



Annual Information Form

For the Year Ended July 31, 2023

Dated November 28, 2023

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CAUTION REGARDING BUSINESS

1933 Industries Inc. (“the Corporation”) is an entity that currently directly derives 100% of its revenues from the cannabis industry in certain U.S. states, which industry is illegal under U.S. Federal Law. As at the date hereof, 100% of the Corporation’s operations are in the United States. The Corporation is directly involved (through its subsidiaries) in both the adult-use and medical cannabis industry in the state of Nevada, as permitted under applicable state law which states have regulated such industries. In addition, the Corporation is indirectly involved in the hemp cannabidiol (“CBD”) industry in the United States. All CBD infused products produced and sold by the Corporation are derived from hemp under the 2018 Farm Bill (as defined herein), as well as under the laws of the states in which the Corporation manufactures such products.

The cultivation, sale and use of cannabis is illegal under United States federal law pursuant to the Controlled Substance Act (21 U.S.C. §811) (the “CSA”). The United States federal government regulates drugs through the CSA, which places controlled substances, including cannabis, in a schedule. Other than industrial hemp, cannabis is classified as a Schedule I drug. Under United States federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision. Under the CSA, the policies and regulations of the United States federal government and its agencies are that cannabis has no medical benefit and a range of activities including cultivation and the personal use of cannabis is prohibited. The United States Food and Drug Administration has approved Epidiolex, which is a CBD oral solution with an active ingredient derived from the cannabis plant for the treatment of seizures associated with two rare and severe forms of epilepsy, Lennox-Gastaut syndrome and Dravet syndrome, in patients two years of age and older. This is the first drug approved by the U.S. Food and Drug Administration (“FDA”) that contains a purified drug substance derived from the cannabis plant. In this case, the substance is CBD, a chemical component of marijuana that does not contain the intoxication properties of tetrahydrocannabinol (“THC”), the primary psychoactive component of marijuana.

Despite the current state of the federal law and the CSA, medical cannabis is currently legal in 40 states and Washington D.C., Puerto Rico and Guam for patients with certain qualifying conditions. The states of Alaska, Arizona, California, Colorado, Connecticut, Delaware, District of Columbia, Illinois, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Montana, Nevada, New Jersey, New Mexico, New York, Ohio, Oregon, Rhode Island, Vermont, Virginia, and Washington. , Washington D.C., and the District of Columbia, have legalized recreational use of cannabis, although the District of Columbia has not legalized commercial sale of cannabis. This list includes states that have passed legislation to legalize recreational use of cannabis, but the laws have not yet gone into effect.

Over half of the U.S. states have enacted legislation to legalize and regulate the sale and use of medical cannabis, provided that there are strict limits on the levels of THC. However, there is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions.

Accordingly, cannabis is largely regulated at the state level. State laws that permit and regulate the production, distribution and use of cannabis for adult-use or medical purposes are in direct conflict with the CSA. Although certain states authorize medical or adult-use cannabis production and distribution by licensed or registered entities, under United States federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal, and any such acts are criminal acts. The Supremacy Clause of the United States Constitution establishes that the United States Constitution and federal laws made pursuant to it are paramount and in case of conflict between federal and state law, the federal law shall apply.

On March 15, 2022, President Joe Biden signed the Consolidated Appropriations Act of 2022, which included the Joyce Amendment, which prohibits the funding of federal prosecutions with respect to medical cannabis activities that are legal under state law. On October 6, 2022, President Joe Biden issued a proclamation to pardon those who were charged or convicted of federal simple marijuana possession charges. President Biden also encouraged state governors to issue pardons for state charges or convictions of simple marijuana possession. On August 30, 2023, The Department of Health and Human Services (HHS) recently recommended to the Drug Enforcement Administration (DEA) that marijuana be rescheduled from a Schedule I to Schedule III substance, as defined by the Controlled Substances Act. While bipartisan support is gaining traction on decriminalization and reform, there is no imminent timeline on any potential

legislation. There is no guarantee that the current Presidential administration will not change its stated policy regarding the low-priority enforcement of U.S. federal laws that conflict with state laws. There is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed, amended or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. See “*United States Regulatory Environment*” for additional information.

The Corporation's objective is to capitalize on the opportunities presented as a result of the changing regulatory environment governing the cannabis industry in the United States. Accordingly, there are a number of significant risks associated with the business of the Corporation. Unless and until the United States Congress amends the CSA with respect to medical and/or adult-use cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a significant risk that federal authorities may enforce current U.S. federal law, and the business of the Corporation may be deemed to be producing, cultivating, extracting, or dispensing cannabis or aiding or abetting or otherwise engaging in a conspiracy to commit such acts in violation of federal law in the United States. If the U.S. federal government begins to enforce U.S. federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing applicable state laws are repealed or curtailed, the Corporation's business, results of operations, financial condition and prospects would be materially adversely affected.

In light of the political and regulatory uncertainty surrounding the treatment of United States cannabis-related activities, on February 8, 2018, the Canadian Securities Administrators published CSA Staff Notice 51-352 – *(Revised) Issuers with U.S. Marijuana-Related Activities* (“Staff Notice 51-352”) setting out the Canadian Securities Administrator's disclosure expectations for specific risks facing issuers with cannabis-related activities in the United States. Staff Notice 51-352 includes additional disclosure expectations that apply to all issuers with United States cannabis-related activities, including those with direct and indirect involvement in the cultivation and distribution of cannabis, as well as issuers that provide goods and services to third parties involved in the United States cannabis industry.

For these reasons, the Corporation's investments in the United States cannabis market may subject the Corporation to heightened scrutiny by regulators, stock exchanges, clearing agencies and other United States and Canadian authorities. There are a number of risks associated with the business of the Corporation. See sections entitled “*Risk Factors*” and “*United States Regulatory Environment*” in this Annual Information Form (“AIF”)

In addition, over the past several years, the FDA has issued numerous warning letters to companies marketing CBD products with disease claims, rendering the products unapproved drugs according to FDA. The letters also reiterate the agency's position that CBD cannot be added to food and dietary supplements. This matter is still in active discussion with the FDA and is unresolved as of the date of this AIF. While the Corporation disagrees with the position of the FDA, there is risk that this agency, or the FTC (as defined herein), could take law enforcement or regulatory actions against the Corporation.

If the Corporation's hemp related operations are found to be in violation of any of such laws or any other governmental regulations, the Corporation may be subject to penalties, including, without limitation, civil and criminal penalties, damages, fines, the curtailment or restructuring of the Corporation's operations or asset seizures, any of which would adversely affect the Corporation's business and financial results. If the FDA or the FTC takes action against the Corporation or the CBD industry, notwithstanding the regulatory regime surrounding the 2018 Farm Bill, this would have a material adverse effect on the Corporation's business, financial condition and results of operations including, potentially, the cessation of operations entirely. Failure to comply with FDA requirements may result in, among other things, injunctions, product withdrawals, recalls, product seizures, fines and criminal prosecutions. The Corporation's suppliers, service providers, and distributors may elect, at any time, to breach or otherwise cease to participate in supply, service or distribution agreements, or other relationships, on which the Corporation's operations rely. Loss of its suppliers, service providers, or distributors would have a material adverse effect on the Corporation's business and operational results. See “*Risk Factors*”.

GENERAL

Unless otherwise noted herein, information in this AIF applies to the business activities and operations of the Corporation for the year ended July 31, 2023. Unless otherwise indicated, references to “\$” are to Canadian dollars.

All references in this AIF to the Corporation or 1933 Industries also include references to all subsidiaries of the Corporation as applicable, unless the context requires otherwise.

FORWARD-LOOKING INFORMATION AND STATEMENTS

This AIF and the documents incorporated by reference in this AIF, as applicable, contain “forward-looking information” and “forward-looking statements” within the meaning of Canadian securities laws and United States securities laws. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based on management’s beliefs, expectations or assumptions regarding the future of the business, future plans and strategies, operational results and other future conditions of the Corporation. Forward-looking statements contained in certain documents incorporated by reference in this AIF are based on the key assumptions described in such documents. In addition, the Corporation may make or approve certain statements in future filings with Canadian securities regulatory authorities, in press releases, or in oral or written presentations by representatives of the Corporation that are not statements of historical fact and may also constitute forward-looking statements. All statements, other than statements of historical fact, made by the Corporation that address activities, events or developments that the Corporation expects or anticipates 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 and includes, among others, information regarding: expectations for the effects and potential benefits of any transactions; expectations for the effects of the pandemic of the novel coronavirus (“COVID-19”) on the business’ operations and financial condition; statements relating to the business and future activities of, and developments related to, the Corporation after the date of this AIF, including such things as future business strategy, competitive strengths, goals, expansion and growth of the Corporation’s business, operations and plans; expectations that planned acquisitions will be completed; expectations that licenses applied for will be obtained; potential future legalization of adult-use and/or medical cannabis under U.S. federal law; expectations of market size and growth in the U.S. and the states in which the Corporation operates; expectations for other economic, business, regulatory and/or competitive factors related to the Corporation or the cannabis industry generally; the ability for U.S. holders of securities of the Corporation to sell them on the Canadian Securities Exchange (“CSE”); and other events or conditions that may occur in the future. 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 the then current expectations.

Readers are cautioned that forward-looking statements are not based on historical facts but instead are based on reasonable assumptions, estimates, analysis and opinions of management of the Corporation at the time they were provided or made, in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances, and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation, as applicable, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Forward-looking information and statements are not a guarantee of future performance and are based upon a number of estimates and assumptions of management at the date the statements are made including, among other things, assumptions about: development costs remaining consistent with budgets; the Corporation’s ability to manage anticipated and unanticipated costs; favorable equity and debt capital markets; the Corporation’s ability to raise sufficient capital to advance the business of the Corporation; favorable operating and economic conditions; political and regulatory stability; the Corporation’s ability to implement its growth strategies and business plan obtaining and maintaining all required licenses and permits; sustained labor stability; stability in financial and capital goods markets; favourable production levels and costs from the Corporation’s operations; the pricing of various cannabis products; the level of demand for cannabis products; the Corporation’s ability to keep pace with changing consumer preferences; the availability of third party service providers and other inputs for the Corporation’s operations; the Corporation’s ability to successfully withstand the economic impact of the COVID-19 pandemic and the Corporation’s ability to conduct operations in a safe, efficient and effective manner.

Risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation, as applicable, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information and statements include, but are not limited to, risks and uncertainties related to: business structure risks; legal and regulatory risks inherent in the cannabis industry; financing risks related to additional financing and restricted access to banking; general regulatory and legal risks including risk of civil asset forfeiture, anti-money laundering laws and regulations, lack of access to U.S. bankruptcy protections, heightened scrutiny by regulatory authorities; risk of legal, regulatory or political change, general regulatory and licensing risks, limitations on ownership of licenses, regulatory action and approvals from the Food and Drug Administration and risks of litigation; environmental risks including environmental regulation and unknown environmental risks; general business risks including risks related to COVID-19 pandemic, failure to complete acquisitions, unproven business strategy, service providers, enforceability of contracts, resale of the Common Shares on the CSE, negative cash flow from operating activities, reliance on management, risks inherent in an agricultural business, unfavorable publicity or consumer perception, product liability, product recalls, results of future clinical research, difficulty attracting and retaining personnel, dependence on suppliers, reliance on inputs, limited market data and difficulty to forecast, intellectual property risks, constraints on marketing products, fraudulent or illegal activity by employees, contractors and consultants, information technology systems and cyber-attacks, security breaches, business disruptions or dislocations due to natural disasters, civil unrest, riots, acts of terrorism or otherwise, unionization of employees at the Corporation's facilities, reliance on management services agreements with subsidiaries and affiliates, website accessibility, high bonding and insurance coverage, risks of leverage, future acquisitions or dispositions, management of growth, performance not indicative of future results and financial projections may prove materially inaccurate or incorrect, conflict of interest; tax risks as well as those risk factors discussed under the heading "*Risk Factors*" and elsewhere in this AIF, and the documents incorporated by reference herein and therein and as described from time to time in documents filed by the Corporation with Canadian securities regulatory authorities.

The purpose of forward-looking statements is to provide the reader with a description of management's expectations, and such forward-looking statements may not be appropriate for any other purpose. In particular, but without limiting the foregoing, disclosure in this AIF and in the documents incorporated by reference herein as well as statements regarding the Corporation's objectives, plans and goals, including future operating results and economic performance may make reference to or involve forward-looking statements. Although the Corporation believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Further, the assumptions are inherently subject to significant business, social, economic, political, regulatory, competitive and other risks and uncertainties, contingencies and other factors that could cause actual performance, achievements, actions, events, results or conditions to be materially different from those projected in the forward-looking information and statements. Many assumptions are based on factors and events that are not within the control of the Corporation and there is no assurance they will prove to be correct. In particular, investors are cautioned that the Corporation's forward-looking statements are subject to the ongoing and developing circumstances related to the COVID-19 pandemic, which may have a material adverse effect on the Corporation's business, operations and future financial results. Certain of the forward-looking statements and other information contained herein concerning the cannabis industry, its medical, adult-use and hemp-based CBD markets, and the general expectations of the Corporation concerning the industry and the Corporation's business and operations are based on estimates prepared by the Corporation using data from publicly available governmental sources as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry which the Corporation believes to be reasonable. However, although generally indicative of relative market positions, market shares and performance characteristics, such data is inherently imprecise. While the Corporation is not aware of any misstatement regarding any industry or government data presented herein, the cannabis industry involves risks and uncertainties that are subject to change based on various factors.

Readers are cautioned that the above list of cautionary statements is not exhaustive. A number of factors could cause actual events, performance or results to differ materially from what is projected in the forward-looking statements. You should not place undue reliance on forward-looking statements contained in this AIF. Such forward-looking statements are made as at the date of this AIF, or in the case of documents incorporated by reference herein, as at the date of each such document. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law. The Corporation's forward-looking statements contained in this AIF and the documents incorporated by reference herein and therein are expressly qualified in their entirety by this cautionary statement. Holders of the Securities should read this entire AIF and consult their own professional advisors to ascertain and assess the tax and legal risks and other aspects associated with holding Securities.

MARKET AND INDUSTRY DATA

The Corporation has obtained the market and industry data and forecasts presented in this AIF (including the documents incorporated by reference herein, as applicable) from third party information. There are limited sources that report on the Corporation's markets and industries. Actual outcomes may vary materially from those forecast in the reports or publications referred to herein, and the prospect for material variation can be expected to increase as the length of the forecast period increases. While the Corporation believes third party information are reliable, the Corporation has not verified them, nor have they been verified by any independent sources and the Corporation has no assurance that the information contained in third party websites is current and up to date. While the Corporation is not aware of any misstatements regarding the market and industry data presented in this AIF, such data involves risks and uncertainties and are subject to change based on various factors, including those factors discussed under “*Forward-Looking Statements*” and “*Risk Factors*”.

GLOSSARY OF TERMS

The following is a glossary of certain terms used in this AIF, including the Appendices attached hereto.

“**1933 Management Services**” means a wholly-owned subsidiary of the Corporation incorporated under Nevada law, formerly known as FN Management Services; serves as the Corporation’s “management” entity and employs the Corporation’s US management team. It also owns 100% of Infused MFG LLC;

“**AMA**” means Alternative Medicine Association LC, a Nevada limited liability company that is indirectly 91% owned by the Corporation;

“**AMA Production LLC**” is a wholly-owned, real estate holding company of the Corporation. It formerly owned 5035 Geist Ave, Las Vegas, Nevada, a non-core asset, which was sold by the Corporation in September 2022, and it has no employees or operations;

“**BCBCA**” means the *Business Corporations Act*, S.B.C. 2002, c. 57, as amended, including the regulations promulgated thereunder;

“**Board of Directors**” or “**Board**” means the board of directors of the Corporation as it may be comprised from time to time;

“**Cannabis Concentrate**” means a specific subset of cannabis that is produced by extracting cannabinoids from cannabis by a method including solvents such as butane or propane, or by other extraction methods including but not limited to use of water, ice, dry ice or propylene glycol, glycerin, butter, olive oil or other typical cooking fats;

“**Cannabis**” means all parts of the plant of the genus cannabis, the seeds thereof, the resin extracted from any part of the plant, and every compound, manufacture, salt, derivative, mixture, or preparation of the plant, its seeds, or its resin. “Cannabis” does not include industrial Hemp, nor does it include fiber produced from stalks, oil, or cake made from the seeds of the plant, sterilized seed of the plant which is incapable of germination, or the weight of any other ingredient combined with cannabis to prepare topical or oral administrations, food, drink, or other product;

“**CBD**” means cannabidiol, the principal non-psychoactive constituent of the cannabis plant;

“**CBD-Infused Products Segment**” means the Corporation's business segment focused on developing and acquiring products (including formulae and recipes) and brands for its CBD-Infused Products lines;

“**CBD-Infused Products**” means products infused with Hemp-based CBD for medical, therapeutic or recreational adult use in jurisdictions where permitted by the applicable regulatory authorities that are intended for use or consumption other than by smoking, including but not limited to edible products, topical, dietary supplements, cosmetics, tinctures, sauces, vaporizer pen cartridges, drink additives, baking items and sweeteners;

“**Cole Memorandum**” means the memorandum dated August 29, 2013 addressed to “All United States Attorneys” from James M. Cole, Deputy Attorney General of the United States;

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

“**Corporation**” means 1933 Industries Inc., a corporation continued under the *Business Corporations Act* (British Columbia);

“**COVID-19**” means coronavirus disease 2019, an infectious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2);

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

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

“**DHHS**” means the state of Nevada’s Department of Health and Human Services, under the Executive Branch of the state of Nevada, which is charged with promoting the health and well-being of Nevada residents;

“**DPBH**” means the state of Nevada’s Division of Public and Behavioral Health of the DHHS, whose mission is to protect, promote and improve the physical and behavioral health of the people of Nevada;

“**FinCEN**” means the Financial Crimes Enforcement Network, a bureau of the United States Department of the Treasury, that collects and analyzes information about financial transactions in order to combat domestic and international money laundering, terrorist financing and other financial crimes;

“**FN Pharmaceuticals**” means a wholly-owned subsidiary of the Corporation incorporated under Nevada law which owns 91% of Alternative Medicine Association LC, and 100% of AMA Production LLC. FN Pharmaceuticals is a holding company and has no employees or operations;

“**GAAP**” means Canadian generally accepted accounting principles;

“**Hemp**” means the variety of industrial hemp from cannabis sativa plants that does not contain more than 0.3% THC on a dry weight basis;

“**Infused**” means Infused MFG LLC, a Nevada limited liability company wholly-owned by the Corporation;

“**Infused Members**” means the holders of Infused Membership Interests;

“**Infused Membership Interest**” means a one hundred percent (100%) interest in Infused;

“**License**” means a license obtained by operators, from applicable U.S. State authorities to cultivate, sell or manufacture cannabis or CBD-Infused Products;

“**Licensed Operators**” means a business or an individual which holds a valid License under applicable regulation in the respective U.S. State;

“**Medical Cannabis**” means cannabis that is grown and sold to approved medical patients pursuant to applicable state specific laws and regulations for medical purposes (as opposed to recreational purposes);

“**Medical Cannabis Segment**” means the Corporation's business segment focused on serving the end users of Medical Cannabis in the United States;

“**Members**” means the holders of all of the Membership Interests in AMA;

“**Membership Interest**” means a 91 percent membership interest in AMA;

“**Option Plan**” means the Corporation incentive stock option plan;

“**Options**” means all outstanding options granted pursuant to the Option Plan;

“**Recreational Cannabis**” means cannabis that is grown and sold to adults over the age of 21 for recreational use, pursuant to applicable state specific laws and regulations;

“**Securities Act**” means the *Securities Act* (Ontario);

“**SEDAR**” means the System for Electronic Document Analysis and Retrieval at www.sedarplus.ca;

“**Shareholders**” means the holders of Common Shares;

“**Subsidiary**” has the meaning ascribed thereto in the Securities Act (and shall include all trusts or partnerships directly or indirectly owned by and subsidiary);

“**Tax Act**” means the *Income Tax Act* (Canada) and the regulations thereunder, as amended;

“**THC**” means Tetrahydrocannabinol, the principal psychoactive constituent of the cannabis plant;

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

“**U.S. State**” or “**State**” means one of the 50 constituent political entities of the United States of America that shares its sovereignty with the United States federal government.

CORPORATE STRUCTURE

Name and Incorporation

1933 Industries Inc. was incorporated in Alberta as “LeBoldus Capital Inc.” under the *Business Corporations Act* (Alberta) on January 29, 2008 and it completed its initial public offering on July 10, 2008 as a capital pool company. On October 14, 2010, the Corporation changed its name from “LeBoldus Capital Inc.” to “Viper Gold Ltd”. On February 17, 2015 the Corporation filed articles of amendment consolidating its shares on a 10-for-1 basis. On November 23, 2015, Viper Gold Ltd., completed the acquisition of QuikFlo Technologies Inc., a private Alberta company, and filed articles of amendment to change its name to “QuikFlo Health Inc.” The Corporation changed its name to “Friday Night Inc.” on June 12, 2017, following a reverse takeover transaction, and consolidated its shares on a 2-for-1 basis. On September 26, 2018, the Corporation continued into British Columbia under the *Business Corporations Act* (British Columbia) and concurrently changed its name to 1933 Industries Inc.

The Corporation is a reporting issuer in the Provinces of Alberta, British Columbia, Saskatchewan and Ontario. The Shares are listed and posted for trading on the CSE under the trading symbol “TGIF” and on the OTCQB[®] Venture Market by OTC Markets Group (the “**OTCQB**”) under the symbol “TGIFF”.

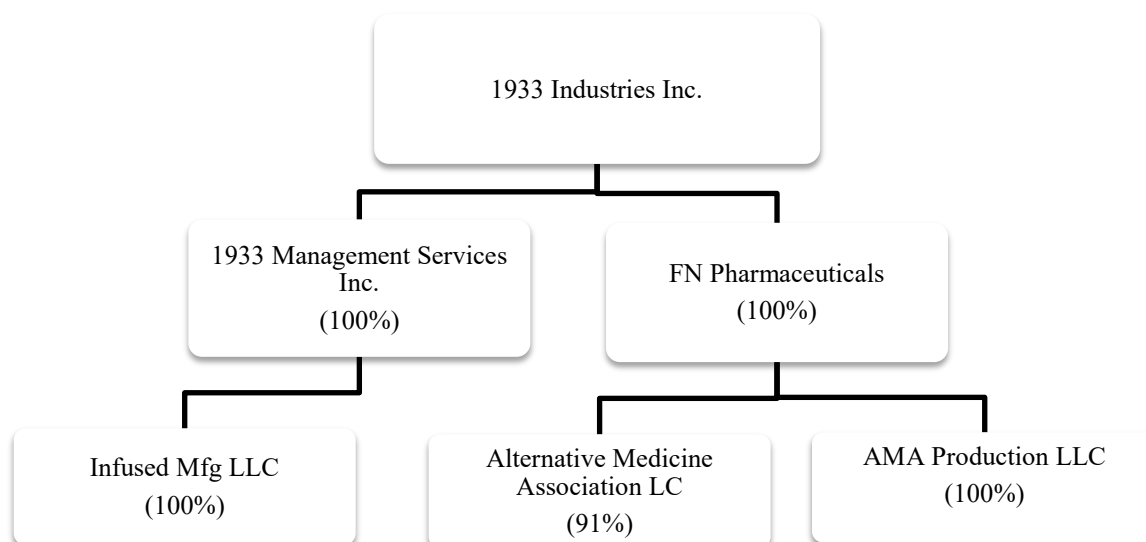
In 2007, the Corporation’s principal business activities changed from acquiring and developing oil and gas properties in central United States and Canada to acquiring and developing mining properties in Canada. In 2015, the Corporation’s principal business changed to the development and commercialization of an automated triage diagnostic imaging tool to be developed for the triage of stroke patients. In June 2017, pursuant to the Corporation’s acquisition of a Nevada-licensed cannabis business and a Nevada-licensed hemp-CBD business the Corporation’s principal business changed to the cultivation and production of cannabis products, and production, packaging and marketing of CBD-infused products.

The head and principal office of the Corporation is located at Suite 300 – 1055 W. Hastings Street, Vancouver, British Columbia, V6E 2E9 and its registered office is located at Suite 2800, 777 Hornby Street, Vancouver, BC, V6Z 1S4.

Intercorporate Relationships

The table below represents the corporate relationships and subsidiaries of the Corporation. 1933 Industries’ material subsidiaries are incorporated and/or organized as follows: (i) 1933 Management Services Inc. and FN Pharmaceuticals are incorporated in the United States under Chapter 78 of the Nevada Revised Statutes, and (ii) Infused MFG LLC, Alternative Medicine Association LC and AMA Production LLC are organized in the United States under Chapter 76 of the Nevada Revised Statutes. Unless otherwise indicated in the table below, each of the subsidiaries are wholly owned by 1933 Industries Inc.

Subsidiaries	Percentage of Voting Securities Owned	Jurisdiction Where Organized
FN Pharmaceuticals	100%	Nevada
Alternative Medicine Association LC	91%	Nevada
1933 Management Services Inc.	100%	Nevada
Infused MFG LLC	100%	Nevada
AMA Production LLC	100%	Nevada



GENERAL DEVELOPMENT OF THE BUSINESS

General Summary

The Corporation is a licensed producer in the state of Nevada, focusing on the cultivation and manufacturing of cannabis consumer branded goods in a wide range of product formats. Operating through two material subsidiaries, the Corporation holds cultivation, extraction, processing, and manufacturing assets supporting its diversified portfolio of cannabis brands. FN Pharmaceuticals, AMA Production LLC, Alternative Medicine Association LC (“AMA”), 1933 Management Services Inc., Infused MFG LLC (“**Infused**”) are subsidiaries of 1933 Industries Inc.

Alternative Medicine Association

AMA is a licensed cannabis cultivator, extractor and product manufacturer. AMA’s wholesale cannabis products include premium craft-style cannabis, infused pre-rolls, full spectrum oils, high quality distillates, proprietary blends of terpenes, vaporizer products and boutique concentrates such as shatter, crumble, batter, sugar wax, diamonds, and cured and live resins, sold under the AMA brand and the Corporation’s premium brand, Level X. AMA cultivates its own cannabis plants and wholesales its products to regulated medical and adult-use dispensaries in the state. With an extensive selection of products, the AMA brand has strong penetration into dispensaries throughout Nevada, where it appeals to a wide range of both medical and recreational consumers. The AMA brand combines craft style cultivation, high quality and competitive pricing, while the Level X brand offers exclusive strains and premium quality. AMA also licenses other brands that contribute to the product offering and complement the AMA brand.

Cannabis flower is cultivated in the Corporation’s 68,000 square foot, purpose-built, state-of-the-art facility, serving the Las Vegas market. Biomass (remaining parts of the plant that contain THC such as sugar leaf trim and popcorn/small buds) is utilized to produce AMA’s extensive line of concentrates.

Infused MFG (Canna Hemp™)

Infused develops proprietary formulations for its Canna Hemp™ line of CBD wellness products. It manufactures and distributes products in a variety of verticals and consumption formats, including: tinctures, lotions, creams, vape pens and cartridges, gummies, and capsules. Infused distributes its branded products through wholesale and retail channels in Nevada and across the US via its e-commerce platform. With over 50 products in its portfolio, Canna Hemp™ delivers a wide range of high-quality, effects-based product offerings that meet the changing needs of consumers. High-grade CBD and proprietary blends of cannabis terpenes formulated for specific effects are key differentiators for the Canna Hemp™ line. Infused expanded its product offerings to include other cannabinoids such as cannabigerol (CBG) and cannabinal (CBN), and introduced functional mushroom capsules.

Three-Year History

Developments During Financial Year Ended July 31, 2021

On August 6, 2020, the Corporation's subsidiary, AMA, signed a licensing agreement with California-based Five Star Group, LLC, ("Five Star Extracts" or "Five Star") for the cultivation, manufacture and sale of Five Star Extracts branded products in Nevada for a one-year term. The agreement expired and was not renewed.

On August 7, 2020, the Corporation announced the grant of 9,200,000 incentive stock options to its directors, officers, consultants and/or employees pursuant to the Corporation's Option Plan. The options are exercisable for a period of five years at a price of \$0.075 per share and will be subject to certain vesting restrictions. Options to acquire approximately 6,600,000 options expired unexercised in accordance with the terms of the Option Plan.

On August 12, 2020, the Corporation announced the introduction of a new line of extra strength products to its extensive wellness portfolio. The Canna Hemp™ Plus line was developed for consumers who want to experience the added benefits of increased CBD at competitive prices from a reliable and trusted brand.

On September 1, 2020, the Corporation appointed Mr. Paul Rosen to its Board of Directors.

On September 4, 2020, the Corporation closed a private placement of 10,510,040 Units at a price of \$0.075 per Unit for gross proceeds of \$788,253. Each Unit consisted of one share and one-half share purchase warrant, with each whole warrant being exercisable at a price of \$0.125 until September 3, 2022 and is subject to an accelerated expiry if the closing price of the Corporation's common shares exceeds C\$0.25 per share for a period of 10 consecutive trading days. A total of \$6,037.50 was paid and 40,250 warrants were issued as a finder's fee in connection with the closing. All securities issued in connection with the private placement were subject to a regulatory hold period expiring on January 5, 2021. Proceeds from the private placement were used for ongoing business development and general working capital.

The Corporation also announced on September 4, 2020, that it had terminated the Management Agreement with Green Spectrum Group LLC., as the deal structure was deemed inadequate to generate profits and cash flow and closed down its California operations.

On September 11, 2020, the Corporation announced that it set up distribution of its Canna Hemp™ line of wellness products in conjunction with CBD Plus, the largest and most trusted supplier of CBD products across the United States.

On October 20, 2020, the Corporation announced that AMA had entered into a Supply and Licensing Agreement for the manufacturing and distribution of Orchid Essential products for the Nevada cannabis market. Pursuant to the terms of the three-year agreement, the Corporation agreed to purchase Orchid's PurTec hardware and packaging component products and proprietary terpene blends required for the production of Orchid Essentials products. AMA agreed to act as the exclusive supplier of the Orchid Essentials Brand Products and future lines, and to purchase the same hardware components, packaging and terpenes for its own branded products under the same pricing terms.

On Nov 5, 2020, the Corporation announced that it signed a Definitive Agreement among the Corporation, its subsidiary FN Pharmaceuticals, E. Mark Zobrist and Linmark Enterprises Corp., to purchase the remaining 9% interest in AMA Production LLC thereby which would result in the Corporation's 100% ownership of the subsidiary which contained the property located at 5035 Geist Ave., Las Vegas, Nevada. On November, 2020, the transaction

closed, and subject to the terms of the Agreement, in consideration of the acquisition of the remaining 9%, the Corporation issued, in the aggregate, 3,700,000 non-transferable share purchase warrants, exercisable at a price of \$0.075 per share expiring on June 13, 2024, and subject to a four month and one day hold period. The operating agreement for AMA was amended to concede complete managerial control of AMA to the Corporation.

On November 9, 2020, the Corporation issued 12,050,000 options to its directors and officers. The options are exercisable at a price of \$0.10 expiring on November 8, 2025.

On November 13, 2020, the Corporation held its annual general meeting at which meeting, it re-elected its directors (Paul Rosen, Terry Taouss, Richard Skeith, Brian Farrell, Mark Baynes, Lisa Caparelli), and re-appointed its auditor, Davidson & Company LLP.

