



**ANNUAL INFORMATION FORM**

**MEDCOLCANNA ORGANICS INC.**

**FOR THE YEAR ENDED DECEMBER 31, 2020**

**Dated March 31, 2021**

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## GLOSSARY OF TERMS

Whenever used in this Annual Information Form, unless the context otherwise requires, the following terms shall have the indicated meanings and grammatical variations of such words and terms have corresponding meanings. Words importing the singular number, where the context requires, include the plural and vice versa and words importing any gender include all genders. In this Annual Information Form, unless otherwise noted, all dollar amounts are expressed in Canadian dollars.

**“Affiliate”** - a company is an “Affiliate” of another Company if:

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

A Company is “controlled” by a Person if:

- i. voting securities of the Company are held, other than by way of security only, by or for the benefit of that Person, and
- ii. the voting securities, if voted, entitle the Person to elect a majority of the directors of the Company.

A Person beneficially owns securities that are beneficially owned by:

- i. a Company controlled by that Person, or
- ii. an Affiliate of that Person or an Affiliate of any Company controlled by that Person.

**“Annual Information Form”** means this Annual Information Form for the year ended December 31, 2020 and dated March 31, 2021.

**“Arm’s Length Transaction”** means a transaction which is not a “Related Party Transaction” as defined below.

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

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

but

- (e) where the Exchange determines that two Persons shall, or shall not, be deemed to be associates with respect to a Member firm, Member corporation or holding company of a Member corporation, then such determination shall be determinative of their relationships in the application of Rule D with respect to that Member firm, Member corporation or holding company.

**“BCAA”** means the *Business Corporations Act* (Alberta), as promulgated or amended from time to time.

**“BCBCA”** means the *Business Corporations Act* (British Columbia), and the regulations made thereunder, as promulgated or amended from time to time.

**“Board”** or **“Medcolcanna Board”** means the board of directors of Medcolcanna.

**“Business Day”** means a day, other than a Saturday, Sunday or statutory holiday, when banks are generally open in the City of Toronto, Ontario or Vancouver, British Columbia for the transaction of banking business.

**“CBCA”** means the *Canada Business Corporations Act*, as promulgated or amended from time to time.

“**CBD**” means cannabidiol, a naturally occurring and non-psychoactive cannabinoid constituent of cannabis and a precursor of THC.

“**CBN**” means cannabinol, a naturally occurring and non-psychoactive cannabinoid constituent of cannabis and the by-product of THC as it ages.

“**Change of Control**” includes situations where after giving effect to the contemplated transaction and as a result of such transaction:

- (a) any one Person holds a sufficient number of the Voting Shares of the issuer to affect materially the control of the issuer, or
- (b) any combination of Persons, acting in concert by virtue of an agreement, arrangement, commitment or understanding, hold in total a sufficient number of the Voting Shares of the issuer to affect materially the control of the issuer;

where such Person or combination of Persons did not previously hold a sufficient number of Voting Shares to affect materially the control of the issuer. In the absence of evidence to the contrary, any Person or combination of Persons acting in concert by virtue of an agreement, arrangement, commitment or understanding, holding more than 20% of the Voting Shares of the issuer is deemed to materially affect the control of the issuer.

“**Closing Date**” means the date of closing of the reverse take-over transaction between IES and Medcolcanna BVI, including the Share Exchange, such date being May 17, 2019.

“**Company**” unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual.

“**Completion Date**” means the date of the Final Exchange Bulletin, being May 17, 2019.

“**Concurrent Financing**” means the brokered financing of Medcolcanna BVI completed by way of a best efforts private placement consisting of the sale of Unit Subscription Receipts for gross proceeds of \$7,746,700, such financing having closed on various dates between December 20, 2018 and March 12, 2019.

“**Consolidation**” means the consolidation of the issued and outstanding IES Shares pursuant to which all of the issued and outstanding IES Shares were converted into a total of 12,900,000 IES Shares, such consolidation having occurred on May 17, 2019 in conjunction with the Closing Date, and the corresponding consolidation and adjustment of the IES Payment Warrants such that there remained a total amount of 6,450,000 of such warrants. The consolidation ratio was one (1) Medcolcanna Organics Share for every 9.072 IES Shares.

“**Continuation**” means the continuation of IES from the CBCA to the BCBCA, such continuation having been approved at the Meeting and having occurred on the Closing Date.

“**Control Person**” means any Person that holds or is one of a combination of Persons that hold a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or (ii) more than 20% of the outstanding voting securities of an issuer except where there is evidence showing that the holding of those securities does not affect materially the control of the issuer.

“**COP**” means Colombian pesos, the official currency of the Republic of Colombia.

