administrator or other legal representative, a government or Governmental Authority or other entity, whether or not having legal status;

“**Proceedings**” means any court, administrative, regulatory or similar proceeding (whether civil, quasi-criminal or criminal), arbitration or other dispute settlement procedure, investigation or inquiry before or by any Governmental Authority, or any claim, action, suit, demand, arbitration, charge, indictment, hearing, demand letter or other similar civil, quasi-criminal or criminal, administrative or investigative matter or proceeding, including by any third party whatsoever;

“**Regulation 45-106**” means the Regulation 45-106 respecting prospectus exemptions;

“**Regulatory Approvals**” means any consent, waiver, permit, exemption, review, order, decision or approval of, or any registration and filing with, any governmental entity, or the expiry, waiver or termination of any waiting period imposed by Law or a governmental entity, in each case in connection with the Share Purchase Agreement;

“**Related Entity**” means, in respect of a Listed Issuer (a) a person (i) that is an Affiliated entity of the Listed Issuer, (ii) of which the Listed Issuer is a control block holder; (b) a management company or distribution company of a mutual fund that is a Listed Issuer; or (c) a management company or other company that operates a trust or partnership that is a Listed Issuer;

“**Related Party**” has the meaning ascribed to it in MI 61-101;

“**Related Person**” means, in respect of a Listed Issuer:

- (a) a Related Entity of the Listed Issuer;
- (b) a partner, director or officer of the Listed Issuer or Related Entity;
- (c) a promoter of or person who performs Investor Relations Activities for the Listed Issuer or Related Entity;
- (d) any Person that beneficially owns, either directly or indirectly, or exercises voting control or direction over at least 10% of the total voting rights attached to all voting securities of the Listed Issuer or Related Entity; and
- (e) such other Person as may be designated from time to time by the Exchange.

“**Reporting Issuer**” has the meaning ascribed to it in the *Securities Act* (Québec) and in Alberta, British-Columbia and Ontario, as amended;

“**Securities Act**” means the Securities Act (Québec), as it may be amended or re-enacted from time to time;

“**Securities Authorities**” means the *Autorité des marchés financiers* (Québec) and any other applicable securities commission or securities regulatory authority of a province of Canada;

“**Securities Laws**” means the Securities Act and all other applicable Canadian provincial and territorial securities Laws;

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

“**Share Purchase Agreement**” means the share purchase agreement dated November 22, 2018;

“**SQDC**” means Société québécoise du cannabis;

“**Stock Option Plan**” means the stock option plan of the Company dated November 23, 2018;

“**Subsidiary**” or “**Subsidiaries**” has the meaning specified in Section 1.1 of Regulation 45-106, as in effect on the date of the Share Purchase Agreement;

“**Terranueva**” means Corporation Terranueva/Terranueva Corporation;

“**Terranueva Pharma**” means the private company Terranueva Pharma Corporation / Corporation Terranueva Pharma;

“**Terranueva Pharma Shares**” means the Class “A” shares of the capital stock of the private company Terranueva Pharma Corporation;

“**Transaction**” means collectively the Acquisition and the Axe Financing, including the payment of any commission;

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

“**Unit**” means a unit issued to a subscriber to the Axe Financing at a price of \$0.50 per unit consisting of one (1) Common Share and one half (1/2) Warrant. Each whole Warrant entitles the holder thereof, subject to an adjustment in certain circumstances, to acquire one additional Common Share of the Corporation at a price of \$0.65 (now \$0.275) for a period of 18 months from the Closing Date (now 5 p.m. on June 14, 2022). Each Unit, Common Share and Warrant issued pursuant to the Axe Financing is subject to a mandatory holding period of four (4) months and one (1) day from the Closing Date.

The Corporation has extended the expiry of the Warrants to 5 p.m. on June 14, 2022, or for two additional years, and modify the exercise price of the Warrants to \$ 0.275, the whole, subject to the following conditions in accordance with the policies of the Canadian Stock Exchange: (i) if, following the amendment, the market price of the Common Shares exceeds the amended exercise price by the applicable private placement discount for any 10 consecutive trading days, the terms of the Warrants must also be amended to 30 days. The 30-day period will commence 7 days from the end of the 10-day period; and (ii) consent is obtained from all holders of the Warrants;

“**U.S.**” or “**United States**” means the United States of America, its territories and possessions, and any state of the United States and the District of Columbia;



“**Warrants**” means Common Share purchase warrants in the capital of the Company. Before the amendment, each Warrant entitled the holder thereof to acquire one additional Common Share at a price of \$0.65 per Common Share for a period of 18 months from the Closing of the Axe Financing.

The Corporation has extended the expiry of the Warrants to 5 p.m. on June 14, 2022, or for two additional years, and modify the exercise price of the Warrants to \$ 0.275, the whole, subject to the following conditions in accordance with the policies of the Canadian Stock Exchange: (i) if, following the amendment, the market price of the Common Shares exceeds the amended exercise price by the applicable private placement discount for any 10 consecutive trading days, the terms of the Warrants must also be amended to 30 days. The 30-day period will commence 7 days from the end of the 10-day period; and (ii) consent is obtained from all holders of the Warrants;

“**we**”, “**us**”, “**our**” “**the Corporation**” or “**Terranueva**” means Terranueva Corporation;

### **Forward-Looking Statements**

The information provided in this Listing Statement, including information incorporated by reference, may contain “forward-looking statements” about us. In addition, we may make or approve certain statements in future filings with Canadian securities regulatory authorities, in press releases, or in oral or written presentations that are not statements of historical fact and may also constitute forward-looking statements. All statements, other than statements of historical fact, made by us that address activities, events or developments that we expect or anticipate will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as “may”, “will”, “would”, “could”, “should”, “believes”, “estimates”, “projects”, “potential”, “expects”, “plans”, “intends”, “anticipates”, “targeted”, “continues”, “forecasts”, “designed”, “goal”, or the negative of those words or other similar or comparable words. Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments. These statements speak only as at the date they are made and are based on information currently available and on our then current expectations and assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties related to:

- the regulatory, speculative and competitive nature of the medical cannabis industry;
- the availability of financing opportunities, risks associated with economic conditions, dependence on management and conflicts of interests; and
- other risks described in this Listing Statement and described from time to time in our documents filed with Canadian securities regulatory authorities.

Consequently, all forward-looking statements made in this Listing Statement and our other documents are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will be realized or, even if realized, that they will have the expected consequences or effects. The cautionary statements contained or referred to in this section should be considered in connection with any subsequent written or oral forward- looking statements that we and/or persons acting on our behalf may issue. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required under securities legislation. See Section 17 – *Risk Factors*.

### **Market and Industry Data**

This Listing Statement includes market and industry data that has been obtained from third party sources, including industry publications. We believe that this industry data is accurate and that the estimates and

assumptions are reasonable, but there is no assurance as to the accuracy or completeness of this data. Third party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there is no assurance as to the accuracy or completeness of included information. Although the data is believed to be reliable, we have not independently verified any of the data from third party sources referred to in this Listing Statement or ascertained the underlying economic assumptions relied upon by such sources.

## 2. CORPORATE STRUCTURE

### 2.1 Name, Address and Incorporation

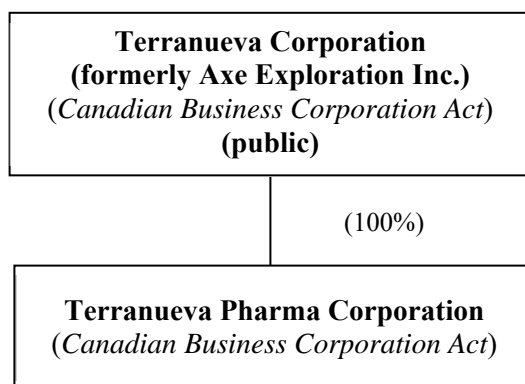
This Listing Statement has been prepared with respect to Terranueva Corporation. The Company's head office and principal place of business is located at 803 L'Ange-Gardien Blvd, L'Assomption, Québec, Canada.

### 2.2 Jurisdiction of Incorporation

The Company was incorporated on October 17, 2007 under the CBCA as "Diamond Frank Exploration Inc./ Exploration Diamond Frank Inc., changed its name to Axe Exploration Inc. on April 2, 2013 and to Terranueva Corporation / Corporation Terranueva on November 23, 2018. Since December 17, 2018 Terranueva is listed on the CSE under the symbol TEQ.

### 2.3 Inter-corporate Relationships

The Company has the following corporate structure:



## 2.4 Fundamental Changes

Except for the Transaction, nothing.

## 2.5 Incorporation Outside Canada

This is not applicable to the Company and its Subsidiary.

# 3. **GENERAL DEVELOPMENT OF THE BUSINESS**

## 3.1 General Development of the Business

The Company intends to become a major producer of cannabis products, for medical and recreational purposes.

Terranueva is a Québec-based company operating in L'Assomption (Québec) that aspires in the long term to be at the forefront of research and development focused on therapeutic cannabis treatment. The principle mission of the Company is to enhance the lives of those who experience chronic pain, migraines, sleeping disorders or anxiety, through innovative approaches to cannabis-related treatment. The business vision is to produce medicinal and recreational cannabis to the highest standards in terms of effectiveness, quality and stability.

Terranueva Pharma, a wholly-owned subsidiary of the Company, obtained cultivation, processing and (medical) sales licenses issued by Health Canada under the new regulations implementing the Cannabis Act (the “**Licenses**”) on February 22, 2019 (“**License**”). This significant milestone was achieved just two months after the documents were submitted to Health Canada on time and on budget.

The License allows Terranueva Pharma to grow, process and sell seeds and plants to wholesalers, distributors supplying provincial and territorial cannabis retailers and individuals who have registered to obtain cannabis products for medical purposes.

The value proposition of Terranueva is as follows: (i) deliver to the market a quality of products and services that will be beyond reproach (eventually endorsed by the Canadian medical community); (ii) provide a range of products resulting from strains which target chronic pain, migraines, sleeping disorders and anxiety (including alternatives, to the consumption of dried cannabis); (iii) establish a program of research and development, the economic engine of the Resulting Issuer; (iv) have efficient and modern production and management processes (including Modular Production Units (“**MPU**”) that are intelligent and rely heavily on automation and digital technology); (v) become a responsible Licensed Producer with the capacity to provide detail traceability of every gram produced and sold (from seed to sale); (vi) offer an effective distribution network of its cannabis products to a wide spectrum of captive customers, including, through the medical community across Québec and Canada; and (vii) support the health network and the population in their collective education.

In order to achieve this, the Company’s cannabis production began shortly after the License was granted by Health Canada, at the end of March 2019, under the Certification, Research and Development unit’s (“**UCRD**”) oversight. The products are being developed according to the highest standards of quality, productivity and homogeneity pursuant to the best practices of cultivation.

Moreover, under a letter of intent (“**LOI**”) dated May 22, 2019 with the Société Québécoise du Cannabis (“**SQDC**”), Terranueva is to supply the SQDC with recreational cannabis for distribution and sale in the province of Quebec. Under the terms of the agreement, Terranueva will supply up to 128 kg of products, or more than 90% of the projected 2019 production from its UCRD.

As the Company's business continued to grow, on or around March 27, 2020, the Company announced that it had reached a preliminary agreement with the owners of the pharmaceutical company LSL Laboratory ("LSL") for the acquisition of all of LSL's outstanding securities. However, the parties decided to terminate their contractual relationship around July 15, 2020 and the Company continued to pursue its business plan, seeking approval for a new class of cannabis with Health Canada in order to receive authorization for the sell of finished products on the retail cannabis market as well as its harvests in its UCRD.

On September 4, 2020, the Company announced that it has filed a request to amend a licence with Health Canada in order to obtain the authorization to sell finished products in the retail cannabis market.

Management will Develop Terranueva in Three (3) Distinct Phases:

### **PHASE 1: Development of the UCRD**

Put in operation in March 2019, the Phase 1 is now completed. The Certification, Research and Development Unit ("UCRD"), is being used to develop production recipes, and qualify each of the company's processes to produce and allow the sale of finish products for both the recreational and medical markets. Products produced in the UCRD are also destined for sale. As of September 4, 2020, the Company had produced 12 crops in its UCRD. Of the harvests completed, two have been set aside for research and development purposes and the remaining crops are reserved in inventory until the required authorizations from Health Canada are received.

### **PHASE 2: Development of the MPU**

This second phase consists of the development of a first MPU with embedded transformation processes to mitigate operational risk as the company proceeds to an industrialisation process. Production and management processes will become efficient and modern through the implementation of an automated and digitized MPU. As of the date hereof, the Company completed the conception plans for the MPU and initiated the engineering for their construction.

### **PHASE 3: Large-Scale Deployment**

Once Health Canada's approval is obtained and the Company's process of a large-scale industrialisation is proven successful, Terranueva will be in a position to run at full available capacity. The site will be able accommodate as many as fifteen additional MPUs.

Prior to the Transaction, the Company was primarily engaged in the acquisition and exploration of mineral properties located in Canada. The Company's properties included the non-material properties of Destorbelle, Gold Peak, Commandant and Unique. The Company has not carried exploration work during the year ended on September 30, 2019 and the book value of the four (4) properties as of September 30, 2019 was nominal. The Company did not earn any revenues and was in the exploration stage.

That said, following the issuance of the License, the Company further pursued its development plan by securing contingent options to purchase over 280,000 square feet of land adjacent to its plant located in L'Assomption, Québec. As of the date hereof, the Company now has over 410,000 square feet of land to expand its activities.

## Highlights of the Company's Business Development

- **February 2019: Raising Capital and Health Canada License**

On or around February 5, 2019, the Company granted to its directors, officers, employees and consultants an aggregate of 2,225,000 stock options to acquire the same number of common shares of the capital stock of Terranueva at an exercise price \$0.50 per share for a period between 3 and 10 years, as the case may be.

On or around February 19, 2019, Terranueva announced the completion of a private placement for an aggregate amount of \$366,666 in common shares at a price of \$0.50 per share, representing an aggregate of 733 332 shares of the capital stock of Terranueva. This private placement came from the decision of all existing debenture holders who were entitled to convert their debts in accordance with their terms.

Following this, Terranueva Pharma Corporation, was awarded on February 22, 2019, in accordance with the new Cannabis Act, cultivation, transformation and sale (medical) licenses by Health Canada which authorized Terranueva to produce, process and sell seeds and plants to wholesalers/distributors supplying the provincial and territorial cannabis retailers and/or individuals who have registered to obtain cannabis products for medical purposes referred to as registered patients.

Terranueva proceeds to raise \$278,743.04 from its rights offering, which started on October 30, 2018, while holders have exercised Rights at \$0.64 each to acquire an aggregate of 435,536 common shares in the capital stock of Terranueva, of which none was subscribed by insiders of Terranueva. No stand-by commitment or additional subscription privilege had been agreed and no commission was payable.

- **April 2019: Expansion of Land and First Crop**

The Company pursues its development plan by securing contingent options to purchase over 280,000 square feet of land adjacent to its state-of-the-art plant located in L'Assomption, Quebec. With now more than 410,000 sq. ft. of land to expand its activities, Terranueva is able to optimize its future production and provide it with attractive operational synergies.

Terranueva plants its first crop.

- **May 2019: SQDC Agreement**

The Company signs the LOI with the SQDC under which Terranueva is to supply the SQDC with recreational cannabis for distribution and sale in the province of Quebec.

Under the terms of the agreement, Terranueva will supply up to 128 kg of products, representing more than 90% of the 2019 production from UCRD, after it will have completed Québec's *Autorité des marchés publics* ("AMP") certification process. Six different products from two different strains are planned.

- **June & July 2019: Harvest of First Crop and AMP Clearance**

Terranueva plants its second crop and obtains the AMP's clearance. The Company completes the harvest of its first crop.

- **August to November 2019: Health Canada Audit**

Health Canada proceeds with its audit of the Company and the Company's operations, making sure that it is developing its business activities in conformity of the Cannabis Laws. Health Canada's audit report is finalized in October and it is concluded that Terranueva is in compliance although a number of elements

listed by Health Canada need to be addressed. All the necessary corrections were made by Terranueva to respond to the elements raised by Health Canada's audit and these corrections were duly noted in the audit implemented.

- **December 2019: Revolving Credit and Organizational Changes**

Terranueva closes a secured \$2M revolving credit facility with a lending institution. Under the terms of the Revolving Credit, the funds are to be used to finance the activities of Terranueva Pharma to finance its cannabis processing operations and, if necessary, to guarantee its working capital. This revolving credit is granted for a minimum one-year term and bears interest at an annual rate of 9.95% when the credit is used.

The Company has harvested several crops that meet positively Health Canada standards at its research centre since the summer of 2019, and its crops have received very satisfactory results following analyses by an independent laboratory. Terranueva is continuing its business plan and initiatives to market its cannabis products in order to secure short-term revenues.

To support the financial resources necessary to pursue its production of cannabis and business activities and expansion, Terranueva proceeds to lay-offs. On the eve of its first sales and marketing of cannabis, the Company announced a new organizational structure and Dominique St-Louis joins the Company as Vice-President Finance and Chief Financial Officer for the entire organization.

- **September 2020: Licence Amendment and Economic Development Canada Loan**

The Company filed a licence amendment request with Health Canada to obtain the authorization to sell finished products in the retail cannabis market. Economic Development Canada ("EDC") later granted the Company a loan of \$500,000 to the business to support its day-to-day operations.

This assistance from EDC comes from the Regional Relief and Recovery Fund ("RRRF"), relating to the measures of Canada's Economic Response Plan aimed at responding effectively to the COVID-19 pandemic. This loan from EDC allowed the Company to continue executing its strategic plan, particularly by supporting its research and development activities, by allowing it to continue producing harvests in its MPU.

- **November 2020: Evolution of the Company's Strategic Plan and Organizational Changes**

The Company noted progress made in the exploitation of its genetics and significant advances in cultivation methods, reaching a THC level that is expected to fully meet the expectations of the cannabis market and facilitate the development of its products.

On November 2, 2020, the Company announced the arrival of Mr. Peter Polatos appointed as interim President and Chief Executive Officer for the entire organization and director of the Company. As a result of these organizational changes and the evolution of its strategic plan, the Company announced the departure of Pierre Ayotte, Rafaël Percopo and Louis Doyle, respectively former President and Chief Executive Officer, Chief Quality Assurance Officer and Chief Compliance Officer of the Company. Mr. Percopo and Mr. Doyle remained directors on the Company's Board of Directors.

### 3.2 Significant Acquisition and Disposition

#### **Transaction**

On December 14, 2018, the Company acquired all Terranueva securities for consideration in shares of \$10,930,000 by the issuance of 21,860,000 Common Shares at a deemed price of \$0.50 per Common Share.

The Transaction constitutes an arm's length transaction within the meaning of applicable regulations. All parties to the Transaction are transacting at arm's length with respect to the assets and business of Terranueva, that is otherwise an insider of Terranueva.

Concurrently with the Acquisition, the Company closed the Axe Financing with several qualifying investors (the Acquisition and the Axe Financing collectively referred to as the "**Transaction**"). These stages of the Transaction followed a prior name change of the Corporation to "Terranueva Corporation".

### 3.3 Trends, Commitments, Events or Uncertainties

Except as disclosed herein, there are no trends, commitments, events or uncertainties known to management which could reasonably be expected to have a material effect on the Company's business, the Company's financial condition or results of operations. In addition, there are significant risks associated with the Company's business, as described in Item 17 – *Risk Factors*.

#### *Canadian Regulatory Environment*

Terranueva's activities related to medical cannabis are regulated by the applicable Cannabis Laws which will continue to evolve. While the retail model for distribution and sale of cannabis and cannabis products will be the result of provincial and territorial legislation and regulations, the aforementioned legislation outlines four minimum conditions that provinces and territories would need to meet, specifically: i) only cannabis obtained from a federally Licensed Producer can be sold; ii) selling to a minor subject to provincial specific regulation) is prohibited; iii) the province/territory would need to develop a system of distribution and retail sale; and iv) the retail model would need to be developed with an eye to public health and public safety concerns. The current licensing regime for medical access is governed by the Cannabis Act.

Legislation to legalize adult recreational use – Bill C-45, *An Act respecting cannabis and to amend the Controlled Drugs and Substances Act, the Criminal Code and other Acts* – received royal assent on June 21, 2018, making Canada the second nation to legalize recreational cannabis. The official date of legalization is October 17, 2018. Only Licensed Producers are authorized to sell cannabis into the adult recreational market. As at January 27, 2021, there were 587 Licensed Producers<sup>1</sup>. Regulation of the sale of adult recreational cannabis in retail and online environments is the responsibility of the provinces and territories. Most jurisdictions will require Licensed Producers to sell all cannabis products to provincial and territorial control boards, which will sell to consumers online and through their own outlets or licensed private outlets.

The Cannabis Law governs the use of cannabis for medical purposes. Therefore, patients who require cannabis for medical purposes will continue to have access either by using their medical document to register as customers of a licensed seller or by cultivating cannabis plants themselves. Registered patients will be allowed to have a maximum of 150 grams of dried cannabis in their possession in a public place, while the Cannabis Act allows up to 30 grams for any adults aged 18 and older<sup>2</sup>. Note, however, that

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<sup>1</sup> <https://www.canada.ca/en/health-canada/services/drugs-medication/cannabis/industry-licensees-applicants/licensed-cultivators-processors-sellers.html>.

<sup>2</sup> <https://www.canada.ca/en/health-canada/services/drugs-medication/cannabis/medical-use-cannabis.html>.

provincial legislation applicable to each jurisdiction may impose, and in most cases have imposed, stricter criteria.

Holders of Licenses to sell for medical purposes will be required to provide reports to the Minister on a monthly basis which include, among other matters, information about the number of registered clients, transfers of clients to other license holders and some statistics such as the average daily quantity of dried cannabis mentioned on medical documents as well as information about health care practitioners who provide medical documents.

In the province of Québec, the sale of recreational cannabis is through stores owned by a designated institution, named SQDC, a state-controlled corporation.

See “*Risk Factors – Risks Relating to the Medical Cannabis Industry*”.

### *Licenses*

Terranueva Pharma obtained the Licenses on February 22, 2019.

Obtaining these rights allows Terranueva to grow, process and sell (for medical purposes) seeds and plants to wholesalers, distributors supplying provincial and territorial cannabis retailers and to those who have registered to obtain products. cannabis for medical purposes (registered patients). At the time of obtaining these licenses, only three Licensed Producers hold all three licenses in Quebec. Today there are only five Licensed Producers with all three licenses in Quebec. Because of these Licenses, Terranueva can also carry out related activities such as the possession, transport, destruction, research and development as well as the sale of cannabis in bulk to other holders of federal licenses.