On December 30, 2020, the Corporation announced the launch of a new e-commerce website for its Canna Hemp™ brand of hemp and CBD wellness products: cannahemp.com. With the goal of enhancing the user-experience, the new website features more intuitive navigation and improved education to assist consumers select wellness products that suit their individual lifestyles and needs. Featuring a large selection of high-quality hemp and CBD products with specific outcomes and delivery formats, Canna Hemp™ aims to bring natural wellness to consumers across the United States.

On January 29, 2021, Mr. Terry Taouss resigned as Chairman of the Board and a Director of the Corporation.

On January 31, 2021, Eugene Ruiz ceased to be the President of the Corporation.

On February 3, 2021, the Corporation announced that Corporation-wide total sales and open orders reached CAD\$1.4 million in January 2021. The Corporation reported that its cultivation subsidiary, Alternative Medicine Association (AMA), recorded its strongest monthly sales to date since launching its AMA branded cannabis flower and pre-rolls in late August 2020, representing a 113% increase year over year.

On March 4, 2021, the Corporation closed a bought deal private placement of units (the “**Units**”) for aggregate gross proceeds of C\$4,955,052 (the “**Offering**”), which included the partial exercise of the Underwriter’s Option (defined below). The Offering was led by Canaccord Genuity Corp. (“**Canaccord**” or the “**Underwriter**”) as sole underwriter and sole bookrunner. Pursuant to the Offering, the Corporation sold a total of 31,820,000 Units at a price of C\$0.11 per Unit (the “**Issue Price**”). Each Unit was comprised of one Common Share of the Corporation and one Common Share purchase warrant (a “**Warrant**”). Each Warrant is exercisable to acquire one Common Share at an exercise price of C\$0.16 per Common Share until March 4, 2023, subject to a Warrant acceleration right exercisable by the Corporation if, at any time following the date that is four months and one day from the closing date of the Offering, the daily volume weighted average trading price of the Common Shares on the CSE is greater than C\$0.30 for the preceding 10 consecutive trading days and shall be exercised by notice in writing to the holders of Warrants and the Underwriter. Pursuant to Canadian securities laws, all securities in respect of the Offering were subject to a four month and one day hold period expiring on July 5, 2021. The Underwriter partially exercised its option (the “**Underwriter’s Option**”) to purchase an additional Units, whereby it purchased 13,225,929 Units at the Issue Price and raised additional gross proceeds of C\$1,454,852. In connection with the Offering, Canaccord received a cash commission equal to 7.0% of the gross proceeds of the Offering (excluding proceeds derived from the sale of Units to any Direct Settlers (as defined below) as well as an advisory fee in respect of proceeds raised directly by the Corporation from certain subscribers (the “**Direct Settlers**”) as agreed to between the Corporation and Canaccord. Additionally, Canaccord was issued that number of brokers warrants (“**Broker Warrants**”) as is equal to 7.0% of the number of Units sold under the Offering (excluding Units sold to Direct Settlers) as well as advisory warrants (“**Advisory Warrants**” together with the Broker Warrants, the “**Compensation Warrants**”) relating to the Units issued to Direct Settlers. Each Compensation Warrant entitles the holder to purchase one additional Unit of the Corporation (each a “**Compensation Unit**”) at a price of \$0.11 per Compensation Unit until March 4, 2023. The Compensation Units have the same terms as the Units sold pursuant to the Offering. The proceeds of the Offering were used for general working capital.

On March 24, 2021, the Corporation announced an extraordinary meeting of Debentureholders to consider approving an extension to the maturity date for the Debentures from September 14, 2021 to September 14, 2022, and on April 22, 2021, the Corporation announced that the Debentureholders voted in favour to approve an amendment to extend the maturity date for the Debentures to September 14, 2022. Subsequently, on May 5, 2021, the Corporation announced that it had determined not to proceed with the amendment and accordingly, the indenture remained unchanged.

On June 3, 2021, the Corporation announced that it had received approval for an Adult-Use Distribution License for the state of Nevada. The license allows the Corporation to transport its cannabis products directly to its wholesale accounts, without the need for an intermediary. It also enabled the Corporation to distribute cannabis products for other licensees, while bolstering its supply chain and reducing the costs associated with third-party distribution.

On June 3, 2021, the Corporation also announced the recent launch of its ultra-craft brand Level X, an exclusive collection of exotic strains, selected specifically for their distinctive terpene profiles, high THC levels, and flavonoids. Over a year in development, Level X flower is expertly cured, small batch grown and features buds that are meticulously selected and hand-trimmed. Cultivated by a best-in-class team in the Corporation's state-of-the-art indoor facility, Level X was the result of months of testing and evaluating distinctive cultivars in order to provide a unique product not then available. The Level X brand offered preferred limited-run strain drops on a rotational basis, with product available at selected dispensaries. Exclusive to Las Vegas, Level X appeals to true cannabis connoisseurs.

On June 29, 2021, the Corporation announced that AMA commenced the expansion of a new grow zone at its indoor cultivation facility in Las Vegas, Nevada. The initial phase of the cultivation facility expansion was completed with the addition of a new grow zone, and the installation of 45 new grow lights. The new zone contained 270 plants in an area that is 1,938 square feet in size with 1,035 square feet of table area, which can hold up to 405 plants. The Corporation advised that future plans encompassed an additional new grow zone, the installation of additional lights (or their LED equivalent), and a customized climate control system separate from the rest of the facility, to create a stand-alone, specialized growing environment for the Corporation's top tier cannabis strains. The goal of the specialized zone was to achieve an optimal balance of light, nutrients, and air quality in order to produce better crop yields and stronger plants. The additional expansion measured 3,600 square feet and 2,400 of table square footage which can hold up to 1,080 plants. The purpose of the expansion was to maximize the efficiency of the facility, increase total output, and cultivate higher quality cannabis for the competitive Las Vegas market.

Developments During Financial Year Ended July 31, 2022

On August 6, 2021, the Corporation received approval from Debentureholders to delist the Debentures from the CSE. The approval to delist the Debentures was a regulatory requirement from the CSE to complete the previously approved amendment to extend the maturity date of its outstanding debentures from September 14, 2021, to September 14, 2022. On August 19, 2021, the Corporation announced that the CSE has issued a bulletin confirming the delisting of the Debentures, effective at the close of trading August 19, 2021.

On August 18, 2021, Davidson & Company LLP, Chartered Professional Accountants resigned as the Corporation's auditor. Additionally, the Audit Committee and the Board of Directors approved the appointment of MNP LLP, Chartered Professional Accountants as the Corporation's new Auditor.

On October 1, 2021, Patricia Kaelin ceased to be Chief Financial Officer of the Corporation and Brian Farrell was appointed in her stead. Brent Hilton also joined the Corporation as its controller.

On November 24, 2021, the Corporation held its annual general meeting at which it re-elected its directors (Paul Rosen, Brian Farrell, Richard Skeith, Mark Baynes, Lisa Caparelli) and re-appointed its auditor, MNP LLP.

On January 14, 2022, the Corporation signed a binding letter of intent (the "**Day One LOI**") to acquire Day One Beverages, Inc. ("**Day One**"), a Delaware beverage company with a portfolio of CBD-infused sparkling water products. The transaction contemplated the Corporation issuing, in aggregate, 55,000,000 common shares and 27,500,000 share purchase warrants to Day One shareholders, exercisable at a price of CAD\$0.07 per share, based on the achievements of certain gross revenue milestones over a period of thirty (30) months following the closing of the transaction. As part of the transaction, the Corporation agreed to loan Day One (the "**Day One Loan**") up to US\$500,000 at an interest rate of 10% per annum and due and payable on or before December 31, 2022. The Corporation had the right to convert the principal balance, and any accrued interest, into equity of Day One based on a negotiated valuation of Day One for the purposes of such conversion of US\$4,500,000. On May 11, 2022, the Day One LOI was terminated after determining that it was in each party's best interest to continue operating as independent companies. Day One agreed to repay the Day One Loan in the amount of US\$482,571.24 including repayment of the outstanding principal balance, interest accrued, and other fees accrued on or before June 30, 2022. In addition, Day One agreed to reimburse the Corporation for costs incurred of US\$30,051.84. On June 28, 2022, the Corporation received repayment of the Day One Loan and reimbursement for costs incurred as noted above.

On February 10, 2022, the Governor of Nevada issued Emergency Declaration Director 052, which removed the mask mandate in the state of Nevada. Currently, all business, including cannabis businesses, are able to operate without restriction. As of the date of this AIF, the effects of COVID-19 are not having a material impact on the operations of the Corporation's business. See "*Risk Factors – Risks Related to the COVID-19 Pandemic*" for more information.

On February 15, 2022, Mark Baynes tendered his resignation as Director of the Corporation. Concurrently, Ranson Shepherd was appointed Director of the Corporation

On February 22, 2022, the Corporation announced the sale of Nevada real estate assets for total net proceeds of US\$1.27 million. The Corporation originally purchased the lots for US\$835,000 in 2017. Proceeds from the sale were used for general working capital.

On April 22, 2022, the Corporation announced that it has filed a preliminary short form base shelf prospectus under legislation in each of the provinces of British Columbia, Alberta, Saskatchewan and Ontario. The preliminary prospectus was voluntarily withdrawn on October 5, 2022. Subsequently, on October 7, 2022, the Corporation filed a replacement preliminary prospectus.

On June 9, 2022, the Corporation held an extraordinary meeting of Debentureholders to consider amending the conversion price applicable to the Debentures from \$0.10 to \$0.075 per share, to reduce the price per share for interest payments on the Debentures from \$0.10 to \$0.075 per share, to amend the price at which the Corporation may require a forced conversion of the Debentures from \$0.15 to \$0.10 per share, such conversion to be made at the amended Conversion Price of \$0.075 per share, and to extend the maturity date for the Debentures from September 14, 2022 to September 14, 2023. On July 14, 2022, the Corporation announced that the proposed amendments did not pass at the meeting.

On June 16, 2022, the Corporation held its annual general meeting at which meeting, it re-elected its directors (Paul Rosen, Brian Farrell, Richard Skeith, Lisa Caparelli, Ranson Shepherd), and re-appointed its auditor, MNP LLP.

On July 7, 2022, the Corporation reported that its cannabis brand, Alternative Medicine Association (AMA), had achieved top ranking status in Nevada, according to leading market research companies BDSA and Headset.

Developments During Financial Year Ended July 31, 2023

A meeting of Debentureholders was ultimately held on August 24, 2022, to consider and approve further amendments to the Debentures. The meeting was initially called to be held June 9, 2022, and adjourned to July 13, 2022, but not held on that date. The following amendments to the Debentures were approved:

- (a) to amend the conversion price applicable to the Debentures from \$0.10 to \$0.05 per share;
- (b) to reduce the price per share for interest payments on the Debentures from \$0.10 to \$0.05 per share, if the Corporation in its sole discretion elects to pay such interest through the issuance of its common shares;
- (c) to amend the price at which the Corporation may require a forced conversion of the Debentures from \$0.15 to \$0.10 per share, such conversion to be made at the amended Conversion Price of \$0.05 per share; and
- (d) extend the maturity date for the Debentures from September 14, 2022, to December 31, 2023 (the "**Maturity Date**").

The Debentures bear interest at 10.0% per annum (subject to withholdings for non-residents), payable in cash or through the issuance of Common Shares on the Maturity Date. The Debentures are convertible into Common Shares at the option of the holder at any time prior to the close of business on the earlier of: (i) the last business day immediately preceding the Maturity Date; and (ii) the date fixed for redemption as more particularly defined in the Trust Indenture, at a conversion price of \$0.05 per Common Share, subject to adjustment in certain events. Additionally, the Corporation may force the conversion of all of the principal amount of the then outstanding Convertible Debentures at the conversion price on 30 days prior written notice should the daily volume weighted

average trading price of the Common Shares be greater than \$0.15 for any 10 consecutive trading days. The Convertible Debentures will be subject to redemption, in whole or in part, by the Corporation at any time upon giving holders not less than 30 and not more than 60 days' prior written notice, at a price equal to the then outstanding principal amount of the Convertible Debentures plus all accrued and unpaid interest up to and including the redemption date.

As at September 30, 2022, the amount owing under the Debentures was \$4,635,312, including principal and accrued interest.

On August 24, 2022, the Corporation announced the issuance of options to acquire 13,490,000 common shares to its directors, officers, consultants and employees pursuant to the Corporation's Option Plan. The options are exercisable for up to August 24, 2027, at an exercise price of \$0.05 per share.

On September 8, 2022, the Corporation obtained a line of credit of up to US\$1,000,000 (the "**Loan**"), from Mr. Paul Rosen, Chairman and CEO of the Corporation. The purpose of the Loan was for general working capital purposes. The Corporation provided Mr. Rosen (the "**Lender**") a senior first priority security interest in all of its assets as collateral for the Loan. Drawdowns of the Loan must be approved by the Lender and must include the requested amount and the use of the funds and each withdrawal will collectively constitute the "Principal". Interest on the Principal accrues from the date of each drawdown, with an interest rate of 11% per annum accruing until the Principal is repaid in full. The Loan has a one-year term. The Corporation drew down US\$500,000 concurrently with the execution of the Loan on September 8, 2022. The Principal, together with all accrued interest and fees was due and payable on or before the Maturity Date. A minimum interest charge of 2% of the Principal was payable in the event that the Loan was paid back prior to the one year maturity date. The Corporation repaid the sum of US\$500,000 on October 3, 2022, and paid \$10,000 in interest to Mr. Rosen. As of the date hereof, the balance owing under the Loan is nil, however, the Loan is still in place and available to the Corporation for the remainder of the term expiring September 8, 2023.

On September 29, 2022, the Corporation announced it had completed the sale of a vacant property located in Las Vegas, Nevada, for total gross proceeds of US\$2.65 million, prior to customary closing adjustments. The industrial property located at 5035 Geist Avenue was initially purchased in 2017 for US\$1.8 million. The property included the lot and a vacant building, and its sale does not impact current cultivation activities conducted in the adjacent building. The Corporation's cultivation facility currently encompasses 68,000 sq ft, with approximately 30,000 sq ft of canopy, and can accommodate additional future canopy expansion. Proceeds from the transaction were directed to working capital purposes and to repay funds drawn down under the Loan, in addition to accrued interest.

The Corporation obtained a final receipt for a short form base shelf prospectus dated November 17, 2022, under legislation in each of the provinces of British Columbia, Alberta, Saskatchewan and Ontario.

On April 3, 2023, the Corporation announced the appointment of Ester Virgil as President.

On May 8, 2023, the Corporation held its annual general meeting and the following directors were re-elected: Mr. Paul Rosen, Mr. Brian Farrell, Ms. Lisa Capparelli, Mr. Richard Skeith, and Mr. Ranson Shepherd.

On June 21, 2023, Curtis Floyd was appointed as a director of the Corporation. Mr. Floyd is a seasoned businessman and attorney, with public company board expertise in the cannabis industry. The Corporation also announced the resignation of Mr. Ranson Shepherd from the Board of Directors.

Developments Subsequent to the Financial Year Ended July 31, 2023

On October 27, 2023, the Corporation announced that the upgrades and improvements undertaken over the last several months to its cultivation facility in Las Vegas have been completed. A large scale retrofit of the irrigation system was undertaken for the long-term success of the facility and the capital investment has already demonstrated significant improvements in flower production and yields. The Company also added an additional bloom room with 65 lights, thus increasing the total number of lights in the facility's 17 bloom rooms to 806. The Corporation anticipates that these enhancements will increase the Company's ability to offer consistent flower quality and value.

On November 14, 2023, the Corporation held an Extraordinary Meeting of its Holders of 10% Senior Unsecured Convertible Debentures Due December 31, 2023. The resolution placed before the meeting was to consider, and if thought fit, to:

- (i) approve the extinguishment of the Debentures upon maturity and the principal debt owed thereunder, excluding any interest in arrears, through the issuance of a Unit to the Debentureholders, each Unit being issued at a deemed price of \$0.02 per \$1.00 of principal, and one share purchase warrant exercisable into one additional common share of the Company at a price of \$0.05 for a period of five years from the date of issuance; or
- (ii) approve the extinguishment of the Debentures upon maturity and the principal debt owed thereunder, excluding any interest in arrears, through the issuance of a new 10% unsecured convertible debenture (the “New Debenture”) with a two year maturity, convertible into units at a price of \$0.05 per unit, each unit comprising one common share of the Company and one share purchase warrant, subject to certain acceleration provisions as more particularly defined in the indenture governing the New Debenture; and
- (ii) authorize the Board of Directors of the Company, in its sole discretion, to determine which of (i) or (ii) will be in the best interest of the Company and proceed with either (i) or (ii) above or to not act upon this resolution, all without the further approval or authorization of the Debentureholders.

The resolution was passed by Debentureholders. As at the date of this AIF, the Corporation has not made a definitive decision as to which option it will choose to proceed with.

Significant Acquisitions

There have been no significant acquisitions as that term is defined in Part 8 of National Instrument 51-102.

NARRATIVE DESCRIPTION OF THE BUSINESS

Business Description

Acquired by the Corporation in 2017, AMA and Infused currently operate in both the Medical Cannabis and Recreational Cannabis sectors in the state of Nevada, while Infused also holds licenses for the manufacturing, production and sale of products under its Canna Hemp™ line to partners in the states of California and Colorado.

AMA, a 91% owned indirect subsidiary of the Corporation is licensed in the state of Nevada as a (i) cultivation facility; and (ii) a production facility for edible, or cannabis-infused products. Infused, a wholly-owned indirect subsidiary of the Corporation, is focused on the development of outcome-specific CBD-infused products and brands for retail sale and use in jurisdictions where permitted.

AMA was the first licensed cultivation facility in Clark County in the state of Nevada, receiving its cultivation license in 2015. AMA’s business involves the growing of cannabis indoors for personal medicinal and recreational use and the production of premium, boutique concentrates for the Nevada market. AMA operates as a wholesale grower and producer that sells to licensed medical and recreational retail dispensaries or retail stores who hold state licenses for retail sales to medical patient cardholders or adults over the age of 21. Its products are currently sold in the majority of dispensaries statewide, with the focus being in Las Vegas where, on average, more than one million tourists visit every week. Additionally, AMA is able to manufacture and sell third-party brands that are well known outside the state but whose owners do not hold Nevada cannabis production licenses. Through licensing agreements, AMA has represented a broad array of popular brands that act as a draw to visitors from other states. Licensed partners have included: Gotti’s Gold, Blonde™ Cannabis, Bloom™, and Viva La Buds. The Corporation does not currently cultivate or produce any products for other third party brands through licenses or otherwise.

As of the date of this AIF, AMA currently holds the following cannabis licenses: (i) medical and adult-use cultivation, (ii) medical and adult-use production, and (iii) medical & adult-use distribution. AMA operates a 68,000 square foot cannabis cultivation facility operating in Las Vegas, Nevada, a 10,000 square foot extraction and production cannabis facility, and a cannabis distribution business.

Infused develops, designs and produces CBD-Infused products and brands for retail sale and use. CBD, as utilized by Infused, is extracted from industrial Hemp. Infused manufactures a number of CBD-only infused products, including: tinctures, lotions, creams, and capsules with expected outcomes. Infused manufactures and distributes its products under the brand names: Canna Hemp™ and Canna Hemp X™. Licensed partners included: Birdhouse Skateboards™ and Grizzly Griptape, which licenses were not renewed and have now expired.

The Corporation, through Infused, is focused on developing, formulating, and producing CBD products and brands for retail sale and use in jurisdictions where permitted by law and regulation in the US.

The Corporation has positioned itself to take advantage of growth in the cannabis industry in the U.S. with its multi-faceted strategy and entrepreneurial management team. The Corporation is aware that the legal cannabis industry is in its infancy and is rapidly evolving which presents risks in addition to opportunities. There is, however, no certainty that the Corporation will not be adversely affected by changes in government regulation and other factors in the future. The Corporation aims to mitigate these risks by closely monitoring regulatory changes with the assistance of legal counsel and by maintaining the highest standards possible with respect to legal, accounting and security controls, as well as proactively taking a leadership role in working with regulatory bodies and other stakeholders to build the necessary infrastructure typically available to other types of businesses. See “*Risk Factors*”.

The Corporation's expansion model may differ depending on the residency requirements of the applicable jurisdiction if it chooses to participate in markets in other states directly as a licensed operator. All U.S. States that have legalized cannabis for medical or recreational use require licensed operators to hold a License issued by the applicable state authorities. In some states, for a licensed operator to be eligible to be granted a license, the owners of the licensed operator must be residents of such U.S. State. As such, listed companies or other widely held enterprises may be ineligible to obtain a license in those states where a licensed operator must be a U.S. State resident.

In the U.S. States without residency requirements, the Corporation may choose to apply for a License or acquire entities with a license and produce products itself, or work with other licensed operators using the same model as it has developed for U.S. States with a residency requirement. The licensed operators include growers of cannabis, cannabis product manufacturers and retail dispensaries. Ancillary service providers may include medical and educational centres and cannabis paraphernalia shops.

The Corporation will not operate in jurisdictions which have not legalized cannabis, and does not intend to operate in jurisdictions which have legalized cannabis but have not developed and imposed a licensing regime for licensed operators.

Business Objectives and Milestones

The Corporation’s primary business objectives are fourfold: (i) to become the most popular and successful wholesale brand in the Nevada wholesale cannabis market, (ii) to continue to grow its Canna Hemp line of CBD wellness products into a top over-the-counter nutraceutical direct-to-customer brand, and (iii) to become profitable and cash flow positive, and (iv) to expand vertically in Nevada through entering into a business arrangement with a dispensary operator, and/or to pursue entry into new markets and opportunities for its current businesses. In order to achieve all of these goals, the Corporation has identified a number of significant events that must occur, as detailed in the table below:

Description	Timeline	Estimated Cost to Complete
Completing capital improvements to the Corporation’s existing cultivation facility to increase yields	Completed	\$500,000
Relocate its hemp CBD business from the currently leased premises to a Corporation owned building	Completed	\$35,000
Acquire a small dispensary operator or enter into a business combination with a multi-state operator seeking to add the Nevada market to its business or enter new markets through acquisition or merger	12 – 24 months	Up to ~\$35 million

Intellectual Property

The Corporation’s success is dependent, in part, upon its proprietary rights to its brands and products. The Corporation has no registered patents, as is common in the cannabis industry. In accordance with market standards, the Corporation’s intellectual property is primarily made up of trademarks relating to its brand, and trade secrets. The Corporation considers proprietary information related to recipes, formulas and production methods to be trade secrets. Employees with access to such information are subject to confidentiality provisions contained in their

employment offers which prohibit them from disclosing information, including information relating to the Corporation’s strains and production methods, acquired by them during, because of or in connection with their employment. The Corporation will continue to develop and implement strict controls to ensure the safe and secure keeping of any trade secrets and trademarks relating to manufacturing that may have protection under copyright law. The Company applied and received registration under the Canna Hemp™ brand in the USA for the following products:

1. Canna Hemp X® Recovery Cream
2. Canna Hemp X® CBD+CBG Recovery Cream
3. Canna Hemp® Relief Cream
4. Canna Hemp® CBD+CBG Relief Cream
5. Canna Hemp® CBD Lotions Citrus Blossom
6. Canna Hemp® CBD Lotions Free Cleared
7. Canna Hemp® CBD Lotions Kind Cucumber
8. Canna Hemp® Hemp Relief Cream
9. Canna Hemp® Hemp Free and Clear Lotion
10. Canna Hemp® Hemp Rose Lotion
11. Canna Hemp® Hemp Ocean Breeze Lotion
12. Canna Hemp® Hemp Passion Lotion

The trademark “Canna Hemp” is fully registered in the following categories:

- Non-medicated skin creams and lotions containing CBD (Registration # 7122221)
- Electronic cigarette liquid containing CBD, i.e. vapes (Registration # 7122220)
- Non-medicated skin creams and lotions NOT containing CBD (i.e. our hemp-only lotions and creams) (Registration # 7122219)

The trademark “Canna Hemp X” is fully registered in the following categories:

- Non-medicated skin creams and lotions containing CBD (Registration #7122218)

The Corporation’s URL addresses, social media addresses, business names, and brand portfolio are assets, which add distinctive value and recognition to its customers. The Corporation also consider the specifics of its marketing, promotions and products as a trade secrets, and information to keep confidential.

Licenses

The following table is a list of the current licenses granted to the Corporation’s subsidiaries and the facilities operated by them. The Corporation does not currently cultivate or produce any products for other third party brands through licenses or otherwise.

Entity	Address Attached to License	License Number	Summary	Expiration/ Renewal Date
Alternative Medicine Association LC	5045 Geist Ave, Las Vegas, NV 89115	33652679278436588975	C087, Medical Cultivation	06/30/2023
Alternative Medicine Association LC	5045 Geist Ave, Las Vegas, NV 89115	85529550360873527457	RC087, Recreational Cultivation	06/30/2023
Alternative Medicine Association LC	3375 Pinks Place, Las Vegas, NV 89102	69319435542613350317	P096, Medical Production	06/30/2023
Alternative Medicine Association LC	3375 Pinks Place, Las Vegas, NV 89102	74226113309081700669	RP096, Recreational Production	06/30/2023
Alternative Medicine Association LC	3375 Pinks Place, Las Vegas, NV 89102	99035327095322531382	T013, Adult-Use Distribution	04/30/2023

Use Cases of Cannabis

Cannabis can be vaporized, smoked or ingested to alleviate pain and other ailments. Since 2015, AMA has been cultivating and selling cannabis within the price range of \$1,000 to \$1,400 per pound, depending on the strain. Typically, growth time and strain yield will determine how a strain is priced. Very particular strains may be priced higher than the given range, but this would be the exception.

The Corporation believes that carrying a popular variety of strains of Medical and Recreational Cannabis is essential to long-term success. Each strain of cannabis is unique. Some of the factors that impact whether a particular strain may be right for a patient or customer include:

- **The levels of THC and CBD:** THC and CBD are the two major medicinal components in cannabis, and must be clearly and accurately labelled. Generally speaking, THC provides psychoactive effects, while CBD provides non-psychoactive medicinal effects.
- **Whether the plant is a Sativa, Indica or Hybrid breed:** Sativa and Indica are the two main species of cannabis plants, though there are also Sativa-Indica Hybrids. Generally speaking, Indica is perceived to provide a heavier, evening type of high. Sativa, on the other hand, is generally viewed as providing a daytime, energetic high.

Medical and Recreational Segments

Operations, Cultivation, Production and Distribution

As of the date of this AIF, AMA's business involves the growing of cannabis indoors through hydroponic processes for personal medicinal and recreational use. AMA began commercial production in April 2015 when it was the first medical cannabis establishment approved for cultivation in Southern Nevada. Its first crops were harvested, dried, packaged and sold in October 2015 and it has produced cannabis on a commercial scale in Nevada since that time.

AMA's cultivation of between 700 to 900 pounds of cannabis per month (including both cannabis flower and trim) is in full compliance with all state and local regulatory authorities. In 2019, AMA completed the construction of its purpose-built, state-of-the-art 67,750 sq. ft. cultivation facility and has since focused on improving the yield and potency of its strains to arrive at a desired top-tier flower quality, which was recently introduced to the market.

The Corporation's believes its competitive advantage is its focus on cultivating craft cannabis at scale and high-yielding strains for its smokable flower, pre-rolls and extraction products, which command a premium in the market. Approximately 60 to 65% of this biomass will be sold as flower and pre-rolls directly to independent Nevada dispensaries with the balance going to the Corporation's production facility for the production of concentrates. The Corporation also purchases additional biomass from outside sources for its production facility.

The Corporation's cultivation, production, distribution and marketing business is currently focused on three main segments: the Medical Segment, the Recreational Segment and the CBD-Infused Products Segment. The Corporation sells THC products only to licensed retail dispensaries in Nevada and sells its hemp-based, CBD infused products through retail dispensaries and other retail outlets and online through its e-Commerce platform across the United States. See "*Risk Factors – Additional Risks Related to the Hemp CBD Industry.*"

The Corporation's management also has identified cannabis growers, cannabis concentrate extractors and suppliers in North America, which it can call on to fill the need for various expertise as such needs arise.

The facility is segregated into 5 different zones with a total of 19 rooms – 17 Bloom Rooms, 1 Mother/Veg Room, and 1 Clone Room. The purpose-built 67,750 sq. ft. cultivation facility was developed as a two-story building on 1.39 acres and zoned M-1 (Light Manufacturing) by the Clark County Zoning Department. The structure includes a system of small vegetation/cultivation rooms for better crop management, packaging areas, supporting offices, vault, climate-controlled rooms to cater to each phase of plant production, and other work areas. In addition, a benching system maximizes growing space and an advanced data tracking system allows for 'steering' the crop scientifically, reducing crop time while increasing yield and quality.

All key growing elements are monitored and computer controlled to ensure consistent production. The details of the process are highly commercially sensitive and valuable. The facility has been built to be fully compliant with all

relevant building and safety requirements. All electrical, plumbing, security, and related plant and equipment are built to full commercial standards.

Market

Nevada

Nevada is typically host to nearly 56 million visitors each year.¹ The market for cannabis has declined slightly year-over-year, but remains strong overall. Nevada presents significant opportunities for operators due to the state's rank as a top tourism destination, high barriers to entry with a favorable licensing structure and generous patient reciprocity laws. According to the Compliance Cannabis Board of Nevada (CCB), there are 734 medical and recreational operational licenses / certificates statewide. According to the CCB, during Fiscal Year 23 (July 1, 2022 – June 30, 2023), licensed adult-use cannabis retail stores and medical dispensaries generated \$848,145,356 in taxable sales, a decrease of \$117 million from the previous year.

The Corporation believes that market growth will increase as cannabis' expansive therapeutic values and wellness uses are further explored and proven. The CCB has recently completed its regulatory structure of cannabis consumption lounges for consumers in a social setting. In November 2022, the CCB issued forty independent cannabis consumption lounge prospective licenses. The CCB will also issue retail consumption lounge licenses to existing dispensaries but no more than one retail lounge per ownership group.

Market Plans and Strategies

- The Corporation operates as a cannabis cultivator growing product under the AMA Brand for direct sale to dispensaries in Nevada. The Corporation will primarily sell its flower production under its own brand. The Corporation is open to allocating a small percentage of this flower production to one to two potential strategic licensed brands, where such association will provide added value to the overall expansion and awareness of the AMA Brand, however, the Corporation does not currently cultivate for third parties.
- The Corporation is also a producer of various cannabis concentrates through a Nevada production license. The Corporation currently only produces concentrates for its own brands.
- The Corporation produces a premium CBD and Hemp line up of lotions, balms, tinctures, and other wellness products under its Canna Hemp™ brands for sale throughout the United States.

The Corporation's business model is based on servicing the existing Medical Cannabis patient base in Nevada and the Recreational Cannabis consumers, including those who visit Las Vegas each year, by establishing an aggressive presence and image for its unique branded flower, pre-rolls and extraction products. The Corporation has built its own distribution to dispensaries in the state and plans to build market share by increasing its flower and concentrate production and adding new brands to its portfolio of products. As its branded image and reputation is established, the Corporation may license or acquire other cannabis businesses in other U.S. States that have legalized Medical Cannabis and/or Recreational Cannabis to sell its specific brands that are focused on high quality cannabis specific products with recurring sales to a loyal and growing clientele.

Like other licensed operators, the Corporation has developed a comprehensive media relations program to create visibility and awareness in the market for commercially grown cannabis. The Corporation believes that its success in this market has been achieved by offering a broad range of quality products offered at competitive prices and delivered through outstanding client service under a well identified brand. Each strain of cannabis is unique, and the Corporation believes that carrying a consistent base of high-quality strains and cannabis products, including CBD-Infused products and hemp-based products, is essential to its long-term success. The Corporation currently has over 65 Canna Hemp Skus and approximately 20 Skus for AMA including flower, pre-rolls and many forms of extracts.