“**Cultivation Facility**” means the facilities to be constructed on the Leased Lands for the purposes of cultivating High THC Medicinal Cannabis and Low THC Medicinal Cannabis.

“**Effective Time**” means the time on the Closing Date that the Share Exchange became effective.

**“Escrow Agreement”** means the escrow agreement entered into among the Escrow Agent, Medcolcanna and certain of Medcolcanna BVI Shareholders (now Medcolcanna Organics Shareholders) in compliance with the requirements of the TSXV Corporate Finance Manual.

**“Escrow Agent”** means TSX Trust Company

**“Final Exchange Bulletin”** means the bulletin issued by the Exchange following closing of the RTO and the submission of all Post-Approval Documents which evidences the final Exchange acceptance of the RTO and which occurred on March 17, 2019.

**“FNE”** means the National Narcotics Fund (Fondo Nacional de Estupefacientes), the Colombian narcotics regulatory regime.

**“GEP Standards”** means the Colombian good elaboration practices certified in accordance with the guidelines set out in Decree 2200 of 2005 and INVIMA Resolution 444 of 2008.

**“GMP Standards”** means the Colombian good manufacturing standards for pharmaceutical laboratories in accordance with the guidelines set out in Decree 549 of 2001 and INVIMA Resolution 01087 of 2001.

**“High THC Medicinal Cannabis”** means psychoactive cannabis containing more than 1% THC.

**“ICA”** means the Colombian Agricultural Institute.

**“IES”** means Integrated Energy Storage Corp., a company incorporated pursuant to the CBCA, prior to the Closing Date and the Name Change to Medcolcanna Organics Inc.

**“IES Board”** means the Board of Directors of IES prior to the Closing Date.

**“IES Payment Warrants”** means the 6,450,000 common share purchase warrants in the capital of Medcolcanna which were issued at Closing to certain IES Shareholders, entitling the holders thereof to acquire one Medcolcanna Organics Share at price of \$0.40 per Medcolcanna Organics Share until the date that is two (2) years from the Closing Date.

**“IES Shares”** means common shares in the capital of IES as they existed prior to the Closing Date.

**“IES Shareholders”** means the holders of IES Shares prior to the Closing Date.

**“IES Private Placement”** means the private placement of IES Shares completed by IES prior to the Closing Date.

**“IES Stock Option Plan”** means the incentive stock option plan of IES prior to the Closing Date which was adopted by Medcolcanna upon the completion of the Share Exchange.

**“IES Stock Options”** means incentive stock options issued by IES pursuant to the IES Stock Option Plan and all of which were cancelled on or before the Closing Date.

**“IFRS”** means International Financial Reporting Standards.

**“Informed Person”** means:

- i. a director or executive officer of a reporting issuer;
- ii. a director or executive officer of a person or company that is itself an informed person or subsidiary of a reporting issuer;
- iii. any person or company who beneficially owns, or controls or directs, directly or indirectly, voting securities of a reporting issuer or a combination of both carrying more than 10% of the voting rights

- attached to all outstanding voting securities of the reporting issuer other than voting securities held by the person or company as underwriter in the course of a distribution; and
- iv. a reporting issuer that has purchased, redeemed or otherwise acquired any of its securities, for so long as it holds any of its securities.

**“Insider”** if used in relation to an issuer, means:

- (a) a director or senior officer of the issuer;
- (b) a director or senior officer of the Company that is an insider or subsidiary of the issuer;
- (c) a Person that beneficially owns or controls, directly or indirectly, Voting Shares carrying more than 10% of the voting rights attached to all outstanding Voting Shares of the issuer; or
- (d) the issuer itself if it holds any of its own securities.

**“INVIMA”** means the Colombia National Food and Drug Surveillance Institute (Instituto Nacional de Vigilancia de Medicamentos y Alimentos), the Colombian prescription drug regulatory body.

**“Leased Lands”** means the lease of seven (7) hectares within the Guacachica Estate, Calle 175 Chorrillos, La Conejera, Bogota D.C., pursuant to a five year lease agreement dated August 22, 2018, as amended in February 2020 to increase the land under lease to seven (7) hectares.

**“Low THC Medicinal Cannabis”** means CBD-focused, non-psychoactive cannabis containing less than 1% THC.

**“Magistral Preparation”** means any medicinal product prepared in a pharmacy in accordance with a medical prescription for an individual patient as directed by a qualified medical practitioner.

**“Medcolcanna”** means Medcolcanna Organics Inc., a company continued under the laws of the Province of British Columbia in accordance with the BCBCA and which was previously named Integrated Energy Storage Inc. prior to the Closing Date.

**“Medcolcanna BVI”** means Medcolcanna (BVI), Inc., a company organized under the laws of the British Virgin Islands and a direct subsidiary of Medcolcanna.