Terranueva is in the process of obtaining a license amendment for sales of finished cannabis products by Health Canada. Terranueva’s ability to sell such products for recreational or medical purposes in Canada depends on the qualification of its packaging and labeling processes. There is no guarantee that Terranueva will obtain modifications to its licenses. Terranueva duly filed a licence amendment request with Health Canada on September 4, 2020 and is now awaiting comments from Health Canada.

### *Market*

The market is divided into two segments, users who consume for medical reasons and those who consume for recreational reasons. According to a recent Health Canada<sup>3</sup>, in September 2020, there were just over 377,024 medical cannabis registered clients across the country. Health Canada<sup>4</sup> reported that, 43,211 individuals were registered for personal and designated cultivation of cannabis for their own medical purposes at the end of September 2020. The average daily amount authorized by health care practitioners for individuals who access from federally licensed sellers has remained relatively constant at 2 grams per day since the coming into force of the Cannabis Act<sup>5</sup>. Scientific evidence suggests that most patients who use cannabis for medical purposes use up to 3 grams per day of dried cannabis<sup>6</sup>.

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<sup>3</sup> <https://www.canada.ca/en/health-canada/services/drugs-medication/cannabis/research-data/medical-purpose.html#a1>.

<sup>4</sup> <https://www.canada.ca/en/health-canada/services/drugs-medication/cannabis/research-data/medical-purpose.html#a1>.

<sup>5</sup> <https://www.canada.ca/en/health-canada/services/drugs-medication/cannabis/research-data/medical-purpose.html#a1>.

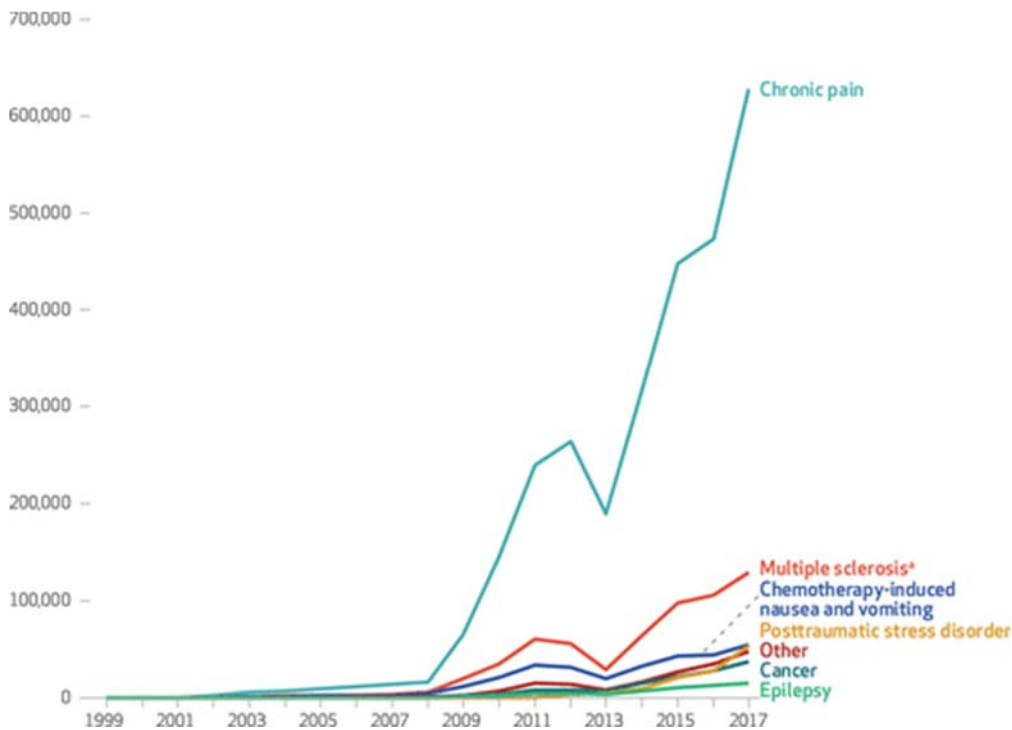
<sup>6</sup> <https://www.canada.ca/en/health-canada/services/drugs-medication/cannabis/research-data/medical-purpose.html#a1>.



It should also be noted that Ontario and Alberta account for most of the clients, or approximately 279,000 of the total. In Québec, there is a delay with fewer than 22,000 registered customers, which confirms a weaker exploitation of the Québec market for cannabis for medical purposes to date<sup>7</sup>.

Indeed, according to research conducted by the Brighton Group and reported in an article by Visual Capitalist<sup>8</sup>, the worldwide cannabis market is expected to explode from \$ 7.7 billion to \$ 31.4 billion between 2017 and 2021. As for the Canadian market it should contribute \$ 8.9 billion in 2021, with \$ 5.07 billion from the recreational segment and \$ 3.82 billion from the medical segment. Similarly, a study by Dundee Capital Partners predicts that recreational cannabis sales could reach on its own \$ 8.9 billion by 2023.<sup>9</sup>

Top Qualifying Condition of Medical Cannabis<sup>10</sup>



Chronic pain is currently and historically the most common qualifying condition reported by medical cannabis patients. In Québec, the SQDC is the sole buyer and vendor for recreational marijuana.

*Trends*

Notwithstanding the breadth of the data for each segment of the cannabis market described above, it would be reasonable to think that the recreational and medical segments described above are two distinct segments, but this is not the case if we dwell on the motivations behind the choice. Indeed, there is a direct link and overlap between medical and recreational clienteles creating cumulative opportunities. In

<sup>7</sup> <https://www.canada.ca/en/health-canada/services/drugs-medication/cannabis/research-data/medical-purpose.html#a1>.

<sup>8</sup> Visual Capitalist – 9 things cannabis investors should know, available at <http://www.visualcapitalist.com/9-things-cannabis-investors-should-know/>.

<sup>9</sup> Dundee Capital Partners, Medical marijuana sector, January 11, 2017, page 7.

<sup>10</sup> BOEHNKE, K. et al., Qualifying Conditions of Medical Cannabis License Holders in the United States, Health Affairs 38, No. 2 (2019) 295–302, available at: <https://www.healthaffairs.org/doi/pdf/10.1377/hlthaff.2018.05266>.

the Deloitte study<sup>11</sup>, the two main motivators for recreational use were identified as desire to relax or sleep (51%), to reduce anxiety or stress (49%), whereas medical reasons given by 1,400 interlocutors that motivate their desire to consume cannabis include at the top of the list: anxiety, stress, pain, insomnia and migraines. This conclusion is confirmed when compared to the conclusions of other similar studies.

#### *Future Developments*

To be determined as new federal and provincial regulations roll out and other countries decide to follow in Canada's footsteps.

## **4. NARRATIVE DESCRIPTION OF THE BUSINESS**

### **4.1 General**

The following disclosure contains forward-looking statements, including with respect to the Company's business objectives and milestones upon completion of the Acquisition. Such statements involve known and unknown risks, uncertainties and other factors outside of management's control, including the risk factors set forth elsewhere in this Listing Statement, that could cause results to differ materially from those described or anticipated in such forward- looking statements. See "*Risk Factors*".

#### **(1) Business**

The Company is a Québec-based company operating in L'Assomption (Québec) that intends to become a major producer of cannabis, for medical purposes and for recreational purposes. It aspires to be at the forefront of research and development focused on therapeutic cannabis treatments. The principle mission of Terranueva Corporation is to enhance the lives of those who experience chronic pain, migraines, sleeping disorders or anxiety, through innovative approaches to cannabis-related treatment. Terranueva's business vision is to produce cannabis to the highest standards in terms of effectiveness, quality and stability.

To achieve this goal, Terranueva is implementing a modular production approach incorporating the latest advances and innovations in process automation. As a technology driven company, we aim to develop the most sophisticated automated cannabis production system that will help to create a traceability of our product and increase the yield of each of our strain to produce a premium quality product in the most efficient manner. The production Facility is in L'Assomption, Quebec and the Licenses for the production of cannabis under Canada's Cannabis Laws has been issued to Terranueva Pharma by Health Canada on February 22, 2019.

##### *(a) Business Objectives*

The business objectives of the Company for the next 36-month period are as follows and are part of a 3-Phase Plan:

#### ***Phase 1***

The Certification, Research and Development Unit ("**UCRD**") was completed and put in operation in March 2019, The UCRD is to be put to contribution on two inter-dependent fronts. The first axis is used to set up the infrastructure with the equipment, develop the best practices of operations and ratify the quality controls and standards of its production. Towards the end of summer 2019, Health Canada audited Terranueva. The audit concluded, that Terranueva operations were "compliant". As of the date hereof,

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<sup>11</sup> Analyse de Deloitte, *Marijuana récréative : Les perspectives et les possibilités*, available online at: [https://www2.deloitte.com/content/dam/Deloitte/ca/Documents/Analytics/ca-fr-analytics-DELOITTE%20Recreational%20Marijuana%20POV%20-%20FRENCH%20FINAL\\_AODA.pdf](https://www2.deloitte.com/content/dam/Deloitte/ca/Documents/Analytics/ca-fr-analytics-DELOITTE%20Recreational%20Marijuana%20POV%20-%20FRENCH%20FINAL_AODA.pdf).

the company has successfully harvested five crops, the first two crops have been reserved for research and development purposes. All other crops are being held for packaging. The last one of these crops and a second crop harvested at a later time, will be used to qualify Terranueva to sell cannabis flowers products destined to Terranueva's secured markets including qualified patients, the SQDC and other markets it eventually successfully secures.

All harvested crops to date have, without exception, exceeded the target yield and have been tested by an independent laboratory and have fully met quality specifications. Because of market shifts and the importance to reach stable profitability, phase 1 has been extended to include, within the UCRD and on a priority basis, the development and certification by Health Canada of the packaging and labelling operations to allow cannabis product sales to qualified patients, Provincial and Territorial dispensaries.

The second axis will be on the heels of the first one. It is expected that the UCRD will be used to refine strains for specific customer needs. Terranueva's management will work towards building links with clinical and academic researchers and the medical community. Best practices and controls to ensure medicinal quality products is intended to become Terranueva's value proposition. In these instances, the Terranueva team plans to pursue genetic studies and orient itself on its choice of strains that it may grow or subcontract to grow in order to meet the specific needs of its customers. Mothers, clones and first crops for commercial sale will begin at the premises of the UCRD. At the end of this phase, Terranueva must have demonstrated the control of its process, the safety of the facility and the extent of its know-how to secure from Health Canada the necessary authorities for the culture and sale of its products.

### ***Phase 2***

This phase will allow the development of the first MPU which will have both production and transformation vocations. Terranueva has already completed the conception plans for the MPU and initiated the engineering for the construction of its first MPU. This will enable us to increase our product offering and expand our distribution network. Beyond the financial benefits the main reason for this phase is to contain the risk generally attributed to a transfer of production in laboratory mode to an industrial mode. Indeed, large-scale production brings risks that are specific to the process. Sound management requires validation of the industrial process before deployment or major investment to manage risk and avoid costly mistakes. It is in this second phase that Terranueva will qualify and optimize these production processes.

### ***Phase 3***

Deployment on a large scale. With Health Canada's certification in hand, and the large-scale industrialization process proven, Terranueva will be able to proceed with its expansion with the objective of exploiting the full capacity available on its site at L'Assomption (Québec). This represents up to fifteen (15) additional MPU on site and countless suppliers off site. To support this higher volume of production Terranueva plans to build a warehouse, a processing unit to transform dry flowers into oil, and a packaging and distribution center on the site to support its entire business plan. Terranueva also intends to develop its distribution and sales channels through the medical community for medicinal applications and with the SQDC and other designated authorities mandated to sale cannabis for recreative use throughout Canada.

#### ***(b) Significant Events or Milestones***

Over the next 36-month period, the Company expects to complete the milestones set out in Item 4.1(a) – “*Business Objectives*” above.

In 2021, Terranueva intends to:

- reach stable profitability of its UCRD operations;
- receive Health Canada approval and modification to its Licenses to allow for the sale of packaged dry cannabis flower as finish products;
- enter into supplier agreements with certified growers, to package and brand its own product line of dried cannabis;
- commence delivery to the SQDC, qualified medical patients and other captive customers;
- introduce the production of new strains; and
- establish an effective distribution network of its products and the products of other Licensed Producers in support of its captive customers.

Upon reaching stable profitability Terranueva intends to:

- build and operate a first MPU;
- build transformation and distribution center; and
- pursue large scale industrial expansion of its business.

(c) *Available Funds and principal purposes*

Based on the information available as at the date hereof, the Company had approximately \$200,000 of available funds on December 31, 2020.

The Company's ability to continue operations is dependent upon successfully raising the necessary financing. The Company has in place planning and budgeting processes to help determine the funds required to support normal operating requirements on an ongoing basis as well as its planned development and capital expenditures.

In December 2019, the Company secured a \$2M revolving credit facility (the "**Revolving Credit**") with a lending institution. These funds will be used to finance the activities of Terranueva Pharma, to finance its cannabis processing operations and, if necessary, to guarantee its working capital. Under the terms of the Revolving Credit, this credit facility is granted for a minimum one-year term and will bear interest at an annual rate of 9.95% when the Revolving Credit is used.

In September 2020, the Company secured a \$500,000 loan from EDC to support its day-to-day operations. This assistance from EDC came from the Regional Relief and Recovery Fund, relating to the measures of Canada's Economic Response Plan aimed at responding effectively to the COVID-19 pandemic. This loan from EDC was injected into the Company's working capital allowing it to continue executing its strategic plan, particularly by supporting its research and development activities and by allowing it to continue producing harvests in its MPU.

(d) *Purpose of Funds*

The following table sets out information respecting the Company's intended uses of such cash over the next 12 months. The amounts shown in the table below are estimates only and are based on the information available to the Company as at the date of the Listing Statement.

<b>Principal Uses of Proceeds</b>	<b>Amount (\$)</b>
Working capital	500 000
Salaries & Benefit	600 000
Rent	270 000
Professional fees	75 000

<b>Principal Uses of Proceeds</b>	<b>Amount (\$)</b>
Investors relations, Transfer Agent, Escrow Agent, Printer, continuous disclosure obligations filings, CSX, etc.	40 000
Travel, etc.	20 000
Office expenses	400 000
Safety	150 000
Phase II / operations	Nil
<b>Total</b>	<b>2 075 000</b>

Notwithstanding the foregoing, there may also be circumstances where, for sound business reasons, a reallocation of funds may be necessary for the Company to achieve its objectives. The Company may also require additional funds in order to fulfill all its expenditure requirements and to meet its objectives, in which case the Company expects to either issue additional shares or incur debt. There is no assurance that any additional funding required by the Company will be available if required.

## (2) Principal Products or Services

Terranueva is a Canadian Licensed Producer. Terranueva is cultivating two strain of cannabis in its UCRD and is ramping up to package, label and sale its production and other cannabis bought in bulk for sale to its captive customers. Terranueva will eventually make available to the medical community a variety of strains specifically designed to treat and assist with several common ailments and conditions. Terranueva intends to become a well-respected household name within the cannabis and medical community.

Terranueva's Facility has been audited and is deemed compliant by Health Canada's standards. Terranueva has already begun to plant its various strains and ramp to cultivation and production for the eventual sale of medical cannabis. Terranueva will make available to the medical community a variety of strains specifically designed to treat and assist with several common ailments and conditions. Terranueva intends to become a well-respected household name within the cannabis and medical community.

- The quality of the products and services to be offered by Terranueva is paramount to its success. Terranueva will ensure that its products are free from harmful pesticides, fungi and bacteria, mold, heavy metals and other harmful substances. Terranueva intends to offer a recreational product to the standard of products intended for the medical market. To achieve this, Terranueva has chosen to cultivate its cannabis strains in an indoor environment, built to the highest specification standards to control, among other things, temperature, brightness, humidity, carbon dioxide, water quality, nutrients supplied to plants and PH. This approach will ensure a recreational or medical product reaches to the quality standards of the pharmaceutical sector. Terranueva also intends to ensure the homogeneity of its harvests and maximize the efficiency of its productivity by implementing automated MPUs. Unlike a large-scale crop, its MPUs will be dedicated to growing only one strain of cannabis at a time. By optimizing the unique gestation environment for each strain, Terranueva will ensure superior quality for each of its crops and maximum yield to generate lowest production cost.
- The Terranueva product line will come from strains that primarily target chronic pain, migraines, sleep disorders and anxiety since these ailments constitute the main qualifying conditions for medical cannabis, as studies show.

- We will offer alternatives to the means of consumption that go beyond cannabis dried flowers. Terranueva's proposed product line will eventually include creams, oils, capsules and sprays to name a few.
- Research and development will be the economic engine of the company. Terranueva plans to conduct pre-clinical and clinical research in partnership with experts in the field to innovate and improve its value proposition. To achieve this, we have set a goal of investing 8% of our annual sales to support our commitment to research and development.
- Terranueva's production and management processes will be efficient and modern. Terranueva will implement intelligent MPUs that will focus on automation and digitization. In 2019 we commissioned our UCRD. Terranueva plans to gradually build MPUs to exploit the full capacity of the site at the pace of market demands and therefore on a short horizon of less than 3 years. Terranueva's long-term intention is to develop production sites of similar size throughout Québec, Canada and finally internationally to better support the industrial scheme that such a company requires.
- Terranueva, as a responsible approved producer, will provide detailed traceability of each gram of cannabis produced and sold (from cradle to grave).
- Terranueva will endeavor supporting the health network and the consumers in their collective education by providing specific information and advice on the products sold, their risks and benefits. The web site of Terranueva will also support the vertical integration of the Terranueva's distribution network by creating the vital link between producers, pharmacists and doctors to the great benefit of end users.
- Terranueva will endeavor to support a distribution network through the medical community and through permitted recreational cannabis vendors.

### **(3) Production and Sales**

Please refer to Item 4.1(2) – *Principal Products or Services*.

### **(4) Competitive Conditions and Position**

Please refer to Item 3.3 – *Trends, Commitments, Events or Uncertainties* and Item 4.1(2) - *Principal Products or Services*.

The current market of cultivators, processors, and sellers of cannabis for medical and recreational purposes is controlled by several large-scale Licensed Producers in Canada such as Canopy Growth, Cronos Group, Aurora and Aphria<sup>12</sup>. As of January 27, 2021, there were 587 Licensed Producers<sup>13</sup>. It is possible that several new producers in the same industry segments of Terranueva will add or emerge in the near future. The SQDC has already granted purchase orders to producers for its recreational market. There is thus potential that the Corporation will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and production and marketing experience than Company.

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<sup>12</sup> <https://www.investopedia.com/top-canadian-cannabis-companies-by-revenue-4587803>.

<sup>13</sup> <https://www.canada.ca/en/health-canada/services/drugs-medication/cannabis/industry-licensees-applicants/licensed-cultivators-processors-sellers.html>.

Terranueva's value proposition will differentiate it from many of the other producers as we will focus on serving captive markets with products that focus on four primary medical motivators which makes up more than 80% of the combined recreational and medical cannabis market.

By favoring a highly control and automated facility or suppliers to grow its cannabis Terranueva will raise the quality control and standards above others hence reducing certifications, production risks, and raising customer experience while at the same time optimizing production yield at the lowest possible cost.

By vertically integrating itself by eventually and pursuing the transformation of dry flowers into an oil, Terranueva will allow most end users to consume with discretion and without the nuisance and health risks normally attributed with smoking.

By allocating an 8% allowance of its sales to research and development, Terranueva will be able to pursue the clinical trials so necessary to engage and support the medical community.

By pursuing a full traceability from seed to sale, Terranueva shows the discipline and rigor necessary to reassure all potential end users and Health Canada.

As a best practices Terranueva will not seek to compare itself to competitors but rather to continually strive for excellence and lead the marketplace.

**(5) Lending and Investment Policies and Restrictions**

Not Applicable

**(6) Bankruptcy and Receivership**

The Company has not been the subject of any bankruptcy or any receivership or similar proceedings against the Company or any voluntary bankruptcy, receivership or similar proceedings by the Company, within the three most recently completed financial years or the current financial year.

**(7) Material Restructuring**

Please refer to Item 3.1 – *General Development of the Business* and Item 3.2 – *Significant Acquisition and Disposition* for additional details regarding the Acquisition.

**(8) Social and Environmental Policies**

Terranueva as acutely aware of the debate over the legalization of cannabis for both medical and recreational use. To this end, Terranueva is fully committed to support the health network and the population in their collective education and will through its web site and research and development trials add meaningful and serious value to the development of this new industry.

Cannabis production is a clean and green production process. Although it is an industry that is a high energy consumer it is perfectly suited for the renewable hydro electric energy available in the province of Québec.

It is management's intention to be accredited to or to the standard of ISO1400 Environmental Management standards within the first three years of operations.

**(9) Specialized Skills and Employees**

As at the date of and over the period covered by the Audited Financial Statements of Terranueva Pharma,

Terranueva Pharma has had as many as nine (9) employees excluding subcontractors and consultants.

Terranueva Pharma will also hire additional employees such as such geneticists, an expert in automation, an industrial engineer, a programmer, security expert and an expert in clinical research. Additional employees (production, sale, distribution, etc.) will subsequently be hired to deal with the growth of the company's level of activities. Among its current team, Terranueva already has engineers (mechanical, industrial, automation and smart factory specialist, etc.), a chemist with experience in quality assurance in pharmaceutical process, peoples with construction and building facilities experience, financial and public companies' expertise, and production, health and safety environment expertise.

#### **(10) Asset Backed Securities**

The Company does not have any asset backed securities.

#### **4.2 Companies with Mineral Projects**

Please refer to Item 3.1 – *General Development of the Business*.

#### **4.3 Companies with Oil and Gas Operations**

The Company does not have oil and gas operations.

### **5. SELECTED CONSOLIDATED FINANCIAL INFORMATION**

#### **5.1 Selected Consolidated Financial Information**

*Terranueva Corporation.*

Please refer to Item 6. – *Management's Discussion and Analysis*.

*Terranueva Pharma Corporation*

Please refer to Item 6. – *Management's Discussion and Analysis*.

#### **5.2 Dividends**

Terranueva Corporation has not paid dividends since its inception and it is not contemplated that any dividend will be paid in the immediate or foreseeable future. The Board of Directors has not adopted any dividend policy. There are no restrictions in the Terranueva Corporation's Articles and by-laws which could prevent Terranueva Corporation from paying dividends.