The Corporation has an e-Commerce platform, educational programs to reach wholesale buyers and end-consumers. Indirect outreach through collaboration with key stakeholders has been undertaken to reach potential clients as well.

¹ <https://ccb.nv.gov/>

CBD-Infused Products Segment

Operations, Design and Production

In its CBD-Infused products business, the Corporation, through Infused, is focused on developing, designing and producing CBD-Infused products and brands for retail sale and use in jurisdictions where permitted.

Leafs, nodes and shake (or collectively “trim”) are not typically utilized for consuming cannabis through smoking, but are used in production of other products such as oil extracts. Both CBD, the principal non-psychoactive constituent of the cannabis plant, and THC are extracted in the form of cannabis concentrates from the plant. The cannabis concentrate can then be refined into individual components and used to manufacture a number of cannabis-infused products which may only contain CBD, including: tinctures, vape pens and vape cartridges, lotions, pain creams, gummies, and capsules. The Corporation manufactures and distributes these and other products under two distinct brands: Canna Hemp™; Canna Hemp X™. Products are specifically infused with the cannabinoids CBD, CBG and CBN for stronger health benefits without any psychoactive effects. These are marketed direct to consumers in legal channels which include its e-commerce online store, specialty stores, vape storefronts and retail dispensaries under the company brand name of “Canna Hemp™”. A sports line of products targets the active lifestyle market with specific lines for pre- and post-workout products. The Corporation continues to build its brand presence and reputation and is focusing on developing brands that it believes resonate with consumers. The Corporation has received trademarks in the United States, specific U.S. States and Canada on key brand names it intends to utilize when appropriate to do so on an ongoing basis. See “*Narrative Description of the Business – Intellectual Property*”.

Market

The Corporation's CBD-Infused products are sold exclusively in the United States. Depending on how the current laws are interpreted and applied, at some future date the Corporation may need to restrict CBD-Infused products to those U.S. States that have legalized cannabis for medical or recreational uses or require manufacturers of cannabis products to hold a license issued by the applicable state authorities. The Corporation's business will be affected by both state and federal regulation governing the production and sale of cannabis in general, and CBD-infused products, in particular. In the U.S. CBD accounted for \$108 million in product sales in 2014, and by 2022, that number jumped to \$1.9 billion, according to data gathered by Statista². However, inflation has impacted CBD sales in the U.S. From March 2022 to March 2023, hemp-based CBD product sales declined by 10% nationwide³.

While a variety of factors will determine the future shape and dynamics of the CBD market in the U.S., it is clear that consumer demand is established and durable. As access to CBD continues to increase, so will demand, and as product offerings expand, consumers’ preferences and behaviors will evolve, becoming increasingly personalized to their unique needs. The FDA has been slow to regulate CBD, but the market is maturing, with consumers’ preferences and behaviors developing in the meantime.”

Market Plans

U.S. States with Residency Requirements

In U.S. States with residency requirements, the Corporation may work with companies or other entities that have a valid license issued by the applicable U.S. State authorities to provide an array of services as a part of its “franchise-like” model, or will work with eligible persons applying for such license. The Corporation has developed a business model where it may undertake a combination of the following functions with the expectation of realizing the following respective revenue streams from such activities.

² Total U.S. cannabidiol (CBD) product sales from 2014 to 2022. Statista.

³ CPG and CBD: The state of the cannabidiol market in 2023. NielsenIQ.

Activities	Expected Revenue Streams
Acquire and develop recipes, know-how and other intellectual property for the preparation of CBD-Infused products and Cannabis Concentrates, for use by royalty producers entering into royalty agreements with the Corporation.	Royalty or production license fees
Develop recognizable brands for CBD-Infused products and Cannabis Concentrates for use by royalty producers entering into royalty agreements with the Corporation.	Royalty or production license fees
Provide consulting services with respect to extraction processes, techniques, training and know-how relating to Cannabis Concentrates.	Consulting fees, Royalty fees
Provide financial and strategic support to licensed operators in securing supply of cannabis.	Miscellaneous consulting fees

While one of the Corporation's core strengths is the development of CBD-Infused products and its developing expertise in cannabis concentrate extraction techniques, it will approach different jurisdictions with a tailored strategy in order to comply with the regulatory framework, while emphasizing its core competencies in the cannabis and CBD-Infused products markets. As such, the Corporation may focus on different parts of the industry value chain, or focus on acquiring assets in the industries not directly related to CBD-Infused products or cannabis concentrate in order to ensure such compliance (e.g., acquisition of real estate, unsecured lending and consulting).

The Corporation has engaged legal counsel in Nevada to conduct appropriate corporate due diligence to ensure compliance of licensed operators with whom the Corporation conducts business. The Corporation will verify that licensed operators with whom it does business have been issued the required licenses from their state and local licenses. Any royalty agreements entered into with a licensed operator will be subject to the licensed operator maintaining its licenses in good standing with the appropriate regulatory authority and comply with applicable laws.

States Without Residency Requirements

The Corporation may also consider seeking licensing to manufacture and distribute CBD-infused products and cannabis concentrates in certain U.S. States without residency requirements or with residency requirements that the Corporation is able to comply with. Due to U.S. federal regulations, the Corporation will evaluate each U.S. State in which the Corporation chooses to operate as a separate market and with a distinct business plan. Given market fragmentation due to the various U.S. State regulatory regimes, the Corporation expects that its products would be manufactured in micro-factories for distribution only in the U.S. State where the micro-factory is situated.

Specialized Skills and Knowledge

The primary specialized skill unique to the Medical Cannabis and Recreational Cannabis industry is growing cannabis. While a background in the growing of cannabis specifically may be helpful, the nature of growing cannabis does not differ substantially from the nature of growing any other crop. These skills are generally available. The Corporation requires client care staff as the business of the Corporation grows. Customer care staff is a skillset that is also generally available in the market.

Differentiation in the strains of Medical Cannabis and Recreational Cannabis is primarily achieved through cross-breeding to produce its own new strains of seeds, or through the acquisition of plants from certified medical cannabis patients in Nevada who are authorized to grow their own cannabis plants. Obtaining plants or seeds for growing cannabis must be done in accordance with the Division of Public Behavior and Health (DPBH) regulations. Plants and seeds must be obtained from a legal source or acquired from a designated grower or personal use license holder under the prior medical cannabis program. Equipment used is specialized but is readily available and not specific to the cultivation of cannabis.

The main skill set required in the development and manufacture of CBD-Infused Products is an understanding of cosmetic chemistry. People with this education and experience are available.

1933 Industries is a progressive company that values employment equity. The Corporation seeks to hire and promote the most qualified candidates. Collectively, the Corporation's board and management boasts well over 100 years of experience in cannabis, finance, capital markets and consumer packaged goods. The Corporation is committed to the principles of equal employment and complies with all federal, state, and local laws providing equal employment opportunities, and all other employment laws and regulations. All staff are properly trained to ensure the safety and welfare of all employees and of its cultivation facility, adhering to strict state, city and Corporation guidelines. As of the date of this AIF, the Corporation in aggregate employs 87 staff members.

Competition and the Environment

As more U.S. jurisdictions pass state legislation allowing recreational use of cannabis, the Corporation expects an increased level of competition in the U.S. market. Since July 1, 2017, the opening of cannabis in Nevada to non-medicinal participants, in which the Corporation operates, has spurred an increase of new entrants. A number of companies listed on the CSE have already begun expanding operations to states that have decriminalized cannabis consumption. The increasingly competitive U.S. markets may adversely affect the financial conditions and operations of the Corporation.

Although the flood of new entrants is increasing competition, due to unclear regulatory frameworks regarding alternative cannabis product categories, many companies have placed an overwhelming emphasis on the cultivation of raw flower. Consequently, a unique opportunity has emerged as consumers demand alternative methods of cannabis consumption. As the nascent cannabis industry has developed over the last decade, consumers have become more knowledgeable on the products they are purchasing, and as a result, demand greater variety and accessibility.

Nevada's strictly regulated market bans the use of many chemical fertilizers and harmful pesticides. Marijuana establishments are also required to implement scent remediation techniques in order to reduce or remove the smell of cannabis emanating from the facilities. Because the Corporation operates a cultivation facility, scent remediation is an element of its operations. The Corporation is required to adhere to the terms of Nevada's state and local regulations. Nevada also favors the use of green energy and water reduction; therefore, the Corporation has adopted strict policies and procedures to ensure that it is using natural resources as conservatively as possible. Water usage is especially critical given Nevada's particular environmental concerns. The importance of proper water usage and waste disposal cannot be overstated. The Corporation's cultivation facility includes a sizable reverse osmosis storage system. This feature is significant as the volume of water stored allows the Corporation to mitigate the risk of a service interruption.

There are numerous small companies competing in the CBD-Infused products segment. As most sales in this segment would be user-based, there is a relatively low capital threshold to enter this business. There is also minimal regulatory or licensing requirements. See "*Risk Factors – Additional Risks Related to the Hemp CBD Industry*".

Foreign Operations

The Corporation operates directly in the Medical and Recreational Cannabis industry in the United States where local state laws permit such activities. As a result, the Corporation's business plan is dependent on the performance and growth of such industries. In addition, the distribution, possession, and consumption of cannabis remains illegal under U.S. federal law. There is a growing movement in the United States supporting the legalization of cannabis for medical, as well as non-medical purposes. However, the U.S. federal government has not enacted legislation reflecting such movement and the cultivation, sale and use of cannabis remains illegal under federal law pursuant to the CSA. While the U.S. federal government has, by its actions, indicated that its present intention is to not enforce federal laws relating to cannabis where the conduct at issue is legal under applicable state law, there can be no guarantee that it will not enforce such laws in the future. Further, there is no guarantee that U.S. state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. If the U.S. federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing state laws are repealed or curtailed, the Corporation's business would be materially and adversely affected. See "*Description of the U.S. Legal Cannabis Industry*".

Regulatory Regime

Changes in both state and federal law and the enforcement of those laws could have a material positive or negative impact on the Corporation's operations. The Corporation is also looking at other states for prospective business opportunities should changes in regulations occur that are favorable to the Corporation's business. For further discussion regarding the risk factors relating to the Corporation's business see "*Description of the U.S. Legal Cannabis Industry*" and "*Risk Factors*".

License and Residency Requirements

All U.S. States that have legalized Medical or Recreational Cannabis impose a range of requirements on the entities wishing to become Licensed Operators, including obtaining a License from state governmental authorities. The state of Colorado, for example, imposes a residency requirement for licensed operators and their individual owners. Other states (such as Nevada, Illinois and Arizona) do not impose a residency requirement. The Corporation's strategy in the states with residency requirements is focused on providing services to the industry rather than directly owning production or retail operations. The Corporation will continue to evaluate potential opportunities in other U.S. States on a case by case basis.

UNITED STATES REGULATORY ENVIRONMENT

General

In accordance with the Canadian Securities Administrators Staff Notice 51-352 (Revised) dated February 8, 2018 – *Issuers with U.S. Marijuana-Related Activities* ("**CSA Notice 51-352**"), below is a discussion of the current federal and state-level U.S. regulatory regimes in those jurisdictions where the Corporation is currently directly involved.

In accordance with CSA Notice 51-352, the Corporation will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented, amended and communicated to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding cannabis regulation.

Use of Cannabis

Medical cannabis refers to the use of cannabis and its constituent cannabinoids, such as THC and CBD as medical therapy to aid in treating disease or alleviating symptoms. The cannabis plant has a history of medicinal use dating back thousands of years across many cultures.

Smoking cannabis is the most traditional form of ingestion and consists of smoking the dried flowers or leaves of the cannabis plant. Cannabis can be smoked through a pipe, rolled into a joint (or cigarette), or smoked using a water pipe (bong). Vaporizing involves using a vaporizer, which is a device that is able to extract the therapeutic ingredients in the cannabis plant material at a much lower temperature than required for burning. This allows user to inhale the active ingredients as a vapor instead of smoke. Many medical marijuana patients find that vaporizing offers an improved medical effectiveness, compared to smoking.

Topical cannabis medicines are applied directly to the skin or muscles. These medicines include lotions, salves, balms, sprays, oils, and creams. Some patients report they are effective for skin conditions like psoriasis, joint diseases like rheumatoid arthritis, migraines, restless leg syndrome, some spasms, and everyday muscle stress and soreness. Unlike smoking, vaporizing or eating cannabis, topical products that are typically low in THC and higher in CBD are generally non-psychoactive.

Legal and Regulatory Matters

Overview of Federal Cannabis Law

Under U.S. federal law, marijuana is currently a Schedule I drug. The CSA has five different tiers or schedules. A Schedule I drug means the Drug Enforcement Agency ("**DEA**") considers it to have a high potential for abuse, no accepted medical treatment, and lack of accepted safety for the use of it even under medical supervision. Other Schedule I drugs are heroin, LSD, and ecstasy. The Corporation believes the CSA categorization as a Schedule I drug is not reflective of the medicinal properties of marijuana or the public perception thereof, and numerous studies

show cannabis is not able to be abused in the same way as other Schedule I drugs, has medicinal properties, and can be safely administered. Additionally, while studies show cannabis is less harmful than alcohol,⁴ alcohol is not classified under the CSA.

The U.S. federal position is also not necessarily consistent with democratic approval of marijuana at the state government level in the United States. Unlike in Canada, which has federal legislation uniformly governing the cultivation, distribution, sale, and possession of marijuana under the *Cannabis Act* (Canada), marijuana is largely regulated at the state level in the United States. State laws regulating cannabis conflict with the CSA, which makes cannabis use and possession federally illegal. Although certain states and territories of the U.S. authorize medical or adult-use cannabis production and distribution by licensed or registered entities, under U.S. federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal, and any such acts are criminal acts. Although the Corporation's activities are compliant with applicable state and local laws, strict compliance with state and local laws with respect to cannabis may neither absolve the Corporation of liability under U.S. federal law nor provide a defense to federal criminal charges that may be brought against the Corporation. The Supremacy Clause of the U.S. Constitution establishes that the U.S. Constitution and federal laws made pursuant to it are paramount and, in case of conflict between federal and state law, federal law shall apply.

U.S. Federal Approach to Enforcement of Cannabis Laws

Nonetheless, well over half of the U.S. States have now legalized adult-use and/or medical marijuana. As more and more states legalized medical and/or adult-use marijuana, the federal government sought to provide guidance to enforcement agencies and banking institutions with the introduction of the DOJ Memorandum drafted by former Deputy Attorney General James Michael Cole in 2013 (the "**Cole Memo**") and the Department of the Treasury Financial Crimes Enforcement Network ("**FinCEN**") guidance in 2014.

The Cole Memo offered guidance to federal enforcement agencies as to how to prioritize civil enforcement, criminal investigations, and prosecutions regarding marijuana in all states. The memo put forth eight prosecution priorities:

1. Preventing the distribution of marijuana to minors;
2. Preventing revenue from the sale of marijuana from going to criminal enterprises, gangs, and cartels;
3. Preventing the diversion of marijuana from states where it is legal under state law in some form to other states;
4. Preventing the state-authorized marijuana activity from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity;
5. Preventing the violence and the use of firearms in the cultivation and distribution of marijuana;
6. Preventing the drugged driving and the exacerbation of other adverse public health consequences associated with marijuana use;
7. Preventing the growing of marijuana on public lands and the attendant public safety and environmental dangers posed by marijuana production on public lands; and
8. Preventing marijuana possession or use on federal property.

⁴ See Lachenmeier, DW & Rehm, J. (2015). Comparative risk assessment of alcohol, tobacco, cannabis and other illicit drugs using the margin of exposure approach. *Scientific Reports*, 5, 8126. doi: 10.1038/srep08126; Thomas, G & Davis, C. (2009). Cannabis, Tobacco and Alcohol Use in Canada: Comparing risks of harm and costs to society. *Visions Journal*, 5. Retrieved from http://www.heretohelp.bc.ca/sites/default/files/visions_cannabis.pdf; Jacobus et al. (2009). White matter integrity in adolescents with histories of marijuana use and binge drinking. *Neurotoxicology and Teratology*, 31, 349-355. <https://doi.org/10.1016/j.ntt.2009.07.006>; Could smoking pot cut risk of head, neck cancer? (2009 August 25). Retrieved from <https://www.reuters.com/article/us-smoking-pot/could-smoking-pot-cut-risk-of-head-neck-cancer-idUSTRE57O5DC20090825>; Watson, SJ, Benson JA Jr. & Joy, JE. (2000). Marijuana and medicine: assessing the science base: a summary of the 1999 Institute of Medicine report. *Arch Gen Psychiatry Review*, 57, 547-552. Retrieved from <https://www.ncbi.nlm.nih.gov/pubmed/10839332>; Hoaken, Peter N.S. & Stewart, Sherry H. (2003). Drugs of abuse and the elicitation of human aggressive behavior. *Addictive Behaviours*, 28, 1533-1554. Retrieved from <http://www.ukcia.org/research/AggressiveBehavior.pdf>; and Fals-Steward, W., Golden, J. & Schumacher, JA. (2003). Intimate partner violence and substance use: a longitudinal day-to-day examination. *Addictive Behaviours*, 28, 1555-1574. Retrieved from <https://www.ncbi.nlm.nih.gov/pubmed/14656545>.

Following the inauguration of President Donald Trump, a Task Force on Crime Reduction and Public Safety was established through an executive order by the President of the U.S. in February 2017. The Task Force was to deliver its recommendations by July 27, 2017, however, instead U.S. Attorney General Jeff Sessions simply stated he would continue to review the recommendations.⁵ To date, its recommendations have not been made public.

In March 2017, U.S. Attorney General Jeff Sessions acknowledged the validity of the Cole Memo and noted limited federal resources due to the appropriations restrictions.

However, in January 2018, U.S. Attorney General, Jeff Sessions, issued a memorandum (the “**Sessions Memo**”), which rescinded the Cole Memo and thereby created a vacuum of guidance for enforcement agencies and the DOJ. As an industry best practice, despite the recent rescission of the Cole Memo, the Corporation continues to do the following to ensure compliance with the guidance provided by the Cole Memo:

1. ensure the operations of its subsidiaries (or third parties, in the jurisdictions where the Corporation conducts its business as an ancillary services provider) are compliant with all licensing requirements that are set forth with regards to cannabis operation by the applicable state, county, municipality, town, township, borough, and other political/administrative divisions. To this end, the Corporation retains appropriately experienced legal counsel to conduct the necessary due diligence to ensure compliance of such operations with all applicable regulations;
2. the activities relating to cannabis business adhere to the scope of the licensing obtained – for example, in the states where only medical cannabis is permitted, the products are only sold to patients who hold the necessary documentation to permit the possession of the cannabis; and in the states where cannabis is permitted for adult recreational use, the products are only sold to individuals who meet the requisite age requirements;
3. in working with licensed operators, such as cultivators and manufacturers in due diligence on the policies and procedures to ensure that the products are not distributed to minors. Additionally, The Corporation employs professional consultants to investigate any past license violations and ensure that the business has not been involved in these types of violations;
4. the Corporation only works through licensed operators, which must pass a range of requirements, adhere to strict business practice standards, and be subjected to strict regulatory oversight with sufficient checks and balances to ensure that no revenue is distributed to criminal enterprises, gangs, and cartels. Furthermore, as a part of its due diligence, The Corporation retains professional consultants to vet the ownership of such cannabis businesses to ensure that no profits or revenues are used for the benefit of criminal enterprises;
5. as a part of its compliance audit, the Corporation also ensures that the licensed operators have an adequate inventory tracking system and necessary procedures in place to ensure that such compliance system is effective in tracking inventory. This is done to ensure that there is no diversion of cannabis or cannabis products into the states where cannabis is not permitted by state law, or cross the state lines in general;
6. the Corporation conducts the necessary review of financial records and where appropriate retains professional third-party consultants to do so, to ensure that the state-authorized cannabis business activity is not used as a cover or pretext for trafficking of other illegal drugs or engaged in other illegal activity or any activities that are contrary to any applicable anti-money laundering statutes;
7. the Corporation conducts background checks to ensure that the principals and management of the licensed operators are of good character, and have not been involved with other illegal drugs, engaged in illegal activity or activities involving violence, or use of firearms in cultivation, manufacturing or distribution of cannabis;

⁵ Press Release, U.S. Department of Justice, Statement by Attorney General Jeff Sessions on Recommendations From the Task Force on Crime Reduction and Public Safety (July 26, 2017), <https://www.justice.gov/opa/pr/statement-attorney-general-jeff-sessions-recommendations-task-force-crime-reduction-and>.

8. the Corporation conducts reviews of activities of the cannabis businesses, the premises on which they operate and the policies and procedures that are related to possession of cannabis or cannabis products outside of licensed premises (including the cases where such possession permitted by regulation – e.g., transfer of products between licensed premises). These activities are done to ensure that no licensed operators possess or use cannabis on federal property or engage in manufacturing or cultivation of cannabis on federal lands; and
9. the Corporation conducts reviews of products and product packaging to ensure that the products comply with applicable regulations and contain necessary disclaimers about the contents of the products to prevent adverse public health consequences from cannabis use and prevent impaired driving.

On November 7, 2018, Mr. Sessions tendered his resignation as Attorney General at the request of President Trump. Following Mr. Sessions' resignation, Matthew Whitaker began serving as Acting U.S. Attorney General. On February 14, 2018, President Trump's nominee William Barr was confirmed as the Attorney General. Mr. Barr served as Attorney General in the presidential administration of George H.W. Bush from 1991 to 1993. Mr. Barr has stated that as Attorney General, he does not intend to prosecute parties, who have complied with state law in reliance on the Cole Memo. Mr. Barr also stated the need for more legal growers of marijuana for research and is acknowledging that the bill legalizing hemp had broad implications for sale of cannabis products. Further, prior to Mr. Barr's confirmation, he stated that he had not considered or determined whether further administrative guidance would be appropriate, or what such guidance might look like. However, he did note that if confirmed, he would give the matter careful consideration (collectively the "**Barr Comments**").

Mr. Barr was seen as having a more hands-off approach on state regulation and enforcement on cannabis. Mr. Barr said low-level marijuana crimes would not be a focus of the Justice Department. On the other hand, he did launch investigations into legal cannabis companies on antitrust grounds.

While President Biden has not yet released clear direction on the federal path forward for federal legalization, his choice for Vice President Kamala Harris and Xavier Becerra for Secretary of Health and Human Services have public track records of supporting medical marijuana programs.

In January 2021, President Biden nominated Merrick Garland as Attorney General of the U.S. He was confirmed by the Senate in March 2021. In his confirmation testimony, Mr. Garland made clear that he would de-prioritize enforcement of low-level marijuana crimes such as possession, and he suggested that federal reforms are closely tied to the larger issue of social justice for minorities. Mr. Garland said it doesn't make much sense to him to spend "limited resources" pursuing nonviolent criminals such as those guilty of marijuana possession.

"This is a question of the prioritization of our resources and prosecutorial discretion," Garland said at his confirmation hearing on February 22, 2021. It does not seem to me a useful use of limited resources that we have, to be pursuing prosecutions in states that have legalized and that are regulating the use of marijuana, either medically or otherwise. I don't think that's a useful use."

"I do think we need to be sure there are no end-runs around the state laws that criminal enterprises are doing. So that kind of enforcement should be continued. But I don't think it's a good use of our resources, where states have already authorized. That only confuses people, obviously, within the state."

Mr. Garland reiterated the above sentiment during a May 4, 2021, House Appropriations subcommittee meeting, stating that "[t]he department's view on marijuana use is that enforcement against use is not a good use of our resources" in states where such use is legal.

However, unlike in the case of the Sessions Memo or the Cole Memo that preceded it, the DOJ under Garland has not issued new guidance related to cannabis enforcement.

Implications for Financial Institutions and Access by Third Parties

Due to the CSA categorization of marijuana as a Schedule I drug, U.S. federal law makes it illegal for financial institutions that depend on the Federal Reserve's money transfer system to take any proceeds from marijuana sales as deposits. Banks and other financial institutions could be prosecuted and possibly convicted of money laundering for providing services to cannabis businesses under the *United States Currency and Foreign Transactions Reporting*

Act of 1970 (the “**Bank Secrecy Act**”). Under U.S. federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering or conspiracy.

On January 16, 2018, a coalition of 19 attorney generals from various states, including: Ms. Lisa Madigan, Illinois Attorney General; Xavier Becerra, California Attorney General; Eric T. Schneiderman, New York Attorney General (who has since been replaced by Barbara Underwood); and Josh Shapiro, Pennsylvania Attorney General released a joint statement urging Congress to advance legislation that would allow states with legalized medical or recreational marijuana to participate in the banking system. Banks and other depository institutions are currently hindered by federal law from providing financial services to marijuana businesses, even in states where those businesses are regulated. In February 2019, the House Financial Services subcommittee took up proposed legislation, the *Secure and Fair Enforcement Banking Act of 2019* (the “**SAFE Banking Act**”), that would protect banks and their employees from punishment for providing services to cannabis businesses that are legal on a state level. First hearings for the SAFE Banking Act occurred in February 2019 and the bill was introduced in Congress in March 2019.

On September 25, 2019, the Secure and Fair Enforcement Banking Act of 2019 was passed by the U.S. House of Representatives in a 321 to 103 vote. The SAFE Banking Act would permanently protect state-chartered banks and credit unions that service state-legal cannabis companies from being penalized by federal regulators. On May 17, 2020, the legislative language of the SAFE Banking Act was included in a stimulus bill known as The Health and Economic Recovery Omnibus Emergency Solutions Act (the “**HEROES Act**”). The HEROES Act was passed by the U.S. House of Representatives in a 208 to 199 vote.

The SAFE Banking Act was reintroduced in the House (HR 1996) with 107 cosponsors. The bill was largely similar to what passed out of the House in 2020 and provides a SAFE Harbor to depository institutions who provide financial services to cannabis businesses. There were some minor changes to the bill related to the hemp provisions that provide hemp companies access to a full suite of financial protections, including those related to security exchanges, however, these provisions are currently limited to hemp. HR 1996 passed the House in April 2021. The SAFE Banking Act’s introduction in the Senate occurred on March 23, 2021, with bipartisan support led by Jeff Merkley of Oregon (D) and Steve Daines of Montana (R). However, the U.S. Senate has declined to bring the SAFE Banking Act up for a vote due to pending comprehensive federal reform legislation from Senate Majority Leader Chuck Schumer (D-NY), Senate Finance Committee Chair Ron Wyden (D-OR), and Senate Judiciary Criminal Justice and Counterterrorism Subcommittee Chair Cory Booker (D-NJ). The provisions of the SAFE Banking Act were offered by Congressman Earl Perlmutter (D-CO) as an amendment to the House version of the Defense Authorization Act (“**NDAA/H.R. 4350**”), which passed the House on September 23, 2021. The Senate’s version of the bill did not include the SAFE Banking Act and the compromised NDAA language also failed to include the SAFE Banking Act. Since then, on January 28, 2022, Rep. Ed Perlmutter (D-CO) filed an amendment to the America COMPETES Act, HR 4521, (“**COMPETES Act**”), which incorporated the SAFE Banking language into the bill. The COMPETES Act relates to high-tech investment incentives and programs, directs funding to create a strategic transformer reserve, facilitate domestic manufacturing, and test critical electric grid equipment to reduce vulnerability and increase resiliency in the event of severe damage to the electrical grid. On February 1, 2022, Rep. Perlmutter’s SAFE Banking Act amendment was considered by the House Rules Committee and included in the COMPETES Act. The COMPETES Act, with SAFE included, passed the House on February 4, 2022, the sixth time the House has passed the measure. Previously, the Senate passed its version of the bill, the U.S. Innovation and Competition Act, which did not include SAFE.

While there has been no change in U.S. federal banking laws to account for the trend towards legalizing medical and recreational marijuana by U.S. States, FinCEN has issued guidance advising prosecutors of money laundering and other financial crimes not to focus their enforcement efforts on banks and other financial institutions that serve marijuana-related businesses, so long as that business is legal in their state and none of the federal enforcement priorities are being violated (such as keeping marijuana away from children and out of the hands of organized crime). The FinCEN guidance also clarifies how financial institutions can provide services to marijuana-related businesses consistent with their Bank Secrecy Act obligations, including thorough customer due diligence, but makes it clear that they are doing so at their own risk.

The customer due diligence steps include:

1. verifying with the appropriate state authorities whether the business is duly licensed and registered;
2. reviewing the license application (and related documentation) submitted by the business for obtaining a state license to operate its marijuana-related business;
3. requesting from state licensing and enforcement authorities' available information about the business and related parties;
4. developing an understanding of the normal and expected activity for the business, including the types of products to be sold and the type of customers to be served (e.g., medical versus recreational customers);
5. ongoing monitoring of publicly available sources for adverse information about the business and related parties;
6. ongoing monitoring for suspicious activity, including for any of the red flags described in this guidance; and
7. refreshing information obtained as part of customer due diligence on a periodic basis and commensurate with the risk. With respect to information regarding state licensure obtained in connection with such customer due diligence, a financial institution may reasonably rely on the accuracy of information provided by state licensing authorities, where states make such information available.

Due to the fear by financial institutions of being implicated in or prosecuted for money laundering, marijuana businesses are often forced into becoming "cash-only" businesses. As banks and other financial institutions in the U.S. are generally unwilling to risk a potential violation of federal law without guaranteed immunity from prosecution, most refuse to provide any kind of services to marijuana businesses. Despite the attempt by FinCEN to legitimize marijuana banking, in practice its guidance has not made banks much more willing to provide services to marijuana businesses. This is because, as described above, the current law does not guarantee banks immunity from prosecution, and it also requires banks and other financial institutions to undertake time-consuming and costly due diligence on each marijuana business they take on as a customer. Recently, some banks that have been servicing marijuana businesses have been closing accounts operated by marijuana businesses and are now refusing to open accounts for new marijuana businesses for the reasons enumerated above.

The few credit unions who have agreed to work with marijuana businesses are limiting those accounts to no more than 5% of their total deposits to avoid creating a liquidity risk. Since the federal government could change the banking laws as it relates to marijuana businesses at any time and without notice, these credit unions must keep sufficient cash on hand to be able to return the full value of all deposits from marijuana businesses in a single day, while also servicing the need of their other customers.

The U.S. Treasury Department has publicly stated they were not informed of Attorney General Jeff Sessions' desire to rescind the Cole Memo and do not have a desire to rescind the FinCEN guidance for financial institutions. Multiple legislators believe that Sessions' rescinding of the Cole Memo invites an opportunity for Congress to pass more definitive protections for marijuana businesses in states with legal marijuana programs during this Congress.