**“Medcolcanna BVI \$0.09 Unit Private Placement”** means the private placement of Medcolcanna BVI units at a price of \$0.09 per Medcolcanna \$0.09 Unit with each Medcolcanna \$0.09 Unit comprising one Medcolcanna BVI Share and one-half of one Medcolcanna BVI \$0.25 Warrant, and which were converted into Medcolcanna Organics Shares and Medcolcanna BVI \$0.25 Warrants on the Closing Date.

**“Medcolcanna BVI \$0.09 Units”** means the 7,362,659 units issued pursuant to Medcolcanna BVI \$0.09 Unit Private Placement, at a price of \$0.25 per Medcolcanna Unit with each Medcolcanna Unit comprising one Medcolcanna BVI Share and one-half of one Medcolcanna BVI Second Private Placement Warrant, and which were converted into Medcolcanna Organics Shares and Medcolcanna Unit Warrants on the Closing Date.

**“Medcolcanna BVI \$0.25 Warrant”** means a common share purchase warrant of Medcolcanna BVI, one-half of which was issued on the exchange of each of Medcolcanna BVI \$0.09 Units, with each whole Medcolcanna BVI \$0.25 Warrant entitling the holder thereof to acquire one Medcolcanna Organics Share at a price of \$0.25 per Medcolcanna Organics Share until September 24, 2019 and all of which have now expired.

**“Medcolcanna BVI Private Placement Warrants”** means the warrants issued pursuant to Medcolcanna BVI Second Private Placement and the Concurrent Financing to purchase approximately 1,000,000 Medcolcanna Organics Shares at a price of \$0.40 until December 20, 2020 and 15,493,400 Medcolcanna Organics Shares at a price of \$0.40 for a period of two (2) years from the Closing Date, respectively, all such warrants having been exchanged for Medcolcanna Unit Warrants on the Closing Date.

**“Medcolcanna BVI Second Private Placement”** means the private placement of Medcolcanna Units representing \$500,000 in gross proceeds which closed on December 20, 2018.

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

**“Medcolcanna Licences”** or **“Licences”** means the licences issued to Medcolcanna SAS for: (i) the cultivation of non-psychoactive cannabis; (ii) the cultivation of psychoactive cannabis; (iii) for the manufacture of cannabis derivatives, all of which were granted for a five-year period and shall expire, unless renewed, in 2023; and (iv) the resolutions issued to Medcolcanna SAS which grants the registration of 8 strains in the National Register of Commercial Cultivars for an indefinite term, as further described on pages 14, 29 and 35 of this Annual Information Form.

**“Medcolcanna Organics Shares”** or **“Shares”** means the IES Shares following completion of the Share Exchange and the Consolidation, which are now common shares in the capital of Medcolcanna.

**“Medcolcanna Organics Shareholders”** means the holders of Medcolcanna Organics Shares.

**“Medcolcanna SAS”** means Medcolcanna S.A.S., a company organized under the laws of the Republic of Colombia, and a subsidiary of Medcolcanna BVI.

**“Medcolcanna Stock Option Plan”** means the incentive stock option plan adopted by Medcolcanna upon the completion of the Share Exchange as the stock option plan for Medcolcanna, being the IES Stock Option Plan.

**“Medcolcanna Unit Warrant”** means a common share purchase warrant of IES, one-half of which was issued on the exchange of each of the Unit Subscription Receipts and Medcolcanna Units, with each whole IES Unit Warrant entitling the holder thereof to acquire one Medcolcanna Organics Share at price of \$0.40 per Medcolcanna Organics Share until the date that is two (2) years from the Closing Date, being May 17, 2021.

**“Medcolcanna Units”** means the 2,000,000 units issued pursuant to Medcolcanna BVI Second Private Placement, at a price of \$0.25 per Medcolcanna Unit with each Medcolcanna Unit comprising one Medcolcanna Organics Share and one-half of one Medcolcanna BVI Second Private Placement Warrant, and which were converted into Medcolcanna Organics Shares and Medcolcanna Unit Warrants on the Closing Date.

**“Medcolcanna Warrants”** means Medcolcanna Unit Warrants, the IES Payment Warrants and Medcolcanna Private Placement Warrants.

**“medicinal cannabis”** means the cannabinoids extracted for medicinal purposes to treat certain diseases or minimize specific symptoms and, for clarity, unless otherwise indicated, reference made to medicinal cannabis in this Annual Information Form shall not be considered as referring to the business of cannabis for scientific research or recreational use.

**“Meeting”** means the special meeting of the IES Shareholders held on February 21, 2019 at 10:00 a.m. (PST) at Suite 2200, 885 West Georgia Street, Vancouver, BC, V6C 3E8 which approved the Name Change, Consolidation, Continuance, Medcolcanna Stock Option Plan and Board Resolutions.