#### **5.3 Foreign Generally Accepted Accounting Principles (GAAP)**

Section 5.3 is not applicable to Terranueva Corporation

### **6. SELECTED CONSOLIDATED FINANCIAL INFORMATION AND MANAGEMENT'S DISCUSSION AND ANALYSIS**

*Terranueva Corporation*

With respect to Terranueva Corporation please refer to the annual Management Discussion and Analysis of the Company for the 12 months ended September 30, 2020, 2019 and 2018 which are attached at Appendix B of this Listing Statement. Those Management Discussion and Analysis reports must be read in conjunction with the information presented in this Listing Statement and in the audited annual financial



statements of the Company for the financial years ended on September 30, 2019, 2018 and 2017 prepared in accordance with IFRS and attached at Appendix B of this Listing Statement.

*Terranueva Pharma Corporation*

With respect to Terranueva Pharma Corporation please refer to the Management Discussion and Analysis of Terranueva Pharma Corporation for the 10-month period ended September 30, 2018 which is attached at Appendix C of this Listing Statement. This Management Discussion and Analysis report must be read in conjunction with the information presented in this Listing Statement and in the audited annual financial statements of Terranueva Pharma Corporation for the 10-month period ended on September 30, 2018 prepared in accordance with IFRS and attached at Appendix C of this Listing Statement.

**7. MARKET FOR SECURITIES**

Since December 17, 2018, Terranueva is listed on the CSE under the symbol TEQ.

**8. CAPITALIZATION**

The following table summarizes our capitalization as at the date of this Listing Statement:

Designation of Security	Number of Authorized	Number of Common Shares Issued and Outstanding <sup>(1)</sup>
Common Shares	Unlimited	32,844,961

**Note:**

(1) Excluding Common Shares reserved for issuance pursuant to outstanding Warrants and Options. For further details about our issued securities, see Section 14 – *Capitalization*.

**9. STOCK OPTIONS TO PURCHASE SECURITIES**

The following table summarizes the outstanding incentive Options to purchase Common Shares in the Company’s authorized capital as of January 28, 2021. As of January 28, 2021, the Company has 3,166,329 Common Shares reserved for issuance upon exercise of as much Options under its Stock Option Plan, of which 1,975,000 Options are currently issued and 1,191,329 Options remained available to grant.

<b>Group</b>	<b>Number of Options (Securities Under Option)</b>	<b>Exercise Price</b>	<b>Date of Grant</b>	<b>Expiry Date</b>	<b>Market Value of the Common Shares per share on the Date of Grant</b>	<b>Market Value of the Common Shares per share<sup>(1)</sup></b>
Current and past executive officers (2 Nbr.) and Directors who are not also executive officers (6 Nbr.) of the Corporation	1,690,000 Options (1,690,000 Common Shares)	\$0.50	February 5, 2019	February 4, 2029	\$0.50	\$0.125
Current and past executive officers (Nil.) and Directors who are not also executive officers (Nil) of the subsidiaries of the Corporation	Nil	Nil	Nil	Nil	Nil	Nil
Current and past other employees of the Corporation	135,000 options (135,000 Common Shares)	\$0.50	February 5, 2019	February 4, 2029	\$0.50	\$0.125
Current and past other employees of the subsidiaries of the Corporation	Nil	Nil	Nil	Nil	Nil	Nil
Consultants of the Corporation	150,000 Options (150,000 Common Shares)	\$0.50	February 5, 2019	February 4, 2022	\$0.50	\$0.125
Other person or company, including any underwriter	Nil	Nil	Nil	Nil	Nil	Nil
<b>TOTAL:</b>	1,975,000 Options (1,975,000 Common Shares)					

**Notes:**

- (1) The market value of the Common Shares at the close of business on January 28, 2021 was \$0.1250 per Common Share.

### ***Terms of the Stock Option Plan***

Options are subject to the Stock Option Plan of the Corporation. Under the Stock Option Plan, options to purchase shares are granted to directors, officers, employees and consultants of the Corporation in order to encourage them to contribute in achieving its goal of increasing shareholder value. The Board of Directors determines which person is entitled to participate in the Stock Option Plan, the number of options granted, the date which each option is granted and the exercise price of such options.

The Board of Directors make these decisions subject to the Stock Option Plan and, where applicable, the policies of the Exchange.

Under the Stock Option Plan, the number of shares reserved for issuance to an individual must not exceed 5% of the number of issued and outstanding shares of the Corporation share capital within a period of one year (on a non-diluted basis) less the aggregate number of shares already reserved for issuance to such person under any other stock option granted as an incentive or compensation.

The share purchase options are granted for a term determined by the board of directors at the time of the grant and in any event, such term couldn't exceed 10 years from the date of the grant.

## **10. DESCRIPTION OF THE SECURITIES**

### **10.1 Description of the Securities**

On January 28, 2021, 32,844,961 Common Shares are issued and outstanding as fully paid and non-assessable Common Shares of the Corporation.

#### ***Common Shares***

Subject to the provisions of the Corporation's Articles, the Corporation is authorized to issue an unlimited number of common shares (the "**Common Shares**") without par value, voting and participating. The holders of Common Shares are entitled to dividends, if, as and when declared by the Board of Directors, and one vote per share at meetings of the shareholders of the Corporation and, upon liquidation, dissolution or winding up the Corporation, entitled to receive such assets of the Corporation as are distributable to the holders of Common Shares. All outstanding Common Shares are fully paid and non-assessable.

#### ***Options***

See Item 9 of this Listing Statement. As of the date hereof, the Company has 3,166,329 Common Shares reserved for issuance upon exercise of 3,166,329 Options under its Stock Option Plan, of which 1,975,000 Options are currently issued or reserved and 1,191,329 Options remained available to grant.

#### ***Warrants***

As at the date of this Listing Statement, the Company has 2,310,000 Warrants outstanding. Before the amendment, each Warrant was exercisable into Common Shares at an exercise price \$0.65 per Common Share until eighteen (18) months following the Closing. The Corporation has extended the expiry of the Warrants to 5 p.m. on June 14, 2022, or for two additional years, and modify the exercise price of the Warrants to \$ 0.275, the whole, subject to the following conditions in accordance with the policies of the Canadian Stock Exchange: (i) if, following the amendment, the market price of the Common Shares exceeds the amended exercise price by the applicable private placement discount for any 10 consecutive trading days, the terms of the Warrants must also be amended to 30 days. The 30-day period will commence 7 days from the end of the 10-day period; and (ii) consent is obtained from all holders of the Warrants.

## ***Agent Warrants***

During the financial year ended September 30, 2021, 65,280 Agent Warrants has expired. Before their expiry, each Agent Warrant was exercisable into Common Shares at an exercise price \$0.50 per Common Share until eighteen (18) months following the Closing.

### 10.2 to 10.4 Debt Securities and Other Securities, Modification of Terms and Other Attributes

Not applicable.

### 10.5 Modification of Terms of Securities

The Corporation has extended the expiry of these Warrants to 5 p.m. on June 14, 2022, or for two additional years, and modify the exercise price of the Warrants to \$ 0.275, the whole, subject to the following conditions in accordance with the policies of the Canadian Stock Exchange: (i) if, following the amendment, the market price of the Common Shares exceeds the amended exercise price by the applicable private placement discount for any 10 consecutive trading days, the terms of the Warrants must also be amended to 30 days. The 30-day period will commence 7 days from the end of the 10-day period; and (ii) consent is obtained from all holders of the Warrants.

### 10.6 Miscellaneous Securities Provisions

Not applicable.

### 10.7 Prior Sales

For the 12-month period prior to the date of this Listing Statement, no Common Share has been issued.

### 10.8 Stock Exchange Price

Since December 17, 2018, Terranueva is listed on the CSE under the new symbol TEQ. From April 8, 2013 until November 27, 2018, the Common Shares has been listed on the TSX-V under the symbol AXQ. Previously, the Common Shares were listed on the TSX-V under the symbol DOD.

	<b>HIGH</b>	<b>LOW</b>	<b>VOLUME</b>
			<b>Common</b>
			<b>Shares</b>
	<b>(\$)</b>	<b>(\$)</b>	<b>#</b>
<b><u>Year ended September 30, 2021</u></b>	<b>(post-Transaction)</b>		
January 1 <sup>st</sup> to 28, 2021	0.15	0.09	1,938
December 2020	0.11	0.08	422,632
November 2020	0.15	0.05	456,503
October 2020	0.10	0.08	227,831
<b><u>Year ended September 30, 2020</u></b>	<b>(post-Transaction)</b>		
4 <sup>th</sup> quarter	0.20	0.085	1,332,887
3 <sup>rd</sup> quarter	0.26	0.18	298,651
2 <sup>nd</sup> quarter	0.415	0.10	825,188
1st quarter	0.45	0.20	1,190,311

	HIGH	LOW	VOLUME
			Common
			Shares
	(\$)	(\$)	#
<u>Year ended September 30, 2019</u>	<u>(post-Transaction)</u>		
4 <sup>th</sup> quarter	0.70	0.42	746,875
3 <sup>rd</sup> quarter	1.30	0.62	1,723,450
2 <sup>nd</sup> quarter	1.64	0.45	5,093,799
1st quarter	0.080	0.38	604,590

**Note:**

- (1) On July 25, 2018, trading of the Common Shares was halted at the request of the Corporation. On July 24, 2018, the last day the Common Shares were traded on the TSX Venture Exchange, the price was \$0.06 (pre-Transaction).

**11. ESCROWED SECURITIES AND POOLING AGREEMENTS**

Upon completion of the Acquisition, 17,699,852 Common Shares were held by Related Persons and escrowed as required by the Exchange's policies and National Policy 46-201 – *Escrow for Initial Public Offerings*. 10% of those Common Shares were released on December 17, 2018, which is the date that the Common Shares commenced trading on the Exchange, and are followed by six subsequent releases of 15% every six months thereafter. As of the date hereof, the outstanding Common Shares held in escrow by such Related Persons is as follow.

Designation of class held in escrow <sup>(1)</sup>	Number of shares held in escrow	Percentage of class (non-diluted)
Common Share	5,309,964	16.17 %

**Note:**

- (1) The depository for those Common Shares is Computershare Investors Services Inc. pursuant to an escrow agreement dated December 14, 2018 among the said depository, Sylvain Aird, Francisco Perez Jr., Fiducie Castillo, GMTN Inc., Alain Bureau, Pierre Monet, Pierre Ayotte, Louis Doyle and Palmaco Trust.

**12. PRINCIPAL SHAREHOLDERS**

To the knowledge of the directors and officers of each of the Corporation, no Person beneficially owns, directly or indirectly, or exercises control or direction over voting securities carrying more than 10% of the voting rights attached to any class of voting securities of the Corporation as of the date hereof, except as follows:

Name	Type of Ownership	Number of Common Shares upon completion of the Transaction	% of Common Shares
Francisco Perez Jr. <sup>(1)</sup>	Registered and Beneficial	11,027,429 <sup>(2)</sup>	33.57%
GMTN Inc. <sup>(3)</sup>	Registered	4,818,838	14.67% <sup>(4)</sup>

**Notes:**

- (1) Francisco Perez Jr. holds, directly and indirectly through Fiducie Castillo, of which Mr. Perez is a Trustee and through GMNT Inc., of which Mr. Perez is a shareholder, 11,027,429 Common Shares and 450,000 Options representing an aggregate of 30.91% of the issued and outstanding Common Shares on a fully diluted basis, after giving effect to Common Shares reserved for issuance upon the exercise of the Options and Warrants of the Corporation but excluding those reserved pursuant to a potential conversion into Common Shares.
- (2) Includes 7,464,818 Common Shares (22.73%) held through Fiducie Castillo, of which Francisco Perez Jr. is a Trustee and 715,116 Common Shares (2.18%) held by Francisco Perez Jr. indirectly through GMTN Inc., of which is Mr. Perez Jr. is a shareholder. Francisco Perez Jr. is Director and Chief Operating Officer of the Corporation.
- (3) Francisco Perez Jr., Pierre Monet, Rafael Percopo, Fiducie Familiale Lorient, Petrie Raymond Gestion Conseil Inc. and Pierre Ayotte are shareholders of GMTN Inc.
- (4) Representing an aggregate of 12.98% of the issued and outstanding Common Shares on a fully diluted basis as described at note 1 hereinabove.

### 13. DIRECTORS AND OFFICERS

Messrs. Sylvain Aird, Marc-André Aubé, Patrice Boily, Alain Bureau, Louis Doyle, Rafael Percopo and Francisco Perez Jr. were elected as directors at the special meeting of shareholders of Axe on November 23, 2018.

Messrs. Francisco Perez Jr. holds the position and offices with the Corporation as indicated below since November 23, 2018 and was holding the same offices with Terranueva Pharma since May 1<sup>st</sup>, 2018.

Peter Polatos and Dominique St-Louis hold their position with the Corporation since November 2, 2020 and December 15, 2019 respectively.

Each director of the Corporation holds office until the close of the next annual general meeting of the Corporation, or until his or her successor is duly elected or appointed, unless his or her office is earlier vacated. The term of office of the Corporation's officers expires at the discretion of the Corporation's directors.

The following chart states, for each director or officer of the Corporation, their name, municipality of residence, age, current position with the Corporation as well as information regarding the Common Shares beneficially owned or controlled directly or indirectly, as of the date hereof.<sup>(4)</sup>

Name, Municipality of Residence and Age <sup>(1)</sup>	Position with the Corporation	Number and Percentage of Common Shares Owned or Controlled
Peter Polatos Laval, Québec Age: 60	Director, Interim President and Chief Executive Officer (CEO)	- %-

Name, Municipality of Residence and Age <sup>(1)</sup>	Position with the Corporation	Number and Percentage of Common Shares Owned or Controlled
Louis Doyle <sup>(3)</sup> Kirkland, Québec Age: 62	Director	217,134 0.66%
Dominique St-Louis St-Lambert, Québec Age: 58	Chief Financial Officer (CFO)	- %-
Rafael Percopo Boisbriand, Québec Age: 52	Director	585,691 1.78%
Francisco Perez Jr. Repentigny, Québec Age: 38	Director, Chief Operating Officer (COO)	11,027,429 33.57%
Sylvain Aird <sup>(3)</sup> Montréal, Québec Age: 50	Director, Secretary	219,092 0.67%
Marc-André Aubé <sup>(2)</sup> Ville Mont-Royal, Québec Age: 48	Director	443,508 1.35%
Patrice Boily <sup>(2)</sup> Ste-Marguerite-du-Lac- Masson, Québec Age: 55	Director	- %-
Alain Bureau <sup>(2)(3)</sup> Rio Hato, Panama Age: 51	Director	297,134 0.90%

**Notes:**

- (1) The information as to principal occupation, business or employment and Common Shares beneficially owned or controlled is not within the knowledge of the management of the Company and has been furnished by the respective individuals.
- (2) Member of the Audit Committee of the Corporation.
- (3) Member of the Corporate Governance and Human Resources Committee of the Corporation.

As of the date of this Listing Statement, the Related Persons of the Corporation beneficially own, directly or indirectly, as a group 16,368,019 Common Shares of the Corporation representing approximately 49.83% of all outstanding voting securities of the Corporation on an undiluted basis.

### ***Relevant Education and Experience***

The following are summaries of the directors and officers of the Corporation, including their respective positions with the Corporation, relevant work experience, principal occupation over the past five (5) years and educational background:

#### **Marc-André Aubé** (Director of the Corporation)

Marc-André Aubé holds since January 2017 the position of President and COO of Walter Surface Technologies, a leader in surface treatment technologies established in 7 countries in North America, South America and Europe. He oversees the company's strategic corporate direction with a focus on global expansion. Before joining Walter, Mr. Aubé was, from May 2007 to January 2017, President and Chief Operating Officer of GardaWorld Protective Services. He also has experience in various industry sectors including chemical products with Nalco Canada, oil and gas with Petro-Canada, and finance with the Caisse de dépôt et placement du Québec and Scotia Capital Inc. Mr. Aubé is a CFA and also holds an MBA from the HEC Montréal and an engineering degree from the Montréal Polytechnic School.

#### **Peter Polatos** (President and Chief Executive Officer (CEO) and Director of the Corporation)

Mr. Polatos is President of IPC (Investments Polatos Corp), a firm specializing in alternative financing and corporate restructuring. He is also a founding member of the BTB Real Estate Investment Trust (BTB-Un.TO) and a member of the organization's Investment Committee where he previously served as Vice President, Acquisitions and Assistant Secretary until March 31, 2009. Until September 2005, he held the position of Assistant Vice President of Colliers International (Quebec) Inc., following four years (November 2001 to July 2005) as Vice President, Business Development at Technoparc Saint-Laurent and five years (March 1996 to September 2001) as a senior consultant at the National Bank of Canada. Peter Polatos has extensive experience in the business world and the real estate industry, both in reorganization and restructuring, and the management, acquisition and sale of buildings. He holds a Master of Business Administration (MBA) from Concordia University, which he obtained in March 1997.

#### **Patrice Boily** (Director of the Corporation)

Patrice Boily is currently Chief Executing Officer of Lune Rouge 360 since January 2017 after he joined it as a consultant in January 2016. From May 2003 till June 2014, Mr. Boily was strategic advisor, Cash Services, Canada and United-States, for the multinational Garda World Security Corporation. Previously, he held the position of Chief Operating Officer for the same corporation. He has extensive North American experience in the security field. Patrice Boily is an industrial engineer graduated from the École Polytechnique of Université de Montréal. He has over 25 years of experience in operations management, specializing in business process reengineering. Prior to joining Garda, Mr. Boily served as Vice President of Operations for Touchtunes Digital Music. Prior to that, he led the operations of Dentalmatic and Discreet Logic.

#### **Alain Bureau** (Director of the Corporation)

Alain Bureau is currently President of Atico Mining Corporation since September 2019, a mineral exploration company listed on the TSX Venture Exchange. Alain Bureau was trained as an officer in the Canadian Armed Forces and holds a Bachelor of Engineering degree from Royal Military College of Canada. Mr. Alain Bureau is a member of the Ordre des Ingénieurs du Québec. Mr. Bureau has over 15 years of mining and construction experience in Canada and Latin America. In the past, he has been involved in major international projects such as Pinos Altos Mexico, La Ronde, Raglan, Altonorte, Izcaycruz, Yauliyacu and Escondida, the largest copper mine in the world, located in Chile. He has also worked in Peru on mining projects, as well as for several major Canadian mining companies of international scale. Mr. Bureau was also National Construction Manager in Venezuela and in the Dominican Republic for the Canadian engineering and construction firm Dessau-Soprin International. From November 2006 till December 2016, Mr. Bureau acted as a director and President and Chief Executive Officer of Pershimco Resources Inc. (now Orla Mining Ltd.).



**Louis Doyle** (Director of the Corporation)

Louis Doyle is Director of Terranueva since November 23, 2018. Mr. Doyle has over 30 years of experience in the capital markets with expertise in operations management, stock market listing and governance problem resolution. Since January 2016, Louis Doyle is actively engaged as a Executive director of Québec Bourse Inc., an association regrouping Quebec based listed companies and other market stakeholders. Since December 2015, Mr. Doyle, also holds the position of President at Doyle Gestion Conseils Inc., a company providing consulting and administrative services to private and public companies. From October 1999 to December 2015, Mr. Doyle was Vice President, Montreal, of the TSX Venture Exchange. In this capacity, he was responsible for all business development and listing activities for Quebec and the Maritime Provinces. Until his departure from the TSX Venture Exchange, he was Chair of the Listing Committee, a member of the Policy Committee and also responsible for the TSX Venture Exchange mentorship program at a national level. Louis Doyle is also a director of Abitibi Royalties Inc. and Mondias Natural Products Inc, two corporations listed on the TSX Venture Exchange.

**Dominique St-Louis** (Chief Financial Officer (CFO) of the Corporation)

For the past 20 years, Mr. St-Louis has held various management positions within Groupe SAJY Inc., a group of private companies active in the communications sector, including the position of Chief Executive Officer at &CO Creative Collaborators, one of the largest independent creative agencies in Quebec. In this role, Dominique supports several local and national brands in developing in a very fast-changing environment. In parallel, from 2012 to 2015, he served as Chief Financial Officer for Perisson Oil Corporation (CSE: POG).

**Francisco Perez Jr.** (Chief Operating Officer (COO) and Director of the Corporation)

Francisco Junior Perez is the Chief Operations Officer and founder of Terranueva Pharma (COO) since May 2018. For the past five years, Mr. Perez has been acting as Transport and Logistics Supervisor at Perez International inc / 9157-4863 Quebec Inc. Mr. Perez has 15 years of experience as a Director of Specialized Operations in policy integration, new accreditation and new technologies in an ever-changing environment from an international perspective. His proactive expertise in preventive measures has allowed him to provide permanent solutions to recurring problems and improve the fluidity of the company's operations.

**Rafael Percopo** (Director of the Corporation)

Rafael Percopo is Director of Terranueva since November 23, 2018. Mr. Percopo holds a Bachelor of Science in Chemistry from Concordia University. He has been working for more than 24 years in the generic pharmaceutical industry. He has held several key positions including 16 years as a Pilot Plant Manager (R&D) at Pharmascience Inc. from July 2001 to September 2016, scientific business division, Production Manager at Odan Laboratories from then to May 2018 and Pangeo Pharma, as well as quality assurance, validation and engineering for various companies. He has developed skills to manage the training and development of a highly skilled workforce to meet the requirements of good commercial manufacturing practices as well as the development of new products in the clinical trial stage. He has been involved and worked on major projects such as moving and building a new facility for manufacturing highly toxic solid forms and expanding two plants into solid forms and manufacturing semi-solid products.

**Sylvain Aird** (Director and Secretary of the Corporation)

Sylvain Aird is a seasoned law practitioner who has been acting as legal counsel for almost 25 years of which the last 13 years have been at Boralex Inc., a TSX listed company and a renewable energy company present in both North America and Europe. From September June 2012 to June 2017, Mr. Aird held the position of Vice-President, Europe, Chief Legal Officer and Secretary at Boralex inc. He also held the position of Vice President Business Development at Boralex inc. from June 2017 to March 2018. During his career, Mr. Aird has acted in multiple transactions and financings which value has reached more than \$2 billion, both in Canada and internationally and, has acquired an unparalleled experience in mergers and acquisitions, financing, securities and corporate governance sectors. His years in the business have

given him significant experience and understanding of the corporate world by being in contact with entrepreneurs, founders, executives of large and medium-sized corporations, operators, financial advisors as well as board of directors' members. Since April 2018, Mr. Aird is a lawyer at Séguin Racine, Avocats.