Persistence of Mitigating Factors for Conflicting Federal and State Cannabis Law

On December 20, 2014, President Obama signed into law a federal spending bill with a Congressional appropriation rider for the year ending September 30, 2015, providing that "None of the funds made available to the DOJ pursuant to the 2015 *Consolidated and Further Continuing Appropriations Act* may be used to prevent certain states, including Arizona, Nevada, and California, from implementing their own laws that have authorized the use, distribution, possession, or cultivation of medical marijuana" (the "**Rohrabacher-Blumenauer Amendment**"). This limitation was carried over for the year ending September 30, 2016. The DOJ addressed the impact of the Rohrabacher-Blumenauer Amendment in a memorandum dated February 27, 2015, which was released to the public in August 2015. That memorandum took the position that the Rohrabacher-Blumenauer Amendment does not bar the use of funds for civil and criminal enforcement "consistent with the existing DOJ guidance." The DOJ's

interpretation appears to have been firmly rejected by the U.S. Court of Appeals for the Ninth Circuit (which includes federal court districts of Arizona and Nevada). In a decision dated August 16, 2016, the Court specifically ruled that the Rohrabacher-Blumenauer Amendment prohibited the use of DOJ funds for “conduct completely authorized by state law” *United States v McIntosh*, No.15-10117, 2016 WL 4363168, at 32 (9th Cir. Aug. 16, 2016). Both Congress and marijuana-related businesses recognize that guidance is not law and thus have worked to continually renew the Rohrabacher-Blumenauer Amendment since 2014. This amendment prevents the DOJ from using congressional funds to prosecute cannabis businesses in states that have medical marijuana laws and programs. In 2017, Senator Patrick Leahy (D-Vermont) introduced a similar amendment to H.R.1625 – a vehicle for the *Consolidated Appropriations Act* of 2018), preventing federal prosecutors from using federal funds to impede the implementation of medical cannabis laws enacted at the state level, subject to Congress restoring such funding, being the Leahy Amendment. The Leahy Amendment was set to expire with the 2018 fiscal year on September 30, 2018, but was effectively extended to December 21, 2018, when Congress passed the Continuing Appropriations Act, 2019 in September 2018. On December 22, 2018, the U.S. Congress failed to pass an omnibus appropriations bill for fiscal year 2019, causing a shutdown of the federal government. Currently, the Leahy Amendment is no longer in effect. Notwithstanding, since 2015, Congress has used a rider provision in the Consolidated Appropriations Acts (currently the Joyce Amendment, but previously called the Rohrabacher-Blumenauer Amendment, and before that the Rohrabacher-Farr Amendment) to prevent the federal government from using congressionally appropriated funds to enforce federal cannabis laws against state-compliant actors in jurisdictions that have legalized medical cannabis and cannabis-related activities. Additionally, the Blumenauer-McClintock-Norton-Lee amendment, which would bar the use of federal funds for the Department of Justice to prosecute those who are in compliance with their state-legal or tribal-legal adult-use marijuana laws was under consideration. However, the Blumenauer-McClintock-Norton-Lee amendment was not included in the appropriations bill that was passed by Congress on March 10, 2022, and signed by President Biden on March 15, 2022. The protections offered by the Joyce Amendment continue to be in effect.

The resolution of this issue could have a material adverse effect on the Corporation’s business, revenues, operating results, and financial condition as well as the Corporation’s reputation.

Current Trends in Federal Cannabis Policy

Since 2014, Congress has made immense strides in marijuana policy. The bipartisan Congressional Cannabis Caucus launched in 2017 and is co-chaired by Representatives Earl Blumenauer (OR-03) and Barbara Lee (D-CA). The group is “dedicated to developing policy reforms that bridge the gap between federal laws banning marijuana and the laws in an ever-growing number of states that have legalized it for medical or recreational purposes.” Additionally, each year more Representatives and Senators sign on and co-sponsor marijuana legalization bills.

On November 20, 2019, the House Judiciary Committee approved the Marijuana Opportunity Reinvestment and Expungement Act of 2019 (the “**MORE Act**”) by a 24 to 10 vote. The MORE Act would decriminalize and remove Cannabis as a Schedule I controlled substance. In April 2021, days before a floor vote in the U.S. House of Representatives, the MORE Act was stalled due a late added amendment. While the main thrust of the bill remained intact, including a tax to fund programs to repair the harms of the drug war, a provision was added requiring a federal permit to operate a “cannabis enterprise” along with restrictions that could ban people with prior marijuana convictions from being eligible. Advocates viewed the amendment as problematic as it allows for federal cannabis permits to be suspended or revoked if a person has a past or current legal proceeding related to a felony violation of any state or federal cannabis law. Following the Judiciary Committee approval in November, the MORE Act was passed by the House by a vote of 228-164 in December 2020. The bill did not advance in the Senate.

On May 5, 2021, U.S. Representatives David Joyce (R-OH) and Don Young (R-AK) introduced the Republican reform proposal called the Common Sense Cannabis Reform for Veterans, Small Businesses, and Medical Professionals Act.

On July 14, 2021, Leader Schumer and Senators Wyden and Booker released the Cannabis Administration and Opportunity Act, a 163-page discussion draft bill, alongside a 30-page summary document, which effectively deschedules cannabis, provides restorative justice for past cannabis-related convictions, and establishes a federal regulatory system within the FDA for cannabis products. In addition to the aforementioned provisions, the bill also maintained state authority to establish individual cannabis policies and establishes a federal tax on cannabis products. Stakeholder comments were submitted to the Sponsoring Offices on or before the requested deadline of September 1, 2021. It is unclear when the bill will be filed.

The MORE Act was reintroduced by Representative Nadler (D-NY 10th Dist.) in May 2021. On September 30, 2021, the MORE Act passed the House Judiciary Committee by a vote of 26-15. Two Republicans joined all of the committee's Democratic members to move the bill forward. The next step was for the legislation to once again move to the House floor for consideration.

On November 15, 2021, Rep. Nancy Mace (R-SC) introduced the States Reform Act. The bill, if enacted, would legalize cannabis at the federal level by removing from the CSA and provide some deference to the states and state programs. The bill has yet to be put before the House for consideration.

On Friday, April 1, 2022, the U.S. House of Representative passed the latest iteration of the MORE Act. While passing with a vote of 220-204, the MORE Act is not viewed as having substantial bipartisan support, with only 3 Republican representatives backing the bill. To be passed into law the bill will need approval of the Senate. While its repeated adoption by Congress is seen as an encouraging sign, it is not expected to pass in its current iteration.

President Joe Biden issued a proclamation on October 6, 2022, granting pardon to all US citizens who, prior to the date of the proclamation, were charged or convicted of simple possession of marijuana in violation of the CSA. The pardon is only applicable to federal charges and not to any person who is or was incarcerated for breaking state law. However, President Biden did encourage state governors to follow his lead and issue pardons for simple possession of marijuana. President Biden also stated that he was directing the Attorney General and the Health and Human Services Secretary to initiate an administrative review of how marijuana is currently scheduled under federal law. While the scope of President Biden's pardon is limited, it brings the issue of federal decriminalization and legalization to the forefront of federal policy discussion.

Adverse Tax Implications

An additional challenge to marijuana-related businesses is that the provisions of the Internal Revenue Code of 1986 as amended (the "**U.S. Tax Code**"), Section 280E, are being applied by the United States Internal Revenue Service ("**IRS**") to businesses operating in the medical and adult-use marijuana industry. Section 280E of the U.S. Tax Code prohibits marijuana businesses from deducting their ordinary and necessary business expenses, forcing them to pay higher effective U.S. federal tax rates than similar companies in other industries. The effective tax rate on a marijuana business depends on how large its ratio of non-deductible expenses is to its total revenues. Therefore, businesses in the legal cannabis industry may be less profitable than they would otherwise be.

On December 20, 2018, Congress passed the Farm Bill, which became law in the U.S. and included the legalization of hemp, which changed how hemp and hemp-derived products like CBD are regulated in the U.S. The United States Department of Agriculture is the industry's primary regulator.

Local, state, and U.S. federal medical marijuana laws and regulations are broad in scope and subject to evolving interpretations, which could require the Corporation to incur substantial costs associated with compliance or alter certain aspects of its business plan. In addition, violations of these laws, or allegations of such violations, could disrupt certain aspects of the Corporation's business plan and result in a material adverse effect on certain aspects of its planned operations. In addition, it is possible that regulations may be enacted in the future that will be directly applicable to certain aspects of the Corporation's business. No prediction can be made as to the nature of any future laws, regulations, interpretations, or applications, nor can it be determined what effect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on our business.

Unless and until Congress amends the CSA with respect to medical marijuana, as to the timing or scope of any such potential amendments there can be no assurance, there is a risk that U.S. federal authorities may enforce current U.S. federal law, and we may be deemed to be producing, cultivating, or dispensing marijuana in violation of U.S. federal law with respect to the Corporation's current or proposed business operations, or the Corporation may be deemed to be facilitating the sale or distribution of drug paraphernalia in violation of U.S. federal law. A change in the U.S. federal government's approach to begin more active enforcement of cannabis may adversely affect our revenues and profits. The risk of strict enforcement of the CSA in light of Congressional activity, judicial holdings, and stated U.S. federal policy remains uncertain.

Laws and regulations affecting the medical marijuana industry are constantly changing, which could detrimentally affect the proposed operations of the Corporation. The risk of U.S. federal enforcement and other risks associated with the Corporation's business are described in the "*Risk Factors*" section below.

Overview of Federal CBD and Hemp Derived Regulations

The Corporation sells its Canna Hemp™ line of CBD and other cannabinoid wellness products. While such products come from the same plant genus and species, hemp and marijuana are legally distinct and are generally regulated, respectively, by three separate overarching bodies of law: section 7606 of the *Agricultural Act of 2014* (the “**2014 Farm Bill**”); the *Agricultural Improvement Act of 2018* (the “**2018 Farm Bill**”); and the CSA. Hemp, by legal definition, contains 0.3% THC or less on a dry weight basis, which is not a sufficient level to create an intoxicating effect like marijuana.

All hemp-based products produced and sold by the Corporation constitute “Hemp” under the 2018 Farm Bill as well as under the laws of the states in which the Corporation manufactures such hemp-based products. The 2018 Farm Bill permanently removed hemp and the THC in Hemp from the purview of the CSA. Hemp is now deemed an agricultural commodity, and is no longer classified as a controlled substance, like marijuana. Furthermore, by defining hemp to include its derivatives, extracts, and cannabinoids,⁶ Congress explicitly removed popular hemp products, such as hemp-derived CBD, from the purview of the CSA. Accordingly, the DEA no longer has regulatory authority to interfere with the interstate commerce of hemp products, so long as the THC level is at or below 0.3% on a dry weight basis. The 2018 Farm Bill also provides that state and Native American tribal governments may impose separate restrictions or requirements on hemp growth and the sale of hemp products. However, they cannot interfere with the interstate transportation or shipment of lawfully produced hemp or hemp products. As a result of the 2018 Farm Bill, federal law now provides that CBD derived from hemp is not a controlled substance under the CSA; however, CBD derived from hemp could still be considered a controlled substance under applicable state law. States take varying approaches to regulating the production and sale of hemp and hemp-derived CBD. While some states explicitly authorize and regulate the production and sale of hemp-derived CBD or otherwise provide legal protection for authorized individuals to engage in commercial hemp activities, other states maintain outdated drug laws that do not distinguish between marijuana and hemp and/or hemp-derived CBD, resulting in hemp being classified as a controlled substance under certain state laws. In these states, sale of CBD, notwithstanding origin, is either restricted to state medical or adult-use marijuana program licensees or remains otherwise unlawful under state criminal laws. Additionally, a number of states prohibit the sale of ingestible CBD products based on the FDA’s position that, pursuant to the Food, Drug, and Cosmetic Act (the “**FD&C Act**”), it is unlawful to introduce food containing added CBD or THC into interstate commerce, or to market CBD or THC products as, or in, dietary supplements, regardless of whether the substances are hemp-derived. See “*State by State Regulatory Environment*” below.

The Corporation obtains all its materials for its hemp-based products primarily from producers in Nevada, and has obtained some materials from Colorado. The Corporation’s activities related to the production, marketing and sale of its products comply with the 2014 Farm Bill and/or 2018 Farm Bill, as currently applicable to its operations. However, certain government agencies (such as the FDA) and certain federal officials have challenged the scope of permissible commercial activity. FDA representatives, for example, have stated they believe that producers of CBD-based products, including the Corporation, produce and sell their products in violation of the FD&C Act. Similarly, the Corporation’s marketing activities fall within the FDA’s jurisdiction. In addition, the FDA is currently evaluating whether, and how, hemp-based CBD dietary supplements and food can be lawfully sold in the U.S. Over the past several years, FDA has issued numerous warning letters to companies marketing CBD products with disease claims. The letters reiterate the agency’s position that CBD cannot be added to food and dietary supplements and targeted companies whose products violated the FD&C Act’s prohibition against: i) marketing CBD as or in a dietary supplement, human and animal food, or food additives; ii) marketing a dietary supplement, human and animal food, or cosmetic with disease or drug claims (i.e., claims suggesting that a product is intended to treat, cure, or prevent disease); iii) including a substance in human or animal food when that substance is not generally recognized as safe (“**GRAS**”); and iv) selling products that are misbranded due to their failure to include “adequate directions for use by a layperson”.

The FDA’s enforcement against the sale and marketing of CBD products has to date been limited to the issuance of warning letters, although enforcement could include civil and criminal penalties. This matter is still unresolved as at the date of this AIF, as indicated by the FDA’s March 5, 2020, statement and Congressional report whereby the agency reaffirmed that it is actively evaluating a risk-based enforcement policy and rulemaking to permit the use of CBD in dietary supplements. While the Corporation disagrees with the position of the FDA, there is risk that this agency could take enforcement or regulatory actions against the Corporation.

⁶ Agriculture Improvement Act of 2018 (section 10113) (defining hemp under the Agricultural Marketing Act of 1946, 7. U.S.C. 1621).

Legal barriers applicable to, and risks associated with, selling hemp-derived CBD products result from a number of factors, including the fact that hemp and marijuana are both derived from the *Cannabis sativa L.* plant, the rapidly changing patchwork of state laws governing hemp and hemp-derived CBD, and the FDA's position that it is unlawful to introduce food containing added CBD or THC into interstate commerce, or to market CBD or THC products as, or in, dietary supplements, i.e. the IND Preclusion described below (see "*FDA Regulation*" below). However, the removal of hemp and its extracts, including CBD, from the CSA pursuant to the 2018 Farm Bill, and the FDA's indication that it is considering using its authority to issue a regulation that could specifically allow hemp-derived ingredients in foods and supplements, are major developments toward resolving these regulatory barriers. Stakeholders take different positions regarding the scope of legal activity in light of the interplay of federal and state law, and in light of developments, such as the 2018 Farm Bill, the September 30, 2017, decision of the World Anti-Doping Agency to drop CBD from its list of prohibited substances, and the World Health Organization Expert Committee on Drug Dependence preliminary report finding that CBD is safe, well-tolerated and non-addictive.⁷

On May 28, 2020, the FDA submitted draft guidance to the White House Office of Management and Budget relating to research considerations for cannabis and cannabis-derived compounds. While we do not believe this guidance changes the regulatory landscape, we do believe it indicates the FDA's continued direction in considering the safety and advancement of cannabis-derived compounds. In a trade press article regarding this guidance, FDA confirmed that it is "working toward a goal of providing additional guidance and [has] made substantial progress," while also reiterating the need to obtain additional data on the safety, effectiveness, and quality of CBD products.⁸ At the request of the Biden Administration, the FDA has since withdrawn its draft guidance. The FDA has not yet indicated whether or when a new guidance document will be submitted.

The foregoing is an abbreviated overview of the Corporation's position on the legality of the Corporation's operations in the United States. Additional background and a more thorough analysis of applicable U.S. regulatory regimes is set out in greater detail below. The varying regulations with respect to the treatment of Hemp from state to state continue to evolve.

FDA Regulation

FDA regulations are complex and constantly evolving. The description below provides a current summary of certain FDA regulations that purport to regulate various aspects of products that are intended for human or animal consumption.

Overview

The governing food and drug law in the United States is the FD&C Act. One purpose of the FD&C Act is to forbid the movement in interstate commerce of adulterated and misbranded food, drugs, devices and cosmetics.⁹ The FDA is charged with protecting the integrity of the U.S. food supply and its cosmetic products, as well as monitoring the safety and efficacy of drugs, biological products, and almost any compound intended for human or animal consumption, among other areas.¹⁰

To date, the FDA has approved one product containing CBD as a drug, and has taken the position that CBD cannot be marketed as a dietary supplement or added to food because a product containing CBD was approved as a drug and substantial clinical trials studying CBD as a new drug were made public prior to the marketing of any food or dietary supplements containing CBD. Accordingly, dietary supplements or food are precluded from containing CBD as an ingredient. This potentially creates additional barriers to lawfully selling certain CBD and CBD-based products in the U.S.

Notably, the FDA does not impose the same restrictions on the use of CBD in cosmetic products. The agency states on its website that "[c]ertain cosmetic ingredients are prohibited or restricted by regulation, but currently that is not the case for any cannabis or cannabis-derived ingredients."¹¹ However the FDA further notes that such products

⁷ World Health Organization Expert Committee on Drug Dependence, Cannabidiol (CBD) Pre-Review Report, November 10, 2017.

⁸ <https://www.foodnavigator-usa.com/Article/2020/06/05/FDA-says-it-s-made-substantial-progress-on-CBD-regs-CV-Sciences-weighs-in-on-food-vs-pharma-path-man-sues-CBD-firm-after-failing-drugs-test>.

⁹ Ky. Rev. Stat. §§ 260.850-.858.

¹⁰ U.S. Food and Drug Administration, Mission Statement: <http://www.fda.gov/downloads/aboutfda/reportsmanualsforms/reports/budgetreports/ucm298331.pdf>.

¹¹ U.S. Food and Drug Administration, "FDA Regulation of Cannabis and Cannabis-Derived Products, Including Cannabidiol (CBD), Questions

must comply with all applicable legal requirements including the adulteration and misbranding provisions of the FD&C Act specific to cosmetic products.

Further, the Dietary Supplement Health and Education Act (the “**DSHEA**”), an amendment to the federal FD&C Act, established a framework governing the composition, safety, labeling, manufacturing and marketing of dietary supplements in the United States. Generally, under DSHEA, dietary ingredients marketed in the United States prior to October 15, 1994, may be used in dietary supplements without notifying the FDA. “New” dietary ingredients (i.e. dietary ingredients “not marketed in the United States before October 15, 1994”) must be the subject of a new dietary ingredient notification submitted to the FDA unless the ingredient has been “present in the food supply as an article used for food” and is not “chemically altered.” Any new dietary ingredient notification must provide the FDA with evidence of a “history of use or other evidence of safety” establishing that use of the dietary ingredient “will reasonably be expected to be safe.”

To legally market an over-the-counter (OTC) drug product, the FD&C Act and FDA regulations promulgated under its authority require FDA approval of a New Drug Application (“**NDA**”) that includes substantial evidence of effectiveness based on adequate and well-controlled studies, or an Abbreviated New Drug Application (“**ANDA**”). Alternatively, an OTC drug product may be marketed without an FDA approved NDA or ANDA if the drug product is manufactured in compliance with an OTC drug regulation, referred to as a monograph, which has been established for that therapeutic class of drug. The OTC drug monographs identify permissible active ingredients, labeling, and claims. OTC monographs generally do not specify inactive ingredients that may be used in the manufacture of OTC drugs. OTC drugs marketed in compliance with a final monograph are generally recognized and safe and effective (“**GRASE**”), and are exempt from premarket approval requirements.

The FDA has also issued “tentative final monographs,” which are proposed rules that, when finalized, will become final monographs. The FDA allows drugs that comply with the tentative final monograph to be marketed under its enforcement discretion policy. Once the monograph is finalized for that therapeutic class of drug, marketing must then conform to the final monograph or the OTC drug products will be considered adulterated or misbranded under the FD&C Act and marketing will be prohibited.

Inactive ingredients do not require individual approval by the FDA. The FDA evaluates an inactive ingredient within the context of an NDA. After approval of the NDA, the FDA will list the inactive ingredients in the approved drug product in the FDA's Inactive Ingredient Database. Based on the listings in this Database, the FDA has not approved an NDA for a new drug containing CBD as an inactive ingredient. FDA does not list OTC inactive ingredients in the Inactive Ingredient Database for OTC drug products manufactured and marketed in accordance with an OTC monograph. It is the drug manufacturer's responsibility to ensure the suitability and safety of the inactive ingredients in its OTC monographed drug products.

It is the Corporation's position that its Canna Hemp™ line of CBD and other cannabinoid wellness products are not prohibited by the FDA and are otherwise in compliance with the FD&C Act. The Corporation does not currently market or sell any CBD products that constitute dietary supplements as specified by the FDA. Further, the Corporation does not currently market or sell products that are considered OTC drug products. The Corporation's products currently only use inactive ingredients, as regulated by the FDA.

Hemp-derived products may be legally sold and marketed in the United States where they contain hemp lawfully imported from another country or cultivated pursuant to a state agricultural program, provided the product complies with the FD&C Act and applicable state and federal law. Textiles, fibers, and certain food and cosmetic products containing hemp seed and hemp seed oils can be lawfully sold in compliance with federal law. Products containing CBD, however, may only be legal to the extent they are lawfully sourced, sold in a state where state law does not prohibit such sale and where they are compliant with the FD&C Act. Compliance with the FD&C Act may prove difficult for most ingestible CBD products, while other hemp-based products such as hemp or CBD topicals, hemp seed, hemp seed oils and certain non-ingestible products may be able to achieve compliance with FD&C Act more easily. See “*Risk Factors*”.

FDA's Approach to CBD and Enforcement Action

The FDA has taken the position that CBD cannot be marketed as a dietary supplement because it has been the subject of investigation as a new drug (such restrictions referred to as “**IND Preclusion**”). According to the FDA,

and Answers.” <https://www.fda.gov/news-events/public-health-focus/fda-regulation-cannabis-and-cannabis-derived-products-including-cannabidiol-cbd#qandas>.

the submission of the IND application for Epidiolex by Greenwich Biosciences, the U.S. subsidiary of London-based GW Pharmaceuticals, preceded the sales and marketing of CBD as a dietary supplement. Excluded from the DSHEA definition of a dietary supplement is: “an article authorized for investigation as a new drug, antibiotic, or biological for which substantial clinical investigations have been instituted and for which the existence of such investigations has been made public, which was not before such approval, certification, licensing, or authorization marketed as a dietary supplement or as a food unless the Secretary, in the Secretary's discretion, has issued a comment, finding that the article would be lawful under this Act.” It is the FDA's interpretation of the IND Preclusion that the preclusion date is the date in which it authorized the drug for investigation; however, the Corporation believes there are significant arguments against this position in that all conditions of the statute must be met before the IND Preclusion applies, including (1) authorization for investigation as a new drug; (2) substantial clinical investigations must be instituted; (3) such substantial investigations must be made public; and (4) all of the above must occur prior to the marketing of the article as a food or dietary supplement. As discussed below, the FDA takes the position that CBD was not marketed in a food or dietary supplement prior to the conditions for the IND Preclusion rendering effective. The Corporation disagrees with this position and further believes that CBD was sold in interstate commerce prior to the publication of substantial clinical investigations. Thus, the Corporation takes the position that the IND Preclusion does not apply. As of the date of this AIF, the Corporation has not, and does not intend to file an investigational drug application with the FDA, concerning any of its products that contain CBD derived from Hemp.

There is inherent risk in marketing a product containing CBD, whether as an active or inactive ingredient, due to the drug approval awarded to Epidiolex and the FDA's existing guidance on the introduction of CBD in the food supply and marketing hemp as a dietary supplement. FDA policies and regulations may change from time to time, requiring formulation, packaging, or labeling changes or requiring the submission of an NDA for a drug product containing any amount of CBD. Although some states have passed laws that permit certain CBD products despite contrary federal laws, such state laws may also change. The Corporation cannot predict whether new federal or state regulations or legislation affecting the use of CBD in OTC products or any of the activities of the Corporation will be enacted or what effect any regulation or legislation would have on the Corporation's business.

On March 22, 2021, the FDA issued a news release announcing the issuance of warning letters to two companies for selling OTC products labeled as containing CBD, alleging that the products are illegally marketed unapproved drugs.¹² The letters explain that, because CBD has known pharmacological effects on humans, with demonstrated risks, it cannot be legally marketed as an inactive ingredient in OTC drug products that are not reviewed and approved by the FDA. In the letters, the FDA also alleged the products are misbranded due to the prominent featuring of CBD on the labeling, which the Agency stated is misleading because it presents the CBD inactive ingredients “in a manner that creates an impression of value greater than their true functional role in the formulation.”¹³

There is no assurance that the position taken by the Corporation that its products are exempt from the requirements for an NDA or ANDA pre-market approval will not, in the future, be challenged by the FDA, which could result in material adverse effects to the Corporation and its business.

The FD&C Act provides that a substance added to food is unsafe unless the substance is GRAS. The FDA has not recognized CBD as GRAS for human consumption, although certain hemp seed derivatives may be considered GRAS.¹⁴ ¹⁵ Further research is needed to determine if other cannabinoids would be considered GRAS or what steps would be necessary for them to be recognized as GRAS. In the meantime, stakeholders including the Corporation are collecting data to pursue a GRAS determination for CBD, as the FDA has indicated it cannot conclude that CBD is GRAS due to the current lack of information to support this determination. Enforcement of this prohibition on the use of CBD in food has been generally limited to products making unlawful drug or disease claims, with the FDA also asserting its position that CBD is not a permissible food or dietary supplement ingredient. The Corporation's products containing CBD derived from Hemp are not marketed or sold using claims that the products are intended to diagnose, mitigate, treat, cure or prevent disease in violation of the FD&C Act.

¹² U.S. Food and Drug Administration, “FDA Warns Companies Illegally Selling Over-the-Counter CBD Products for Pain Relief,” <https://www.fda.gov/news-events/press-announcements/fda-warns-companies-illegally-selling-over-counter-cbd-products-pain-relief>.

¹³ See 21 CFR 201.10(c)(4), Drugs; statement of ingredients.

¹⁴ 21 CFR § § 170.30(b), (c), 170.3(f).

¹⁵ 21 CFR § 1308.35 (a)(2). The DEA's final rule on legal hemp materials and products specifically excludes materials used for human consumption.

On December 20, 2018, the FDA released a statement from former Commissioner Scott Gottlieb, which restated FDA's current position, opining that products containing CBD ingredients may not be sold as food or dietary supplements. The statement also contained, for the first time, a clear path toward FDA's permanent and formal acceptance of hemp-derived CBD as a food or dietary supplement ingredient. For the first time, the FDA has indicated that it is considering using its authority to issue a regulation that will specifically allow hemp-derived CBD in foods and supplements.

Statements from the FDA issued in July 2019 made clear that the FDA is “[paving the way for regulatory clarity.]”¹⁶ FDA “is committed to evaluating the regulatory frameworks for non-drug uses, including products marketed as foods and dietary supplements[.]”¹⁷ Importantly, FDA “recognize[s] that there is substantial public interest in marketing and accessing CBD in food, including dietary supplements . . . [and that] [t]he statutory provisions that currently prohibit marketing CBD in these forms also allow the FDA to issue a regulation creating an exception, and some stakeholders have asked that the FDA consider issuing such a regulation to allow for the marketing of CBD in conventional foods or as a dietary supplement, or both.”¹⁸

As it continues down this path, the FDA is “[l]istening to and learning from stakeholders[.]”¹⁹ The FDA held a public hearing on May 31, 2019, to obtain scientific data and information about the safety, manufacturing, product quality, marketing, labeling, and sale of products containing Cannabis or Cannabis-derived compounds. Numerous hemp industry stakeholders and consumers shared their perspectives, including Jonathan Miller, regulatory counsel to the Corporation and General Counsel for the U.S. Hemp Roundtable (“Roundtable”) – the industry's leading national business advocacy association and for which the Corporation serves as a key member. Since then, Miller met with the FDA's CBD Working Group, which is reviewing the use of CBD as a food and dietary supplement ingredient.

On July 16, 2019, the FDA issued a consumer update on its efforts to address “unanswered questions about the science, safety, and quality of products containing CBD” through the feedback from the May 31, 2019 hearing and information and data gathered through a public docket.²⁰ Specifically, the FDA noted concerns regarding potential liver toxicity, questions about cumulative exposure to CBD over time, the effects of CBD on special populations (e.g., the elderly, children, adolescents, pregnant and lactating women), and the safety of CBD use in animals including pets. On October 16, 2019, the FDA issued another consumer update cautioning against the use of CBD, THC, and marijuana during pregnancy or while breastfeeding due to the current lack of comprehensive research studying the effects of CBD on the developing fetus, pregnant mother, or breastfed baby.²¹ On November 25, 2019, the FDA provided another consumer update stating there is limited available information about CBD, including about its effects on the body.²² The FDA also sent another round of warning letters to companies marketing CBD products with disease claims. Some letters were jointly issued by the Federal Trade Commission (“FTC”). In addition, the agency reiterated its position that CBD cannot be added to food and dietary supplements and stated that it is “not aware of any basis to conclude that CBD is GRAS [Generally Recognized as Safe] among qualified experts for its use in human or animal food.”²³ As stated above, the letters targeted companies whose products violated the FD&C Act's prohibition against: (i) marketing CBD as or in a dietary supplement, human and animal food, or food additives; (ii) marketing a dietary supplement, human and animal food, or cosmetic with disease or drug claims (i.e., claims suggesting that a product is intended to treat, cure, or prevent disease); (iii) including a substance in human or animal food when that substance is not GRAS; and (iv) selling products that are misbranded due to their failure to include “adequate directions for use by a layperson”.

On March 5, 2020, former FDA Commissioner Dr. Stephen M. Hahn issued a statement on the FDA's work related to CBD products. The statement makes clear that the FDA will continue its work to educate the public on CBD's perceived safety risks and that the FDA is taking steps to solicit additional public feedback, data, and research on the science, safety, and quality of CBD products. These new steps include re-opening the public docket so that FDA can obtain additional scientific data on CBD, which will include a process by which confidential and proprietary

¹⁶ Amy Abernathy, M.D., Ph.D., et al., “FDA is Committed to Sound, Science-based Policy on CBD,” [fda.gov](https://www.fda.gov/news-events/fda-voices-perspectives-fda-leadership-and-experts/fda-committed-sound-science-based-policy-cbd), <https://www.fda.gov/news-events/fda-voices-perspectives-fda-leadership-and-experts/fda-committed-sound-science-based-policy-cbd>.

¹⁷ Id.

¹⁸ Id.

¹⁹ Id.

²⁰ Id.

²¹ U.S. Food and Drug Administration, “What You Should Know About Using Cannabis, Including CBD, When Pregnant or Breastfeeding,” <https://www.fda.gov/consumers/consumer-updates/what-you-should-know-about-using-cannabis-including-cbd-when-pregnant-or-breastfeeding>.

²² U.S. Food and Drug Administration, “FDA warns 15 companies for illegally selling various products containing cannabidiol as agency details safety concerns,” <https://www.fda.gov/news-events/press-announcements/fda-warns-15-companies-illegally-selling-various-products-containing-cannabidiol-agency-details>.

²³ Id.

information can be shared with the FDA and kept protected. Additionally, former Commissioner Hahn's statement reiterates that the FDA will continue to monitor and police the CBD products marketplace and is evaluating the issuance of a risk- based enforcement policy that provides greater transparency and clarity regarding factors the FDA intends to consider in prioritizing enforcement decisions.

It is clear from former Commissioner Hahn's statements, and also from FDA's prior guidance, that topical cosmetic products do not have the same regulatory scrutiny as ingestible products that contain CBD. For instance, while FDA notes that topical products must comply with all applicable legal requirements including the adulteration and misbranding provisions of the FD&C Act specific to cosmetic products, FDA's website states that “[c]ertain cosmetic ingredients are prohibited or restricted by regulation, but currently that is not the case for any cannabis or cannabis- derived ingredients.” Additionally, former Commissioner Hahn had positively suggested that the effects of CBD may differ depending on the route of administration.

Much of former Commissioner Hahn's statement was also included in the FDA's congressionally mandated report on CBD, which was also submitted on March 5, 2020. On the issue of topical products, the report makes clear that “[c]osmetic ingredients do not generally require premarket approval (with the exception that most color additives do require premarket approval)” and that “it is possible that some individual products containing CBD fall outside of FDA's jurisdiction.” The report confirms that the FDA is actively considering pathways to allow the marketing of CBD as a dietary supplement, which may include notice-and-comment rulemaking and interim risk-based enforcement policies. The report signals the FDA's continued interest in certain aspects of CBD, including effects from sustained use, effects from different methods of exposure, and effects on the developing brain and on the unborn child and breastfed newborn. The report acknowledges that the FDA is receiving inquiries about whether “full spectrum” and “broad spectrum” Hemp products can currently be marketed and sold, but the FDA has not yet answered the question conclusively. Largely, the report does little to address the current regulatory ambiguity for CBD and does not set a timeline for agency action, but it does signal the FDA's clear interest in a pathway for the use of CBD in dietary supplements. Further to this point, former Commissioner Hahn had publicly stated that it would be a “fool's game” for the FDA to pull CBD products from the market entirely, as their use is already widespread.

In January 2021, the FDA issued an update entitled “Better Data for a Better Understanding of the Use and Safety Profile of Cannabidiol (CBD) Products.”²⁴ In the statement, the FDA acknowledges the rapid increase and interest in the availability of CBD and other products derived from cannabis, and calls for “real- world” data” on the use and safety of CBD. The call acknowledges the FDA's current gaps in understanding of the safety profile of CBD, which may be addressed through obtaining real-world data and help build a robust evidentiary foundation to inform public health decisions regarding CBD. The FDA further notes that it is continuing to “evaluate the regulatory frameworks that apply to certain cannabis-derived products that are intended for non-drug uses, including whether any new FDA regulations may be warranted.” However, it is unclear whether the new FDA Commissioner appointed under the Biden Administration will take the same stance on CBD as former Commissioners Hahn and Gottlieb.

Despite the position taken by the FDA that there is no evidence of CBD being marketed as a food or dietary supplement prior to drug trials being commenced and made public, the Corporation believes there is substantial uncertainty and different interpretations among state and federal regulatory agencies, legislators, academics and businesses as to whether cannabinoids including CBD were present in the food supply and marketed prior to October 15, 1994 or whether such inclusion of cannabinoids is otherwise permitted by the FDA as dietary ingredients, notwithstanding that cannabis and the cannabinoids contained therein have been consumed as food by human beings for centuries even if not specifically marketed as CBD or other cannabinoids. As a result, the Corporation believes the federal legality regarding the distribution and sale of hemp-based products intended for human consumption must be considered on a case-by-case basis and that the uncertainties cannot be resolved without further federal legislation, regulation or a definitive judicial interpretation of existing legislation and rules. A determination that Hemp products containing CBD or other cannabinoids were not present in the food supply, marketed prior to October 15, 1994, are not otherwise permissible for use as a dietary ingredient, may have a materially adverse effect upon the Corporation and its business. Moreover, if the FDA were to enforce the IND Preclusion based on its interpretation of the legislation, this would have a materially adverse effect upon the Corporation and its business.

²⁴ See <https://www.fda.gov/news-events/fda-voices/better-data-better-understanding-use-and-safety-profile-cannabidiol-cbd-products>.

Except as described above and elsewhere in this AIF, the Corporation is in compliance with applicable law and has not received any citations or notices of violation which may have an impact on the Corporation's Licenses, business activities or operations.

Future Uncertainty of Legal Status

There remain a number of considerations and uncertainties regarding the cultivation, sourcing, production and distribution of hemp and products containing hemp derivatives. Applicable laws and regulations remain subject to change as there are different interpretations among federal, state and local regulatory agencies, legislators, academics and businesses with respect to the treatment of the importation of derivatives from exempted portions of the Cannabis plant and the scope of operation of 2018 Farm Bill-compliant hemp programs. These different federal, state and local agency interpretations, as discussed above, touch on the regulation of cannabinoids by the FDA and the extent to which imported derivatives, and/or 2018 Farm Bill-compliant cultivators and processors may engage in interstate commerce, whether under federal and/or state law. The uncertainties likely cannot be resolved without further federal and state legislation, regulation or a definitive judicial interpretation of existing legislation and rules.

Approximately 10 to 15% of the Corporation's assets, liabilities and operations are exposed to U.S. hemp-related activities.

State by State Regulatory Environment

The following sections describe the legal and regulatory landscape in the states in which the Corporation currently operates its cannabis and hemp derived businesses.

Nonetheless, for the reasons described above and the risks further described under “Risk Factors” herein, there are significant risks associated with the businesses of the Corporation. Readers are strongly encouraged to carefully read all of the risk factors contained herein and other documents incorporated or deemed to be incorporated by reference herein.

Relevant State Cannabis Regulations

Nevada Operations

The state of Nevada has some of the most stringent testing, monitoring and inventory controls in the world. All products are tested for contaminants, pesticides and mold to ensure the safe use by consumers. In addition, all products are labeled with warnings and are packed in tamper-proof containers with detailed content information to protect consumers and assure proper dosing. Finally, the state requires detailed tracking of all plants and finished products using a complex radio frequency identification (RFID). The Corporation is committed to these security systems, controls and the state regulations. Corporation branded THC and CBD vape products do not contain vitamin E acetate, vegetable glycerin, or propylene glycol. All products are made with ingredients that are known to be safe for consumers. All packaging contains product ingredients, and each and every product is third-party lab tested, and the results can be tracked via a QR code.

From seed to sale, the Corporation offers a unique approach to compliance and transparency. All Canna Hemp™ products undergo rigorous testing to ensure the purity and safety of its CBD. The CBD is tested with independent certified laboratories to ensure that it is THC-free and contains no harmful chemicals or pesticides. In addition, all finished CBD products are tested with independent certified laboratories and every product is labelled with a QR code linking to the lab results, thereby ensuring that the CBD content listed on the label is accurate.

The cannabis market in Nevada is robust and has grown dramatically since recreational use was approved beginning July 1, 2017. Prices have risen and with the cultivation tax of 15% of state determined fair market value, the state is generating millions of dollars a year in new tax revenues. The tax regime has aligned the interests of the state legal cannabis industry with that of the local government leaders. The Corporation believes that this will lead to better relationships with the regulators and that through improved education, the general public will become more aware of the potential health benefits of properly controlled cannabis and cannabis products. AMA is a part of that growing group of companies operating within the conflicting dual systems of state versus federal cannabis regulations.

Generally speaking, five types of cannabis establishments are currently regulated and require appropriate licensure in Nevada: (i) cultivation facilities; (ii) producers of edible or cannabis-infused products; (iii) dispensaries and

stores; (iv) distributors; and (iv) independent testing laboratories. The Nevada legislature recently approved a new type of license: consumption lounge. The CCB has implemented the rules to govern consumption lounges and is in the process of issuing licenses. It is anticipated consumption lounges will be open in the first quarter of 2023. Additionally, all officers, employees and volunteers must: (i) be at least 21 years of age; (ii) submit information, including fingerprints, to the DPBH; (iii) undergo a background check; (iv) not have a prior conviction for an excluded felony offense; (v) be compliant with all child support orders; (vi) be issued agent registration cards; and (vii) not have had a prior medical cannabis establishment registration card revoked for any reason.

Nevada has set a maximum number of dispensary certificates that may be issued, on a per-county basis. The City of Las Vegas is located in Clark County, the largest county in Nevada. Clark County has currently issued the maximum dispensary licenses with possible additional license opportunities in the future.

Nevada's medical cannabis program was introduced in June 2013 when the legislature passed SB374, legalizing the medicinal use of cannabis for certified patients. The first dispensaries opened to patients in August 2015.

The first cultivation license in Southern Nevada was issued to AMA in April of 2015. It sold its first cannabis in October 2015 and has been growing and selling cannabis in compliance with state law ever since.

In November 2016, Nevada voters approved Question 2 with 55% of the vote, legalizing adult-use cannabis in the state. Adult-use sales launched under an “early-start” program on July 1, 2018. This market is divided into five classes of licenses: dispensaries, cultivators, distribution, product manufacturing, and testing. Licenses are tied to the locality in which they were awarded. In December 2018, the Nevada Department of Taxation, the agency which oversees the cannabis program, issued 61 new dispensary licenses. As of June 30, 2020, there were approximately 68 operational dispensaries, 134 operational cultivators, and 96 operational processors. Effective March 20, 2020, Governor Steve Sisolak ordered the closure of all dispensary storefronts, meaning that, through the duration of the order, all cannabis sales in Nevada were made via delivery. On May 1, 2020, Governor Sisolak permitted cannabis dispensaries to offer curbside pickup, in addition to delivery. On May 9, 2020, Governor Sisolak permitted the resumption of in-store sales, with certain health and safety limits, as part of the governor’s plan to reopen the state.

Extracted oils, edibles, and flower products are permitted. Wholesaling is permitted.

State Hemp/CBD Regulations

Under both the 2014 and the 2018 Farm Bills, states retain significant discretion and authority to adopt their own regulatory regimes governing hemp production. As a result, regulation of hemp and the products derived therefrom will likely continue to vary on a state-by-state basis even after the 2018 Farm Bill is fully implemented. In addition, states take varying approaches to regulating the production and sale of hemp-derived CBD. While some states explicitly authorize and regulate the production and sale of hemp-derived CBD or otherwise provide legal protection for authorized individuals to engage in commercial hemp activities, other states maintain outdated drug laws that do not distinguish between marijuana, hemp and/or hemp-derived CBD, resulting in hemp being classified as a controlled substance under state law. In these states, sale of CBD, notwithstanding origin, is either restricted to state medical or adult-use marijuana program licensees or remains otherwise unlawful under state criminal laws. Additionally, a number of states prohibit the sale of ingestible CBD products based on FDA's position that, pursuant to the FD&C Act, it is unlawful to introduce food containing added CBD or THC into interstate commerce, or to market CBD or THC products as, or in, dietary supplements, regardless of whether the substances are hemp-derived. For example, Kentucky, Tennessee, Indiana, Florida, Missouri, Colorado, and dozens of other states have passed laws that explicitly exempt hemp extracts such as CBD from legal prohibitions applicable to controlled substances such as marijuana. Since the Corporation's products are specifically excepted from the CSA by the 2018 Farm Bill's definition of Hemp, it is the Corporation's position that such state laws would specifically except them as well.

Accordingly, the sale of CBD at the retail level in most U.S. states remains a gray area of the law which continues to evolve. An increasing number of states – including Alaska, Florida, Iowa, New York, Texas, Utah, Virginia, and West Virginia – have enacted laws that explicitly permit the sale of CBD. Several of these states also place additional requirements on the sale of CBD products such as specific testing, labeling, or registration of products. The Corporation has chosen to sell its products in all fifty states, understanding that there is a risk of state or local law enforcement or regulatory action, and that state-specific requirements may vary significantly. Moreover, the Corporation has limited access to information regarding or control over which states its products may transit through between production and sale.

Canadian Securities Regulatory Matters

The Corporation's involvement in the U.S. cannabis industry may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities in Canada. It had been reported in Canada that the Canadian Depository for Securities Limited was considering a policy shift that would see its subsidiary, CDS Clearing and Depository Services Inc. ("CDS"), refuse to settle trades for cannabis issuers that have investments in the U.S. CDS is Canada's central securities depository, clearing and settling trades in the Canadian equity, fixed income and money markets. The TMX Group, the owner and operator of CDS, subsequently issued a statement on August 17, 2017 reaffirming that there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the U.S., despite media reports to the contrary, and that the TMX Group was working with regulators to arrive at a solution that will clarify this matter, which would be communicated at a later time.

On February 8, 2018, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, the TMX Group announced the signing of a Memorandum of Understanding ("MOU") with Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange, and the TSX Venture Exchange. The MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-related activities in the U.S.

The MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. As a result, there is no CDS ban on the clearing of securities of issuers with cannabis related activities in the U.S. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of Shares to make and settle trades. In particular, the Shares would become highly illiquid as until an alternative was implemented, investors would have no ability to effect a trade of the Shares through the facilities of the applicable stock exchange.

Heightened Scrutiny

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

Change in Laws, Regulations and Guidelines

The Corporation's proposed business operations will directly and indirectly be affected by a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of cannabis, but also including laws and regulations relating to consumable products health and safety, the conduct of operations and the protection of the environment.

These laws and regulations are broad in scope and subject to evolving interpretations, which could require participants to incur substantial costs associated with compliance or alter certain aspects of its business plans. In addition, violations of these laws, or allegations of such violations, could disrupt certain aspects of the Corporation's business plans and result in a material adverse effect on certain aspects of its operations.

Unfavourable Publicity or Consumer Perception

The legal cannabis industry in the U.S. is at an early stage of its development. Cannabis has been, and will continue to be, a controlled substance for the foreseeable future. Consumer perceptions regarding legality, morality, consumption, safety, efficacy and quality of cannabis are mixed and evolving. Consumer perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for cannabis and on the business, results of operations, financial condition and cash flows of the Corporation. Further, adverse publicity reports or other media attention regarding cannabis in general, or associating

the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. Public opinion and support for medical and adult-use marijuana has traditionally been inconsistent and varies from jurisdiction to jurisdiction. While public opinion and support appears to be rising for legalizing medical and adult-use cannabis, it remains a controversial issue subject to differing opinions surrounding the level of legalization (for example, medical marijuana as opposed to legalization in general). The Corporation's ability to gain and increase market acceptance of its business activities may require substantial expenditures on investor relations, strategic relationships and marketing initiatives. There can be no assurance that such initiatives will be successful and their failure may have an adverse effect on the Corporation.

Regulatory Issues Related to CBD Derived From Industrial Hemp

In 2014, the United States Congress passed the Agricultural Act, better known as the Farm Bill. As part of the Farm Bill, Congress excluded industrial hemp from the definition of marijuana under the CSA. As part of a recent settlement agreement with the hemp industry, the Drug Enforcement Administration has taken the position that only products produced solely from hemp are legal, but has also stated that the scientific literature indicates that CBD comes from the parts of the cannabis plant that are covered by the definition of marijuana.

In 2018 Congress introduced a new Farm Bill that includes a clarification that CBD derived from hemp is excluded from the definition of marijuana under the CSA and is, therefore, federally legal. The 2018 Farm Bill was approved by Congress. The USDA recently provided guidelines for states to submit hemp programs to the USDA for approval. Nevada is among the states preparing to submit for approval of its hemp program. The Corporation is actively monitoring the USDA's approval process.

RISK FACTORS

Before making an investment decision, prospective purchasers or holders of securities should carefully consider the information and risk factors described in this AIF and the documents incorporated by reference herein (including subsequently filed documents incorporated by reference herein). If any event arising from these risks occurs, the Corporation's business, prospects, financial condition, results of operations and cash flows, and an investment in the securities, could be materially adversely affected. Additional risks and uncertainties of which the Corporation is currently unaware or that are unknown or that the Corporation currently deems to be immaterial could have a material adverse effect on the Corporation's business, prospects, financial condition, results of operations and cash flows. The Corporation cannot provide any assurances that it will successfully address any or all of these risks.

Risks Related to the Securities of the Corporation

Volatility of Stock Markets

Securities markets experience a high level of price and volume volatility, and the market price of securities of many companies has experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. Factors unrelated to the financial performance or prospects of the Corporation include macroeconomic developments in North America and globally, and market perceptions of the attractiveness of particular industries.

These fluctuations may affect the ability of holders of the Corporation's securities to sell their securities at an advantageous price. The market price of such securities may decline even if the 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 deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Corporation's operations could be adversely impacted and the trading price of the Common Shares or other securities of the Corporation may be materially adversely affected.

As a result of any of these factors, the market price of the securities of the Corporation at any given point in time may not accurately reflect the long-term value of the Corporation.

Risk Factors Related to Dilution

The Corporation may issue additional securities in the future, which may dilute a shareholder's holdings in the Corporation. The Corporation's constating documents permit the issuance of an unlimited number of Common

Shares. The Corporation's shareholders do not have pre-emptive rights in connection with any future issuances of securities by the Corporation. The directors of the Corporation have discretion to determine the price and the terms of further issuances. Moreover, additional Common Shares will be issued by the Corporation on the exercise of options under its Option Plan and upon the exercise of outstanding convertible securities.

Negative Cash Flow from Operating Activities

During the twelve months ended July 31, 2021, the Corporation sustained net losses from operations and had negative cash flow from operating activities of approximately CAD \$4.6 million. Although the Corporation expects to generate positive cash flows in future periods, due to the rapid growth in the Corporation and its continued expansion, the Corporation cannot guarantee that it will have a positive cash flow status in the future and may incur significant losses in the future. In addition, the Corporation expects to continue to increase operating expenses as it implements initiatives to continue to grow its business. If the Corporation's revenues do not increase to offset its costs and operating expenses or if the Corporation is unable to raise financing to fund capital or operating expenditures or acquisitions, it could limit its growth and may have a material adverse effect upon the Corporation's business, financial condition, cash flows, results of operations or prospects. To the extent the Corporation has negative cash flow from operating activities in any future periods, certain of the proceeds from an offering of Securities by the Corporation may be used to fund such negative cash flow from operating activities.

Additional Financing

The continued development of the Corporation will require additional financing. There is no guarantee that the Corporation will be able to achieve its business objectives. The Corporation intends to fund its future business activities by way of additional offerings of equity and/or debt financing as well as through anticipated positive cash flow from operations in the future. The failure to raise or procure such additional funds or the failure to achieve positive cash flow could result in the delay or indefinite postponement of current business objectives. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, will be on terms acceptable to the Corporation. If additional funds are raised by offering equity securities, existing shareholders could suffer significant dilution. Any debt financing secured in the future could involve the granting of security against assets of the Corporation and also contain restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Corporation to obtain additional capital and to pursue business opportunities, including potential acquisitions. The Corporation will require additional financing to fund its operations until positive cash flow is achieved.

Dividends

The Corporation does not anticipate paying any dividends on the Common Shares in the foreseeable future. Dividends paid by the Corporation would be subject to tax and, potentially, withholdings.

Any decision to declare and pay dividends in the future will be made at the discretion of the Corporation's board of directors and will depend on, among other things, financial results, cash requirements, contractual restrictions and other factors that the Corporation's board of directors may deem relevant.

Forward-Looking Information May Prove Inaccurate

Readers are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. See "Forward-Looking Information".

It May Be Difficult, If Not Impossible, For U.S. Holders of the Corporation's Securities to Resell Them over the CSE

Major securities clearing firms in the U.S. have ceased participating in transactions related to securities of Canadian public companies involved in the cannabis industry. This appears to be due to the fact that cannabis continues to be listed as a controlled substance under U.S. federal law, with the result that cannabis-related practices or activities, including the cultivation, possession or distribution of cannabis, are illegal under U.S. federal law. However,

management understands that the action by U.S. securities clearing firms also extends to securities of companies that carry on business operations entirely outside the U.S. Accordingly, U.S. residents who acquire the Corporation's securities may find it difficult – if not impossible – to resell such securities over the facilities of any Canadian stock exchange on which the shares may then be listed. It remains unclear what impact, if any, this and any future actions among market participants in the U.S. will have on the ability of U.S. residents to resell any securities of the Corporation that they may acquire in open market transactions.

Canadian Investors in the Corporation's Securities and the Corporation's directors and officers may be Subject to Travel and Entry Bans into the United States

Media articles have reported that certain Canadian citizens have been rejected for entry into the United States, due to their involvement in the cannabis sector, which has in at least two widely- reported incidents included an investor in companies operating in the cannabis sector in states where it is legal to do so, which resulted in both cases in a lifetime ban to the investor.

The majority of persons travelling across the Canadian and U.S. border do so without incident. Some persons are simply barred entry one time. The U.S. Department of State and the Department of Homeland Security has indicated that the United States has not changed admission requirements in response to the pending legalization in Canada of recreational cannabis, but anecdotal evidence indicates that the United States may be increasing enforcement of its federal laws regarding cannabis-related practices or activities, including the cultivation, possession or distribution of cannabis.

Admissibility to the United States may be denied to any person working or 'having involvement in' the cannabis industry, including in U.S. States where it is deemed legal, according to United States Customs and Border Protection. Additionally, legal experts have indicated that the criteria are applied broadly such that a determination that the act of investing, working or collaborating with a U.S. cannabis company may be considered trafficking illegal drugs or aiding, abetting, assisting, conspiring or colluding in its trafficking. Inadmissibility in the United States implies a lifetime ban for entry as such designation is not lifted unless an individual applies for and obtains a waiver.

Loss of Foreign Private Issuer Status

The Corporation is a Foreign Private Issuer as defined in Rule 405 under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") and Rule 3b-4 under the U.S. Exchange Act. If, as of the last business day of the Corporation's second fiscal quarter for any year, more than 50% of the Corporation's outstanding voting securities (as determined under Rule 405 of the U.S. Securities Act) are directly or indirectly held of record by residents of the United States, the Corporation will no longer meet the definition of a Foreign Private Issuer, which may have adverse consequences on the Corporation's ability to raise capital in private placements or Canadian prospectus offerings. In addition, the loss of the Corporation's Foreign Private Issuer status may likely result in increased reporting requirements and increased audit, legal and administration costs. These increased costs may significantly affect the Corporation's business, financial condition and results of operations.

The term "Foreign Private Issuer" is defined as any non-U.S. corporation, other than a foreign government, except any issuer meeting the following conditions:

- (a) more than 50 percent of the outstanding voting securities of such issuer are, directly or indirectly, held of record by residents of the United States; and
- (b) any one of the following:
 - (i) the majority of the executive officers or directors are United States citizens or residents, or
 - (ii) more than 50 percent of the assets of the issuer are located in the United States, or
 - (iii) the business of the issuer is administered principally in the United States.

A "holder of record" is defined by Rule 12g5-1 under the U.S. Exchange Act. Generally speaking, the holder identified on the record of security holders is considered as the record holder. In December 2016, the SEC issued a Compliance and Disclosure Interpretation to clarify that issuers with multiple classes of voting stock carrying different voting rights may, for the purposes of calculating compliance with this threshold, examine either (i) the

combined voting power of its share classes, or (ii) the number of voting securities, in each case held of record by U.S. residents. Based on this interpretation, each issued and outstanding Common Share is counted as one voting security for the purposes of determining the 50 percent U.S. resident threshold and the Corporation is a “Foreign Private Issuer”. Should the SEC’s guidance and interpretation change, it is likely the Corporation will lose its Foreign Private Issuer status.

Restrictions on the Use Of Rule 144 By Former Shell Companies May Affect Shareholders Ability to Sell Their Shares Publicly

Our history as a shell company could impact a shareholders ability to use Rule 144. Historically, the SEC staff had taken the position that Rule 144 is not available for the resale of securities initially issued by companies that are, or previously were, blank check companies, like us. The SEC has codified and expanded this position by prohibiting the use of Rule 144 for resale of securities issued by any shell companies (other than business combination related shell companies) or any issuer that has been at any time previously a shell company. The SEC has provided an important exception to this prohibition if certain conditions are met. As a result, it is likely if we do not meet those conditions then, resale may not be available pursuant to Rule 144.

Risks related to COVID-19

At the time this AIF was prepared, the Corporation cautions that its business could be materially and adversely affected by the risks, or the public perception of the risks, related to the COVID-19 pandemic. The risk of a pandemic, or public perception of such a risk, could cause temporary or long-term disruptions in the Corporation’s supply chains and/or delays in the delivery of its products. Further, such risks could also adversely affect the Corporation’s customers’ financial condition, resulting in reduced buying of its products. Moreover, an epidemic, pandemic, outbreak or other public health crisis, such as COVID-19, could cause employees to avoid the Corporation’s properties, which could adversely affect its ability to adequately staff and manage its businesses. “Shelter-in-place” or other such orders by governmental entities could also disrupt the Corporation’s operations, if employees who cannot perform their responsibilities from home are not able to report to work. Risks related to an epidemic, pandemic or other health crisis, such as COVID-19, could also lead to the complete or partial closure of one or more of the Corporation’s stores, facilities or operations of its partners. Although the Corporation’s customer’s dispensaries may be considered essential services and therefore be allowed to remain operational, they have in the past only been permitted to provide delivery services to customers.

We are actively assessing and responding, where possible, to the effects of the COVID-19 pandemic on employees, customers, suppliers and service providers, and evaluating governmental actions being taken to curtail its spread. At our facilities that continue to operate, in accordance with applicable laws, we are taking steps to safeguard employees through enhanced administrative controls, reconfiguration of production workflows, employee monitoring strategies, more rigorous cleaning and hygiene practices, as well as physical distancing and the availability of personal protective equipment in certain circumstances. In addition, employees who can work remotely are doing so. We are also taking measures to manage costs, including a reduction of operating expenses and the exploration of applicable government programs. Such measures and government mandates in response to the pandemic may not be effective and one or more of the Corporation’s employees may get sick and may come to work infected, necessitating a short or long-term closure of the affected facilities, disrupting production. Such measures and mandates may also increase the Corporation’s expenses and otherwise impair the Corporation’s production levels or cause it to close or severely limit production at its facilities. Consumer demand for cannabis may be reduced as a result of reductions in consumers’ disposable income associated with lay-offs and work or pay limitations due to mandatory social distancing and lockdown measures. Production limitations or stoppages, social distancing measures and other impediments affecting the Corporation’s suppliers, partners or producers of goods, should they materialize, may make it difficult, more costly, or impossible for the Corporation to produce or distribute cannabis, or otherwise market and sell its products. Limitations on the function of regulators as a result of remote work of its employees or redeployment of its resources to addressing the pandemic may delay the Corporation’s communications with the regulatory authorities and delay renewal of its existing licenses or the receipt of additional licenses required for the Corporation’s operations, should such licenses be sought. If macroeconomic conditions continue to worsen in the United States and the rest of the world, demand for cannabis may significantly decline and industry participants, including the Corporation’s customers and suppliers, may face financial hardship. In addition, the increased market volatility resulting from global business and economic disruption related to the pandemic and measures to contain it has made it more difficult for companies to access capital markets. Such volatility has hampered, and may in the future hamper the Corporation’s efforts to secure additional financing. The duration and severity of the COVID-19 pandemic is currently unknown and the pandemic

may continue for a significant period of time. Any of the foregoing may adversely affect the Corporation's financial position, results of operations and liquidity. The longer the pandemic continues, the more severe such impacts may be. Depending on the duration and severity of the current COVID-19 pandemic, it may also have the effect of heightening many of the other risks described in this AIF, such as risks relating to our ability to renew licenses or our ability to maintain adequate internal controls in the event that our employees are restricted from accessing our regular offices for a significant period of time. The ultimate extent of the impact of any epidemic, pandemic or other health crisis on the Corporation's business, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of such epidemic, pandemic or other health crisis and actions taken to contain or prevent their further spread, among others. These and other potential impacts of an epidemic, pandemic or other health crisis, such as COVID-19, could therefore materially and adversely affect the Corporation's business, financial condition and results of operations.

Risks Related to the Business of the Corporation

Risk Relating to the United States Regulatory System

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

The Corporation 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.

The Corporation incurs ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions of operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Corporation. Further, the Corporation may be subject to a variety of claims and lawsuits. Adverse outcomes in some or all of these claims may result in significant monetary damages or injunctive relief that could adversely affect its ability to conduct business. The litigation and other claims are subject to inherent uncertainties and management's view of these matters may change in the future.

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

This AIF involves an entity that is expected to continue to derive substantially all of its revenues from the cannabis industry in certain states of the United States, which industry is illegal under United States federal law. Currently, the Corporation is directly engaged in the manufacture and possession of cannabis in the medical and recreational cannabis marketplace in the United States. The enforcement of relevant laws is a significant risk.

Violations of any United States federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the United States federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Corporation, including its reputation and ability to conduct business, the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In

addition, it is difficult for the Corporation to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial. See also “*Risk Factors – Additional Risks Related to the Cannabis Business*”.

Risk of Heightened Scrutiny by Regulatory Authorities in Canada

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

Although the TMX MOU has confirmed that there is currently no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of Common Shares to make and settle trades. In particular, the Common Shares would become highly illiquid and, until an alternative was implemented, investors would have no ability to effect a trade of the Common Shares through the facilities of a stock exchange. The Corporation has obtained eligibility with the DTC for its Common Share quotation on the OTCQB, and such DTC eligibility provides another possible avenue to clear Shares in the event of a CDS ban.

Government policy changes or public opinion may also result in a significant influence over the regulation of the cannabis industry in Canada, the United States or elsewhere. A negative shift in the public’s perception of cannabis in the United States or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize cannabis, thereby limiting the number of new state jurisdictions into which the Corporation could expand. Any inability to fully implement the Corporation’s expansion strategy may have a material adverse effect on the Corporation’s business, financial condition and results of operations.

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

The approach to the enforcement of cannabis laws may be subject to change or may not proceed as previously outlined.

Change in Laws, Regulations and Guidelines

The Corporation’s operations are subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of cannabis but also including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. To its knowledge, the Corporation is currently in compliance with such laws in all material respects. Changes to such laws, regulations and guidelines due to matters beyond the control of the Corporation may cause adverse effects to the Corporation’s operations.

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

Local, state and federal laws and regulations governing marijuana for medicinal and recreational purposes are broad in scope and are subject to evolving interpretations, which could require the Corporation to incur substantial costs associated with bringing the Corporation's operations into compliance. In addition, violations of these laws, or allegations of such violations, could disrupt the Corporation's operations and result in a material adverse effect on its financial performance. It is beyond the Corporation's scope to predict the nature of any future change to the existing laws, regulations, policies, interpretations or applications, nor can the Corporation determine what effect such changes, when and if promulgated, could have on the Corporation's business.

Risks Associated with the Change in U.S. Administrations

There is uncertainty as to the position the United States will take with respect to world affairs and events. This uncertainty may include issues such as enforcement of the U.S. federal laws. Implementation by the U.S. of new legislative or regulatory regimes could impose additional costs on the Corporation, decrease U.S. demand for the Corporation's services or otherwise negatively impact the Corporation, which may have a material adverse effect on the Corporation's business, financial condition and operations.

Risks Concerning Banking

The U.S. federal prohibitions on the sale of cannabis may result in the Corporation and its partners being restricted from accessing the U.S. banking system and they may be unable to deposit funds in federally insured and licensed banking institutions. Banking restrictions could be imposed due to the Corporation's banking institutions not accepting payments and deposits. The Corporation is at risk that any bank accounts it has could be closed at any time. Such risks increase costs to the Corporation. Additionally, similar risks are associated with large amounts of cash at its business locations. These locations require heavy security with respect to holding and transport of cash.

The guidance provided in the FinCEN Memo may change depending on the position of the U.S. government administration at any given time and is subject to revision or retraction in the future, which may restrict the Corporation's access to banking services.

In the event financial service providers do not accept accounts or transactions related to the cannabis industry, it is possible that the Corporation may seek alternative payment solutions, including but not limited to crypto currencies such as Bitcoin. There are risks inherent in crypto currencies, most notably its volatility and security issues. If the industry was to move towards alternative payment solutions and accept payments in crypto currency the Corporation would have to adopt policies and protocols to manage its volatility and exchange rate risk exposures. The Corporation's inability to manage such risks may adversely affect the Corporation's operations and financial performance.

Product Liability, Operational Risk

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

Should the Federal government legalize marijuana for medical or recreational use nation-wide, it is possible that the FDA would seek to regulate the products under the Food, Drug and Cosmetics Act of 1938. Additionally, the state

of California has recently stated that it will only approve certain food related products for sale once approved by the FDA. The FDA may issue rules and regulations including certified good manufacturing practices related to the growth, cultivation, harvesting and processing of medical and adult use marijuana and CBD infused products. Clinical trials may be needed to verify efficacy and safety of medical and adult use marijuana. It is also possible that the FDA would require that facilities where medical and adult use marijuana is cultivated be registered with the applicable government agencies and comply with certain federal regulations. In the event any of these regulations are imposed, the Corporation cannot foresee the impact on its operations and economics. If the Corporation is unable to comply with the regulations and or registration as prescribed by the FDA or another federal agency, the Corporation may be unable to continue to operate in its current form or at all.