Messrs. Rafael Percopo and Francisco Perez Jr. are the directors or officers who have experience within the business field of the Corporation.

It is expected that Dominique St-Louis, Rafael Percopo and Francisco Perez Jr. will devote 100% of their time to the business of the Corporation and that Sylvain Aird, Marc-André Aubé, Patrice Boily, Alain Bureau and Louis Doyle will devote 5% of their time to the business of the Corporation.

### ***Board Committees***

As indicated in the table above, the Board of Directors of the Corporation has two committees, namely the Corporate Governance and Human Resources Committee, composed of Sylvain Aird, Alain Bureau and Louis Doyle, and the Audit Committee, composed of Marc-André Aubé, Patrice Boily and Alain Bureau.

Based on the foregoing and their respective above bios at Section 13 - Directors and Officers, all members of the audit committee are financially literate and independent. Indeed, all Audit Committee members have developed the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements and has knowledge thereof.

Marc-André Aubé is a CFA by training and holds an MBA from the HEC Montréal. He is the current President and COO of Walter Surface Technologies, a leader in surface treatment technologies established in 7 countries in North America, South America and Europe. Before joining Walter, Mr. Aubé was President & Chief Operating Officer Canada, Protective Services of Garda World Security Corporation. He also has experience in finance with the Caisse de dépôt et placement du Québec and Scotia Capital Inc.

Patrice Boily is Chief Executive Officer of Lune Rouge 360, a marketing solutions and web and mobile applications company, and was previously strategic advisor Cash Services, Canada and United States, for Garda World Security Corporation.

Alain Bureau is President of Atico Mining Corporation and was the President and CEO of Toachi Mining Inc., the President and CEO of Ressources Pershimco Inc (now Orla Mining Ltd.), two exploration mining companies listed on the TSX Venture Exchange. In the past, he has been involved in several major international mining projects and as national construction manager.

### ***Cease Trade Orders or Bankruptcy***

As of the date of this Listing Statement, with the exception of the individual disclosed hereunder, no director, officer, insider or promoter of the Corporation or a shareholder holding a sufficient number of securities of Corporation to affect materially the control of the Corporation is, or within 10 years before the date of this Listing Statement has been, a director, officer, insider or promoter of any other issuer that, while that person was acting in that capacity:

- a) was the subject of a cease trade or similar order, or an order that denied the other issuer access to any exemptions under applicable securities legislation for a period of more than 30 consecutive days;

- b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the issuer being the subject of a cease trade or similar order or an order that denied the relevant issuer access to any exemption under securities legislation, for a period of more than 30 consecutive days;
- c) 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
- d) 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.

### ***Penalties or Sanctions***

As of the date of this Listing Statement, with the exception of the individual disclosed hereunder, no director, officer, insider or promoter of the Corporation or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by any securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or has been subject to any other penalties or sanctions imposed by a court or regulatory body or self-regulatory authority that would be likely to be considered important to a reasonable investor making an investment decision.

### ***Personal Bankruptcies***

As of the date of this Listing Statement, no nominee for election as a director of the Corporation or any proposed director, officer, insider or promoter of the Corporation or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation is, or within the 10 years before the date of this Listing Statement, has been declared bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or has been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold their assets.

### ***Conflicts of Interest***

To the knowledge of the directors and officers of the Corporation, there is no existing or potential material conflict of interest between the Corporation or a subsidiary of the Corporation and a director, officer or promoter of the Corporation or a subsidiary of the Corporation. Conflicts of interest, if any, will be subject to procedures and recourses pursuant to *Canadian Business Corporations Act* (the “CBCA”).

## **14. CAPITALIZATION**

### **14.1 Issued Capital**

The following tables provide information about the Company’s capitalization as of the date hereof.

<b>Issued Capital</b>	<b>Number of Common Shares (non-diluted)<sup>(1)</sup></b>	<b>Number of Common Shares (fully-diluted)<sup>(2)</sup></b>	<b>% of Issued (non-diluted)</b>	<b>% of Issued (fully diluted)</b>
<u>Public Float</u>				
Total Outstanding (A)	32,844,961	37,129,961	100%	100%
Held by Related Persons or employees of the Issuer or Related Person of the Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer upon exercise or conversion of other securities held) (B) (“non-public securityholders”)	16,368,019	17,781,019	49.83%	47.89%
Total Public Float (A-B)	16,476,942	19,348,942	50.17%	52.11%
<u>Freely-Tradeable Float</u>				
Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C)	13,029,163	13,029,163	39.67%	35.09%
Total Tradeable Float (A-C)	19,815,798	24,100,798	60.33%	64.91%

**Notes:**

- (1) Excluding Common Shares reserved for issuance pursuant to outstanding Warrants and Options.
- (2) Including Common Shares reserved for issuance pursuant to 2,310,000 outstanding Warrants and 1,975,000 outstanding Options. As of the date hereof, the Company has 3,166,329 Common Shares reserved for issuance upon exercise of as much Options under its Stock Option Plan, of which 1,975,000 Options are currently issued and outstanding and 1,191,329 Options remained available to grant.

***Public Securityholders (Registered)***

For the purposes of this report, “public securityholders” are persons other than persons enumerated in section (B) of the previous chart.

**Class of Security**

<b>Size of Holding of Common Shares</b>	<b>Number of Holders</b>	<b>Total number of Common Shares</b>
1 – 99 securities	1	1
100 – 499 securities	-	-
500 – 999 securities	-	-
1,000 – 1,999 securities	-	-
2,000 – 2,999 securities	-	-
3,000 – 3,999 securities	-	-
4,000 – 4,999 securities	2	8,000
5,000 or more securities	42	10,809,317
<b>Total</b>	<b>45</b>	<b>10,817,318</b>

**Public Securityholders (Beneficial)**

Beneficial public security holders include (i) beneficial holders holding securities in their own name as registered shareholders; and (ii) beneficial holders holding securities through an intermediary where the Company has been given written confirmation of shareholdings. For the purposes of this section, it is sufficient if the intermediary provides a breakdown by number of beneficial holders for each line item below; names and holdings of specific beneficial holders do not have to be disclosed. If an intermediary or intermediaries will not provide details of beneficial holders, give the aggregate position of all such intermediaries in the last line.

**Class of Security**

<b>Size of Holding of Common Shares</b>	<b>Number of Holders</b>	<b>Total number of Common Shares</b>
1 – 99 securities	663	14,397
100 – 499 securities	223	52,757
500 – 999 securities	176	120,136
1,000 – 1,999 securities	174	233,806
2,000 – 2,999 securities	93	212,863
3,000 – 3,999 securities	75	252,013
4,000 – 4,999 securities	32	138,345
5,000 or more securities	312	8,196,301
Undetermined	1	16,767
<b>Total</b>	1,749	9,237,385

**Non-Public Securityholders (Registered)**

For the purposes of this report, “non-public securityholders” are persons enumerated in section (B) of the issued capital chart.

**Class of Security**

<b>Size of Holding of Common Shares</b>	<b>Number of Holders</b>	<b>Total number of Common Shares</b>
1 – 99 securities	-	-
100 – 499 securities	-	-
500 – 999 securities	-	-
1,000 – 1,999 securities	-	-
2,000 – 2,999 securities	-	-
3,000 – 3,999 securities	-	-
4,000 – 4,999 securities	-	-
5,000 or more securities	9	12,640,975
<b>Total</b>	9	12,640,975

## 14.2 Convertible Securities/Exchangeable Securities

The following table summarizes the outstanding securities convertible into Common Shares in our authorized capital as of the date of this Listing Statement:

<b>Description of Security (include conversion / exercise terms, including conversion / exercise price)</b>	<b>Number of convertible / exchangeable securities outstanding</b>	<b>Number of listed securities issuable upon conversion / exercise</b>
Stock Options issued with an exercise price of \$0.50 per Common Share expiring on February 4, 2029 or 2022	1,975,000 Stock Options	1,975,000 Common Shares
Warrants issued with an exercise price of \$0.275 per Common Share	2,310,000 Warrants	2,310,000 Common Shares
<b>Total:</b>	1,975,000 Stock Options <sup>(2)</sup> ; 2,310,000 Warrants	1,975,000 <sup>(1)</sup> + 2,310,000 Common Shares

### Notes:

- (1) As of the date hereof, the Company has 3,166,329 Common Shares reserved for issuance upon exercise of as much Options under its Stock Option Plan, of which 1,975,000 Options are currently issued and 1,191,329 Options remained available to grant.

## 14.3 Other Listed Securities

The Company has no other listed securities reserved for issuance that are not included in Section 14.2 and the following:

- following a decision of the Board of Terranueva, a potential 2,900,000 Common Shares (50 cents per Common Share) may be issued pursuant to the exercise of a right to buyout the Facility at its fair market value.

## 15. EXECUTIVE COMPENSATION

A summary of the Company's and the Resulting Issuer's executive compensation is set forth in Appendix A to this Listing Statement.

## 16. INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICER

### 16.1 Aggregate Indebtedness

No existing or proposed director, executive officer or senior officer of the Corporation or any associate of any of them, is indebted to the Corporation or its subsidiary.

## 16.2 Indebtedness under Securities Purchase and Other Programs

Not applicable.

## 17. 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 Listing Statement. These risks and uncertainties are not the only ones we are 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 occur, the business, financial condition, liquidity and results of our operations could be materially adversely affected and may impact negatively the price of the Corporation's Common Shares.

### *Acquisition Risks*

The use of proceeds and business strategy of Terranueva Corporation is to seek new opportunities in the cannabis space, including acquiring existing companies, businesses or properties in which to build new facilities. In pursuit of such opportunities, Terranueva Corporation may fail to select appropriate businesses or properties, to negotiate appropriate acquisition terms or to conduct sufficient due diligence to determine all related liabilities and regulatory requirements. In addition, Terranueva Corporation may encounter difficulties in transitioning the acquired business or properties into its existing business. Terranueva Corporation may fail to realize cost savings, synergies and benefits from any acquisition. Terranueva Corporation cannot provide assurance that it will complete any acquisition that it pursues on favorable terms, or that any such acquisitions will ultimately benefit the business.

### *Unfavourable Publicity or Consumer Perception*

Terranueva Corporation believes the medical marijuana industry is highly dependent upon consumer perception regarding the safety, efficiency and quality of the medical marijuana produced. Consumer perception of the Terranueva Corporation's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical marijuana products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the medical marijuana market or any product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for Terranueva Corporation's products and the business, results of operations, financial condition and cash flows of Terranueva 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 Terranueva Corporation, the demand for products, and the business, results of operations, financial condition and cash flows of Terranueva Corporation. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical marijuana in general, or Terranueva Corporation's products specifically, or associating the consumption of medical marijuana with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products legally, appropriately or as directed.

### *Factors Which May Prevent Achievement of Growth Targets*

Terranueva Corporation is currently in the development stage. There is a risk that additional resources will be needed and milestones will not be achieved on time, on budget, or at all, as they can be adversely affected by a variety of factors, including some that are discussed elsewhere in these risk factors and the following as it relates to Terranueva Corporation and its licensed suppliers:

- delays in obtaining, or conditions imposed by, regulatory approvals;
- facility design errors;
- environmental pollution;
- non-performance by third party contractors;
- increases in materials or labour costs;
- construction performance falling below expected levels of output or efficiency;
- breakdown, aging or failure of equipment or processes;
- contractor or operator errors;
- labour disputes, disruptions or declines in productivity;
- inability to attract sufficient numbers of qualified workers;
- disruption in the supply of energy and utilities; and
- major incidents and/or catastrophic events such as fires, explosions, earthquakes or storms.

### *Volatile Market Price for Common Shares*

The market price for Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond Terranueva Corporation's control, including the following: (i) actual or anticipated fluctuations in Terranueva Corporation's quarterly results of operations; (ii) recommendations by securities research analysts; (iii) changes in the economic performance or market valuations of companies in the industry in which Terranueva Corporation operates; (iv) addition or departure of Terranueva Corporation's executive officers and other key personnel; (v) release or expiration of transfer restrictions on outstanding Common Shares; (vi) sales or perceived sales of additional Common Shares; (vii) operating and financial performance that vary from the expectations of management, securities analysts and investors; (viii) regulatory changes affecting Terranueva Corporation's industry generally and its business and operations; (ix) announcements of developments and other material events by Terranueva Corporation or its competitors; (x) fluctuations to the costs of vital production materials and services; (xi) changes in global financial markets and global economies and general market conditions, such as interest rates and pharmaceutical product price volatility; (xii) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving Terranueva Corporation or its competitors; (xiii) operating and share price performance of other companies that investors deem comparable to Terranueva Corporation or from a lack of market comparable companies; (xiv) and news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in Terranueva Corporation's industry or target markets.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Such volatility has been particularly evident with regards to the share prices of medical cannabis companies that are public issuers in Canada. Accordingly, the market price of Common Shares may decline even if Terranueva Corporation's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are lasting and not temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in share price and volume will not occur. If such increased levels of volatility and market turmoil continue, Terranueva Corporation's operations could be adversely impacted and the trading price of Common Shares may be materially adversely affected.



### *Holding Corporation Status*

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

### *Dividends*

Terranueva Corporation's policy is to retain earnings to finance the development and enhancement of its products and to otherwise reinvest in Terranueva Corporation's businesses. Therefore, Terranueva Corporation does not anticipate paying cash dividends on Common Shares in the foreseeable future. Any decision to declare and pay dividends in the future will be made at the discretion of the board of directors of Terranueva Corporation and will depend on, among other things, financial results, cash requirements, contractual restrictions and other factors that the board of directors of Terranueva Corporation may deem relevant. As a result, investors may not receive any return on investment in the Common Shares unless they sell them for a share price that is greater than that at which such investors purchased them.

### *Limited Market for Securities*

There can be no assurance that an active and liquid market for the Common Shares will be maintained and an investor may find it difficult to resell any securities of Terranueva Corporation.

### *COVID-19*

In March 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. The situation is constantly changing, and the measures put in place have numerous economic repercussions on a global and local level. In response to the COVID-19 epidemic, governments have put in place emergency measures to combat the spread of the virus. These measures which include the implementation of a travel ban, self-imposed quarantine periods and social distancing have caused significant disruption for businesses, leading to a slowdown in the economy. The duration and impact of the COVID-19 pandemic remain unknown to this day, as does the effect of government actions. The current difficult economic climate may result in financial repercussions on the Corporation, which could be significant, including the ability to obtain financing. The Corporation is putting measures in place to mitigate the impact of the pandemic on its future operations. The Corporation is continuing its review of the impact that market risk could have on the capital position and on its future operations.

### *Liquidity Risk*

Terranueva Corporation's ability to remain liquid over the long term depends on its ability to obtain additional financing. Terranueva Corporation has in place planning and budgeting processes to help determine the funds required to support normal operating requirements on an ongoing basis as well as its planned development and capital expenditures. Terranueva Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. Furthermore, any debt

financing, if available, may involve restrictive covenants, which may limit its operating flexibility with respect to business matters. If additional funds are raised through the issuance of equity securities, the percentage ownership of existing shareholders will be reduced, such shareholders may experience additional dilution in net book value, and such equity securities may have rights, preferences or privileges senior to those of its existing shareholders.

Access to public and private capital and financing may be negatively impacted by many factors including global volatility and market turmoil generally. Such factors may impact Terranueva Corporation's ability to obtain debt and equity financing in the future on favorable terms or obtain any financing at all. Additionally, global economic conditions may cause a long-term decrease in asset values. If such global volatility and market turmoil persist, Terranueva Corporation's operations and financial condition could be adversely impacted.

#### *Terranueva Corporation Has Discretion in the Use of its Available Funds*

Management of Terranueva Corporation will have discretion concerning the use of its available funds as well as the timing of their expenditures. As a result, investors will be relying on the judgment of management as to the application of the available funds. Terranueva Corporation may use its available funds other than as described under the headings "Available funds and principal purposes" and "Purpose of Funds" of Section 4. "Narrative Description of the Business" of this Listing Statement, if they believe it would be in Terranueva Corporation's best interest to do so and in ways that an investor may not consider desirable. The results and effectiveness of the application of the available funds are uncertain. If the available funds are not applied effectively, Terranueva Corporation's results of operations may suffer.

#### *Risks Inherent in an Agriculture Business*

Terranueva Corporation's business involves the growing of medical cannabis, which is an agricultural product. As such, the business is subject to the risks inherent in the agricultural business, such as pests, plant diseases and similar agricultural risks. Although Terranueva Corporation will grow its products indoors under climate-controlled conditions, and carefully monitors the growing conditions with trained personnel, there can be no assurance that natural elements will not have a material adverse effect on the volume, quality and consistency of its products.

### **Risks Relating to the Cannabis Industry**

#### *The Cannabis Industry is Subject to Competition*

There is potential that Terranueva Corporation will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and production and marketing experience than Terranueva Corporation.

Because of the early stage of the industry in which Terranueva Corporation operates, Terranueva Corporation expects to face additional competition from new entrants. If the number of users of medical marijuana in Canada increases, the demand for products will increase and Terranueva Corporation expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products and pricing strategies. To remain competitive, Terranueva Corporation will require a continued high level of investment in research and development, marketing, sales and client support. Terranueva Pharma may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of Terranueva Corporation.

### *Regulatory Risks*

Terranueva Corporation will operate in a new industry which is highly regulated, highly competitive and evolving rapidly. As such, new risks may emerge, and management may not be able to predict all such risks or be able to predict how such risks may result in actual results differing from the results contained in any forward-looking statements. Terranueva Corporation's ability to grow, store and sell medical CRA in Canada with respect to the Facility is dependent on the need to maintain Licenses from Health Canada and a CRA License from the Canada Revenue Agency in good standing. Failure to: (i) comply with the requirements of any Licenses or a CRA License; and (ii) maintain any required License or a CRA License would have a material adverse impact on the business, financial condition and operating results of the Terranueva Corporation.

Terranueva Corporation will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions of its operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to Terranueva Corporation's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of Terranueva Corporation.

The industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond Terranueva 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 Terranueva Corporation's earnings and could make future capital investments or Terranueva Corporation's operations uneconomic. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

### *Licensing Requirements*

The market for cannabis (including medical marijuana) in Canada is regulated by the Cannabis Act and other applicable Cannabis Laws. Health Canada is the primary regulator of the industry as a whole. The Cannabis Laws aims to treat cannabis like any other narcotic used for medical purposes by creating conditions for a new commercial industry that is responsible for its production and distribution.

The applicable Cannabis Laws aim to treat cannabis like any other narcotic by creating conditions for a new commercial industry that is responsible for its production and distribution.

As of the date hereof and since February 2019, Terranueva Pharma holds cultivation, transformation and sale (medical) licenses. Following issuance of the License, License holders must ensure that the quality of cannabis products they produce meet all applicable requirements. When a License holder is first licensed, activities may be limited, particularly prior to being authorized to conduct the activity of sale for medical purposes. This graduated licensing is for the purpose of verifying that cannabis products intended for sale meet all of the quality standards set out under the Cannabis Regulations.

Any applicant seeking a CRA License is also subject to stringent licensing requirements.

Terranueva Corporation's ability to grow, store and sell cannabis for medical purposes in Canada is dependent on obtaining the License. The License is subject to ongoing compliance, reporting requirements and renewal and there is no guarantee that Health Canada will renew the License. Should Terranueva Corporation fail to obtain or comply with the requirements of the License there would be a material adverse effect on Terranueva Corporation's business, financial condition and results of operations.

Government licenses are currently, and in the future may be, required in connection with Terranueva 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, Terranueva Corporation may be prevented from operating and/or expanding its business, which could have a material adverse effect on Terranueva Corporation's business, financial condition and results of operations.

Any applicant seeking to become a Licensed Producer is subject to stringent Health Canada licensing requirements. The below table provides a general overview of the licensing process as described by Health Canada.

#### *The Company Does not have a License to Sell Cannabis in Bloom*

The Company is in the process of obtaining an amendment to its licenses for sales of finished flower products. Terranueva's ability to sell cannabis in bloom for recreational or medical purposes in Canada depends on the qualification of its packaging and labelling processes and ultimately on an amendment to its licenses granted by Health Canada. There can be no assurance that Terranueva will obtain the amendments to its licenses.

#### *Environmental Regulations and Risks*

Terranueva Corporation's operations are subject to environmental regulation. 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 Terranueva Corporation's operations.

Government approvals and permits are currently, and may in the future, be required in connection with Terranueva Corporation's operations. To the extent such approvals are required and not obtained, Terranueva may be curtailed or prohibited from the proposed production of medical cannabis or from proceeding with the development of their operations as currently proposed.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Terranueva 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.

#### *Changes in Laws, Regulations and Guidelines*

Terranueva Corporation's operations are subject to a variety of laws, regulations and guidelines relating to the manufacture, management, packaging/labelling, advertising, sale, transportation, storage and disposal of medical cannabis but also including laws and regulations relating to drugs, controlled substances, health and safety, privacy, the conduct of operations and the protection of the environment. To the knowledge of management, Resulting Issuer is currently in compliance with all such laws. That said, any changes to such laws, regulations and guidelines are matters beyond the control of Terranueva Corporation that may cause adverse effects to Resulting Issuer's operations and financial conditions.

The risks to the business of Terranueva Corporation represented by this or similar actions are that they might lead to court rulings or legislative changes that allow those with existing licenses to possess and/or

grow medical cannabis, perhaps allow others to opt out of the regulated supply system implemented through the Cannabis Laws by growing their own medical cannabis, or potentially even legitimize illegal areas surrounding cannabis dispensaries. This could significantly reduce the addressable market for Terranueva Corporation's products and could materially and adversely affect the business, financial condition and results of operations for Terranueva Corporation.

The Ministerial Order regarding the cannabis tracking system was published in the Canada Gazette, Part II, on September 5, 2018. It came into force on October 17, 2018. All those with a federal license to cultivate and process cannabis, and provinces and territories, are required to submit monthly tracking reports to the Minister of Health.

While the impact of this regime is uncertain and highly dependent on which specific laws, regulations or guidelines are changed and on the outcome of court decisions, it is not expected that any such changes would have an effect on Terranueva Corporation's operations that is materially different than the effect on similar-sized companies in the same business as Terranueva Corporation.

In addition, the industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond Terranueva 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 Terranueva's earnings and could make future capital investments or Terranueva Corporation's operations uneconomic.

#### *Restrictions on Sales Activities*

The industry is in its early development stage and restrictions on sales and marketing activities imposed by Health Canada, the Canada Revenue Agency, provincial governments, various medical associations, other governmental or quasi-governmental bodies or voluntary industry associations may adversely affect the Company's ability to conduct sales and marketing activities and could have a material adverse effect on the Company's respective businesses, operating results and financial conditions.

#### *Limited Operational History*

Terranueva plans to enter the medical and recreational cannabis sector. As a result, Terranueva is exposed to many of the risks common to start-up companies, including limitations in human, financial and other resources including lack of revenues. There can be no assurance that Terranueva will be successful in generating a return on its shareholders' investments and the likelihood of success must be considered given that the Corporation is in the start-up stage. These risks may include :

- The risk of not having sufficient capital to carry out its strategy;
- The risk of not developing its product and service offerings in a manner that is profitable and that will allow it to meet the requirements of its customers;
- The risk that its growth strategy will not be successful; and
- The risk that fluctuations in its operating results will be significant in relation to its business objectives.

#### *Competition*

There is potential that Terranueva Corporation will face intense competition from other companies, some of which can be expected to have more financial resources, industry, manufacturing and marketing experience than Terranueva 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, better-financed competitors with geographic or other structural advantages could materially and adversely affect the business, financial condition and results of

operations of Terranueva Corporation.

The government of Canada has only issued to date a limited number of Licenses under the applicable Cannabis Laws. There are, however, several hundred applicants for Licenses. The number of Licenses granted could have an impact on the operations of Terranueva Corporation. Because of the early stage of the industry in which Terranueva Corporation operates, Terranueva Corporation expects to face additional competition from new entrants. According to Health Canada there were 289 Licensed Producers as of the date hereof<sup>14</sup>. If the number of users of medical cannabis in Canada increases, the demand for products will increase and Terranueva Corporation expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products.

Competition may increase as well since the recreational market was in Canada legalized on October 17, 2018. Terranueva Corporation will be in direct competition with other producers to become a provider of the SQDC in Québec or other state-controlled corporations in other Canadian provinces.

### *Product Liability*

As a producer and distributor of products designed to be ingested or inhaled by humans, Terranueva has an inherent risk of exposure to claims, regulatory action and product liability litigation if products are alleged to have caused significant loss or damage. In addition, the production and sale of products involves risks of injury or loss to product consumers due to product handling by unauthorized third parties, product contamination, unauthorized use by unknowns and resulting from human consumption of Terranueva's products, alone or in combination with other drugs or substances. Terranueva may be subject to various product liability claims, including claims that Terranueva's products have caused injury, illness or loss, or have contained inadequate instructions for use or inadequate warnings about possible side effects or interactions with other substances. A product liability claim or regulatory proceeding against Terranueva could result in increased costs and adversely affect Terranueva's reputation with its customers and consumers and adversely impact its results of operations and financial condition.

### ***Risks Relating to Terranueva***

#### *Dependence on the Institution*

To date, Terranueva's activities and resources have focused primarily on its Facility located in L'Assomption, Quebec. Any adverse change or development affecting this Facility could have a material adverse effect on Terranueva's ability to produce cannabis, its operations, financial condition and business objectives.

#### *Facility Lease Risk*

The Facility is located on a property that is not owned by Terranueva. This property is subject to a long-term lease and similar agreements whereby the underlying land owned by a third party is leased to Terranueva with buy-back rights. Under the terms of a standard lease, the tenant is required to pay rent for the use of the land and is generally responsible for all costs and expenses associated with the building and improvements. Unless the term of the lease is extended, the land and all improvements will revert to the owner of the land at the end of the lease. In addition, an event of default by Terranueva under the terms of the lease could also result in the loss of ownership if the default is not remedied within a reasonable period of time. The reversion or loss of ownership could have a material adverse effect on

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<sup>14</sup> <https://www.canada.ca/fr/sante-canada/services/drogues-medicaments/cannabis/producteurs-autorises/producteurs-autorises-approves-medicales.html#a2>.

Terranueva's operations and results.

#### *Cash Flow from Operations*

During the fiscal year ended September 30, 2020, Terranueva Corporation had negative cash flows from operating activities (1 381 459 \$). This decrease is largely due to the gross margin deficit of \$722,295 and the fact that the Company did not generate any income.

*Terranueva Corporation is dependent on existing or future intellectual property, and failure to protect the rights to use that intellectual property could adversely Terranueva's future growth and success.*

Terranueva Corporation's failure to protect its existing or future intellectual property rights may result in the loss of exclusivity or the right to use the brands and technologies to which Terranueva Corporation has acquired or internally developed. If Terranueva does not adequately ensure the freedom to use this intellectual property Terranueva corporation may be subject to damages for infringement or misappropriation, and/or be enjoined from using such intellectual property. In addition, it may be difficult for Terranueva to enforce certain of its intellectual property rights, if any, against third parties should such third parties inappropriately acquire interests in Terranueva Corporation's intellectual property rights by filing unauthorized trademark applications in foreign countries to register Terranueva Corporation's marks because of their familiarity with its business in the United States. Any potential intellectual property litigation could result in significant expense to Terranueva Corporation, adversely affect the development of sales of the challenged product or intellectual property and divert the efforts of Terranueva Corporation's technical and management personnel, whether or not such litigation is resolved in the favor of Terranueva Corporation. In the event of an adverse outcome in any such litigation, Terranueva Corporation may, among other things, be required to: pay substantial damages; cease the development, manufacture, use, sale or importation of products that infringe upon other patented intellectual property; expend significant resources to develop or acquire non-infringing intellectual property; discontinue processes incorporating infringing technology; or obtain licenses to the infringing intellectual property.

#### *Growth Management*

Terranueva may be exposed to growth-related risks, including capacity constraints and pressures on its internal systems and controls. Terranueva's ability to effectively manage growth will require the implementation and continuous improvement of its operational and financial systems and the expansion, training and management of its employees. Terranueva's inability to accommodate growth could have a material adverse effect on its business, financial condition, results of operations and prospects.

*Scientific research related to the benefits of cannabis remains in early stages, is subject to a number of important assumptions and may prove to be inaccurate*

Research in Canada, the United States and internationally regarding the medical benefits, viability, safety, efficacy and dosing of cannabis or isolated cannabinoids remains in the relatively early stages, however, clinical trials are being held at a steadily increasing pace and certain applications have even been approved for use in children. Any statements concerning the potential medical benefits of cannabinoids are based on published articles and reports. As a result, any statements made herein are subject to the experimental parameters, qualifications, assumptions and limitations in the studies that have been completed.

Although Terranueva Corporation believes that the articles and reports, and details of research studies and clinical trials that are publicly available reasonably support its beliefs regarding the medical benefits, viability, safety, efficacy and dosing of cannabis, future research and clinical trials may prove such statements to be incorrect or could raise concerns regarding and perceptions relating to cannabis. Given these risks, uncertainties and assumptions, investors should not place undue reliance on such articles and reports. Future research studies and clinical trials may draw opposing conclusions to those stated in this

prospectus or reach negative conclusions regarding the viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to medical cannabis, which could materially impact Terranueva Corporation.

#### *Reliance on Securing Sales agreements*

Although Terranueva Corporation's early output is a very small proportional amount, sales agreements may not be secured to sell cannabis. Consequently, Terranueva Corporation may have difficulty selling its produced inventory at the target priced modelled in its revenue forecast.

#### *Dependence on Management*

Terranueva's success depends on the ability, expertise, judgment, vigilance and good faith of its senior management. While employment contracts and incentive programs are typically used as the primary methods of retaining key employees, such contracts and incentive programs cannot ensure continuity of service for these employees. Any loss of the services of these individuals could have a material adverse effect on the Corporation's business, results of operations or financial condition.

#### *Conflicts of Interest*

Terranueva may be subject to various potential conflicts of interest as some of its officers and directors may be involved in various activities. In addition, Terranueva's officers and directors may devote time to their outside business interests, provided that such activities do not significantly or adversely interfere with their duties with Terranueva. In such cases, the outside business interests may require significant time and attention from Terranueva's officers and directors. In some cases, officers and directors may have fiduciary duties associated with outside business interests that may interfere with their ability to devote time to Terranueva's business and affairs, if any, which could affect Terranueva's operations,

In addition, Terranueva may be involved in transactions that conflict with the interests of its respective directors and officers, who may from time to time deal with persons, companies, institutions or corporations with whom Terranueva does business or from which it may seek investments. The interests of such persons, companies, institutions or corporations may conflict with the interests of Terranueva. In addition, from time to time, such persons, businesses, institutions or companies may compete with Terranueva for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided by applicable law. In particular, if such a conflict of interest arises at a meeting of the board of directors of Terranueva, a director who has such a conflict will abstain from voting for or against the approval of such participation or conditions. In accordance with applicable law, Terranueva's directors are required to act honestly, in good faith and in the best interests of Terranueva.

#### *Product Recalls*

Producers and distributors of products may be subject to recall or return of their products for a variety of reasons, including product defects such as contamination, undesirable side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling. If any of Terranueva's products are recalled due to an alleged product defect or for any other reason, Terranueva may be required to incur unforeseen expenses related to the recall and any legal proceedings in connection with the recall. Terranueva may lose a significant volume of sales and may not be able to replace such sales at an acceptable margin or at all. In addition, a product recall may require significant management attention.

#### *Litigation*

Terranueva may become involved in litigation from time to time in the normal course of business, which could have an adverse effect on its operations. In the event that any litigation in which Terranueva is



potentially involved were to be decided against it, such a decision could have an adverse effect on Terranueva's ability to continue as a going concern, on the common shares and could draw significant resources. Even if Terranueva is successful in litigation in which it is potentially involved, such litigation could redirect significant resources from the business. The litigation could also create a negative perception of Terranueva's brand and, ultimately, of the Corporation's brand.

#### *Operational Risk and Insurance Coverage*

Terranueva has insurance to protect its assets, operations and employees. Although Terranueva believes that its insurance coverage covers all material risks to which it is exposed and is adequate and customary in its current state of operations, such insurance is subject to limitations and exclusions and may not be available for the risks and hazards to which Terranueva is exposed. However, Terranueva may also not be able to maintain insurance covering such risks at economically viable premiums. Insurance coverage may no longer be available or may not be sufficient to cover any resulting liability. Terranueva could be held liable for pollution or other risks that are not insured or that Terranueva may elect not to cover for cost or other reasons. Losses resulting from such events could result in significant costs to Terranueva, which could have a material adverse effect on Terranueva's financial performance and results of operations.

### **18. PROMOTER CONSIDERATION**

Francisco Junior Perez may be considered to be the Promoter of the Corporation as he took the initiative in founding and organizing the business of Terranueva Pharma and he is founding shareholders, directors and principal officers of Terranueva. Francisco Junior Perez holds, directly and indirectly, 11,027,429 Common Shares of the Corporation, representing 33.57% of the Corporation's Common Shares for a value of \$0.50 per Common Share. The Corporation has no investor relations firm or persons.

### **19. LEGAL PROCEEDINGS**

Except as may be disclosed in the Annual Financial Statements of Terranueva and in the Audited Financial Statements of Terranueva Pharma, there are no legal proceedings material to the Company to which the Company is a party or of which any of its property is the subject matter, and there are no such proceedings known to the Company to be contemplated.

#### **19.1 Regulatory Actions**

The Company does not know of any:

- (1) Penalties or sanctions imposed against the Company by a court relating to provincial and territorial securities legislation or by a securities regulatory authority within the three years preceding the date of this Listing Statement;
- (2) Any other penalties or sanctions imposed by a court or regulatory body against the Company necessary to contain full, true and plain disclosure of all material facts relating to the securities being listed; and
- (3) Settlement agreements the Company entered into before a court relating to provincial and territorial securities legislation or with a securities regulatory authority within the three years immediately preceding the date hereof.

### **20. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Except as disclosed in the Annual Financial Statements of Terranueva and in the Audited Financial Statements of Terranueva Pharma, as set out herein and hereunder, no director, executive officer or

principal shareholder of the Company, or an Associate or Affiliate of a director, executive officer or principal shareholder of the Company, has any material interest, direct or indirect, in any transaction which has occurred within the three years before the date of this Listing Statement, or in any proposed transaction, that has materially affected or will materially affect the Company or a subsidiary of the Company, except :

- On September 26, 2018, 343,750 Common Shares at a value of \$0.80 per Common Share for a total consideration of \$275,000 were issued in the scope of a settlement of debts with related parties, namely among Axe Exploration Inc. and Ressources Lutsvisky Inc., a privately held corporation owned by David Mc Donald who was the Chief Executive Officer of the Corporation at the time.
- An agreement dated January 26, 2018 was entered into among Axe Exploration Inc. and Typhoon Exploration Inc. (“Typhoon”) in which Axe sold a land to Typhoon for an amount of \$40,000. Mr. David Mc Donald was President and Director of Axe and Typhoon.

All those transactions are measured at the exchange value, that is, the amount of consideration established and agreed to by the related parties which approximates the arm’s length equivalent value.

## **21. AUDITORS, TRANSFER AGENTS AND REGISTRARS**

### **21.1 Auditors**

The Corporation’s auditor is Pricewaterhouse Coopers LLP.

### **21.2 Transfer Agent and Registrar**

The Corporation’s registrar and transfer agent is Computershare Investors Services Inc.

## **22. MATERIAL CONTRACTS**

Except for contracts made in the ordinary course of business, the following are the material contracts entered into by the Company within two years prior to the date hereof and which are currently in effect:

- Purchase, sale and exchange agreement entered on November 22, 2018 into among Axe, Terranueva Pharma and the Terranueva Shareholders, pursuant to which Axe has agreed to purchase 124,750 Terranueva Shares in exchange of the issuance, subject to any required regulatory approvals, of 21,860,000 Common Shares (post-Transaction) at the price of \$0.50 for a consideration of \$10,930,000;
- Lease Agreement for the Facility among Corporation Terranueva Pharma, 9177-5411 Québec Inc. and Gestion Immobilière Harmonie SENC, including a right to buyout the Facility at its fair market value (in cash) and by issuance of Common Shares (\$0.50 per Common Shares);
- Agency Agreement dated as of December 14, 2018, among the Corporation and the Agent concerning the completion, the terms and conditions of the Axe Financing; and
- Revolving Line of Credit Agreement dated December 10, 2019, among Capital Transit Inc., Corporation Terranueva, Corporation Terranueva Pharma, Fiducie Castillo, and GMTN Inc. for a revolving credit granted for a minimum one-year term which bears interest at an annual rate of 9.95%.

## 23. INTEREST OF EXPERTS

No person or company named in this document as having prepared or certified a part of the document or a report described in this document and no responsible solicitor or any partner of a responsible solicitor's firm, holds any beneficial interest, direct or indirect, in any securities or property of the Company or of an Associate or Affiliate of the Company.

## 24. OTHER MATERIAL FACTS

Other than as set out elsewhere in this Listing Statement, there are no other material facts about the Company and its securities which are necessary in order for this Listing Statement to contain full, true and plain disclosure of all material facts relating to the Company and its respective securities.

## 25. FINANCIAL STATEMENTS

### 25.1 Audited Financial Statements for the Issuer and for Corporation Terranueva Pharma

The following financial statements are available on SEDAR at [www.sedar.com](http://www.sedar.com) and are also attached at Appendix B of this Listing Statement:

- Audited annual financial statements of the Corporation for the 12 months ended September 30, 2020 and 2019, together with the auditor's report thereon and the corresponding annual Management Discussion and Analysis;
- Audited annual financial statements of the Corporation for the 12 months ended September 30, 2019, and September 30, 2018, together with the auditor's report thereon and the corresponding annual Management Discussion and Analysis;

(collectively the “**Annual Financial Statements**”)

- Audited annual financial statements of the Corporation Terranueva Pharma for the 10-month period ended September 30, 2018 together with the auditor's report thereon and the corresponding annual Management Discussion and Analysis

(collectively the “**Audited Financial Statements of Terranueva Pharma**”)

### 25.2 Issuers Re-Qualifying for Listing following a Fundamental Change

Not applicable.

## CERTIFICATE OF THE ISSUER

### TERRANUEVA CORPORATION

The foregoing contains full, true and plain disclosure of all material information relating to Terranueva Corporation. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at L'Assomption (Québec) this January 28, 2021.

*(Signed) Peter Polatos*

\_\_\_\_\_  
Peter Polatos  
Interim President, Chief Executive Officer,  
Director

*(Signed) Dominique St-Louis*

\_\_\_\_\_  
Dominique St-Louis  
Chief Financial Officer

*(Signed) Sylvain Aird*

\_\_\_\_\_  
Sylvain Aird  
Director and Secretary

*(Signed) Francisco Perez Jr.*

\_\_\_\_\_  
Francisco Perez Jr.  
Director, Chief Operating Officer

**APPENDIX A**  
**COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS**  
**OF TERRANUEVA CORPORATION**

*Compensation Discussion & Analysis*

This discussion describes the Corporation’s compensation program for each person who acted as Chief Executive Officer (“CEO”), Chief Financial Officer (“CFO”) and the three most highly compensated executive officers (or three most highly compensated individuals acting in a similar capacity), other than the CEO and the CFO, whose total compensation was more than \$150,000 in the Corporation’s last financial year (each a “**Named Executive Officer**” or “**NEO**” and collectively the “**Named Executive Officers**”). This section will address the Corporation’s philosophy and objectives and the process the Board of Directors follows in deciding how to compensate the Named Executive Officers.

Compensation Program Philosophy

The Corporation is presently generating no income. In light of the Corporation’s current stage of development, it does not have a formal compensation program. The Board of Directors and the Corporate Governance and Human Resources Committee meet to discuss and determine management compensation without reference to formal criteria. The general objective of the Corporation’s compensation is to:

- a) compensate management in a manner that encourages and rewards a high level of performance and outstanding results with a view of increasing long-term shareholder value;
- b) align management’s interests with long-term interests of shareholders;
- c) provide a compensation package that is commensurate in order to enable the Corporation to attract and retain talent; and
- d) ensure that the total compensation package is designed in a manner that takes into account the constraints under which the Corporation operates by virtue of the fact that it is a company without a history of earnings.

Compensation Process

The compensation of the Named Executive Officers is administered by the Corporation’s Board of Directors. The Corporation does not have a formal policy with respect to the remuneration of its Named Executive Officers. The decisions are made pursuant to Board and Corporate Governance and Human Resources Committee discussions.

Base Salaries

The Named Executive Officers receive a base salary which is based primarily on the level of responsibility of the position, the qualifications and experience of the officer and the market conditions with which the Corporation is evolving.

The base salaries of the Named Executive Officers are established to ensure they consider the following factors: the market and economic conditions, the levels of responsibility and accountability of each NEO, the skill and competencies of each individual, retention considerations and the level of demonstrated performance. The Board of Directors, upon recommendation of the Corporate Governance and Human

Resources Committee, establishes what it considers to be a fair and responsible compensation package, taking into account the contribution of the NEO to the Corporation's long-term growth and the Board of Directors' and the Corporate Governance and Human Resources Committee's knowledge of remuneration practices in Canada. The salaries are thereafter reviewed annually by the Board of Directors and the Corporate Governance and Human Resources Committee to ensure that they still meet those guidelines.

#### Variable Cash Incentive Awards - Bonuses

The Board of Directors' and the Corporate Governance and Human Resources Committee's philosophy with respect to executive officer bonuses is to align the issuances of bonuses with the performance of the Corporation, established at the discretion of the Board of Directors upon the recommendation of the Corporate Governance and Human Resources Committee, and the relative contribution of each of the executive officers, including the CEO, to that performance. During the fiscal year ended September 30, 2020, the Board of Directors, upon the recommendation of the Corporate Governance and Human Resources Committee, did not approve the payment of any bonuses for the Named Executive Officers.

#### Long Term Incentive Plans

The Corporation provides long term incentive compensation to its executive officers through the Stock Option Plan.

The Corporation has established a formal stock option plan (the "**Stock Option Plan**") under which options to purchase shares are granted to directors, officers, employees and consultants of the company in order to encourage them to contribute in achieving the company's goal of increasing shareholder value. The Board of Directors, upon the recommendation of the Corporate Governance and Human Resources Committee, determines which NEO (or other person) is entitled to participate in the Stock Option Plan, the number of options granted, the date which each option is granted and the exercise price of such options.

The Board of Directors, upon the recommendation of the Corporate Governance and Human Resources Committee, makes these decisions subject to the existing Stock Option Plan and, where applicable, the policies of the TSX Venture Exchange (the "**Exchange**").

#### Restrictions

The number of shares reserved for issuance to an individual must not exceed 5% of the number of issued and outstanding shares of the Corporation share capital within a period of one year (on a non-diluted basis) less the aggregate number of shares already reserved for issuance to such person under any other stock option granted as an incentive or compensation.

#### Term

The share purchase options are granted for a term determined by the board of directors at the time of the grant and in any event, such term cannot exceed 10 years from the date of the grant.

#### Group Benefits/Perquisites

The officers of the Corporation do not benefit from any life, medical, long term disability other insurance. None of the officers' benefit from any retirement plan whatsoever.

## **Risk Considerations**

The Board and the Corporate Governance and Human Resources Committee are aware that compensation policies and practices are likely to have consequences - albeit unintentional - in terms of risks.

The Board and the Corporate Governance and Human Resources Committee will regularly review the consequences of certain risks that might be associated with such policies and practices, all in order to identify practices that could influence a Named Executive Officer to expose the Corporation to undue risk.

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

### *Stock Options*

The Stock Option Plan is designed to attract and retain competent officers and directors within the Corporation. It is part of the alignment of interests of executive officers and directors with those of shareholders of the Corporation. Besides being the main component of the long-term incentive compensation offered to directors and executive officers, the Stock Option Plan also aims to reward and retain employees of the Corporation and people who provide ongoing consulting services or management.

This form of compensation is both "long term" and "at risk", since it is largely linked to the creation of long-term value.

Thus, this form of compensation is not specifically linked to the obtaining of specific results or milestones, but rather is intended to retain and encourage beneficiaries to work continuously and in the best interest of the Corporation and its shareholders.

Since the benefits of this form of compensation generally require the lapse of a period of time, the Board and the Corporate Governance and Human Resources Committee consider that the ability of Named Executive Officers to take undue risks that would be excessive or beneficial from the point of view of their compensation and to the detriment of the Corporation and its shareholders, is limited.

### *Salary*

The salary is the residual portion of total compensation of a Named Executive Officer. The Board and the Corporate Governance and Human Resources Committee consider it is unlikely that a Named Executive Officer decides to take undue or excessive risk to the Corporation which would be personally beneficial in terms of his or her compensation.

### *Conclusion*

Due to the current size and level of activities of the Corporation, the Board, with the assistance of the Corporate Governance and Human Resources Committee, is able to monitor and review the risks associated with its compensation policies and practices. Such risks can be identified and mitigated through regular meetings during which financial or other information is reviewed.