Product Recall Risks

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the products developed by the Corporation and sold by it or by licensed producers are recalled due to an alleged product defect or for any other reason, the Corporation could be required to incur the unexpected expense relating to the recall and any legal proceedings that might arise in connection with the recall. The Corporation may lose a significant amount of revenue due to a loss of and may not be able to replace that revenue at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Corporation has established procedures to test finished products (in connection with Nevada state requirements), there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Corporation's significant brands were subject to recall, the image of that brand and the Corporation could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Corporation's products and could have a material adverse effect on the results of operations and financial condition of the Corporation. Additionally, product recalls may lead to increased scrutiny of the Corporation's operations by the regulatory agencies, requiring further management attention and potential legal fees and other expenses.

The Corporation's operations can also be substantially affected by adverse publicity resulting from quality, illness, injury, health concerns, public opinion, or operating issues. The Corporation will attempt to manage these factors, but the occurrence of any one or more of these factors could materially and adversely affect the Corporation's business, financial condition and results of operations.

Risks Inherent in an Agricultural Business

The Corporation's business will involve the growing of cannabis, an agricultural product. As such, the business is subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. Although the Corporation expects that its products will be grown indoors under climate-controlled conditions, carefully monitored by trained personnel, there can be no assurance that natural elements will not have a material adverse effect on the production of its products.

Vulnerability to Rising Energy Costs

Cannabis growing operations consume considerable energy, making such operations vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business of the Corporation and its ability to operate profitably.

Transportation Disruptions

Due to the perishable and premium nature of agricultural products, the Corporation will depend on fast and efficient courier services to distribute its product. Any prolonged disruption of this courier service could have an adverse effect on the financial condition and results of operations of the Corporation. Rising costs associated with the courier services used by the Corporation to ship its products may also adversely impact the business of the Corporation and its ability to operate profitably.

Unfavourable Publicity or Consumer Perception

The Corporation believes the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the medical marijuana produced. Consumer perception of cannabis 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 cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Corporation's products and the business, results of operations, financial condition and cash flows of the Corporation. The Corporation's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Corporation, the demand for medical marijuana products, and the business, results of operations, financial condition and cash flows of the Corporation. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical marijuana in general, or the 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 appropriately or as directed.

Uninsurable Risks

The medical and adult use cannabis business is subject to several risks that could result in damage to or destruction of properties or facilities or cause personal injury or death, environmental damage, delays in production and monetary losses and possible legal liability. It is not always possible to fully insure against such risks, and the Corporation may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Corporation. The Corporation does not currently have any insurance policies covering its properties or the operation of its business and any liabilities that may arise as a result any of the above-noted risks may cause a material adverse effect on the financial condition of the Corporation.

The Corporation May Not Be Able to Accurately Predict its Future Capital Needs and it May Not Be Able to Secure Additional Financing

The Corporation may need to raise significant additional funds in order to support its growth, develop new or enhanced services and products, respond to competitive pressures, acquire or invest in complementary or competitive businesses or technologies, or take advantage of unanticipated opportunities. If its financial resources are insufficient, it will require additional financing in order to meet its plans for expansion. The Corporation cannot be sure that this additional financing, if needed, will be available on acceptable terms, or at all. 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. If adequate funds are not available on acceptable terms or at all, the Corporation may be unable to develop or enhance its services and products, take advantage of future opportunities, repay debt obligations as they become due, or respond to competitive pressures, any of which could have a material adverse effect on its business, prospects, financial condition, and results of operations.

Threats from Illegal Drug Dealers

Currently, there are many drug dealers and cartels that cultivate, buy, sell and trade cannabis in the United States, Canada and worldwide. Many of these dealers and cartels are violent and dangerous, well financed and well organized. It is possible that these dealers and cartels could feel threatened by legalized cannabis businesses such as those with whom the Corporation does business and could take action against or threaten the Corporation, its principals, employees and/or agents and this could negatively impact the Corporation and its business.

Reliance on Management

The success of the Corporation is currently dependent on the performance of its Chief Executive Officer, President, and board of directors. The loss of the services of these persons would have a material adverse effect on the Corporation's business and prospects in the short term. There is no assurance the Corporation can maintain the services of its officers or other qualified personnel required to operate its business. Failure to do so could have a material adverse effect on the Corporation and its prospects.

Factors Which May Prevent Realization of Growth Targets

The Corporation is currently in the early growth stage. There is a risk that the 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 the Corporation:

- maintaining, or conditions imposed by, regulatory approvals;
- facility design errors;
- environmental pollution;
- non-performance by third party contractors;
- increases in materials or labor costs;
- construction performance falling below expected levels of output or efficiency;
- breakdown, aging or failure of equipment or processes;
- contractor or operator errors;
- labor 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.

Competitive Risks

The cannabis industry is highly competitive. The Corporation will compete with numerous other businesses in the medical and adult use marijuana industry, many of which possess greater financial and marketing resources and other resources than the Corporation. The cannabis business is often affected by changes in consumer tastes and discretionary spending patterns, national and regional economic conditions, demographic trends, consumer confidence in the economy, traffic patterns, local competitive factors, cost and availability of raw material and labor, and governmental regulations. Any change in these factors could materially and adversely affect the Corporation's operations.

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

Environmental and Employee Health and Safety Regulations

The Corporation's operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. The Corporation will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on our manufacturing operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Corporation's operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Corporation.

Difficulties in Forecasting

The Corporation must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the cannabis industry in the U.S. A failure in the demand for its products to materialize as a result of competition, technological change, market acceptance or other factors could have a material adverse effect on the business, results of operations and financial condition of the Corporation.

Holding Corporation

As a holding company with no material assets other than the stock of the Corporation's operating subsidiaries and intellectual property, nearly all of the Corporation's funds generated from operations will be generated by the Corporation's operating subsidiaries. The Corporation's subsidiaries are subject to requirements of various regulatory bodies in the United States. Accordingly, if the Corporation's operating subsidiaries are unable, due to regulatory restrictions or otherwise, to pay the Corporation's dividends and make other payments to the Corporation when needed, the Corporation may be unable to satisfy the Corporation's obligations when they arise.

Management of Growth

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

Currency Fluctuations

Exchange rate fluctuations may adversely affect the Corporation's financial position and results. It is anticipated that substantially all of the Corporation's business will be conducted in the United States using U.S. dollars. The Corporation's financial results are reported in Canadian Dollars and costs are incurred primarily in U.S. dollars in its cannabis and CBD infused products segments. The depreciation of the Canadian Dollar against the U.S. Dollar could increase the actual capital and operating costs of the Corporation's U.S. operations and materially adversely affect the results presented in the Corporation's financial statements. Currency exchange fluctuations may also materially adversely affect the Corporation's future cash flow from operations, its results of operations, financial condition and prospects.

Enforcement of Legal Rights

In the event of a dispute arising from the Corporation's U.S. operations, the Corporation may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of courts in Canada. Similarly, to the extent that the Corporation's assets are located outside of Canada, investors may have difficulty collecting from the Corporation any judgments obtained in the Canadian courts and predicated on the civil liability provisions of securities provisions. The Corporation may also be hindered or prevented from enforcing its rights with respect to a governmental entity or instrumentality because of the doctrine of sovereign immunity.

Global Financial and Economic Conditions

Current global financial and economic conditions remain extremely volatile. Access to public and private capital and financing continues to be negatively impacted by many factors as a result of the global financial crisis and global recession. Such factors may impact the 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, market turmoil and the global recession continue, the Corporation's operations and financial condition could be adversely impacted.

Conflicts of Interest

Certain officers and directors of the Corporation are also officers and/or directors of other entities engaged in the cannabis industry generally. As a result, situations may arise where the interest of such directors and officers conflict with their interests as directors and officers of other companies. The resolution of such conflicts is governed by applicable corporate laws, which require that directors act honestly, in good faith and with a view to the best

interests of the Corporation. Conflicts, if any, will be handled in a manner consistent with the procedures and remedies set forth in the BCBCA. The BCBCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the BCBCA.

In addition, the directors and officers are required to act honestly and in good faith with a view to the Corporation's best interests. However, in conflict of interest situations, the Corporation's directors and officers may owe the same duty to another company and will need to balance their competing interests with their duties to the Corporation. Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavourable to the Corporation.

Success of Quality Control Systems

The quality and safety of the Corporation's products are critical to the success of its business and operations. As such, it is imperative that the Corporation's (and its service provider's) quality control systems operate effectively and successfully. Quality control systems can be negatively impacted by the design of the quality control systems, the quality training program, and adherence by employees to quality control guidelines. Although the Corporation strives to ensure that all of its service providers have implemented and adhere to high caliber quality control systems, any significant failure or deterioration of such quality control systems could have a material adverse effect on the Corporation's business and operating results.

Inability to Renew Material Leases

The Corporation may be unable to renew or maintain its leases (commercial or real property) on commercially acceptable terms or at all. An inability to renew its leases, or a renewal of its leases with a rental rate higher than the prevailing rate under the applicable lease prior to expiration, may have an adverse impact on the Corporation's operations, including disruption of its operations or an increase in its cost of operations. In addition, in the event of non-renewal of any of the Corporation's leases, the Corporation may be unable to locate suitable replacement properties for its facilities or it may experience delays in relocation that could lead to a disruption in its operations. Any disruption in the Corporation's operations could have an adverse effect on its financial condition and results of operations.

Obtaining Insurance

Due to the Corporation's involvement in the cannabis industry, it may have a difficult time obtaining the various insurances that are desired to operate its business, which may expose the Corporation to additional risk and financial liability. Insurance that is otherwise readily available, such as general liability, and directors and officer's insurance, may be more difficult to find, and more expensive, because of the regulatory regime applicable to the industry. There are no guarantees that the Corporation will be able to find such insurance coverage in the future, or that the cost will be affordable. If the Corporation is forced to go without such insurance coverage, it may prevent it from entering into certain business sectors, may inhibit growth, and may expose the Corporation to additional risk and financial liabilities. See also "*Risk Factors – Additional Risks Related to the Cannabis Business*".

Inability to Protect Intellectual Property

The Corporation's success is heavily dependent upon its intangible property and technology. The Corporation relies upon copyrights, patents, trade secrets, unpatented proprietary know-how and continuing innovation to protect the intangible property, technology and information that is considered important to the development of the business. The Corporation relies on various methods to protect its proprietary rights, including confidentiality agreements with consultants, service providers and management that contain terms and conditions prohibiting unauthorized use and disclosure of confidential information. However, despite efforts to protect intangible property rights, unauthorized parties may attempt to copy or replicate intangible property, technology or processes. There can be no assurances that the steps taken by the Corporation to protect its intangible property, technology and information will be adequate to prevent misappropriation or independent third-party development of the Corporation's intangible property, technology or processes. It is likely that other companies can duplicate a production process similar to the Corporation's. Other companies may also be able to materially duplicate the Corporation's proprietary plant strains. To the extent that any of the above would occur, revenue could be negatively affected, and in the future, the

Corporation may have to litigate to enforce its intangible property rights, which could result in substantial costs and divert management's attention and other resources.

The Corporation's ability to successfully implement its business plan depends in part on its ability to maintain and build brand recognition using its trademarks, service marks, trade dress, domain names and other intellectual property rights, including the Corporation's names and logos. If the Corporation's efforts to protect its intellectual property are inadequate, or if any third party misappropriates or infringes on its intellectual property, the value of its brands may be harmed, which could have a material adverse effect on the Corporation's business and might prevent its brands from achieving or maintaining market acceptance.

The Corporation may be unable to obtain registrations for its intellectual property rights for various reasons, including prior registrations of which it is not aware, or it may encounter claims from prior users of similar intellectual property in areas where it operates or intends to conduct operations. This could harm its image, brand or competitive position and cause the Corporation to incur significant penalties and costs.

Failure to Complete Acquisitions

The Corporation may complete certain transactions in the future. Acquisitions are subject to a number of customary closing conditions including in certain instances, regulatory approval and may not close for a variety of reasons including if the closing conditions are not satisfied or waived, some of which may not be within the control of the Corporation. In addition, even if these transactions were to be completed, they may not close on terms or within the timing currently expected. If one or more of these transactions do not close or are completed pursuant to terms or timelines different than expected, it could have an adverse effect on the Corporation's future capital plans and require the Corporation to reallocate funds.

Future Acquisitions or Dispositions

Material acquisitions, dispositions and other strategic transactions involve a number of risks, including: (i) potential disruption of the Corporation's ongoing business; (ii) distraction of management; (iii) the Corporation may become more financially leveraged; (iv) the anticipated benefits and cost savings of those transactions may not be realized fully or at all or may take longer to realize than expected; and (v) loss or reduction of control over certain of the Corporation's assets. Additionally, the Corporation may issue additional Common Shares in material amounts which would dilute the current Shareholders' holdings in the Corporation or indirect holdings in the Corporation.

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

Acquisition Integration and Management of Growth

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

Achievement of the benefits of acquisitions depends in part on successfully consolidating functions, integrating and leveraging operations, procedures and personnel in a timely and efficient manner, as well as the Corporation's ability to share knowledge and realize revenues, synergies and other growth opportunities from combining acquired businesses and operations with those of the Corporation. Failure by the Corporation to effectively integrate acquisitions could lead to a failure to realize anticipated benefits of one or more acquisitions. The integration of any acquired business into the Corporation includes the combination of systems and personnel. The successful integration of an acquired business is subject to the risk that personnel and professionals from the acquired business and the Corporation may not be able to work together successfully, which could affect the Corporation's operations. In particular, the Corporation may seek to require as a condition of its acquisitions that key personnel and professionals enter into employment agreements for specified post-acquisition periods and/or non-competition undertakings, however there are risks that such commitments will not be fulfilled or that the personnel and professionals subject to same or other personnel and professionals will not be successfully integrated as productive

contributors to the Corporation's business. Integration requires the dedication of substantial management effort, time and resources, which may divert Management's focus and resources from other strategic opportunities and from operational matters during the process. The acquisition integration process may also result in the disruption of ongoing business, customer, employee and other relationships that may adversely affect the Corporation's ability to achieve the anticipated benefits of a given acquisition, including the ability to realize the anticipated synergies from combining the acquired business into the Corporation. In particular, major clients of the acquired businesses may not be retained following the acquisition of such businesses. There is no assurance that the Corporation will be able to successfully integrate past acquisitions. Each year, the Corporation incurs acquisition-related integration costs which may be material. In addition, the overall integration may result in unanticipated operational problems, including the Corporation's own operational, financial and management systems which may be incompatible with or inadequate to effectively integrate and manage the acquired businesses.

Management believes that growth through acquisitions can provide certain benefits to the Corporation. A variety of factors may also adversely affect the anticipated benefits of an acquisition or prevent these from materializing or occurring within the time periods anticipated by the Corporation. In connection with acquisitions made by the Corporation, there may also be liabilities and contingencies that the Corporation failed to discover or was unable to quantify in the due diligence conducted prior to closing of an acquisition and which could have a material adverse effect on the Corporation's business, financial condition or future prospects.

Unproven Business Strategy

While the Corporation has existing operations and is generating revenues, it plans to significantly expand its operations and staff to meet the requirements of its business initiatives. The commercial response to the product offerings is still uncertain, and although the Corporation believes that its strategy incorporates advantages compared to other medical cannabis business models, if patients or consumers do not respond favorably to the Corporation's products or if they take longer to develop its products or establish its customer base or it proves to be more costly than currently anticipated to develop its businesses, revenues may be adversely affected.

Service Providers

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

Enforceability of Contracts

It is a fundamental principle of law that a contract will not be enforced if it involves a violation of law or public policy. Because cannabis remains illegal at a federal level, judges may refuse to enforce contracts in connection with activities that violate federal law, even if there is no violation of state law. There remains doubt and uncertainty that the Corporation will be able to legally enforce contracts it enters into if necessary. The Corporation cannot be assured that it will have a remedy for breach of contract, the lack of which may have a material adverse effect on the Corporation's business, revenues, operating results, financial condition or prospects.

Results of Future Clinical Research

Research in Canada, the U.S. and internationally regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis or isolated cannabinoids (such as CBD and THC) remains in early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids (such as CBD and THC) and future research and clinical trials may discredit the medical benefits, viability, safety, efficacy, and social acceptance of cannabis or could raise concerns regarding, and perceptions relating to, cannabis. Given these risks, uncertainties and assumptions, prospective purchasers of the Corporation's securities 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 AIF or reach negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to cannabis, which could have a material adverse effect on the demand for the Corporation's products with the potential to lead to a material adverse effect on the Corporation's business, financial condition, results of operations or prospects.

Difficulty Attracting and Retaining Personnel

The Corporation's success depends to a significant degree upon its ability to attract, retain and motivate highly skilled and qualified personnel. Failure to attract and retain necessary technical personnel, sales and marketing personnel and skilled management could adversely affect the Corporation's business. If the Corporation fails to attract, train and retain sufficient numbers of these highly qualified people, its prospects, business, financial condition and results of operations will be materially and adversely affected.

Dependence on Suppliers

The ability of the Corporation to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to equipment, parts and components. No assurances can be given that the Corporation will be successful in maintaining its required supply of equipment, parts and components. It is also possible that the final costs of the major equipment contemplated by the Corporation's capital expenditure plans may be significantly greater than anticipated by the Corporation's management, and may be greater than funds available to the Corporation, in which circumstance the Corporation may curtail, or extend the timeframes for completing, its capital expenditure plans. This could have an adverse effect on the business, financial condition, results of operations or prospects of the Corporation.

We are monitoring the outbreak of the COVID-19 coronavirus. Should the outbreak become more widespread, it could disrupt the businesses of our industry partners and third-party suppliers, which, in turn, could impact our ability to procure equipment and raw materials from them and thereby negatively impact the business, financial condition, results of operations or prospects of the Corporation.

Reliance on Inputs

The marijuana business is dependent on a number of key inputs and their related costs including raw materials and supplies related to growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition, results of operations or prospects of the Corporation. In addition, any restrictions on the ability to secure required supplies or utility services or to do so on commercially acceptable terms could have a materially adverse impact on the business, financial condition and operating results. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a sole source supplier were to go out of business, the Corporation might be unable to find a replacement for such source in a timely manner or at all. If a sole source supplier were to be acquired by a competitor, that competitor may elect not to sell to the Corporation in the future. Any inability to secure required supplies and services or to do so on appropriate terms and/or agreeable terms could have a materially adverse impact on the business, financial condition, results of operations or prospects of the Corporation.

Limited Market Data and Difficulty to Forecast

As a result of recent and ongoing regulatory and policy changes in the medical and adult-use marijuana industry, the market data available is limited and unreliable. Federal and state laws prevent widespread participation and hinder market research. Therefore, the Corporation must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the industry. Market research and projections by the Corporation of estimated total retail sales, demographics, demand, and similar consumer research are based on assumptions from limited and unreliable market data, and generally represent the personal opinions of the Corporation's management team as at the date they are made. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations, financial condition or prospects of the Corporation.

Constraints on Marketing Products

The development of the Corporation's business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by government regulatory bodies. The regulatory environment in the U.S. limits companies' abilities to compete for market share in a manner similar to other industries. If the Corporation is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Corporation's sales and results of operations could be adversely affected.

Fraudulent or Illegal Activity by Employees, Contractors and Consultants

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

Information Technology Systems and Cyber-Attacks

The Corporation's operations depend, in part, on how well it and its suppliers protect networks, equipment, information technology systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. The Corporation's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, information technology systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses.

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

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

Security Breaches

Given the nature of the Corporation's products and its lack of legal availability outside of channels approved by the government of the U.S., as well as the concentration of inventory in its facilities, there remains a risk of shrinkage as well as theft. If there was a breach in security systems and the Corporation becomes victim to a robbery or theft, the loss of cannabis plants, cannabis oils, cannabis flowers and cultivation and processing equipment or if there was a failure of information systems or a component of information systems, it could, depending on the nature of any such breach or failure, adversely impact the Corporation's reputation, business continuity and results of operations. A security breach at one of the Corporation's facilities could expose the Corporation to additional liability and to potentially costly litigation, increase expenses relating to the resolution and future prevention of these breaches and may deter potential customers from choosing the Corporation's products.

Website Accessibility

Internet websites are visible by people everywhere, not just in jurisdictions where the activities described therein are considered legal. As a result, to the extent the Corporation sells services or products via web-based links targeting only jurisdictions in which such sales or services are compliant with state law, the Corporation may face legal action in other jurisdictions which are not the intended object of any of the Corporation's marketing efforts for engaging in any web-based activity that results in sales into such jurisdictions deemed illegal under applicable laws.

High Bonding and Insurance Coverage

There is a risk that a greater number of state regulatory agencies will begin requiring entities engaged in certain aspects of the business or industry of legal marijuana to post a bond or significant fees when applying, for example, for a dispensary license or renewal as a guarantee of payment of sales and franchise tax. The Corporation is not able to quantify at this time the potential scope for such bonds or fees in the states in which it currently or may in the future operate. Any bonds or fees of material amounts could have a negative impact on the ultimate success of the Corporation's business.

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

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

Past Performance Not Indicative of Future Results

The prior investment and operational performance of the Corporation is not indicative of the future operating results of the Corporation. There can be no assurance that the historical operating results achieved by the Corporation, or its affiliates will be achieved by the Corporation, and the Corporation's performance may be materially different.

Financial Projections May Prove Materially Inaccurate or Incorrect

The Corporation's financial estimates, projections and other forward-looking information or statements included in this AIF are based on assumptions of future events that may or may not occur, which assumptions may not be disclosed in this AIF. Shareholders should inquire of the Corporation and become familiar with the assumptions underlying any estimates, projections or other forward-looking information or statements. Projections are inherently subject to varying degrees of uncertainty and their achievability depends on the timing and probability of a complex series of future events. There is no assurance that the assumptions upon which these projections are based will be realized. Actual results may differ materially from projected results for a number of reasons including increases in operation expenses, changes or shifts in regulatory rules, undiscovered and unanticipated adverse industry and economic conditions, and unanticipated competition. Accordingly, the Shareholders should not rely on any projections to indicate the actual results the Corporation might achieve.

Business Interruption Risks

The Corporation may be impacted by business interruptions resulting from pandemics and public health emergencies, including those related to COVID-19. An outbreak of infectious disease, a pandemic or a similar public health threat, such as the recent outbreak of the novel coronavirus known as COVID-19, or a fear of any of the foregoing, could adversely impact the Corporation by causing operating, manufacturing supply chain, and project development delays and disruptions, labour shortages, travel and shipping disruption and shutdowns (including as a result of government regulation and prevention measures). It is unknown whether and how the

Corporation may be affected if such an epidemic persists for an extended period of time. The Corporation may incur expenses or delays relating to such events outside of its control, which could have a material adverse impact on its business, operating results and financial condition.

Unionization of Employees at the Corporation's Facilities

If employees at our dispensaries or processing or cultivation facilities were to unionize, our relationship with our employees could be adversely affected. We would also face an increased risk of work stoppages and higher labor costs wherever labor is organized. Accordingly, unionization of our employees could have a material adverse impact on our operating costs and financial condition and could force us to raise prices on our products or curtail operations.

Natural Disasters and Terrorism Risk

The occurrence of one or more natural disasters, such as hurricanes and earthquakes, unusually adverse weather, pandemic outbreaks, including the COVID-19 pandemic, boycotts and geo-political events, such as civil unrest, riots, war and acts of terrorism, or similar disruptions could materially adversely affect the Corporation's business, results of operations or financial condition. These events could result in physical damage to one or more of the Corporation's properties, increases in energy prices, temporary or permanent closure of one or more of the Corporation's facilities, labour shortages, temporary or long-term disruption in the supply of raw materials and other inputs, disruption in the Corporation's distribution network or disruption to the Corporation's information systems, any of which could have a material adverse effect on the Corporation's business, operating results and financial condition.

Restricted Access to Banking

In February 2014, the FinCEN bureau of the U.S. Treasury Department issued guidance (which is not law) with respect to financial institutions providing banking services to cannabis businesses, including burdensome due diligence expectations and reporting requirements. The FinCEN Guidance remains effective to this day, in spite of the fact that the 2014 Cole Memo was rescinded and replaced by the Sessions Memorandum. The FinCEN Guidance does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the DOJ, FinCEN or other federal regulators, though. Thus, most banks and other financial institutions in the U.S. do not appear to be comfortable providing banking services to cannabis-related businesses, or relying on this guidance, which can be amended or revoked at any time by the Biden administration. In addition to the foregoing, banks may refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis-related businesses. As a result, the Corporation may have limited or no access to banking or other financial services in the U.S. The inability or limitation in the Corporation's ability to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments may make it difficult for the Corporation to operate and conduct its business as planned or to operate efficiently.

On September 26, 2019, the U.S. House of Representatives passed the SAFE Banking Act, which aims to provide safe harbor and guidance to financial institutions that work with legal U.S. cannabis businesses. The SAFE Banking Act is currently being reviewed by the U.S. Senate Banking Committee. While the Senate is contemplating the SAFE Banking Act, the passage of which would permit commercial banks to offer services to cannabis companies that are in compliance with state law, if Congress fails to pass the SAFE Banking Act, the Corporation's inability, or limitations on the Corporation's ability, to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments may make it difficult for the Corporation to operate and conduct its business as planned or to operate efficiently.

Risks of Leverage

Although the Corporation will seek to use leverage in connection with its investments in a manner it believes is prudent, such leverage will increase the exposure of an investment to adverse economic factors such as downturns in the economy or deterioration in the condition of the investment. If the Corporation defaults on unsecured indebtedness, the terms of the loan may require the Corporation to repay the principal amount of the loan and any interest accrued thereon in addition to heavy penalties that may be imposed. Because the Corporation may engage in financings where several investments are cross-collateralized, multiple investments may be subject to the risk of loss. As a result, the Corporation could lose its interest in performing investments in the event such investments are cross collateralized with poorly performing or nonperforming investments.

In addition to leveraging the Corporation investments, the Corporation may borrow funds in its own name for various purposes, and may withhold or apply from distributions amounts necessary to repay such borrowings. The interest expense and such other costs incurred in connection with such borrowings may not be recovered by income from investments purchased by the Corporation. If investments fail to cover the cost of such borrowings, the value of the investments held by the Corporation would decrease faster than if there had been no such borrowings. Additionally, if the investments fail to perform to expectation, the interests of investors in the Corporation could be subordinated to such leverage, which will compound any such adverse consequences.

Additional Risks Related to the Cannabis Business

Cannabis Continues to be a Controlled Substance under the United States Federal Controlled Substances Act

The Corporation is engaged directly and indirectly in the medical and adult-use cannabis industry in the U.S. where only state law permits such activities. Investors are cautioned that in the U.S., cannabis is largely regulated at the state level. To the Corporation's knowledge, cannabis has been legalized in some form in approximately 40 states and Washington, D.C., Puerto Rico and Guam as at the date hereof. Additional states have pending legislation regarding the same.

Notwithstanding the permissive regulatory environment of cannabis at the state level, cannabis continues to be categorized as a controlled substance under the CSA and as such, cultivation, distribution, sale and possession of cannabis violates federal law in the U.S. Unless and until Congress amends the CSA with respect to cannabis (and the President approves such amendment), there is a risk that federal authorities may enforce current federal law.

The DOJ, under the current administration, could allege that the Corporation has “aided and abetted” in violations of federal law by providing financing and services to its portfolio cannabis companies. Under these circumstances, the federal prosecutor could seek to seize the assets of the Corporation, and to recover the “illicit profits” previously distributed to shareholders resulting from any of the foregoing financing or services. In these circumstances, the Corporation's operations would cease, shareholders may lose their entire investment and directors, officers and/or shareholders may be left to defend any criminal charges against them at their own expense and, if convicted, be sent to federal prison.

Notwithstanding the foregoing, as part of the Congressional omnibus-spending bill, Congress renewed, through September 30, 2020, the Rohrabacher-Farr Amendment, which prohibits the DOJ from expending any funds for the prosecution of medical cannabis businesses operating in compliance with state and local laws. At such time, it may or may not be included in the omnibus appropriations package or a continuing budget resolution once the current continuing resolution expires. Should the Rohrabacher-Farr Amendment not be renewed upon expiration in subsequent spending bills, there can be no assurance that the federal government will not seek to prosecute cases involving medical cannabis businesses that are otherwise compliant with state law. Such potential proceedings could involve significant restrictions being imposed upon the Corporation or third parties, while diverting the attention of key executives. Such proceedings could have a material adverse effect on the Corporation's business, revenues, operating results and financial condition as well as the Corporation's reputation, even if such proceedings were concluded successfully in favor of the Corporation

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

Change in Enforcement of Cannabis Laws

As a result of the conflicting views between state legislatures and the federal government regarding cannabis, investments in cannabis businesses in the U.S. are subject to inconsistent legislation and regulation. The response to this inconsistency was addressed in the Cole Memo acknowledging that notwithstanding the designation of cannabis as a controlled substance at the federal level in the U.S., several states have enacted laws relating to cannabis for medical purposes.

The Cole Memo outlined certain enforcement priorities for the DOJ relating to the prosecution of cannabis offenses. In particular, the Cole Memo noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. Notably, however, the DOJ did not provide specific guidelines for what regulatory and enforcement systems it deemed sufficient under the Cole Memo standard.

In light of limited investigative and prosecutorial resources, the Cole Memo concluded that the DOJ should be focused on addressing only the most significant threats related to cannabis. States where cannabis had been legalized were not characterized as a high priority. In March 2017, then newly appointed Attorney General Jeff Sessions again noted limited federal resources and acknowledged that much of the Cole Memo had merit. However, he disagreed that it had been implemented effectively and, on January 4, 2018, Mr. Sessions issued the Sessions Memorandum that rescinded and superseded the Cole Memo effective as of such date. The Sessions Memorandum stated, in part, that current law reflects “Congress’ determination that cannabis is a dangerous drug and cannabis activity is a serious crime”, and Mr. Sessions directed all U.S. Attorneys to enforce the laws enacted by U.S. Congress and to follow well-established principles when pursuing prosecutions related to cannabis activities. U.S. Attorney General Jeff Sessions resigned on November 7, 2018. As of his resignation, Matthew Whitaker was the acting

U.S. former Attorney General William Barr was appointed as the U.S. Attorney General on February 14, 2019. In an April 10, 2019 Senate Appropriations Subcommittee meeting to discuss the Justice Department’s budget 2020, in response to a question about his position on the proposed Strengthening the Tenth Amendment Through Entrusting States (STATES) Act, former Attorney General Barr stated: “Personally, I would still favor one uniform federal rule against marijuana,” “But if there is not sufficient consensus to obtain that then I think the way to go is to permit a more federal approach so states can, you know, make their own decisions within the framework of the federal law. So we’re not just ignoring the enforcement of federal law.” The STATES Act, if it were to pass, would allow states to determine their own approaches to marijuana. Former Attorney General Barr said the legislation was still being reviewed by his office but that he would “much rather... the approach taken by the STATES Act than where we currently are.” It is unclear what impact this development will have on federal government enforcement policy. The inconsistency between federal and state laws and regulations is a major risk factor.