No risk resulting from the compensation practices and policies that are reasonably likely to have a material adverse effect on the Corporation or its business has been identified by the Board.

*External Compensation Consultants*

During the fiscal year ended September 30, 2020, 2019 and 2018, the Corporation did not retain the services of executive compensation consultants to assist the Board in determining compensation for any of the Corporation's NEOs or directors.

*Summary of the Compensation of the Named Executive Officers*

The following table provides information for the financial years ended September 30, 2020, 2019 and 2018 regarding compensation paid to or earned by the Named Executive Officers.

Name and Principal Position	Year	Salary (\$)	Share-Based Awards (\$)	Option-Based Awards <sup>(1)</sup> (\$)	Non-Equity Incentive Plan Compensation (\$)		Pension Value (\$)	All other Compensation (\$)	Total Compensation (\$)
					Annual Incentive Plans (\$)	Long-Term Incentive Plans (\$)			
Pierre Ayotte President and CEO	2018	-	-	-	-	-	-	-	-
	2019	160,594	-	60,413	-	-	-	-	221,007
	2020	33,000	-	-	-	-	-	-	33,333
Pierre Monet CFO <sup>(2)</sup>	2018	-	-	-	-	-	-	38,306	38,306
	2019	58,310	-	40,275	-	-	-	102,470	201,055
	2020	-	-	-	-	-	-	-	-
Dominique St-Louis CFO	2020	-	-	-	-	-	-	-	-
Francisco Jr. Perez Chief Operating Officer	2018	-	-	-	-	-	-	86,541	86,541
	2019	91,640	-	72,495	-	-	-	4,963	169,098
	2020	58,950	-	-	-	-	-	-	58,950
Rafael Percopo R&D and Quality Control Officer	2018	-	-	-	-	-	-	41,657	41,657
	2019	139,762	-	38,664	-	-	-	-	178,426
	2020	69,340	-	-	-	-	-	-	69,340

Notes:

(1) Black & Scholes model used as per the following assumptions.

Estimates	2018	2019	2020
Risk free interest rate	2.37%	1.90%	1.90%
Expected life	10 years	10 years	10 years
Expected volatility	128%	79.19%	79.19%
Expected dividend yield	0	0	0



***Incentive Plan Awards — Outstanding Share-Based Awards and Stock-Option-Based Awards***

The following table sets forth information in respect of all share-based awards and option-based awards outstanding at the end of the most recently completed financial year to the Named Executive Officers of the Corporation. The number of securities and price are post-Transaction.

Name	Option-Based Awards				Share-Based Awards		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-the-Money Options (\$) <sup>(1)</sup>	Number of Shares or Units of Shares that have not vested (#)	Market or Payout Value of Share-Based Awards that have not vested (\$)	Market or Payout Value of Share-Based Awards that have not paid out or distributed (\$)
Pierre Ayotte, President and CEO	375,000	0.50	February 04, 2029	Nil	Nil	Nil	Nil
Pierre Monet, CFO	250,000	0.50	February 04, 2029	Nil	Nil	Nil	Nil
Francisco Jr. Perez Chief Operating Officer	450,000	0.50	February 04, 2029	Nil	Nil	Nil	Nil
Rafael Percopo R&D and Quality Control Officer	240,000	0.50	February 04, 2029	Nil	Nil	Nil	Nil

Note:

- (1) The value of unexercised options would have been determined by calculating the difference between the closing price of the common shares on the TSX Venture Exchange on September, 30, 2020 (\$0.10) and the exercise price of the options.

***Incentive Plan Awards - Value Vested or Earned During the Most Recently Completed Financial Year***

The following table outlines, for each NEO, the value of option-based awards and share-based awards which vested during the year ended September 30, 2020 and the value of non-equity incentive plan compensation earned during the year ended September 30, 2020.

Name	Option-Based Awards – Value Vested During the Year (\$) <sup>(1)</sup>	Share-Based Awards – Value Vested During the Year (\$)	Non-Equity Incentive Plan Compensation – Value Earned During the Year (\$)
Pierre Ayotte	Nil	Nil	Nil
Pierre Monet	Nil	Nil	Nil
Francisco Jr. Perez	Nil	Nil	Nil
Rafael Percopo	Nil	Nil	Nil

Note:

- (1) The amount represents the aggregate value that would have been realised if all of the options granted had been exercised at the vesting date and is established by using the closing price of the common shares on the TSX Venture Exchange on such date.

***Pension Plan Benefits***

The Corporation does not have a Defined Benefits Pension Plan or a Defined Contributions Pension Plan.

**Termination and change of control benefits**

None

***Director Compensation Table***

The following table sets forth information with respect to all amounts of compensation provided to the directors of the Corporation for the most recently completed financial year (September 30, 2020).

Name	Fees earned (\$)	Share-Based Awards (\$)	Option-Based Awards <sup>(1)</sup> (\$)	Non-equity Incentive plan Compensation (\$)	Pension Value (\$)	All other compensation (\$)	Total (\$)
Marc André Aubé	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Patrice Boily	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Sylvain Aird	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Alain Bureau	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Louis Doyle	Nil	Nil	Nil	Nil	Nil	10,700	10,700

Note:

- (1) Black & Scholes model used as per the following assumptions.

Estimates	2018	2019	2020
Risk free interest rate	2.37%	1.90%	1.9%
Expected life	10 years	10 years	10 years
Expected volatility	128%	79.19%	79.19%
Expected dividend yield	0	0	0

***Share-Based Awards, Options-Based Awards and Non-Equity Incentive Plan Compensation***

*Incentive Plan Awards - Outstanding Share-Based Awards and Option-Based Awards*

The following table sets forth information in respect of all share-based awards and option-based awards outstanding at the end of the most recently completed financial year to the directors of the Corporation.

Name	Option-Based Awards				Share-Based Awards		
	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Value of Unexercised In-the-Money Options (\$)	Number of Shares or Units of Shares that have not vested (#)	Market or Payout Value of Share-Based Awards that have not vested (\$)	Market or Payout Value of Share-Based Awards that have not paid out or distributed (\$)
Marc-André Aubé	125,000	0.50	February 04, 2029	Nil	Nil	Nil	Nil
Patrice Boily	125,000	0.50	February 04, 2029	Nil	Nil	Nil	Nil
Sylvain Aird	125,000	0.50	February 04, 2029	Nil	Nil	Nil	Nil
Alain Bureau	125,000	0.50	February 04, 2029	Nil	Nil	Nil	Nil
Louis Doyle	125,000	0.50	February 04, 2029	Nil	Nil	Nil	Nil

Note:

- (1) The value of unexercised options would have been determined by calculating the difference between the closing price of the common shares on the TSX Venture Exchange on September 30, 2020 (\$0.10) and the exercise price of the options.

***Incentive Plan Awards — Value Vested or Earned During the Most Recently Completed Financial Year***

The following table presents information concerning value vested with respect to option-based awards and share-based awards for the directors of the Corporation during the most recently completed financial year:

<b>Name</b>	<b>Option-Based Awards – Value Vested During the year (\$)</b>	<b>Share-Based Awards – Value Vested During the Year (\$)</b>	<b>Non-Equity Incentive Plan Compensation – Value Earned During the Year (\$)</b>
Marc-André Aubé	Nil	Nil	Nil
Patrice Boily	Nil	Nil	Nil
Sylvain Aird	Nil	Nil	Nil
Alain Bureau	Nil	Nil	Nil
Louis Doyle	Nil	Nil	Nil

Note:

- (1) The amount represents the aggregate value that would have been realised if all of the options granted had been exercised at the vesting date and is established by using the closing price of the common shares on the TSX Venture Exchange on such date.

**APPENDIX B  
AUDITED FINANCIAL STATEMENTS AND  
MANAGEMENT DISCUSSION AND ANALYSIS  
OF TERRANUEVA CORPORATION**

**APPENDIX C**  
**AUDITED FINANCIAL STATEMENTS AND**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**OF TERRANUEVA PHARMA CORPORATION**

# **Terranueva Pharma Corporation**

Financial Statements

**September 30, 2018**

(expressed in Canadian dollars)



January 24, 2019

## **Independent Auditor's Report**

### **To the Shareholders of Terranueva Pharma Corporation**

We have audited the accompanying financial statements of Terranueva Pharma Corporation, which comprise the statement of financial position as at September 30, 2018 and the statements of changes in deficiency, loss and comprehensive loss and cash flows for the 10-month period then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

#### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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T: +1 514 205 5000, F: +1 514 876 1502*

\*PwC" refers to PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l., an Ontario limited liability partnership.





We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Terranueva Pharma Corporation as at September 30, 2018 and its financial performance and its cash flows for the 10-month period then ended in accordance with International Financial Reporting Standards.

**Emphasis of matter**

Without qualifying our opinion, we draw attention to note 2 in the financial statements, which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Terranueva Pharma Corporation's ability to continue as a going concern.

*PricewaterhouseCoopers LLP<sup>1</sup>*

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<sup>1</sup> CPA auditor, CA, public accountancy permit No. A110416

# Terranueva Pharma Corporation

## Statement of Financial Position

As at September 30, 2018

(expressed in Canadian dollars)

	Note	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash	4	1,002,942
Advances, no interest or maturity		500,000
Prepaid expenses		3,780
Sales taxes recoverable		<u>66,310</u>
		<u>1,573,032</u>
<b>Non-current assets</b>		
Construction in progress	5	215,444
Rights of use	6	<u>2,892,098</u>
		<u>3,107,542</u>
		<u>4,680,574</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities		170,299
Lease obligation	6	22,081
Convertible debentures	7	<u>1,005,302</u>
		<u>1,197,682</u>
<b>Non-current liabilities</b>		
Lease obligation	6	2,938,222
Convertible debentures	7	<u>953,015</u>
		<u>3,891,237</u>
<b>Shareholders' Deficiency</b>		
<b>Share capital</b>	8	9
<b>Conversion options</b>		150,865
<b>Deficit</b>		<u>(559,219)</u>
		<u>(408,345)</u>
		<u>4,680,574</u>
<b>Going concern</b>	2	

Approved by the Board of Directors

(Signed) Pierre Ayotte \_\_\_\_\_ Director (Signed) Marc-André Aubé \_\_\_\_\_ Director

The accompanying notes are an integral part of these financial statements.

**Terranueva Pharma Corporation**  
**Statement of Changes in Deficiency**  
**For the 10-month period ended September 30, 2018**

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(expressed in Canadian dollars)

	Common shares \$	Conversion options \$	Deficit \$	Total \$
<b>Loss and comprehensive loss for the period</b>	-	-	(559,219)	(559,219)
Share issuance	9	-	-	9
Equity component of convertible debentures, net of future income taxes of \$54,300	-	150,865	-	150,865
<b>Shareholders' equity (deficiency) as at September 30, 2018</b>	<b>9</b>	<b>150,865</b>	<b>(559,219)</b>	<b>(408,435)</b>

The accompanying notes are an integral part of these financial statements.

**Terranueva Pharma Corporation**  
Statement of Loss and Comprehensive Loss  
For the 10-month period ended September 30, 2018

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(expressed in Canadian dollars)

	Note	\$
<b>Expenses</b>		
Professional fees		283,680
Marketing and promotion		2,759
Amortization of rights of use		25,212
General and administrative expenses		123,309
Financing cost	11	<u>178,559</u>
<b>Loss before deferred tax</b>		(613,519)
<b>Deferred tax</b>		<u>54,300</u>
<b>Loss and comprehensive loss for the period</b>		<u>(559,219)</u>
<b>Loss per share, basic and diluted</b>	12	<u>(6.09)</u>

The accompanying notes are an integral part of these financial statements.

**Terranueva Pharma Corporation**  
**Statement of Cash Flows**  
**For the 10-month period ended September 30, 2018**

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(expressed in Canadian dollars)

	Note	\$
<b>Cash flows provided by (used in)</b>		
<b>Operating activities</b>		
Loss and comprehensive loss for the period		(559,219)
Adjustments for		
Interest on lease obligation and convertible debentures		116,727
Deferred tax		(54,300)
Amortization of rights of use		<u>25,212</u>
		(471,580)
Change in non-cash working capital items	10	<u>100,209</u>
		<u>(371,371)</u>
<b>Investing activities</b>		
Increase in advances		(500,000)
Increase in construction in progress		<u>(215,444)</u>
		<u>(715,444)</u>
<b>Financing activities</b>		
Share issuance		9
Convertible debenture issuance		<u>2,089,748</u>
		<u>2,089,757</u>
<b>Net change in cash during the period and cash – End of period</b>		<u><u>1,002,942</u></u>

The accompanying notes are an integral part of these financial statements.

# Terranueva Pharma Corporation

## Notes to Financial Statements

September 30, 2018

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(expressed in Canadian dollars)

### **1 Description of operations**

Terranueva Pharma Corporation (the “Corporation”) was incorporated under the Canada Business Corporations Act on November 28, 2017. Its head office is located at 3030 Le Carrefour Blvd., Suite 1002, Laval, Quebec, Canada. The Corporation aims to become a producer of cannabis for medical and recreational purposes.

### **2 Basis of presentation and going concern**

These financial statements have been prepared on a going concern basis.

Although the Corporation has started to invest resources to develop a medicinal and recreational cannabis company, there is no assurance that a Licence to Produce will be granted to the Corporation, nor is there a time frame for when such a licence will be granted.

To date, the Corporation has not generated any income, accumulating a deficit of \$559,219, and is considered to be in start-up phase. The Corporation’s ability to continue as a going concern depends on whether it can realize its assets and obtain new funds. Even though it has managed in the past to obtain the necessary funds by issuing debentures, and expects to use capital funding in the future (note 17(a)), there is no assurance it will be successful in the future. The application of International Financial Reporting Standards (IFRS) on a going concern basis may be inappropriate, as there is significant doubt about the validity of the assumption.

These financial statements do not take into account the adjustments that should be made to the carrying amount of the assets and liabilities, the amounts reported as revenues and expenses, and the classification of the items on the statement of financial position if the going concern basis was not valid, and such adjustments could be significant. Management did not take these adjustments into account, as it believes in the validity of the going concern assumption.

The Corporation uses judgments and estimates involving critical accounting policies. It also requires management to exercise judgment in applying the accounting policies used by the Corporation, as set out in note 3.

The significant accounting policies used to prepare these financial statements are summarized in note 3.

The publication of the Corporation’s financial statements was approved and authorized by the Board of Directors on January 24, 2019.

# Terranueva Pharma Corporation

## Notes to Financial Statements

September 30, 2018

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(expressed in Canadian dollars)

### 3 Significant accounting policies

#### Statement of compliance

These financial statements have been prepared in accordance with the IFRS, as issued by the International Accounting Standards Board (IASB).

#### Cash

Cash is composed of cash on hand and cash held in trust.

#### Financial instruments

The Corporation has early adopted IFRS 9, Financial Instruments.

The financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive the cash flows have expired or were transferred and when the Corporation has transferred substantially all the risks and rewards of ownership of the transferred asset.

Financial assets and financial liabilities are offset and the net balance is presented in the statement of financial position if there is a legally enforceable right to set off the recognized amounts and an intention either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

All financial instruments must be initially recognized at fair value, which is based on market prices unless the financial instruments have not been traded in an active market. In such case, fair value is determined using valuation techniques like the Black-Scholes pricing model or other valuation techniques.

Measurement after initial recognition depends on the classification of the financial instrument. The Corporation has classified its financial instruments in the following categories, depending on the purposes for which the instruments were acquired and on their characteristics.

i) Financial assets

Debt securities

Debt security investments are subsequently measured at amortized cost when the asset is held within a business model whose objective is to hold these assets in order to collect contractual cash flows and when the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

# Terranueva Pharma Corporation

## Notes to Financial Statements

September 30, 2018

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(expressed in Canadian dollars)

Investments in debt securities are subsequently measured at fair value when they do not qualify for measurement at amortized cost. Financial instruments subsequently measured at fair value may be recognized at fair value with changes in fair value recognized in profit or loss, unless they are held within a business model whose objective is to hold these assets in order to collect contractual cash flows or to sell the assets and when the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, in which case unrealized gains and losses are initially recognized in other comprehensive income and subsequently reclassified in profit or loss through the amortization of premiums and discounts, impairment losses or reversal of any previously recognized impairment.

ii) Financial liabilities

Financial liabilities are subsequently measured at amortized cost using the effective interest method, except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, are subsequently measured at fair value.

The Corporation has classified its financial instruments as follows:

<b>Category</b>	<b>Financial instruments</b>
Financial assets at amortized cost	Cash
Financial liabilities at amortized cost	Accounts payable and accrued liabilities
	Convertible debentures

### Construction in progress

Construction in progress is not depreciated during the construction period. It will be depreciated when the asset becomes available for its intended use.

### Leases

The Corporation has decided to early adopt IFRS 16, Leases.

Leases are classified as right-of-use assets and lease obligations and are recognized when the underlying asset is made available to the Corporation. The rights of use are amortized to the earlier of the end of the useful life of the right-of-use asset or the lease term unless the Corporation is expected to become the owner of the assets, in which case only the useful life of the asset is taken into account. Each lease payment is apportioned between the lease obligation and the financing cost. The financing cost is recorded as an expense during the lease term so as to produce a constant periodic interest expense on the remaining balance of the lease obligation in each period.



# Terranueva Pharma Corporation

## Notes to Financial Statements

September 30, 2018

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(expressed in Canadian dollars)

Lease assets and liabilities are measured initially on a discounted basis. The lease obligation includes the present value of the following payments:

- fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected by the Corporation to be payable under residual value guarantees;
- the exercise price of the purchase option if the Corporation is reasonably certain that it will need to pay it; and
- payments of penalties for terminating the lease, if the lease term reflects the Corporation exercising an option to terminate the lease.

Lease payments are discounted at the lease implied interest rate, if that rate can be determined, or at the Corporation's incremental borrowing rate.

The right-of-use assets are measured at cost and comprise:

- the initial amount of the lease obligation;
- any lease payments made at or before the commencement date of the lease, less any lease incentives;
- any initial direct costs incurred by the lessee; and
- an estimate of costs for dismantling the asset and restoring the site.

Payments associated with short-term leases or leases of low-value assets are recognized as an expense on a straight-line basis. A short-term lease is a lease with a term of less than 12 months. Low-value assets include computer equipment and small furniture items.

Critical judgment in determining the term of the lease

In order to determine the lease term, management considers all facts and circumstances that create an economic incentive to exercise an option to extend the lease, an option to terminate the lease or an option to purchase. Such options are taken into account if it is reasonably certain that they will be exercised. As described in note 6, the Corporation expects to exercise the option to purchase on the property leased in April 2020.

A reassessment will be made upon the occurrence of significant events or changes in circumstances that would affect this assessment and are within the Corporation's control.

# Terranueva Pharma Corporation

## Notes to Financial Statements

September 30, 2018

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(expressed in Canadian dollars)

### **Income taxes**

Tax expense comprises current tax and deferred tax. Taxes are recognized in the statement of loss unless they relate to items reported in other comprehensive loss or directly in deficiency.

#### Current tax

The current tax assets or liabilities include the amounts expected to be paid to or recovered from the taxation authorities for the current and prior periods, and which have not been settled at the end of the reporting period. The current tax expense is based on income for the period after adjustments for non-taxable or non-deductible items. Current tax is calculated using the tax rates and tax laws enacted or substantially enacted by the end of the reporting period. Management assesses on a regular basis the positions taken in tax returns regarding cases in which the applicable tax law is subject to interpretation.

#### Deferred tax

Deferred tax is accounted for using the liability method, applicable to temporary differences between the tax bases of the assets and liabilities and their reported carrying value in the statement of financial position. Deferred tax assets and liabilities are calculated without discounting, using tax rates expected to be applied during the period in which they are realized if such rates have been enacted or substantially enacted by the end of the reporting period.

#### Deferred tax liabilities

In general, deferred tax liabilities are recognized for all taxable temporary differences.

#### Deferred tax assets

Deferred tax assets are accounted for to the extent that it is probable that they will allow a future taxable profit to be offset. They are examined at the end of the reporting period and reduced if it is not certain that the taxable profit will be sufficient to recover all or part of the deferred tax assets; in such cases the assets must be reduced.

Deferred tax assets and liabilities are not recognized for temporary differences arising at the initial recognition of assets and liabilities acquired in a context other than a business combination.

Deferred tax assets and liabilities are offset only if the Corporation has a right and intends to offset the current tax assets and liabilities arising from the same taxation authorities.

Changes in deferred tax assets and liabilities are accounted for as a tax expense or income, unless they relate to items recognized in other comprehensive loss or directly in deficiency, in which case the corresponding deferred taxes are also recognized in other comprehensive loss or in deficiency, respectively.

# Terranueva Pharma Corporation

## Notes to Financial Statements

September 30, 2018

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(expressed in Canadian dollars)

### Provisions, contingent liabilities and contingent assets

Provisions are recognized when the Corporation has a legal or constructive present obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is equivalent to the best estimate of the expenditure required to settle the present obligation at the end of each reporting period, taking into account the obligation's risks and uncertainties, its carrying amount and the present value of its cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

### Earnings per share

The calculation of earnings per share (EPS) is based on the weighted average number of shares outstanding for each period. The basic EPS is calculated by dividing profit or loss attributable to common equity holders of the Corporation by the weighted average number of common shares outstanding during the period.

The computation of diluted EPS assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on the earnings per share. The if-converted method is used to determine the dilutive effect of convertible debentures. When the Corporation reports a loss, the diluted loss per share is equal to the basic loss per share due to the anti-dilutive effect of the convertible debentures.

## 4 Treasury

	\$
Cash on hand	15,120
Cash held in trust	987,822
	<hr/>
	1,002,942
	<hr/>

## 5 Construction in progress

Construction in progress comprises engineering and architecture expenses incurred in relation to leasehold improvements and equipment.

# Terranueva Pharma Corporation

## Notes to Financial Statements

September 30, 2018

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(expressed in Canadian dollars)

### 6 Rights of use and lease obligation

- i) Amounts recognized on the statement of financial position

The statement of financial position presents the following amounts relative to leases:

	\$
<b>Rights of use</b>	
Land	799,486
Building	<u>2,092,612</u>
	<u>2,892,098</u>
<b>Lease obligation</b>	
Current liabilities	22,081
Non-current liabilities	<u>2,938,222</u>
	<u>2,960,303</u>

- ii) Amounts recognized on the statement of loss and comprehensive loss

The statement of loss and comprehensive loss presents the following amounts relative to leases:

	\$
Amortization expense for rights to use building	<u>25,212</u>
Interest expense for lease obligation	<u>99,992</u>

- iii) Operations and recognition of leases

The rights of use reflect rights to use land and a building held under a lease for a 10-year term under which the Corporation has purchase options that may be exercised at any time since the signing of the lease, options that the Corporation intends to exercise during fiscal 2020. In this regard, the rights to use the land are not amortized, while the rights to use the building are amortized over an estimated life of 35 years.