As a result of the Sessions Memorandum, federal prosecutors may use their prosecutorial discretion to decide whether to prosecute cannabis activities despite the existence of state-level laws permitting such activity. No direction was given to federal prosecutors in the Sessions Memorandum as to the priority they should ascribe to such cannabis activities, and resultantly it is uncertain how active federal prosecutors will be in relation to such activities. Furthermore, the Sessions Memorandum did not discuss the treatment of medical cannabis by federal prosecutors. Under the Rohrabacher-Farr Amendment, federal prosecutors are prohibited from expending federal funds against medical cannabis activities that are in compliance with state law. Dozens of U.S. Attorneys across the country have affirmed that their view of federal enforcement priorities has not changed. In Washington, Annette Hayes, U.S. Attorney for the Western District of Washington, released a statement affirming that her office will continue to investigate and prosecute “cases involving organized crime, violent and gun threats, and financial crimes related to marijuana” and that “enforcement efforts with our federal, state, local and tribal partners focus on those who pose the greatest safety risk to the people and communities we serve.” However, in California, at least one U.S. Attorney has made comments indicating a desire to enforce the Controlled Substances Act: Adam Braverman, Interim U.S. Attorney for the Southern District of California, has been viewed as a potential “enforcement hawk” after stating that the rescission of the 2013 Cole Memo “returns trust and local control to federal prosecutors” to enforce the Controlled Substances Act. Additionally, Greg Scott, the Interim U.S. Attorney for the Eastern District of California, has a history of prosecuting medical cannabis activity: his office published a statement that cannabis remains illegal under federal law, and that his office would “evaluate violations of those laws in accordance with our district’s federal law enforcement priorities and resources”. There can be no assurance that the federal government will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law.

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

Current U.S. President Biden publicly stated during his campaign a policy goal to decriminalize possession of cannabis at the federal level. It is unclear how much of a priority decriminalization may be for President Biden's administration. President Biden nominated federal judge Merrick Garland to serve as his Attorney General. During his confirmation hearings in the Senate on February 22, 2021, Attorney General nominee Garland confirmed that he would not prioritize pursuing cannabis prosecutions in states that have legalized and that are regulating the use of cannabis, both for medical and adult use. The Senate confirmed Judge Garland as Attorney General on March 10, 2021.

See *"United States Regulatory Environment – Federal Regulatory Environment"*.

Renewal of Rohrabacher-Farr Amendment

The Rohrabacher-Farr Amendment, as discussed above, prohibits the DOJ from spending funds appropriated by Congress to enforce the tenets of the CSA against the medical cannabis industry in states which have legalized such activity. This amendment has historically been passed as an amendment to omnibus appropriations bills, which by their nature expire at the end of a fiscal year or other defined term. Subsequent to the issuance of the Sessions Memorandum on January 4, 2018, the United States Congress continued to include the Rohrabacher-Blumenauer Amendment in each subsequent omnibus appropriations bill for fiscal years 2018, 2019, 2020 and 2021, thus preserving the protections for the medical cannabis marketplace and its lawful participants from interference by the U.S. DOJ up and through the 2021 appropriations deadline of September 30, 2021. At such time, it may or may not be included in the omnibus appropriations package or a continuing budget resolution, and its inclusion or non-inclusion, as applicable, is subject to political changes.

Civil Asset Forfeiture

Because the cannabis industry remains illegal under U.S. federal law, any property owned by participants in the cannabis industry, such as the Corporation, which is either used in the course of conducting such business, or is the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property were never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, it could be subject to forfeiture.

Laws and Regulations Affecting the Cannabis Industry are Constantly Changing

The constant evolution of laws and regulations affecting the cannabis industry could detrimentally affect the Corporation. The current and proposed operations of the Subsidiaries are subject to a variety of local, state and federal medical cannabis laws and regulations relating to the manufacture, management, transportation, storage and disposal of cannabis, as well as laws and regulations relating to consumable products health and safety, the conduct of operations and the protection of the environment. These laws and regulations are broad in scope and subject to evolving interpretations, which could require the Corporation to incur substantial costs associated with compliance or alter certain aspects of their business plans. In addition, violations of these laws, or allegations of such violations, could disrupt certain aspects of the business plans of the Corporation and result in a material adverse effect on certain aspects of their planned operations. These laws and regulations are rapidly evolving and subject to change with minimal notice. Regulatory changes may adversely affect the Corporation's profitability or cause it to cease operations entirely. The cannabis industry may come under the scrutiny or further scrutiny by the FDA, SEC, the DOJ, the Financial Industry Regulatory Advisory or other federal or applicable state or nongovernmental regulatory authorities or self-regulatory organizations that supervise or regulate the production, distribution, sale or use of cannabis for medical or adult use purposes in the United States. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any proposals will become law. The regulatory uncertainty surrounding the industry may adversely affect the business and operations of the Corporation, including without limitation, the costs to remain compliant with applicable laws and the impairment of its business or the ability to raise additional capital. In addition, the Corporation will not be able to predict the nature of any

future laws, regulations, interpretations or applications, and it is possible that regulations may be enacted in the future that will be directly applicable to its business.

Market for Cannabis Could Decline due to Regulatory Changes

There can be no assurance that the number of states that allow the use of medicinal cannabis will increase. Furthermore, there can be no assurance that the existing states, districts and territories that permit the use of medicinal cannabis will not reverse their position. If either of these things happens at any future time, then growth of the Corporation's business may be materially impacted. The Corporation may not be able to achieve targeted revenue levels and may experience declining revenue as the potential market for its products and services diminishes.

General Regulatory and Legal Risks - Litigation

The Corporation may become threatened by a party, or otherwise become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Corporation becomes involved be determined against the Corporation, such a decision could adversely affect the Corporation's ability to continue operating and the market price for the Common Shares. Even if the Corporation is involved in litigation and is successful, such litigation could redirect significant company resources.

Anti-Money Laundering Laws and Regulations

The Corporation is subject to a variety of laws and regulations domestically and in the U.S. that involve money laundering, financial recordkeeping and proceeds of crime, including the Bank Secrecy Act, as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), Sections 1956 and 1957 of U.S.C. Title 18 (the Money Laundering Control Act), the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), as amended and the rules and regulations thereunder, the Criminal Code (Canada) and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the U.S. and Canada. Further, under U.S. federal law, banks and other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering, aiding and abetting, or conspiracy.

In the event that any of the Corporation's operations, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such operations in the U.S. were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Corporation to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while there are no current intentions to declare or pay dividends on the Common Shares in the foreseeable future, in the event that a determination was made that the Corporation's proceeds from operations (or any future operations or investments in the U.S.) could reasonably be shown to constitute proceeds of crime, the Corporation may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

Lack of Access to U.S. Bankruptcy Protections

Because the use of cannabis is illegal under federal law, many courts have denied cannabis businesses bankruptcy protections, thus making it very difficult for lenders to recoup their investments in the cannabis industry in the event of a bankruptcy. If the Corporation were to experience a bankruptcy, there is no guarantee that U.S. federal bankruptcy protections would be available to the Corporation's U.S. operations, which would have a material adverse effect on the Corporation, its lenders and other stakeholders.

Heightened Scrutiny by Regulatory Authorities

For the reasons set forth above, the Corporation's existing operations in the U.S., and any future operations or investments of the Corporation, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Corporation may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition

of certain restrictions on the Corporation's ability to operate or invest in any other jurisdictions, in addition to those described herein.

Further to the indication by CDS Clearing and Depository Services Inc. ("CDS"), Canada's central securities depository, clearing and settling trades in the Canadian equity, fixed income and money markets that it would refuse to settle trades for cannabis issuers that have investments in the U.S., the TMX Group, the owner and operator of CDS, subsequently issued a statement on August 17, 2017 reaffirming that there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the U.S., despite media reports to the contrary and that the TMX Group was working with regulators to arrive at a solution that will clarify this matter, which would be communicated at a later time.

On February 8, 2018, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, the TMX Group announced the signing of a Memorandum of Understanding ("MOU") with The Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange, and the TSX Venture Exchange. The MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-related activities in the U.S. The MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. As a result, there is currently no CDS ban on the clearing of securities of issuers with cannabis-related activities in the U.S. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented at a time when the Common Shares are listed on a stock exchange, it would have a material adverse effect on the ability of holders of Common Shares to make and settle trades. In particular, the Common Shares would become highly illiquid as until an alternative was implemented, investors would have no ability to complete a trade of securities through the facilities of the applicable stock exchange. 1933 has obtained eligibility with DTC for its Common Shares quotation on the OTCQB and such eligibility provides another possible avenue to clear the Common Shares in the event of a CDS ban. Revocation of DTC eligibility or implementation by DTC of a ban on the clearing of securities of issuers with cannabis-related activities in the United States would similarly have a material adverse effect on the ability of holders of the Common Shares to make and settle trades.

Risk of Legal, Regulatory or Political Change

The success of the business strategy of the Corporation depends on the legality of the marijuana industry. The political environment surrounding the marijuana industry in general can be volatile and the regulatory framework remains in flux. To the Corporation's knowledge, some form of cannabis has been legalized in approximately 40 states and Washington, D.C., Puerto Rico, Guam, Northern Mariana Islands and US Virgin Islands as of December 2021; however, the risk remains that a shift in the regulatory or political realm could occur and have a drastic impact on the industry as a whole, adversely impacting the Corporation's business, results of operations, financial condition or prospects.

Delays in enactment of new state or federal regulations could restrict the ability of the Corporation to reach strategic growth targets. The growth strategy of the Corporation is contingent upon certain federal and state regulations being enacted to facilitate the legalization of medical and adult-use marijuana. If such regulations are not enacted, or enacted but subsequently repealed or amended, or enacted with prolonged phase-in periods, the growth targets of the Corporation, and thus, the effect on the return of investor capital, could be detrimental. The Corporation is unable to predict with certainty when and how the outcome of these complex regulatory and legislative proceedings will affect its business and growth.

Further, there is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. If the federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing applicable state laws are repealed or curtailed, the Corporation's business, results of operations, financial condition and prospects would be materially adversely affected. It is also important to note that local and city ordinances may strictly limit and/or restrict disbursement of marijuana in a manner that will make it extremely difficult or impossible to transact business in that jurisdiction, which may adversely affect the Corporation's continued operations. Federal actions against individuals or entities engaged in the marijuana industry or a repeal of applicable marijuana legislation could adversely affect the Corporation and its business, results of operations, financial condition and prospects.

The Corporation is also aware that multiple states are considering special taxes or fees on businesses in the marijuana industry. It is a potential yet unknown risk at this time that other states are in the process of reviewing such additional fees and taxation. Should such special taxes or fees be adopted, this could have a material adverse effect upon the Corporation's business, results of operations, financial condition or prospects.

The commercial medical and adult-use marijuana industry is in its infancy and the Corporation anticipates that such regulations will be subject to change as the jurisdictions in which the Corporation does business matures. The Corporation has in place a detailed compliance program headed by its General Counsel who oversees, maintains, and implements the compliance program and personnel. Compliance officers in each operating subsidiary are charged with knowing the local regulatory process and monitoring developments with their governing bodies. Each compliance officer regularly reports regulatory developments to the General Counsel or enforcement by regulators in certain states against such services arrangements through written and oral communications and is charged with the creation and implementation of plans regarding any regulatory developments. In addition to the Corporation's robust legal and compliance departments, the Corporation also has local legal/regulatory counsel engaged in every jurisdiction in which it operates. Corporation's compliance program emphasizes security and inventory control to ensure strict monitoring of cannabis and inventory from delivery by a licensed distributor to sale or disposal. Additionally, the Corporation has created comprehensive standard operating procedures that include detailed descriptions and instructions for monitoring inventory at all stages of development and distribution. The Corporation will continue to monitor compliance on an ongoing basis in accordance with its compliance program, standard operating procedures, and any changes to regulation in the marijuana industry.

Overall, the medical and adult-use marijuana industry is subject to significant regulatory change at both the state and federal level. The inability of the Corporation to respond to the changing regulatory landscape may cause it to not be successful in capturing significant market share and could otherwise harm its business, results of operations, financial condition or prospects.

General Regulatory and Licensing Risks

The Corporation's business is subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of marijuana, including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. Achievement of the Corporation's business objectives are contingent, in part, upon compliance with applicable regulatory requirements and obtaining all requisite regulatory approvals. Changes to such laws, regulations and guidelines due to matters beyond the control of the Corporation may result in a material adverse effect on the Corporation's business, financial condition, results of operations or prospects.

The Corporation is required to obtain or renew further government permits and licenses for its current and contemplated operations. Obtaining, amending or renewing the necessary governmental permits and licenses can be a time-consuming process potentially involving numerous regulatory agencies, involving public hearings and costly undertakings on the Corporation's part. The duration and success of the Corporation's efforts to obtain, amend and renew permits and licenses are contingent upon many variables not within its control, including the interpretation of applicable requirements implemented by the relevant permitting or licensing authority. The Corporation may not be able to obtain, amend or renew permits or licenses that are necessary to its operations or to achieve the growth of its business. Any unexpected delays or costs associated with the permitting and licensing process could impede the ongoing or proposed operations of the Corporation. To the extent necessary permits or licenses are not obtained, amended or renewed, or are subsequently suspended or revoked, the Corporation may be curtailed or prohibited from proceeding with its ongoing operations or planned development and commercialization activities. Such curtailment or prohibition may result in a material adverse effect on the Corporation's business, financial condition, results of operations or prospects.

Several of the Corporation's licenses are subject to renewal on an annual or periodic basis; however, they are generally renewed, as a matter of course, if the license holder continues to operate in compliance with applicable legislation and regulations and without any material change to its operations.

While the Corporation's compliance controls have been developed to mitigate the risk of any material violations of any license it holds arising, there is no assurance that the Corporation's licenses will be renewed by each applicable regulatory authority in the future in a timely manner. Any unexpected delays or costs associated with the licensing renewal process for any of the licenses held by the Corporation could impede the ongoing or planned operations of

the Corporation and have a material adverse effect on the Corporation's business, financial condition, results of operations or prospects.

The Corporation may become involved in a number of government or agency proceedings, investigations and audits. The outcome of any regulatory or agency proceedings, investigations, audits, and other contingencies could harm the Corporation's reputation, require the Corporation to take, or refrain from taking, actions that could harm its operations or require Corporation to pay substantial amounts of money, harming its financial condition. There can be no assurance that any pending or future regulatory or agency proceedings, investigations and audits will not result in substantial costs or a diversion of management's attention and resources or have a material adverse impact on the Corporation's business, financial condition, results of operations or prospects.

Limitations on Ownership of Licenses

In certain states, the cannabis laws and regulations limit, not only the number of cannabis licenses issued, but also the number of cannabis licenses that one person may own. For example, in Nevada, to prevent monopolistic practices, the governing body ensures that in counties with a population of 100,000 or more, that any one person, group of persons or entity, is issued more than one cannabis establishment license, or more than 10% of the cannabis establishment licenses otherwise allocable in the county. The Corporation believes that, where such restrictions apply, it may still capture significant share of revenue in the market through wholesale sales, exclusive marketing relations, provision of management or support services, franchising and similar arrangement with other operators in compliance with state law. Nevertheless, such limitations on the acquisition of ownership of additional licenses within certain states or enforcement by regulators in certain states against such services arrangements may limit the Corporation's ability to grow organically or to increase its market share in such states.

Constraints on Marketing Products

The development of the Corporation's business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by government regulatory bodies. The regulatory environment in the U.S. limits companies' abilities to compete for market share in a manner similar to other industries. If the Corporation is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Corporation's sales and results of operations could be adversely affected.

Limited Trademark Protection

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

Environmental Risks Environmental Regulation

The Corporation's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors (or the equivalent thereof) and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Corporation's operations.

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

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

Amendments to current laws, regulations and permits governing the production of medical marijuana, or more stringent implementation thereof, could have a material adverse impact on the Corporation and cause increases in expenses, capital expenditures or production costs or reduction in levels of production or require abandonment or delays in development.

Unknown Environmental Risks

There can be no assurance that the Corporation will not encounter hazardous conditions at the facilities where it operates its businesses, including, without limitation, its medical cannabis cultivation and dispensary facilities, such as asbestos or lead, in excess of expectations that may delay the development of its businesses. Upon encountering a hazardous condition, work at the facilities of the Corporation may be suspended. The presence of other hazardous conditions may require significant expenditure of the Corporation's resources to correct the condition. Such conditions could have a material impact on the investment returns of the Corporation.

Tax Risks

Section 280E of the Code, as amended, prohibits businesses from deducting certain expenses associated with trafficking controlled substances (within the meaning of Schedule I and II of the CSA). The IRS has invoked Section 280E in tax audits against various cannabis businesses in the U.S. that are permitted under applicable state laws. Although the IRS issued a clarification allowing the deduction of certain expenses, the scope of such items is interpreted very narrowly and the bulk of operating costs and general administrative costs are not permitted to be deducted. While there are currently several pending cases before various administrative and federal courts challenging these restrictions, there is no guarantee that these courts will issue an interpretation of Section 280E favorable to cannabis businesses. Further, there are several pieces of legislation being considered by the U.S. Congress that could change the interpretation of Section 280E by removing its applicability to the legalized cannabis industry. Given these facts, the impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial condition and/or the overall operations of the Corporation.

Under Section 382 of the Code, if a corporation undergoes an “ownership change,” the corporation’s ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes to offset its post-change income may be limited. The Corporation has not completed a study to assess whether an “ownership change” has occurred or whether there have been multiple ownership changes since the Corporation became a “loss corporation” as defined in Section 382. Future changes in the Corporation's stock ownership, which may be outside of the Corporation's control, may trigger an “ownership change.” In addition, future equity offerings or acquisitions that have equity as a component of the purchase price could result in an “ownership change.” If an “ownership change” has occurred or does occur in the future, utilization of the net operating loss carryforwards or other tax attributes may be limited, which could potentially result in increased future tax liability to the Corporation.

Additional Risks Related to the Hemp CBD Industry

Changes to State Laws Pertaining to Hemp

The 2018 Farm Bill provides that states and Native American tribes may assume primary regulatory authority over the production of hemp in their jurisdictions through a hemp plan approved by the USDA. As of the date hereof, the USDA has approved a few dozen state and tribal hemp production plans submitted after the interim final rule dated October 31, 2019, in respect of commercial production of hemp in the United States (the “IFR”) was issued by the USDA. If a state does not elect to devise a hemp regulatory program, the United States Department of Agriculture (the “USDA”) will develop a program under which Hemp cultivators in such states can apply for licenses. Approximately 20 states – including Kentucky, Colorado, and Oregon have chosen to continue operating under the authorizations of the 2014 Farm Bill for the 2021 growing season, relying on their pilot program authorizations from the 2014 Farm Bill. Continued development of the hemp industry will be dependent upon new legislative authorization of Hemp at the state level, and further amendment or supplementation of legislation at the federal level. Any number of events or occurrences could slow or halt progress all together in this space. While progress

within the hemp industry is currently encouraging, growth is not assured. While there appears to be ample public support for favorable legislative action at the state and federal levels, numerous factors may impact or negatively affect the legislative process(es) within the various states the Corporation has business interests in. Any one of these factors could slow or halt use of hemp or CBD, which would negatively impact the Corporation's business or growth, including possibly causing the Corporation to discontinue operations as a whole.

Legislative and regulatory uncertainties, along with difficulties concerning potential enforcement activities by U.S. federal, state and local governments (or discretion exercised thereby), also represent significant risks to the Corporation's business activities. Possible risks include, but are not limited to:

- positions asserted by the FDA concerning products containing derivatives from hemp;
- uncertainty surrounding the characterization of cannabinoids as a dietary ingredient by the FDA; and
- enforcement activities by state and/or local law enforcement and regulatory authorities under the auspice of individual state law, regardless of any potential conflict thereby with federal law.

If the Corporation's operations are found to be in violation of any of such laws or any other governmental regulations, or if applicable laws or regulations change or the enforcement of applicable laws or regulations changes, the Corporation may be subject to penalties, including, without limitation, civil and criminal penalties, damages, fines, the curtailment or restructuring of the Corporation's operations or asset seizures, any of which could adversely affect the Corporation's business and financial results.

Changes to Federal Laws Pertaining to Hemp

Federal regulations under the 2018 Farm Bill were promulgated in the IFR on October 31, 2019. The IFR governs the domestic production of Hemp under the 2018 Farm Bill and also specifies the provisions that a state or tribal Hemp plan must contain to be in compliance with the 2018 Farm Bill. However, some states are continuing to operate under the 2014 Farm Bill through the 2021 growing season. The IFR, which expires November 1, 2021, was replaced by the USDA's Final Rule on the same topic and took effect March 22, 2021. Should the USDA's permanent regulations adopted pursuant to the 2018 Farm Bill or other regulations result in stricter requirements on the Corporation than those of the 2014 or 2018 Farm Bills or the IFR, such changes could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Risks Associated with Numerous Laws and Regulations

The production, labeling and distribution of the hemp-based CBD infused products that the Corporation distributes are regulated by various federal, state and local agencies. These governmental authorities may commence regulatory or legal proceedings, which could restrict the permissible scope of the Corporation's product claims or the ability to sell its products in the future. The FDA regulates the Corporation's products to ensure that the products are not adulterated or misbranded.

The Corporation is subject to regulation by various agencies as a result of the manufacture and sale of its hemp-based CBD wellness products. The shifting compliance environment and the need to build and maintain robust systems to comply with different regulations in multiple jurisdictions increases the possibility that the Corporation may violate one or more of the requirements. If the Corporation's operations are found to be in violation of any of such laws or any other governmental regulations, or perceived to be in violation, the Corporation may be subject to penalties or other negative effects, including, without limitation, civil and criminal penalties, damages, fines, the curtailment or restructuring of the Corporation's operations or asset seizures and the denial of regulatory applications (including those regulatory regimes outside of the scope of FDA jurisdiction, but which may rely on the positions of the FDA in the application of its regulatory regime), any of which could adversely affect the Corporation's business and financial results. In addition, the FDA is expected to make determinations as to how certain CBD products will be regulated and is expected to, in the long term, consider modernization in its regulation of dietary supplements generally.

Failure to comply with FDA requirements may result in, among other things, injunctions, product withdrawals, recalls, product seizures, fines and criminal prosecutions. The Corporation's advertising is subject to regulation by the FTC under the Federal Trade Commission Act as well as subject to regulation by the FDA under the DSHEA. In recent years, the FTC has initiated numerous investigations of dietary and nutritional supplement products and companies based on allegedly deceptive or misleading claims. At any point, enforcement strategies of a given agency can change as a result of other litigation in the space or changes in political landscapes, and could result in

increased enforcement efforts, which would materially impact the Corporation's business. Additionally, some states also permit advertising and labeling laws to be enforced by state attorney generals, who may seek relief for consumers, class action certifications, class wide damages and product recalls of products sold by the Corporation. Private litigants may also seek relief for consumers, class action certifications, class wide damages and product recalls of products sold by the Corporation. Any actions against the Corporation by governmental authorities or private litigants could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Compliance with changes in legal, regulatory and industry standards may adversely affect the Corporation's business

The formulation, manufacturing, packaging, labelling, handling, distribution, importation, exportation, licensing, sale and storage of the Corporation's products are affected by extensive laws, governmental regulations, administrative determinations, court decisions and similar constraints. Such laws, regulations and other constraints may exist at the federal, provincial or local levels. There is currently no uniform regulation applicable to natural health products worldwide. There can be no assurance that the Corporation is in compliance with all of these laws, regulations and other constraints, and changes to such laws, regulations and other constraints may have a material adverse effect on operations.

Incorrect Interpretation of the 2018 Farm Bill

The Corporation's position is that the 2018 Farm Bill permanently removed Hemp from the CSA and is now deemed an agricultural commodity, and accordingly the DEA no longer has any claim to interfere with the interstate commerce of Hemp products, so long as the THC level is at or below 0.3% on a dry weight basis. There is a risk that the Corporation's interpretation of the legislation is inaccurate or that it will be successfully challenged by federal or state authorities. A successful challenge to such position by a state or federal authority could have a material adverse effect on the Corporation, including civil and criminal penalties, damages, fines, the curtailment or restructuring of the Corporation's operations or asset seizures and the denial of regulatory applications.

Product and Market Expansion and Entry into New Markets

The Corporation may expand its product offerings and/or expand into new international markets, each of which will require management attention and financial resources that would otherwise be spent on other parts of its business. Such expansion would expose the Corporation to risks and expenses inherent in selling new products and offering products in new foreign jurisdictions, which could increase the Corporation's operational, regulatory, compliance, reputational and foreign exchange rate risks. The failure of the Corporation's operating infrastructure to support such expansion could result in operational failures and regulatory fines or sanctions. Future product, market or international expansion could require the Corporation to incur a number of up-front expenses, including those associated with obtaining regulatory clearance or approvals, as well as additional ongoing expenses, including those associated with infrastructure, staff and regulatory compliance. Any expansion efforts will be subject to various laws, regulations and guidelines that are subject to change over time, and result in increased costs and risk associated with regulatory compliance. In addition, product and market expansion could impact the Corporation's current product offerings, brand, and reputation, any of which could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Uncertainty Caused by Potential Changes to Regulatory Framework

There is substantial uncertainty and different interpretations among federal, state and local regulatory agencies, legislators, academics and businesses as to the importation of derivatives from exempted portions of the cannabis plant and the scope of 2014 and 2018 Farm Bill-compliant hemp programs relative to the 2014 Farm Bill and the 2018 Farm Bill and the emerging regulation of cannabinoids. These different opinions include, but are not limited to, the regulation of cannabinoids by the FDA and the extent to which manufacturers of products containing imported raw materials and/or 2018 Farm Bill-compliant cultivators and processors may engage in interstate commerce. The uncertainties cannot be resolved without further federal, and potentially state-level, legislation, regulation or a definitive judicial interpretation of existing legislation and rules. If these uncertainties continue, they may have an adverse effect upon the introduction of the Corporation's products in different markets.

Although the Corporation believes that the departures of Commissioner Gottlieb and Commissioner Hahn will not have a significant long-term impact on the development of a regulatory regime permitting Cannabis-derived

compounds in foods or dietary supplements, there can be no certainty that the new Commissioner appointed by the Biden Administration will continue on that same path. If the new FDA Commissioner were to halt current initiatives of the FDA regarding CBD, such as a potential rulemaking or enforcement policy guidance, this could delay the development of such a regulatory regime and have an adverse effect on the business of the Corporation.

NDI Objection by FDA

There is substantial uncertainty and different interpretations among state and federal regulatory agencies, legislators, academics and businesses as to whether cannabinoids were present in the food supply and marketed prior to October 15, 1994, or whether such inclusion of cannabinoids is otherwise approved by the FDA as dietary ingredients. In addition, there is substantial uncertainty and different interpretations as to whether cannabinoids are by definition an impermissible adulterant due to marijuana being a controlled substance under the CSA. The uncertainties cannot be resolved without further federal legislation, regulation or a definitive judicial interpretation of existing legislation and rules. A determination that hemp products containing cannabinoids were not present in the food supply, marketed prior to October 15, 1994, are not otherwise permissible for use as a dietary ingredient or are adulterants would have a materially adverse effect upon the Corporation and its business. The Corporation could be required to submit a new dietary ingredient (“NDI”) notification to the FDA with respect to hemp extracts. If FDA objects to the Corporation's NDI notification, this would have a material adverse effect upon the Corporation and its business.

FDA Interpretation of IND Preclusion

The FDA has taken the position that CBD cannot be added to food or marketed as a dietary supplement because it has been the subject of investigation as a new drug (i.e. IND Preclusion). According to the FDA, the submission of the IND application for Epidiolex by Greenwich Biosciences, the U.S. subsidiary of London-based GW Pharmaceuticals, preceded the sales and marketing of CBD as a dietary supplement. It is the FDA’s interpretation of the IND Preclusion that the preclusion date is the date in which it authorized the drug for investigation. It is the Corporation’s position that CBD was marketed in a dietary supplement or food prior to substantial clinical investigations being instituted and being made public. If the FDA were to enforce the IND Preclusion based on its interpretation of the legislation, this would materially and adversely impact the Corporation's business and financial condition.

FDA Enforcement Letters

The FDA continues to enforce against violations of the FD&C Act by issuing warning letters to companies marketing and selling hemp derived CBD products. Over the past several years, the FDA has issued warning letters to companies marketing and selling unapproved hemp derived CBD products. The letters reiterate the agency's position that CBD cannot be added to food and dietary supplements and targeted companies whose products violated the FD&C Act's prohibition against: (i) marketing CBD as or in a dietary supplement, human and animal food, or food additives; (ii) marketing a dietary supplement, human and animal food, or cosmetic with disease or drug claims (i.e., claims suggesting that a product is intended to treat, cure, or prevent disease); (iii) including a substance in human or animal food when that substance is not GRAS; and (iv) selling products that are misbranded due to their failure to include “adequate directions for use by a layperson”. The FDA also issued a consumer update reaffirming its position that CBD cannot lawfully be added to a food or marketed as a dietary supplement due to existing provisions of the FD&C Act, and outlines the data and potential safety issues it is considering as part of its ongoing evaluation of potential regulatory frameworks for CBD. Notably, the FDA states that it could not conclude based on available data that CBD is “generally recognized as safe” for use in human or animal food. While this is broad and may not be applicable in all instances, it nevertheless could materially and adversely impact the Corporation's business and financial condition. Further, the FDA has recently stated that it will continue to police the market and enforce against CBD products, and on March 22, 2021, the agency issued warning letters to two companies for selling OTC products labeled as containing CBD, alleging the products are illegally marketed unapproved drugs and misbranded due to prominent featuring of CBD on the labeling. The FDA's enforcement against the unlawful sale and marketing of CBD products has to date been limited to the issuance of warning letters, but they have a number of other enforcement means available to them, including civil and criminal penalties. The FDA's current prohibition on certain hemp-derived products and the unknowns and associated risks of potential future regulations governing hemp-derived CBD products create risk for the Corporation's business.

DEA Interpretation and Enforcement of the DEA IFR

Through the DEA IFR, the DEA takes the position that material that exceeds 0.3% delta-9 THC remains controlled in Schedule I of the CSA. It also takes the position that the 2018 Farm Bill does not impact the control status of synthetically derived THC's, for which the DEA claims that the amount of delta-9 THC is not a determining factor in whether the material is a controlled substance. The DEA IFR may create risk for the Corporation's business. Enforcement of the DEA IFR, or any Final Rule that carries forward the rulemaking in the DEA Rule, may result in, among other things, injunctions, product withdrawals, recalls, product seizures, fines, and criminal prosecutions. Additionally, enforcement of the DEA IFR could jeopardize the legality of the Corporation's intermediate Hemp products, such as in-process Hemp extract that is incorporated in the Corporation's finished products. Such enforcement would not only disrupt the Corporation's operations, but it would also constrict the Corporation's supply chains.

Regulatory Approval and Permits

The Corporation may be required to obtain and maintain certain permits, licenses and approvals in the jurisdictions where its CBD infused products are sold. There can be no assurance that the Corporation will be able to obtain or maintain any necessary licenses, permits or approvals. Any material delay or inability to receive these items is likely to delay and/or inhibit the Corporation's ability to conduct its business, and would have an adverse effect on its business, financial condition and results of operations.

DIVIDENDS AND DISTRIBUTIONS

The Corporation has never paid any dividends on its Common Shares. While the Corporation is not restricted from paying dividends other than pursuant to certain solvency tests prescribed under the *Business Corporations Act* (British Columbia), the Corporation does not intend to pay dividends on any of its Common Shares in the foreseeable future.

Common Shares

The authorized capital of the Corporation includes an unlimited number of Common Shares without nominal or par value and an unlimited number of preferred shares issuable in series. As at the date of this AIF, 461,344,714 Common Shares are issued and outstanding as fully paid and non-assessable. In addition, 22,790,000 Common Shares are reserved for issuance under stock options granted to directors and officers and 3,700,000 share purchase warrants are outstanding.