Lease obligation is calculated at an interest rate of 8.20% for a period initially estimated at 24 months, ending April 30, 2020, the intended date for the exercise of the option to purchase.

# Terranueva Pharma Corporation

## Notes to Financial Statements

September 30, 2018

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(expressed in Canadian dollars)

### 7 Convertible debentures

	\$
Par value of \$100,000, bearing interest at an annual rate of 10%, maturing in October 2018 <sup>(1)</sup>	100,000
Par value of \$892,500, bearing interest at an annual rate of 10%, convertible at the holder's option into 20,081 common shares, maturing in November 2018 <sup>(2)</sup>	905,302
Par value of \$1,100,000, bearing interest at an annual rate of 7%, maturing in January 2020 <sup>(3)</sup>	<u>953,015</u>
	1,958,317
Current portion	<u>1,005,302</u>
	<u>953,015</u>

- (1) Debentures retractable at any time at the Corporation's option at par value plus accrued interest. These debentures are convertible into 2,250 common shares at the holder's option only in the event of default by the Corporation or if the Corporation exercises its right of retraction. These debentures are unsecured.
- (2) The liabilities are discounted at a rate of 20%. These debentures are secured by present and future assets.
- (3) One third of the par value will be automatically converted into 8,250 common shares when the Corporation is listed on a recognized stock exchange, and one third of the par value will be convertible into 8,250 common shares at the holder's option for 60 days following the Corporation's listing on a recognized stock exchange. The last third is not convertible. The liabilities are discounted at a rate of 21%. These debentures are unsecured.

The Corporation did not incur any significant transaction costs for the issuance of these convertible debentures.

### 8 Share capital

Authorized

Unlimited number of common shares

When it was formed, the Corporation issued 91,750 common shares at a price of \$0.0001 per share for gross cash proceeds of \$9.

# Terranueva Pharma Corporation

## Notes to Financial Statements

September 30, 2018

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(expressed in Canadian dollars)

### 9 Income taxes

Income tax expense differs from the amount that would be calculated by applying the federal and provincial tax rates to the operating loss before income taxes, as indicated below:

Expected tax rate	26.9%
Expected tax recovery due to the loss	\$159,217
Deferred tax loss not recognized	\$(104,917)
Income tax recovery	\$(54,300)

The Corporation has an approximate amount of losses, other than capital losses, to reduce federal and provincial taxable income in future years. The amount of \$559,219 will expire in 2038.

### 10 Changes in non-cash working capital items

	\$
Prepaid expenses	(3,780)
Sales taxes recoverable	(66,310)
Accounts payable and accrued liabilities	<u>170,299</u>
	<u>100,209</u>

### 11 Financing cost

	\$
Interest on convertible debentures	78,567
Interest on lease obligation	<u>99,992</u>
	<u>178,559</u>

# Terranueva Pharma Corporation

## Notes to Financial Statements

September 30, 2018

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(expressed in Canadian dollars)

### 12 Loss per share

	\$
Loss attributable to the Corporation's shareholders	(559,219)
Basic weighted average number of common shares outstanding	91,750
Dilutive effect of convertible debentures*	-
Diluted weighted average number of common shares	91,750
Loss per share attributable to the Corporation's shareholders Basic and diluted	(6.09)

\* For the 10-month period ended September 30, 2018, 28,331 common shares underlying the convertible debentures were excluded from the calculation of the diluted loss per share because their effect would have been anti-dilutive.

### 13 Related party disclosures

#### Remuneration of key management personnel

The key management personnel consist of the four individuals with authority and responsibility, direct or indirect, for the planning, orientation and control of the Corporation's operations. They include the senior executives and directors of the Corporation.

The remuneration given to the key management personnel is as follows:

	\$
Professional fees	<u>178,003</u>

These transactions are in the normal course of business and are measured at the exchange amount, which is the consideration established and agreed upon by the related parties.

During the 10-month period ended September 30, 2018, the Corporation paid general and administrative expenses totalling \$45,223 to a company controlled by a director. These transactions are in the normal course of business and are measured at the exchange amount, which is the consideration established and agreed upon by the related parties.

# Terranueva Pharma Corporation

## Notes to Financial Statements

September 30, 2018

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(expressed in Canadian dollars)

### 14 Financial instruments

#### Management of financial risk

Due to its operations, the Corporation is exposed to various financial risks, such as market risk, which includes currency risk and interest rate risk, credit risk and liquidity risk.

The Corporation, through its financial instruments, is exposed to various risks, without being exposed to concentrations of risk.

#### Market risk

##### Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Since the Corporation does not have any foreign-currency-denominated assets or liabilities, currency risk is not considered significant.

##### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Since the Corporation's assets and liabilities, except for convertible debentures (notes 7 and 17(b)), are classified mainly as current assets or liabilities or do not bear interest, they have little exposure to interest rate risk.

#### Liquidity risk

Liquidity risk is the risk that the Corporation would be unable to honour its financial obligations when they fall due. The Corporation manages its liquidity risk by closely monitoring its capital requirements. As at September 30, 2018, the Corporation's cash amounted to \$1,002,942. Contractual cash flows related to the Corporation's liabilities, including interest, were as follows:

<b>Contractual maturities</b>	<b>Less than 6 months \$</b>	<b>From 6 to 12 months \$</b>	<b>Over 12 months \$</b>	<b>Total of contractual cash flows \$</b>
Accounts payable and accrued liabilities	170,299	-	-	170,299
Lease obligation	127,500	135,000	3,057,500	3,320,000
Convertible debentures	1,005,302	-	953,015	1,958,317
	<u>1,303,101</u>	<u>135,000</u>	<u>4,010,515</u>	<u>5,448,616</u>



# Terranueva Pharma Corporation

## Notes to Financial Statements

September 30, 2018

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(expressed in Canadian dollars)

The amount of the lease obligation due in more than 12 months reflects the minimum lease term of 10 years and consequently does not reflect the intended exercise of the option to purchase in the amount of \$2,900,000 in 2020 (note 6). The lease obligation also excludes non-lease components such as operating expenses and variable lease payments, including taxes and insurance, which are all paid by the Corporation.

### Changes in financial liabilities

Financial liabilities recorded the following changes during the period:

	<b>Convertible debentures</b>	<b>Lease obligation</b>	<b>Total</b>
	\$	\$	\$
New borrowings	1,884,583	-	1,884,583
New lease	-	2,917,310	2,917,310
Unwinding of the discount	73,734	42,993	116,727
	<u>1,958,317</u>	<u>2,960,303</u>	<u>4,918,620</u>

### Fair value

The carrying amount of cash and accounts payable and accrued liabilities approximates fair value because of their short-term maturities. The carrying amount of the convertible debentures approximates fair value because of their recent issuance.

## 15 Capital management

The Corporation's objective is to maintain sufficient capital to ensure the confidence of investors and creditors as well as to support the Corporation's future development. Management defines capital as the Corporation's deficiency. The Board of Directors has not established any quantitative criteria for return on equity for management purposes. The Corporation has not paid any dividends to its investors and is not subject to any external capital requirements.

## 16 Segmented information

The Corporation operates in only one sector of activity. All its tangible and intangible assets are located in Canada.

# Terranueva Pharma Corporation

## Notes to Financial Statements

September 30, 2018

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(expressed in Canadian dollars)

### 17 Subsequent events

- a) Subsequent to the end of the period, the Corporation issued convertible debentures bearing interest at the rate of 10% per annum and having a par value of \$157,500. On October 19, 2018, a debenture bearing interest at the rate of 10% with a par value of \$100,000 was converted into 2,250 common shares. On November 23, 2018, convertible debentures bearing interest at the rate of 10% with a par value of \$1,050,000 were converted into 22,250 common shares. Also on November 23, 2018, one third of the debentures bearing interest at the rate of 7% with a par value of \$1,100,000 were converted into 8,250 common shares.
  
- b) On December 14, 2018, Corporation Terranueva (formerly Axe Exploration Inc. (Axe)), a company listed on the Canadian Securities Exchange, acquired all the outstanding shares and securities of the Corporation in what constitutes a reverse takeover under which the Corporation would be deemed to be acquiring Axe. Axe has agreed to acquire the shares of the Corporation for consideration of \$10,930,000 payable through the issuance of 21,860,000 common shares at a deemed price of \$0.50 per share. A finder's fee consisting in the issuance of 1,250,000 common shares was paid to an arm's-length party. Following this transaction, the shareholders of the Corporation controlled Axe. Hence, this operation will be accounted as a reverse takeover of Axe by the Corporation, which is identified as the acquiror.

In parallel with the purchase of the Corporation, Axe raised of \$2,310,000 through a private placement with several investors.



## **CORPORATION TERRANUEVA PHARMA.**

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### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The objective of this Management's Discussion and Analysis Report ("MD&A") released by Corporation Terranueva Pharma (the "Company", "Terranueva Pharma" or "TER") is to allow the reader to assess the Company's operating and exploration results as well as our financial position for the initial year ended September 30, 2018. This report, dated January 24, 2019, should be read in conjunction with the audited financial statements for the 10-month period ended September 30, 2018, as well as with the accompanying notes. The audited financial statements are prepared under International Financial Reporting Standards ("IFRS"). Unless otherwise indicated, all amounts are expressed in Canadian dollars. Additional information about TER is available on SEDAR ([www.sedar.com](http://www.sedar.com)) and the Company's website ([www.terranueva.ca](http://www.terranueva.ca)). This report was approved by the Board of Directors of the Company on January 24, 2019.

### **FORWARD-LOOKING STATEMENT**

Statements made in this report about Company or management objectives, forecasts, estimates, expectations, or predictions of the future may constitute "forward-looking statements", which can be identified by the use of conditional or future tenses or by the use of such verbs as "believe", "expect", "may", "will", "should", "estimate", "anticipate", "project", "plan", and words of similar import, including variations thereof and negative forms.

The management's report contains forward-looking statements that reflect, as of the management report date, the Company's expectations, estimates and projections about its operations, the cannabis industry and the economic environment in which it operates.

Statements in this report that are not supported by historical fact are forward-looking statements, meaning they involve risk, uncertainty and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements.

Although the Company believes that the assumptions inherent in the forward-looking statements are reasonable, undue reliance should not be placed on these statements, which apply only at the time of writing of this report. The Company disclaims any intention or obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except to the extent required by securities legislation.

### **COMPANY OVERVIEW**

The Company was incorporated under the Canada Business Corporations Act. The Company intends to become a major producer of cannabis, for medical and recreational purposes. TER has been a fully-owned subsidiary of Corporation Terranueva since December 14, 2018, a public company listed on the CSE under the symbol TEQ.

## HIGHLIGHTS

- On December 14, 2018, TER was acquired by Corporation Terranueva, formerly Axe Exploration inc., for \$10,930,000 paid by the issuance of 21,860,000 common shares of Corporation Terranueva.
- Application for the culture and transformation license was submitted to Health Canada.
- Construction of the plant was completed.

## SELECTED FINANCIAL INFORMATION

	<b>As at or for the 10-month period ended September 30, 2018 <u>(audited)</u></b>
	\$
Revenue	-
Net Loss and comprehensive loss	559,219
Loss per share (basic and diluted)	6.09
Total assets	4,680,574
Current liabilities	1,197,682
Non-current liabilities	3,891,237
Shareholders' deficiency	405,345

## RESULTS OF OPERATIONS

For the 10-month period ended September 30, 2018, the net loss (\$6.09 per share) amounted to \$559,219.

There was no revenue or production during the period.

For the 10-month period ended September 30, 2018, expenses amounted to \$613,519. They included:

Professional fees	\$283,680
Marketing	\$2,759
Depreciation	\$25,212
General and administrative	\$123,308
Financial expenses	\$178,559

Most expenses were in connection with obtaining the required licences to operate the business of Corporation Terranueva Pharma. Professional fees are comprised of audit fees, legal fees to incorporate the Company and the work towards starting its business and to the convertible debentures as well as management fees. Marketing expenses are for the website development. Financial expenses include the interest on convertible debentures and bank fees.

## **LIQUIDITY AND FINANCING SOURCES**

As at September 30, 2018, cash and cash equivalents totaled \$1,002,942 and working capital amounted to \$375,350.

Cash flows used in operating activities during the 10-month period ended September 30, 2018, was \$371,371. Cash flows used in investing activities was \$715,444 of which \$215,444 was invested in the Construction in progress and \$500,000 in advances. Cash flows provided by financing activities was \$2,089,757 provided mainly by the issuance of \$2,089,748 of convertible debentures, nominal value. Nominal value of \$1,349,167 of convertible debentures have been converted in shares subsequent to September 30, 2018.

Even though Terranueva Pharma has started to invest resources to develop a cannabis business for medical purposes, there is no guarantee that a production license will be delivered to Terranueva Pharma neither as when such a license will be delivered.

As of today, Terranueva Pharma has no revenue and is considered to be in a start-up mode. Terranueva Pharma's ability to continue as a going concern depends on its ability to realize its assets and to obtain additional financing. While it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

The audited financial statements do not reflect the adjustments to the carrying value of assets and liabilities, the reported amounts of revenues and expenses and the classification of statement of financial position items if the going concern assumption was deemed inappropriate, and these adjustments could be material. Management did not take these adjustments into account as it believes in the validity of the going concern assumption.

## **CAPITAL STRUCTURE**

As at January 24, 2019, there was 124,750 common shares outstanding.

## **OFF-BALANCE SHEET AGREEMENT**

There is no off-balance sheet agreement.

## **RELATED PARTY TRANSACTIONS**

For the 10-month period ended September 30, 2018, management fees of \$45,223 were paid to a company controlled by a director, money paid for services rendered as self-employed. An amount of \$178,003 was paid to senior management and directors, either to companies controlled by them or directly to an individual. These transactions are in the normal course of operations and are measured at the exchange value and the amount of consideration established and agreed to by the related parties which approximates the arm's length equivalent value.

As at September 30, 2018, there is no amount payable to a related party.

## **BASIS OF PRESENTATION AND GOING CONCERN**

The audited financial statements were prepared on a going concern basis.

The Company's ability to continue as a going concern depends on its ability to realize its assets and to obtain additional financing. While it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. The application of International Financial Reporting Standards ("IFRS") on a going concern basis may be inappropriate, since there is a doubt as to the appropriateness of the going concern assumption.

The audited financial statements do not reflect the adjustments to the carrying value of assets and liabilities, the reported amounts of revenues and expenses and the classification of statement of financial position items if the going concern assumption was deemed inappropriate, and these adjustments could be material. Management did not take these adjustments into account as it believes in the validity of the going concern assumption.

## **RISKS AND UNCERTAINTIES**

There are numerous and various risks, known and unknown, that may prevent Corporation Terranueva Pharma from achieving its goals.

### **Liquidity Risk**

Liquidity risk is the risk that TER will not have enough cash resources to meet its financial obligations as they come due. TER liquidity and operating results may be adversely affected if TER's access to the capital markets is hindered, whether because of a downturn in stock market conditions generally or related to matters specific to TER. Until it will have its first sale, TER generates all its cash flow from its financing activities. TER's approach to managing liquidity risk is to ensure that it will have enough liquidity to meet liabilities when due. As at September 30, 2018, TER had working capital of \$375,350.

### **Facility is not Licensed**

TER's ability to cultivate, store and sell medical or recreational cannabis in Canada is dependent on Licenses, granted by Health Canada and a CRA Licenses to be granted by the Canada Revenue Agency. TER has applied to become a Licensed Producer for the facility. TER has not yet received a License for the Facility. However, TER is currently in the Detailed Review and Initiation of the Security Clearance Process stage of the licensing process. There can be no assurance that Terranueva Pharma will obtain such a License for the Facility.

### **Reliance on Licenses**

Failure to comply with the requirements of any License or CRA License, once obtained by, or transferred to, TER, or any failure to maintain any License or a CRA License would have a material adverse impact on the business, financial condition and operating results of TER. Although TER believes it will meet the requirements to obtain the License and the CRA License, there can be no guarantee that Health Canada will grant the Licenses or approve their transfer or that the Canada Revenue Agency will grant a CRA License or approve its transfer. Should Health Canada not grant any License or its transfer or should it grant the License on different terms or should the Canada Revenue Agency not grant a CRA License, the business, financial condition and results of the operation of TER would be materially and adversely affected.

### **Reliance on the Facility**

To date, TER's activities and resources have been primarily focused on its proposed unlicensed Facility located in L'Assomption, Québec. Adverse changes or developments affecting this facility may have a material and adverse effect on TER's ability to produce medical cannabis, business, financial condition and prospects.

### **Licensing Requirements**

The market for cannabis (including medical marijuana) in Canada is regulated by the applicable Cannabis Laws. Health Canada is the primary regulator of the industry. The applicable Cannabis Laws aims to treat cannabis like any other narcotic used for medical purposes by creating conditions for a new commercial industry that is responsible for its production and distribution.

Any applicant seeking to become a Licensed Producer is subject to stringent Health Canada licensing requirements.

### **Facility Lease Risk**

The Facility is located on property that is not owned by TER. Such property is subject to a long-term Lease and similar arrangements in which the underlying land is owned by a third party and leased to TER with rights to buy back. Under the terms of a typical lease, the lessee must pay rent for the use of the land and is generally responsible for all costs and expenses associated with the building and improvements. Unless the Lease term is extended, the land, together with all improvements made, will revert to the owner of the land upon the expiration of the Lease term. In addition, an event of default by TER under the terms of the Lease could also result in a loss of the property should the default not be rectified in a reasonable period. The reversion or loss of such properties could have a material adverse effect on TER's operations and results.

### Limited Operating History

TER anticipates entering the medical cannabis business. TER's Facility's application to become a Licensed Producer under the former legal regime was submitted to Health Canada before October 17, 2018. TER is therefore subject to many of the risks common to early-stage enterprises, including limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that TER will be successful in achieving a return on its shareholders' investments and the likelihood of success must be considered considering its early stage of operations. These risks may include:

- risks that it may not have enough capital to achieve its growth strategy;
- risks that it may not develop its product and service offerings in a manner that enables it to be profitable and meet its customers' requirements;
- risks that its growth strategy may not be successful;
- risks that fluctuations in its operating results will be significant relative to its revenues; and
- risks relating to an evolving regulatory regime.

### Management of Growth

TER may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of TER to manage growth effectively will require continued implementation and improvement of its operational and financial systems and to expand, train and manage its employee base. The inability of TER to deal with growth may have a material adverse effect on its business, financial condition, results of operations and prospects.

### Reliance on Management

The success of TER is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. While employment agreements and incentive programs are customarily used as primary methods of retaining the services of key employees, these agreements and incentive programs cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the TER's business, operating results or financial condition.

### Conflicts of Interest

TER may be subject to various potential conflicts of interest because some of its officers and directors may be engaged in a range of business activities. In addition, TER's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to TER, as applicable. External business interests may require significant time and attention of TER's executive officers and directors. In some cases, executive officers and directors may have fiduciary obligations associated with external business interests that may interfere with their abilities to devote time to TER's business and affairs, as applicable, and this could adversely affect TER's operations.

In addition, TER may also become involved in transactions that conflict with the interests of its respective directors and the officers, who may from time to time deal with persons, firms, institutions or corporations with which TER may be dealing, or which may be seeking investments like those desired by it. The interests of these persons, firms, institutions or corporations could conflict with those of TER. In addition, from time to time, these persons, firms, institutions or corporations may be competing with TER for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under the applicable laws. In particular, in the event that such a conflict of interest arises at a meeting of TER's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with the applicable laws, the directors of TER are required to act honestly, in good faith and in the best interests of TER.

### Litigation

TER may become party to litigation from time to time in the ordinary course of its business which could adversely affect its operations. Should any litigation in which TER becomes involved be determined against it, such a decision may adversely affect TER's ability to continue operating and use significant resources. Even if TER is involved in



litigation and succeeds, litigation can redirect significant company resources. Litigation may also create a negative perception of Terranueva Pharma's brand, and ultimately the Corporation's brand.

#### Regulatory Risks

TER operates in a new industry which is highly regulated, highly competitive and evolving rapidly. As such, new risks may emerge, and management may not be able to predict all such risks or be able to predict how such risks may result in actual results differing from the results contained in any forward-looking statements. TER's ability to grow, store and sell medical cannabis in Canada with respect to the Facility is dependent on obtaining the License from Health Canada and a CRA License and the need to maintain them in good standing. Failure to: (i) comply with applicable requirements; and (ii) maintain the Licenses and a CRA License would have a material adverse impact on the business, financial condition and operating results of TER.

TER will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions of our operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to TER's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of TER.

The industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the TER'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 TER's earnings and could make future capital investments or the TER's operations uneconomic. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

#### Product Liability

As a manufacturer and distributor of products designed to be ingested or inhaled by humans, TER faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of products involve the risk of injury or loss to consumers due to tampering by unauthorized third parties, product contamination, unauthorized use by consumers or other third parties. Previously unknown adverse reactions resulting from human consumption of TER's products alone or in combination with other medications or substances could occur. Terranueva Pharma may be subject to various product liability claims, including, among others, that TER's products caused injury, illness or loss, 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 TER could result in increased costs, adversely affect TER's reputation with its respective clients and consumers generally, and adversely affect the results of operations and financial conditions of TER.

#### Product Recalls

Manufacturers and distributors of products may be 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 TER's products are recalled due to an alleged product defect or for any other reason, TER could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. TER 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.

#### Operating Risk and Insurance Coverage

TER has insurance to protect its assets, operations and employees. While TER believes its insurance coverage addresses all material risks to which they are exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which TER is exposed. However, TER 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. TER might also become subject to liability for pollution or other hazards which may not be insured against or which TER may elect not to insure against because of premium costs or other reasons. Losses from these events may cause TER Pharma to incur significant costs that could have a material adverse effect upon TER's financial performance and results of operations.

#### **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION**

The audited financial statements for the 10-month period ended September 30, 2018 and other financial information contained in this MD&A are the responsibility of TER's management and have been approved by the Board of Directors on January 24, 2019.

(s) Pierre Ayotte  
Chief Executive Officer

(s) Pierre Monet  
Chief Financial Officer

## APPENDIX D SUPPLEMENT TO MD&A

### 1.1 Audit Committee Charter

The Charter of the Corporation's Audit Committee is attached as Schedule A to this Appendix D.

### 1.2 Composition of the Audit Committee

The Audit Committee is composed of three directors, namely Marc-André Aubé, Patrice Boily and Alain Bureau. The Board determined that all members of the Audit Committee are "independent" within the meaning of the regulations of the authorities on the Audit Committee. They are all financially literate within the meaning of the *Regulation 52-110 respecting Audit Committee* ("Regulation 52-110").

### 1.3 Relevant Education and Experience

All members of the Audit Committee have acquired their relevant experience through their work, their education and other directorships and senior management positions held at various companies, the whole as more particularly described hereinafter.

Marc-André Aubé holds since January 2017 the position of President and COO of Walter Surface Technologies, a leader in surface treatment technologies established in 7 countries in North America, South America and Europe. He oversees the company's strategic corporate direction with a focus on global expansion. Before joining Walter, Mr. Aubé was, from May 2007 to January 2017, President and Chief Operating Officer of GardaWorld Protective Services. He also has experience in various industry sectors including chemical products with Nalco Canada, oil and gas with Petro-Canada, and finance with the Caisse de dépôt et placement du Québec and Scotia Capital Inc. Mr. Aubé is a CFA and also holds an MBA from the HEC Montréal and an engineering degree from the Montréal Polytechnic School.

Patrice Boily is currently Chief Executing Officer of Lune Rouge 360 since January 2017 after he joined it as a consultant in January 2016. From May 2003 till June 2014, Mr. Boily was strategic advisor, Cash Services, Canada and United-States, for the multinational Garda World Security Corporation. Previously, he held the position of Chief Operating Officer for the same corporation. He has extensive North American experience in the security field. Patrice Boily is an industrial engineer graduated from the École Polytechnique of Université de Montréal. He has over 25 years of experience in operations management, specializing in business process reengineering. Prior to joining Garda, Mr. Boily served as Vice President of Operations for Touchtunes Digital Music. Prior to that, he led the operations of Dentalmatic and Discreet Logic.

Alain Bureau is currently President of Atico Mining Corporation since September 2019, a mineral exploration company listed on the TSX Venture Exchange. Alain Bureau was trained as an officer in the Canadian Armed Forces and holds a Bachelor of Engineering degree from Royal Military College of Canada. Mr. Alain Bureau is a member of the Ordre des Ingénieurs du Québec. Mr. Bureau has over 15 years of mining and construction experience in Canada and Latin America. In the past, he has been involved in major international projects such as Pinos Altos Mexico, La Ronde, Raglan, Altonorte, Izcaycruz, Yauliyacu and Escondida, the largest copper mine in the world, located in Chile. He has also worked in Peru on mining projects, as well as for several major Canadian mining companies of international scale. Mr. Bureau was also National Construction Manager in Venezuela and in the Dominican Republic for the Canadian engineering and construction firm Dessau-Soprin International. From November 2006 till December 2016, Mr. Bureau acted as a director and President and Chief Executive Officer of Pershimco Resources Inc. (now Orla Mining Ltd.).

#### **1.4 Audit Committee Oversight**

Since the commencement of the Corporation's most recently completed financial year, the Corporation, there is no recommendation of the audit committee to nominate or compensate an external auditor that was not adopted by the Board of directors of the Corporation.

#### **1.5 Pre-Approval Policies and Procedures**

The Audit Committee has not adopted specific policies and procedures for the engagement of non-audit services. Nevertheless, the Charter of the Corporation's Audit Committee, attached as Schedule A to this Appendix D, provides that it is such Committee's responsibility to:

- (a) Recommend the appointment of the external auditors to the Board of Directors, who will consider their independence and performance and to approve their remuneration, treatment and other compensation to be paid;
- (b) Review and discuss periodically with the external auditors the relationship between the Corporation and the external auditors in order to analyze the independence and objectivity of the external auditors;
- (c) Consult at least annually the external auditors, without the attendance of the Executive Management, in order to discuss the internal audit control process and other items of concern;
- (d) Require from the external auditors a declaration of independence while filing the annual report and preceding each mandate granted;
- (e) Evaluate the performance of the external auditors and recommend their replacement if the Audit Committee believe it advisable;
- (f) Review and approve the hiring policies regarding partners, employees and former partners and employees of the present and former external auditor its predecessor;
- (g) Establish procedures that ensure the confidential receipt, filing and treatment of complaints received regarding accounting, internal accounting controls, or auditing matters. Establish procedures permitting the confidential, anonymous submission of information by employees of the Corporation regarding questionable accounting or auditing practices;
- (h) Review the Corporation's annual and interim financial statements as well as all report or other financial information to be disclosed according to the disclosure rules pursuant to competent authorities or the disclosure policy of the Corporation; and
- (i) The Audit Committee must be satisfied that adequate procedures are in place for the review of the public disclosure by the Corporation of financial information extracted or derived from the Corporation's financial statements other than those referred to in the previous paragraph and periodically review those procedures.

#### **1.6 Reliance on Certain Exemptions**

Since the commencement of the Corporation's most recently completed financial year, the Corporation has not relied on the following exemptions of Regulation 52-110:

- (a) the exemptions in section 2.4 (De Minimis Non-audit Services);
- (b) the exemptions in subsections 6.1.1 4), 5) and 6) (Composition of Audit Committee); or
- (c) an exemption, in whole or in part, granted under Part 8 of Regulation 52-110 (Exemptions).

**1.7 External Auditor Service Fees**

In addition to performing the audit of the Corporation’s consolidated financial statements, the Corporation’s external auditor, PriceWaterhouseCoopers LLP, provided other services to the Corporation and billed the following fees for each of the Corporation’s two most recently completed financial years:

<b>Professional fees</b>	<b>Fiscal year ended September 30, 2020</b>	<b>Fiscal year ended September 30, 2019</b>
Audit Fees <sup>(1)</sup>	\$75,000	\$85,000
Audit-Related Fees <sup>(2)</sup>	\$-	\$-
Tax Fees <sup>(3)</sup>	\$7,500	\$7,000
All other Fees <sup>(4)</sup>	\$-	\$-
<b>TOTAL:</b>	<b>\$82,500</b>	<b>\$92,000</b>

Notes:

- (1) Refers to the aggregate professional fees billed by the Corporation’s external auditor for audit services.
- (2) Refers to the aggregate professional fees billed for assurance and related services by the Corporation’s external auditor that are reasonably related to the performance of the audit or review of the Corporation’s financial statements and are not reported under note (1) above, including professional services rendered by the Corporation’s external auditor for accounting consultations on proposed transactions and consultations related accounting and reporting standards.
- (3) Refers to the aggregate professional fees billed for professional services rendered by the Corporation’s external auditor for tax compliance, tax advice and tax planning. These fees refer to various consultations with the external auditors relating to general taxation.
- (4) Refers to the aggregate professional fees billed for products and services provided by the Corporation’s external auditor, other than the services reported under notes (1), (2) and (3) above. In particular, those other fees for the preparation of a report from PricewaterhouseCoopers LLP in connection with an ISAE 3402 audit in the United States of America and Canada in respect of the Corporation which described the cash management systems which carry out the operations of customers of the Corporation’s subsidiaries.

**SCHEDULE A TO APPENDIX D  
AUDIT COMMITTEE CHARTER**

**CORPORATION TERRANUEVA /  
TERRANUEVA CORPORATION**



**TERRANUEVA**

**ORGANIZATIONAL CHARTER - Audit Committee**

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**1. General Objectives**

In accordance with its functions, the Audit committee (hereinafter referred to as the “Audit Committee”), must encourage the continuous improvement and to see compliance with guidelines, procedures and financial practices of Corporation Terranueva / Terranueva Corporation (previously Axe Exploration Inc.) and its subsidiaries (hereinafter collectively referred to as the “Corporation”).

The primary and principal roles of the Audit Committee include acting as an independent and objective party so as to : (i) ensure an appropriate process for the Corporation's financial disclosure and internal controls; (ii) ensure an appropriate process for the audit of the Corporation's external auditors; (iii) foster open and frank communication among the Corporation's external auditors, executive management (the "Executive Management") and the Board of Directors (the "**Board**"); and (iv) ensure that appropriate disclosure and financial management policies are in place for the Corporation.

The Audit Committee will act as to accomplish its responsibilities by executing the tasks enumerated in section 4.

**2. Composition**

The Audit Committee shall be composed of a minimum of three (3) directors of the Corporation, a majority of whom shall be independent according to Regulation 52-110.

While a diversity of skills and experience is an asset to an effective and balanced Audit Committee, all members should have a basic knowledge of financial matters and at least one (1) member of the Committee should have specialized knowledge of accounting or financial management.

“Basic knowledge of financial matters” means the ability to read and understand basic financial statements, including a balance sheet, income statement and cash flow statement, and the ability to ask probing questions about the Company's accounting and financial risks.

A member will be deemed to have “specialized knowledge” if he has professional experience in finance or accounting, a professional accreditation in that field or another experience or background that made him develop specialized knowledge in financial matters.

Members of the Committee will be appointed by the Board and will hold their function until the next meeting of the Board following the general meeting of shareholders or until their successors are duly appointed. Unless the President of the Audit Committee is appointed by all the members of the Board of Directors, members of the Committee will be entitled to appoint a President by way of a majority vote in the presence of all the members of the Audit Committee.

### **3. Organization**

Except as specifically provided herein, or adopted from time to time, the by-laws of the Corporation shall govern the meetings of the Audit Committee. In particular, it is agreed that the Audit Committee shall meet at least four (4) times per year or more if justified by the circumstances. In order to foster open and straightforward communications between key players, the Audit Committee shall meet, at least annually, with Executive Management and the external auditors of the Corporation. These meetings shall be held distinctively and privately in order to discuss any matter that the Audit Committee or each of these groups will consider important or useful.

### **4. Responsibilities and Duties**

In order to satisfy its duties and roles, the Audit Committee shall namely:

#### External Auditors

1. Recommend to the Board of Directors the selection of external auditors considering their independence and effectiveness and approve their compensation, salaries and other compensations to be paid;<;
2. Review and discuss periodically with the external auditors the relationship between the Corporation and the external auditors in order to analyze the independence and objectivity of the external auditors;
3. Consult at least annually the external auditors, without the attendance of the Executive Management, in order to discuss the internal audit control process and other areas of concern;
4. Require from the external auditors a declaration of independence while filing the annual report and preceding each mandate granted;
5. Evaluate the performance of the external auditors and recommend their replacement if the Audit Committee believe it advisable;
6. For the duration of the annual financial statements review process and prior to their issuance, review independently with the Executive Management and the external auditors any important difficulties incurred during the review process, including any restrictions on the work load completed or the access to required information;
7. Review any important disagreements between the Executive Management and the external auditors regarding financial statements;
8. Review and approve the hiring policies regarding partners, employees and former partners and employees of the present and former external auditor its predecessor;

### Financial Reporting and Disclosure of Documents

9. Review the integrity of the financial disclosure process in consultation with the external auditors and the Executive Management of the Corporation;
10. Discuss the quality of the accounting principles with the external auditors of the Corporation, including accuracy of the financial information disclosure, highly judgmental areas such as reserves or estimates and the application of accounting principles by Executive Management;
11. In case of changes to accounting principles adopted by the Corporation as suggested by the Executive Management and endorsed by the external auditors, review and submit these changes for approval to the Board;
12. Reviewing the Company's annual and quarterly financial statements as well as any report or other financial information to be disclosed in accordance with the disclosure rules enacted by the competent authorities or the Company's disclosure policy;
13. Ensure that adequate procedures are in place to review the public disclosure of financial information extracted or derived from the financial statements and periodically review these procedures;
14. Review any certificate, report, opinion, letter or correspondence sent by the external auditors of the Corporation and, if applicable, any answers from the Executive Management to the said correspondence;
15. Review annually the mandates of the Audit Committee and recommend to the Board of Directors any amendments to the mandates that it deems desirable or necessary;
16. Prepare and recommend annually to the Board of Directors a "Summary of the Audit Committee Practices" to be included in the annual report or in the management proxy circular;
17. Review and update, if necessary, this Charter periodically, at least annually;

### Disclosure Policy and other

18. See to the establishment and respect by the Corporation's Executive Management of the disclosure policy regarding; i) financial information; ii) operations, activities, facts or events having a material effect on the Corporation's financial condition;
19. Ensure that the Executive Management acts in compliance with the Corporation's disclosure policy; and
20. Establish procedures to ensure the confidentiality of the receipt, retention and treatment of complaints received regarding accounting, internal accounting controls or auditing matters. Maintain a process for the confidential receipt of information from employees (on an anonymous basis) regarding questionable accounting or auditing matters.

\* \* \*



**APPENDIX E**  
**CORPORATE GOVERNANCE PRACTICES**  
**STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

The Canadian Securities Administrators (the “**Authorities**”) adopted Regulation 58-101 *respecting Disclosure of Corporate Governance Practices* (the “**Authorities’ Governance Disclosure Regulation**”) and Policy Statement 58-201 *to Corporate Governance Guidelines* (the “**Authorities’ Governance Policy**”). The Authorities’ Governance Policy provides guidance on corporate governance practices to Canadian issuers, while the Authorities’ Governance Disclosure Regulation requires issuers to make the prescribed disclosure regarding their corporate governance practices, if necessary. The disclosure made hereunder refers to the items of the Authorities’ Governance Disclosure Regulation as well as to the Authorities’ Governance Policy, where appropriate. The Corporation believes that its corporate governance practices meet the requirements of the Authorities’ Governance Disclosure Regulation and the Authorities’ Governance Policy, as reflected in the disclosure made hereunder.

The Corporation periodically reviews its corporate governance practices in order to respond to the evolution of best practices.

<b>Authority Guidelines</b>	<b>Corporate Governance Practices of the Corporation</b>
<p><b>1. Board of Directors</b></p> <p>(a) Disclose how the Board of Directors of the Corporation (the “<b>Board</b>”), facilitates its exercise of independent supervision over management, including:</p> <p style="padding-left: 20px;">i) the identity of directors who are independent; and</p> <p style="padding-left: 20px;">ii) the identity of directors who are not independent, and the basis for that determination.</p>	<p>Of the current eight (8) members of the Board, four (4) directors are independent within the meaning of the Authorities’ Governance Disclosure Regulation. They are Messrs. Sylvain Aird, Marc-André Aubé, Patrice Boily, Alain Bureau, Louis Doyle and Rafael Percopo.</p> <p>After having examined the relationship of each of its members, the Board has determined that the following director was not independent: Mr. Peter Polatos is the Interim President and Chief Executive Officer of the Corporation and Francisco Perez Jr. is Chief Operating Officer and therefore, they do not qualify as “independent” within the meaning of the Authorities’ Governance Disclosure Regulation.</p> <p>During all meetings of the Board and meetings of committees of the Board, the independent directors have the opportunity to meet without any representatives of management being present.</p>

<p style="text-align: center;"><b>Authority Guidelines</b></p>	<p style="text-align: center;"><b>Corporate Governance Practices of the Corporation</b></p>
<p>(b) If a director is currently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.</p>	<p>The directorships of all current directors with other reporting issuer are the following:</p> <p>Peter Polatos: BTB Real Estate Investment Trust</p> <p>Louis Doyle: Abitibi Royalties Inc. and Lumiera Santé Inc. (formerly, Produits Naturels Mondias Inc.)</p> <p>Sylvain Aird: Geekco Technologies Corporation</p>
<p><b>2. Orientation and Continuing Education</b></p>	
<p>Describe what steps, if any, the Board takes to orient new Board members, and describe any measures to provide continuing education for directors.</p>	<p>The Corporate Governance and Human Resources Committee is responsible for monitoring the Corporation's orientation and continuing education for new directors.</p> <p>The Corporation offers new directors orientation and continuing education which focuses on strategic thrusts, financial information and human resources, including the roles, responsibilities and liabilities of directors.</p> <p>Presentations on the Corporation's business are made by management at each Board meeting. Also, the directors have access to the legal counsels of the Corporation for any question concerning their duties as directors.</p>

<p style="text-align: center;"><b>Authority Guidelines</b></p>	<p style="text-align: center;"><b>Corporate Governance Practices of the Corporation</b></p>
<p><b>3. Ethical Business Conduct</b></p> <p>Describe what steps, if any, the Board takes to encourage and promote a culture of ethical business conduct.</p>	<p>The Board has adopted an internal Confidentiality and Disclosure Policy, a Trading Restrictions and Blackout Periods Policy and a Code of Ethics.</p> <p>The Board, through its Audit Committee and Corporate Governance and Human Resources Committee, has the responsibility to periodically review the corporate governance policies and monitor adherence thereto by management.</p> <p>The policies are available upon request addressed to the Corporation’s Secretary.</p> <p>In accordance with applicable law, when a conflict of interest arises, a director is required to disclose his or her interest and abstain from voting on the matter. In practice, the Board requests every director to disclose any direct or indirect interest he or she has in any organization, business or association, which could place the director in a conflict of interest. Should there be a discussion or decision relating to an organization, business or association in which a director has an interest, the Board would request such director not to participate in any such discussion or decision.</p>
<p><b>4. Nomination of Directors</b></p> <p>Disclose what steps, if any, are taken to identify new candidates for Board nominations, including:</p> <p>(a) who identifies new candidates;</p>	<p>The Corporate Governance and Human Resources Committee is responsible to receive and review the candidates, and recommend to the Board the hiring of executive management, or the appointment or election of directors of the Corporation.</p>

<p style="text-align: center;"><b>Authority Guidelines</b></p>	<p style="text-align: center;"><b>Corporate Governance Practices of the Corporation</b></p>
<p>(b) the process of identifying new candidates.</p>	<p>The Corporate Governance and Human Resources Committee has the responsibility of recommending to the Board adequate procedures for the selection of new directors and to periodically review the criteria adopted by the Board. It also has the responsibility of recommending to the Board candidates who are deemed competent and capable of becoming members of the Board, in accordance with the criteria of the new directors adopted from time to time by the Board and established according to the Charter of the Corporate Governance and Human Resources Committee.</p> <p>In addition to receiving and to reviewing the applications of candidates and recommend the hiring, the Corporate Governance and Human Resources Committee considers and approves the requests to hire special counsels, recommends the opportunity to create new functions in the Corporation, analyses the needs of the Board if there are any vacancies and recommends the dismissal of a director or a member of the Executive Management, if necessary.</p>

<p style="text-align: center;"><b>Authority Guidelines</b></p>	<p style="text-align: center;"><b>Corporate Governance Practices of the Corporation</b></p>
<p><b>6. Diversity</b></p>	<p>The Board has not adopted a formal policy with respect to term limits for directors or other mechanisms for board renewal as it has not considered such mechanisms to be appropriate given the size and stage of development of the Corporation. The Board is of the view that limiting the term of office may result in a loss of beneficial contributions by directors and may be detrimental to the Corporation.</p> <p>The Board has not adopted a formal policy with respect to the nomination and appointment of directors who are women, Aboriginal Peoples, persons with disabilities and members of visible minorities (collectively, the "<b>designated groups</b>"). The Board recognizes the benefits of diversity on its Board, at the senior management level and at all levels of the organization, but does not believe that the adoption of a formal policy would further increase the representation of designated groups over the current recruitment and selection process. The board has not set formal representation goals for designated group members on the board or in senior management positions. The Corporation assesses the competencies, skills, experience and other necessary qualifications of each candidate as a whole, and the representation of the designated groups is one of many factors considered in the recruitment and selection of candidates for board or senior management positions. Currently, no member of the Corporation's Board or senior management team is a member of the Designated Groups (0%).</p>
<p><b>5. Compensation</b></p> <p>Disclose what steps, if any, are taken to determine compensation for the directors and Chief Executive Officer, including:</p> <p>(a) who determine compensation;</p>	<p>The Corporation's compensation program concerning directors and executive management is the responsibility of the Corporate Governance and Human Resources Committee.</p> <p>The Committee also approves the recruiting as well as the levels of compensation of all the members of Executive Management and shares its decisions in this respect with the Board.</p>

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<p>(b) the process of determining compensation.</p>	<p>The Corporate Governance and Human Resources Committee has the responsibility to periodically review the compensation of executive management.</p> <p>The Corporate Governance and Human Resources Committee is responsible for periodically reviewing and evaluating the performance and contribution of all directors and the effectiveness of the Board as a whole; and, annually reviewing the compensation of the directors in their capacity as directors and make recommendations to the Board.</p> <p>The Corporate Governance and Human Resources Committee has namely the responsibility of examining and approving the goals and objectives of the Corporation relating to the compensation of the President and Chief Executive Officer, to evaluate the performance of the President and Chief Executive Officer with respect to these goals and objectives, to account for the results of such an evaluation of the Board and to recommend to the Board the level of compensation of the President and Chief Executive Officer according to this evaluation.</p>
<p><b>6. Other Board Committees</b></p> <p>If the Board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.</p>	<p>The Board has created the Corporate Governance and Human Resources Committee. The Corporate Governance and Human Resources Committee assists the Board within the exercise of its functions, supervises the Executive Management of the Corporation in order to improve the value of the securities of the Corporation in the long-run for the shareholders, guides the Board with respect to the policies and decisions regarding corporate governance, as well as the appointment and compensation of both executive management and directors of the Corporation and its subsidiaries.</p> <p>The Corporate Governance and Human Resources Committee is currently composed of three (e) directors of the Corporation, namely Messrs. Sylvain Aird, Alain Bureau and Louis Doyle, all are “independent” within the meaning of the Authorities’ Governance Disclosure Regulation.</p>
<p><b>7. Assessments</b></p> <p>Disclose what steps, if any, the Board takes to satisfy itself that the Board, its committees, and its individual directors are performing effectively.</p>	<p>The Board has an informal process for assessing its effectiveness and that of its committees. The Chairman of the Board bears this responsibility along with the President of the Corporate Governance and Human</p>

<b>Authority Guidelines</b>	<b>Corporate Governance Practices of the Corporation</b>
	<p>Resources Committee. On an annual basis, each director and Corporate Governance and Human Resources Committee member evaluates the performance of the Board or Corporate Governance and Human Resources Committee of which he is a member, taking into account various criteria, namely the composition, functioning, responsibilities, surveillance activities and efficiency of the Board or Corporate Governance and Human Resources Committee, as well as the comprehension of the business and the remuneration of its members. The observations of each member are informally submitted to the Chairman of the Board or Corporate Governance and Human Resources Committee. They are discussed within the Corporate Governance and Human Resources Committee and are then presented to the Chairman of the Board.</p>