The holders of Common Shares are entitled to dividends, if, as and when declared by the Board of Directors, to receive notice of and one vote per Common Share at meetings of the shareholders of the Corporation and, upon liquidation, to share equally in such assets of the Corporation as are distributable to the holders of Common Shares subject to the rights of holders of shares of any class ranking in priority to the Common Shares.

The Corporation also has \$3,269,000 aggregate principal amount of 10% senior unsecured Convertible Debentures outstanding. The Convertible Debentures bear interest from the date of issuance at 10.0% per annum (subject to withholdings for non-residents), payable in cash or through the issuance of Common Shares on the maturity date, and will expire on December 31, 2023. The Debentures are convertible into Common Shares at the option of the holder at any time prior to the close of business on the earlier of: (i) the last business day immediately preceding the Maturity Date; and (ii) the date fixed for redemption as more particularly defined in the Trust Indenture, at a conversion price of \$0.05 per Common Share, subject to adjustment in certain events. Additionally, the Corporation may force the conversion of all of the principal amount of the then outstanding Convertible Debentures at the Conversion Price on 30 days prior written notice should the daily volume weighted average trading price of the Common Shares be greater than \$0.10 for any 10 consecutive trading days. The Convertible Debentures will be subject to redemption, in whole or in part, by the Corporation at any time upon giving holders not less than 30 and not more than 60 days' prior written notice, at a price equal to the then outstanding principal amount of the Convertible Debentures plus all accrued and unpaid interest up to and including the redemption date.

On November 14, 2023, the Corporation held an Extraordinary Meeting of its Holders of 10% Senior Unsecured Convertible Debentures Due December 31, 2023. The following resolution was placed before the meeting and passed:

- (i) approve the extinguishment of the Debentures upon maturity and the principal debt owed thereunder, excluding any interest in arrears, through the issuance of a Unit to the Debentureholders, each Unit being issued at a deemed price of \$0.02 per \$1.00 of principal, and one share purchase warrant exercisable into one additional common share of the Company at a price of \$0.05 for a period of five years from the date of issuance; or
- (ii) approve the extinguishment of the Debentures upon maturity and the principal debt owed thereunder, excluding any interest in arrears, through the issuance of a new 10% unsecured convertible debenture (the “New Debenture”) with a two year maturity, convertible into units at a price of \$0.05 per unit, each unit comprising one common share of the Company and one share purchase warrant, subject to certain acceleration provisions as more particularly defined in the indenture governing the New Debenture; and
- (ii) authorize the Board of Directors of the Company, in its sole discretion, to determine which of (i) or (ii) will be in the best interest of the Company and proceed with either (i) or (ii) above or to not act upon this resolution, all without the further approval or authorization of the Debentureholders.

As at the date of this AIF, the Corporation has not made a definitive decision as to which option it will choose to proceed with.

MARKET FOR SECURITIES

Trading Price and Volume

The Corporation’s shares are listed and posted for trading on the CSE under the trading symbol “TGIF”. The following tables set forth the price range per share and trading volume for the Corporation on the CSE for the most recently completed financial year ended July 31, 2023.

Price Range Per Common Share (\$)			
Date	High	Low	Volume
August 2022	0.03	0.02	2,641,770
September 2022	0.03	0.02	4,652,269
October 2022	0.03	0.02	9,713,455
November 2022	0.03	0.015	9,010,199
December 2022	0.025	0.01	9,606,649
January 2023	0.025	0.02	1,518,088
February 2023	0.03	0.015	4,046,768
March 2023	0.025	0.015	4,076,616
April 2023	0.02	0.015	1,080,549
May 2023	0.02	0.015	924,851
June 2023	0.02	0.015	2,984,485
July 2023	0.02	0.01	1,487,746

Prior Sales

As at the date of this AIF, the Corporation has no class of securities that is outstanding but not listed or quoted on a market place.

ESCROWED SECURITIES

As of the date of this AIF, no common shares are held in escrow or that are subject to a contractual restriction on transfer (other than options issued pursuant to the Corporation’s Option Plan or shares restricted to a regulatory hold period).

DIRECTORS AND EXECUTIVE OFFICERS

Name, Occupation and Security Holdings

The directors and executive officers of the Corporation as at the date of this AIF is set out in the table below. The number of shares beneficially owned, controlled or directed, directly or indirectly, by each director or executive officer is based on information furnished by the directors and executive officers and from insider reports available under the Corporation's SEDI profile at www.sedi.com.

Name, residence, office(s) held	Current Principal occupation, business or employment and for last five years, and education	Director Since	Shares beneficially owned, or controlled or directed, directly or indirectly
Paul Rosen <i>Toronto, ON, Canada</i> CEO / Director	June 2020 to present, CEO of the Corporation; Chairman and CEO of Tidal Royalty Corp. from April 2018 to February 2019; Chairman and CEO of Skypad International from January 1999 to present.	Sept 1, 2020	13,470,541 (2.9%)
D. Richard Skeith <i>Calgary, AB, Canada</i> Director Audit Committee Member	Partner at Dentons Canada LLP; Previously Partner at Norton Rose Fulbright Canada LLC (formerly Macleod Dixon LLP) since 1995	Nov 23, 2015	7,374,900 (1.6%)
Brian Farrell <i>Edmonton, AB, Canada</i> Interim CFO / Director Audit Committee Member (Chair)	CPA CA, Brian Farrell Professional Corporation	Mar 15, 20018	2,926,000 (0.63%)
Lisa Capparelli <i>New York, NY, USA</i> Director	Owner, LC Global Communications 2014 – present; Consultant, Revlon Global Marketing 2017-2018; L'Oreal USA, SVP/VP Integrated Marketing Communications 2004-2014	Jan 23, 2020	Nil
Curtis Floyd <i>Bakersfield, CA, USA</i> Director	Attorney at Law: Board Director of Next Green Wave (acquired in March 2022 by Planet 13); Board Director of Mission Bank; Chairman of Community Action Partnership of Kern.	Jun 21, 2023	17,060,676 (3.7%)
Ester Vigil <i>Las Vegas, NV, USA</i> President	President 2022- present: Sales VP 2017-2022; VP Sales Cannavative Group; Peter Thomas Roth Clinical Skin Care	Apr 3, 2023	Nil
Caleb Zobrist <i>Las Vegas, NV, USA</i> Executive Vice-President	June 2019 to present, Executive VP and General Counsel for 1933 Industries; Oct 2018 to June 2019, In-House Counsel for 1933 Industries; Dec 2015 to Oct 2018, Managing Attorney for Ideal Business Partners	N/A	2,200,000 (0.48%)
Alexia Helgason <i>Vancouver, BC, Canada</i> Vice-President of Investor Relations	January 2020 to present, VP of Investor Relations of the Corporation. Director of Corporate Communications of the Corporation from March 2018 – January 2020. Manager, Marketing & Corporate Communications AgriMarine Holdings 2009-2017; TSX Group 1995-2007	N/A	143,000 (0.03%)

Board and Executive Officer Aggregate Ownership of Common Shares

Our directors and executive officers, as a group, beneficially own, or control or direct, directly or indirectly, a total of 43,175,117 common shares, representing 9.4% of the total outstanding common shares as of the date of this AIF.

The following are brief profiles of the management of the Corporation, including a description of each individual's principal occupation within the past five years.

Paul Rosen – Chief Executive Officer and Director

Mr. Rosen has been involved with 1933 Industries in the capacities of strategic investor, advisor, CEO, director and most recently, as a Chairman of the Board, instituting a high level of stewardship and financial oversight that is guiding the Corporation into its next phase of development. Mr. Rosen has extensive experience in the cannabis industry as one of its earliest and most active entrepreneurs and company builders having co-founded and served as President and CEO of PharmaCan Capital Corp., later corporate rebranded to The Cronos Group (NASDAQ: CRON; TSX: CRON); as founder and former CEO and Chairman of Tidal Royalty Corporation (rebranded to Red, White and Bloom Brands Inc.); as a previous board member and Audit Committee Chair of iAnthus Capital Holdings (IAN.CN); and as a previous board member of Hill Street Beverages (BEER.VN) and High Tide Ventures (HITI.CN). Currently, Mr. Rosen is also a co-founder and partner of Global Go, a consultancy focused on the global regulated cannabis industry and is a co-founder of The Pantry Corporation, a cannabis focused start up in the functional food market. Mr. Rosen is a member of the Law Society of Ontario, and previously practiced constitutional law.

D. Richard Skeith – Director

Mr. Skeith is counsel to the law firm of Dentons Canada LLP and previously with Norton Rose Fulbright Canada LLP (formerly Macleod Dixon LLP) in Calgary, Alberta since 1995. Mr. Skeith holds a Bachelor of Arts and a Bachelor of Laws from the University of Alberta. Mr. Skeith is a member of the Law Society of Alberta.

Brian Farrell – Interim Chief Financial Officer and Director

Mr. Farrell is a Chartered Accountant based in Edmonton, Alberta was a partner with a public accountancy firm for 35 years and has built a practice focusing on taxation, accounting, and providing financial advice to high-net-worth individuals. Mr. Farrell has also acted as the Chief Financial Officer to both a large privately held development company as well as three TSXV listed corporations. He has previously served as a director of Prize Mining Corporation, Mexican Silver Mines Ltd., Mindoro Resources Ltd., and Sonoro Energy Ltd., as well as serving on the board of several charitable organizations. Mr. Farrell is currently the Chair of the Jerry Forbes Centre for Community Spirit (a non-profit organization focused on providing affordable workspaces for Edmonton's non-profit organizations).

Lisa Capparelli – Director

Ms. Capparelli is a global marketing executive with deep expertise in creating 360 brand universes, award winning programs and driving business transformation within the beauty industry. Ms. Capparelli has successfully developed effective, innovative marketing and communication strategies for iconic beauty companies including Coty, L'Oréal and Revlon. She possesses a deep understanding of the power of paid, owned and earned media and has extensive experience in creating exclusive partnerships within the beauty and entertainment industries.

Curtis Floyd - Director

Mr. Floyd is a seasoned businessman and attorney, with public company board expertise in the cannabis industry. Mr. Floyd served on the Board of Directors of California-based cannabis producer Next Green Wave, which was acquired in March 2022 by Planet 13. Mr. Floyd has extensive experience in business, entrepreneurship, governance, banking, risk management and leadership, having founded or invested in privately held businesses in the solar, digital marketing, funeral, educational and food services, farming, and construction industries. Mr. Floyd is a founding member of the Board of Directors of Mission Bank, a publicly traded community bank. Mr. Floyd served as Chairman of the Board of Directors of the Community Action Partnership of Kern.

Ester Vigil – President

Ms. Vigil is a veteran of the cannabis industry, where she has excelled at building winning brands in Nevada. As President, she manages the operations of the Company's subsidiaries, Alternative Medicine Association, and Infused Manufacturing. Ms. Ester previously held the role of Director of Sales, overseeing the Company's sales initiatives, product development, partnerships and brand development. Ms. Vigil is a skilled marketer, bringing more than 20

years' experience in consumer-packaged goods in the beauty industry. Joining the ranks of female leaders in the cannabis sector, Ms. Vigil has been recognized for having made significant contributions to the industry.

Caleb Zobrist – Executive Vice-President

As Executive Vice President, Mr. Zobrist oversees the implementation of the Corporation's strategic plans to establish the Corporation as a reliable innovator in the cannabis space. As a proven leader, Mr. Zobrist is charged to direct all mid-level leadership to ensure stability and consistency throughout the organization, which will be crucial during the Corporation's current rapid growth. Mr. Zobrist has been a licensed attorney in Nevada since 2009, working on numerous mergers and acquisitions for private and public companies. He has represented cannabis companies in Nevada since the state's launch of its legal medical marijuana program in 2014 and joined the Corporation in 2018 as Vice President and General Counsel. Mr. Zobrist has led the Corporation in an operational capacity, identifying opportunities for growth and overseeing the Corporation's expansion initiatives.

Alexia Helgason – Vice-President of Investor Relations

Ms. Helgason is a marketing, corporate communications and investor relations professional with over 26 years' experience in corporate environments, working in a variety of business sectors. Ms. Helgason spent 12 years at TSX, TSXV and its predecessor Canadian exchanges, where she led marketing, business development, public relations and community engagement activities. Working with a number of publicly listed issuers, Ms. Helgason has extensive expertise in managing marketing and communications strategies, investor relations and media programs for TSX Venture, CSE and OTC traded issuers. Ms. Helgason leads the Corporation's IR, Marketing and PR efforts.

Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Except as set out below, to the knowledge of the Corporation, based upon information provided by the directors and executive officers, except as set out below, no director or executive officer of the Corporation is, as at the date of this AIF, or has been within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including the Corporation), that:

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

Richard Skeith was a director of Callitas Health Inc. ("**Callitas Health**") when on July 9, 2019, the British Columbia Securities Commission and the Ontario Securities Commission issued a Cease Trade Order for Callitas Health's failure to file its annual audited financial statements, management's discussion and analysis, and certification of annual filings for the year ended December 31, 2018 and for the three month period ended March 31, 2019. Callitas Health was delisted from the Canadian Securities Exchange on December 8, 2021.

Richard Skeith was a director of Strategic Oil & Gas Ltd. ("**Strategic**") until January 2020. On May 6, 2019, the Alberta Securities Commission and the Ontario Securities Commission issued a Cease Trade Order for Strategic's failure to file its annual audited financial statements, management's discussion and analysis, and certification of annual filings for the year ended December 31, 2018.

Except as set out below, to the knowledge of the Corporation, based upon information provided by the directors and executive officers, except as set out below, no director or executive officer of neither the Corporation, nor a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation:

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

made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

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

Richard Skeith was a director of Leader Energy Services Ltd. (“**Leader**”), which following his resignation, filed a Notice of Intention to File a Proposal on February 15, 2015, in accordance with section 50.4(1) of the *Bankruptcy and Insolvency Act* (Canada). On March 16, 2015, the Court of Queen’s Bench of Alberta granted an order approving the sale process for the sale of the undertaking, property and assets of Leader and appointed Range Corporate Advisors to conduct the sale.

On April 10, 2019, Strategic of which Richard Skeith was a director until January 2020, filed for creditor protection under the *Companies’ Creditor Arrangement Act* (Canada) and KPMG Inc. was appointed as Monitor. Subsequent to Mr. Skeith’s resignation, on January 28, 2020, the Court of Queen’s Bench of Alberta granted a receivership order and on July 19, 2021, the Queen’s Bench of Alberta granted an order approving the sale process for the sale of the undertaking, property and assets of Strategi and appointed Sayer Energy Advisors to conduct the sale.

To the knowledge of the Corporation, based upon information provided by the directors and executive officers, no director or executive officer of the Corporation has been subject to:

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

Conflicts of Interest

Certain officers and directors of the Corporation are also officers and/or directors of other entities engaged in the cannabis industry generally. As a result, situations may arise where the interest of such directors and officers conflict with their interests as directors and officers of other companies. The resolution of such conflicts is governed by applicable corporate laws, which require that directors act honestly, in good faith and with a view to the best interests of the Corporation. Conflicts, if any, will be handled in a manner consistent with the procedures and remedies set forth in the BCBCA. The BCBCA provides that in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the BCBCA.

PROMOTERS

The Corporation has had no promoters in the last two completed financial years.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

As of the date of this AIF, except as described below, there are no legal proceedings material, and no contemplated legal proceedings known to be material, to the Corporation or its subsidiaries, to which the Corporation or its subsidiaries is a party or of which any of the Corporation or its subsidiaries’ respective property is the subject matter.

On March 28, 2018, an arm’s length third party commenced a claim against AMA seeking payment under an alleged joint venture arrangement between the parties for the extraction of cannabis oil and distillates by AMA from trim provided by the claimant for marketing and sale by the claimant under its own branding. AMA initiated a counterclaim as against the claimant for breaches of the alleged joint venture arrangement in failing, among other

things, to properly market the products produced. On or about October 19, 2021, the parties mutually agreed to settle all claims.

On July 16, 2019, an arm's length third party commenced a claim against AMA seeking payment under a license and production agreement between the parties for the manufacture of cannabis concentrates by AMA with the claimant's branding. On or about March 18, 2022, the parties agreed to mutually settle all claims.

On December 5, 2019, Infused commenced a claim against an arm's length third party marketing company Infused had hired to perform marketing services, seeking a refund of funds advanced for advertising and seeking damages for breach of contract. On December 23, 2020, Infused won an arbitration award in the amount of USD\$15,000. This case is currently in process of collection.

On October 30, 2020, Infused commenced a claim against Sacre Davey Engineering (SDE) for SDE's breach of an engineering contract for the design of Infused's hemp extraction facility in Nevada. Infused further seeks to invalidate an improperly filed lien by SDE on Infused's hemp extraction property. On or about May 17, 2021, the parties mutually agreed to settle all claims.

On June 4, 2021, a prior officer of the Corporation commenced a claim against the Corporation alleging wrongful termination and breach of contract. The Corporation filed its answer and counterclaims against the plaintiff for intentional interference with contract and for defamation. On or about March 29, 2022, the parties mutually agreed to settle all claims.

On October 22, 2018, AMA commenced a claim against a third-party cultivator seeking payment under a management agreement between the parties where AMA provided management services to the and defendant failed to pay AMA. On or about April 8, 2019, AMA obtained a default judgment against the defendant in the amount of USD\$204,000. The defendant motioned the court to set aside the default judgment on the grounds that service was improper. On or about June 10, 2019, the defendant's motion to set aside the default judgment was denied. On or about June 20, 2019, the defendant filed an appeal of the denial of its motion to set aside. On or about January 25, 2021, the Supreme Court of Nevada affirmed AMA's judgment. After unsuccessful collection efforts, a receiver was appointed by the Court to take control of the business and its assets to oversee repayment to creditors. The receiver is currently in the process of selling assets of the defendant.

As of the date of this AIF, none of the Corporation nor any of its subsidiaries has been subject to any penalties or sanctions imposed by any court or regulatory authority relating to provincial and territorial securities legislation or by a securities regulatory authority, within the three years immediately preceding the date hereof, nor has any party entered into a settlement agreement with a securities regulatory authority within the three years immediately preceding the date hereof, or been subject to any other penalties or sanctions imposed by a court or regulatory body or self-regulatory authority that are necessary to provide full, true and plain disclosure of all material facts relating to the Corporation's securities or would be likely to be considered important to a reasonable investor making an investment decision.

AUDIT COMMITTEE

Pursuant to section 224(1) of the *Business Corporations Act (British Columbia)*, the policies of the CSE and National Instrument 52-110 Audit Committees ("**NI 52-110**"), the Corporation is required to have an Audit Committee comprised of not less than three directors, a majority of whom are not officers, control persons or employees of the Corporation or an affiliate of the Corporation. NI 52-110 requires the Corporation, as a venture issuer, to make certain disclosure concerning the constitution of its Audit Committee and its relationship with its independent auditor. The Audit Committee Charter is attached to this AIF as Schedule "A".

Composition of the Audit Committee

The following are the members of the Committee:

Paul Rosen	Non-Independent ⁽¹⁾	Financially literate ⁽¹⁾
Rick Skeith	Independent ⁽¹⁾	Financially literate ⁽¹⁾
Curtis Floyd	Independent ⁽¹⁾	Financially literate ⁽¹⁾

Note:

(1) As defined in NI 52-110.

Relevant Education and Experience

Paul Rosen is a successful entrepreneur and a pioneer in the global cannabis industry, having founded, led and invested in multiple companies over the past decade. He cofounded PharmaCan Capital Corp. (NASDAQ: CRON; TSX:CRON) and served as its first President and CEO. He has held board positions with a number of publicly-traded cannabis companies and is a co-founder and partner of Global Go, a consultancy focused on the global regulated cannabis industry. Mr. Rosen is also a significant shareholder in 1933 Industries, as a result of his private placement investment in the Corporation in March 2019.

Mr. Skeith is a securities lawyer who has served on various audit committees and obtained financial experience and exposure to accounting and financial issues through his legal professional activities.

Mr. Floyd has extensive experience in business, entrepreneurship, governance, banking, risk management and leadership, having founded or invested in privately held businesses in the solar, digital marketing, funeral, educational and food services, farming, and construction industries.

Audit Committee Oversight

At no time since the commencement of the Corporation's most-recent completed financial year was a recommendation of the Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

Reliance on Certain Exemptions

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied on the exemption in Section 2.4 of NI 52-110 (De Minimis Non-audit Services), or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

External Auditor Service Fees (By Category)

Aggregate fees paid to the Auditor during the financial years ended July 31, 2019 and 2018 were as follows:

Financial Year Ended	Audit Fees	Audit Related Fees ¹	Tax Fees ²	All Other Fees ³
2020	\$248,745	\$Nil	\$122,516	\$Nil
2021	\$257,612	\$Nil	\$102,845	\$Nil

Notes:

1. Fees charged for assurance and related services reasonably related to the performance of an audit, and not included under "Audit Fees".
2. Fees charged (or estimated charges) for tax compliance, tax advice and tax planning services.
3. Fees for services other than disclosed in any other column.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as described herein, management of the Corporation is not aware of a material interest, direct or indirect, of any director or officer of the Corporation, any director or officer of a body corporate that is itself an insider of the Corporation, any proposed nominee for election as a director of the Corporation, any principal shareholder, or any associate or affiliate of any such person, in any transaction within the three most recently completed financial years or in any proposed transaction which has materially affected or would materially affect the Corporation.

TRANSFER AGENT AND REGISTRAR

The Corporation's transfer agent and registrar is Odyssey Trust Corporation of Canada at its principal offices in Calgary, Alberta.

Odyssey Trust Corporation at its principal office in Vancouver, British Columbia, is also the warrant trustee and the debenture trustee for the warrant indenture and debenture indenture with respect to the Convertible Debentures and the Convertible Debenture Warrants maturing on December 31, 2023.

MATERIAL CONTRACTS

The Corporation has not entered into any material contracts, other than contracts entered into in the ordinary course of business, within the past year or entered into before the most recently completed fiscal year that are still in effect.

INTEREST OF EXPERTS

The auditor of the Corporation, MNP LLP, is independent with respect to the Corporation, in accordance with the Chartered Professional Accountants of British Columbia Code of Professional Conduct.

ADDITIONAL INFORMATION

Additional information relating to the Corporation is available under the Corporation's profile on SEDAR at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities, and securities authorized for issuance under the Corporation's Option Plan are contained in the Management Information Circular filed on SEDAR on May 20, 2022. Additional financial information is provided in the Corporation's Financial Statements and MD&A, copies of which can be found on SEDAR.

SCHEDULE "A"

The Audit Committee (the "Committee") of the Board of Directors (the "Board") of 1933 Industries Inc. (the "Corporation") shall have the oversight responsibility, authority and specific duties as described below.

Composition

The Committee will be comprised of two or more directors as determined by the Board. Each Committee member shall, to the extent possible, satisfy the independence, financial literacy and experience requirements of applicable securities laws and rules, any applicable stock exchange requirements and any other applicable regulatory rules. Determinations as to whether a particular director satisfies the requirements for membership on the Committee shall be made by the full Board.

Members of the Committee shall be appointed by the Board. Each member shall serve until his or her successor is appointed, unless he or she shall resign or be removed by the Board or he or she shall otherwise cease to be a director of the Corporation. The Board shall fill any vacancy if the membership of the Committee is less than two directors.

The Chair of the Committee may be designated by the Board or, if it does not do so, the members of the Committee may elect a Chair by vote of a majority of the full Committee membership.

Communication, Authority to Engage Advisors and Expenses

The Committee shall have access to such officers and employees of the Corporation, the Corporation's external auditor and to such information respecting the Corporation, as it considers to be necessary or advisable in order to perform its duties and responsibilities.

The Committee provides an avenue for communication, particularly for outside directors, with the external auditor, on the one hand, and senior management and the Board, on the other hand. The external auditor shall have a direct line of communication to the Committee through its Chair and shall report directly to the Committee. The Committee, through its Chair, may contact directly any employee of the Corporation, and any employee may bring before the Committee, on a confidential basis, any matter involving the Corporation's financial practices or transactions.

The Committee has the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties and to set the compensation for any such counsel and advisors. Any engagement of independent counsel or other advisors is to be at the Corporation's expense.

The Corporation shall be responsible for all expenses of the Committee that are deemed necessary or appropriate by the Committee in carrying out its duties.

Meetings and Record Keeping

Meetings of the Committee shall be conducted as follows:

1. the Committee shall meet at least four times annually at such times and at such locations as the Chair of the Committee shall determine, provided that meetings shall be scheduled so as to permit timely review of the quarterly and annual financial statements and reports. The external auditor or any two members of the Committee may also request a meeting of the Committee;
2. the quorum for meetings shall be a majority of the members of the Committee, present in person or by telephone or by other telecommunication device that permits all persons participating in the meeting to hear each other;
3. if the Chair of the Committee is not present at any meeting of the Committee, one of the other members of the Committee who is present at the meeting shall be chosen by the Committee to preside at the meeting;

4. the Chair shall, in consultation with the President and Chief Executive Officer and management and in consultation with the auditor, establish the agenda for the meetings and instruct management to ensure that properly prepared agenda materials are circulated to the Committee;
5. every question at a Committee meeting shall, if necessary, be decided by a majority of the votes cast;
6. the President and Chief Executive Officer and the Chief Financial Officer shall be available to advise the Committee, shall receive notice of meetings and may attend meetings of the Committee at the invitation of the Chair of the Committee. Other management representatives may be invited to attend as necessary; and
7. the Corporate Secretary or, in the absence of the Corporate Secretary, a Committee member or any other person selected by the Committee, shall act as secretary for the purpose of recording the minutes of each meeting.

The Committee shall provide the Board with a summary of all meetings together with a copy of the minutes from such meetings. Where minutes have not yet been prepared, the Chair shall provide the Board with oral reports on the activities of the Committee. All information reviewed and discussed by the Committee at any meeting shall be referred to in the minutes and made available for examination by the Board upon request to the Chair.

Responsibilities

The Committee is part of the Board. Its primary functions are to assist the Board in fulfilling its oversight responsibilities with respect to: (i) the oversight, review and approval of the financial statements and the accounting and financial reporting processes of the Corporation; (ii) the assessment of the system of internal controls that management has established; and (iii) the external audit process. In addition, the Committee shall assist the Board, as requested, in fulfilling its oversight responsibilities with respect to (i) financial policies and strategies; (ii) financial risk management practices; and (iii) transactions or circumstances which could materially affect the financial profile of the Corporation.

The Committee shall be directly responsible, in its capacity as a committee of the Board, for recommending the external auditor, approving the compensation and retention of the external auditor and overseeing the work of the external auditor and the relationship of the external auditor with the Corporation (including the resolution of disagreements between management and the external auditor regarding financial reporting).

The Committee should have a clear understanding with the independent auditor that they must maintain an open and transparent relationship with the Committee, and that the ultimate accountability of the independent auditor is to the shareholders of the Corporation.

Specific Duties

A. Relationship with External Auditor

The Committee shall:

1. consider and make a recommendation to the Board as to the appointment or re-appointment of the external auditor;
2. consider and make a recommendation to the Board as to the compensation of the external auditor which is to be paid by the Corporation;
3. oversee the work of the external auditor in performing their audit or review services, and oversee the resolution of any disagreements between management of the Corporation and the external auditor;
4. review and discuss with the external auditor all significant relationships that the external auditor and its affiliates have with the Corporation and its affiliates in order to determine the external auditor's independence, including, without limitation:

- (a) requesting, receiving and reviewing, on a periodic basis, a formal written statement from the external auditor delineating all relationships that may reasonably be thought to bear on the independence of the external auditor with respect to the Corporation;
 - (b) discussing with the external auditor any disclosed relationships or services that may impact the objectivity and independence of the external auditor; and
 - (c) recommending that the Board take appropriate action in response to the external auditor's report to satisfy itself of the external auditor's independence;
5. review and discuss the audit plan of the external auditor with the external auditor, including the staffing thereof, prior to the commencement of the audit;
6. as may be required by applicable securities laws, rules and guidelines, either:
 - (a) pre-approve all non-audit services to be provided by the external auditor to the Corporation (and its subsidiaries, if any), or, in the case of *de minimus* non-audit services, approve such non-audit services prior to the completion of the auditor
 - (b) adopt specific policies and procedures for the engagement of the external auditor for the purposes of the provision of non-audit services; and
7. review and approve the hiring policies of the Corporation regarding partners and employees and former partners and employees of the present and former external auditor of the Corporation.

B. Financial Statements and Financial Reporting

The Committee shall:

1. review with management and the external auditor, and recommend to the Board for approval, the annual financial statements of the Corporation and related financial reporting, including management's discussion and analysis and earnings press releases. In particular, the Committee's review of such financial statements should include, but not be limited to:
 - (a) reviewing changes in accounting principles, or in their application, which may have a material effect on the current or future years' financial statements;
 - (b) reviewing significant accruals, reserves or other estimates;
 - (c) reviewing the accounting treatment of unusual or non-recurring transactions; and
 - (d) reviewing disclosure requirements for commitments and contingencies;
2. upon completion of each audit, review with the external auditor the results of such audit. This process should include but not be limited to:
 - (a) reviewing the scope and quality of the audit work performed;
 - (b) reviewing the capability of the Corporation's financial personnel;
 - (c) reviewing the co-operation received from the Corporation's financial personnel during the audit;
 - (d) reviewing the internal resources used;
 - (e) reviewing significant transactions outside of the normal business of the Corporation; and
 - (f) reviewing significant proposed adjustments and recommendations for improving internal accounting controls, accounting principles or management systems;

3. review with management, and recommend to the Board for approval, the interim financial statements of the Corporation and related financial reporting, including management's discussion and analysis and earnings press releases;
4. review with management and recommend to the Board for approval, any financial statements of the Corporation which have not previously been approved by the Board and which are to be included in a prospectus or other public disclosure document of the Corporation;
5. consider and be satisfied that adequate policies and procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements (other than public disclosure referred to in clauses B.1 and B.3 above), and periodically assess the adequacy of such procedures;
6. review with management, the external auditor and, if necessary, legal counsel, any litigation, claim or contingency, including tax assessments, that could have a material effect upon the financial position of the Corporation, and the manner in which these matters may be, or have been, disclosed in the financial statements; and
7. review accounting, tax, legal and financial aspects of the operations of the Corporation as the Committee considers appropriate.

C. Internal Controls

The Committee shall review with management and the external auditor, the adequacy and effectiveness of the internal control and management information systems and procedures of the Corporation (with particular attention given to accounting, financial statements and financial reporting matters) and determine whether the Corporation is in compliance with applicable legal and regulatory requirements and with the Corporation's policies.

D. Financial Risk Management

The Committee may, if requested:

1. review the appropriateness and effectiveness of the Corporation's policies and business practices which impact on the financial integrity of the Corporation, including those relating to insurance, accounting, management reporting and risk management;
2. review with management and the external auditor their assessment of the significant financial risks and exposures of the Corporation and discuss with management the steps which the Corporation has taken to monitor and control such exposures;
3. review current and expected future compliance with covenants under any financing agreements;
4. review the activities of the Corporation's marketing group and the financial risks arising from such activities;
5. review the insurance program including coverage for such things as business interruption, general liabilities, and directors and officers liability;
6. review any other significant financial exposures including such things as tax audits, government audits or any other activities that expose the Corporation to the risk of a material financial loss;
7. report the results of such reviews to the Board for the purpose of assisting the Board in identifying the principal business risks associated with the businesses of the Corporation; and
8. review the appropriateness of the policies and procedures used in the preparation of the Corporation's financial statements and other required disclosure documents, and consider recommendations for any material change to such policies.

E. Procedure For Complaints and Employee Submissions

The Committee shall establish procedures for: (i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and (ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

Approval

This Audit Committee Terms of Reference has been approved and adopted by the Board effective March 14, 2008.