**“Member”** has the meaning given to it in Rule A.1.00 of the Exchange.

**“Ministry of Agriculture”** means the *Colombian Ministry of Agriculture and Rural Development*.

**“Ministry of Health”** means the *Colombian Ministry of Health and Social Protection*.

**“Ministry of Justice”** means the *Colombian Ministry of Justice and Law*.

**“Name Change”** means the change of name of IES to Medcolcanna Organics Inc., such change having occurred on the Closing Date.

**“Name Change Resolution”** means the special resolution of the IES Shareholders approving the Name Change, which was approved at the Meeting and which became effective on the Closing Date.

**“Non-arm’s Length Party”** means in relation to a Company, a promoter, officer, director, other Insider or Control Person of that Company (including an issuer) and any Associates or Affiliates of any of such Persons. In relation to an individual, means any Associate of the individual or any Company of which the individual is a promoter, officer, director, Insider or Control Person.

**“Notice of Meeting”** means the notice of meeting distributed to IES Shareholders in connection with the Meeting.

**“Person”** means a Company or individual.

**“Post-Approval Documents”** mean the documents prescribed as such in Exchange Policy 5.2 – *Changes of Business and Reverse Takeovers*.

**“Property Lease Agreement”** means the land lease signed March 26, 2018 with an addendum added on July 29, 2018 for the Leased Lands, as amended in February of 2020.

**“Record Date”** means the record date for the Meeting, being January 17, 2019.

**“Related Party Transaction”** has the meaning ascribed to that term in Exchange Policy 5.9, and includes a related party transaction that is determined by the Exchange, to be a Related Party Transaction. The Exchange may deem a transaction to be a Related Party Transaction where the transaction involves Non Arm’s Length Parties, or other circumstances exist which may compromise the independence of the issuer with respect to the transaction.

**“Remark Investor Relations Agreement”** means the six (6) month Investor Relations Agreement entered into between Medcolcanna and Remark Financial Communications Inc. on February 22, 2019 and effective from March 1, 2019 to August 31, 2019. Remark Financial Communications is based in Toronto, ON and offers Medcolcanna investor relations services as more particularly set forth in the agreement.

**“RTO”** means a transaction or series of transactions, involving an acquisition by the issuer or of the issuer, and a securities issuance by an issuer that results in:

- (a) new shareholders holding more than 50% of the outstanding voting securities of the issuer; and
- (b) a Change of Control of the issuer. The Exchange may deem a transaction to have resulted in a Change of Control by aggregating the shares of a vendor group and/or incoming management group,

but does not include any transaction or series of transactions whereby the newly issued securities are to be issued to shareholders of an issuer listed on TSX or another senior exchange under a formal takeover bid made pursuant to Securities Laws.

A transaction or series of transactions may include an acquisition of a business or assets, an amalgamation, arrangement or other reorganization.

Any securities issued pursuant to a Private Placement effected concurrently, contingent upon, or otherwise linked to a transaction or series of transactions, may be used in order to determine whether a transaction or series of transactions satisfies (a) and/or (b), above.

**“Share Consolidation Resolution”** means the special resolution of the IES Shareholders that approved the Consolidation at the Meeting and which became effective on the Closing Date.

**“Share Exchange Agreement”** means the Share Exchange Agreement dated as of December 5, 2018 between IES and Medcolcanna BVI, pursuant to which IES and Medcolcanna BVI agreed to the terms of the Share Exchange, as amended from time to time, and which was consummated on May 17, 2019.

**“Share Exchange Agreement Drop Dead Date”** means the drop dead date pursuant to which the Share Exchange was to occur, being no later than May 21, 2019.



**“Share Exchange”** means the transactions contemplated by the Share Exchange Agreement, which include the issuance of IES Shares to Medcolcanna BVI Shareholders following the Consolidation, and which was consummated on May 17, 2019.

**“Sponsor”** has the meaning specified in Exchange Policy 2.2 – *Sponsorship and Sponsorship Requirements*.

**“Stock Option Plan Resolution”** means the ordinary resolution approving the Medcolcanna Stock Option Plan which was voted on and approved at the Meeting.

**“Storyboard Investor Relations Agreement”** means the six (6) month Services Agreement entered into between Medcolcanna and Storyboard Communications Corp. on February 26, 2019 and effective from March 1, 2019 to August 31, 2019. Storyboard Communications Corp. is based in Toronto, ON and offers Medcolcanna investor relations services as more particularly set forth in the agreement.

**“THC”** means tetrahydrocannabinol, a naturally occurring and psychoactive cannabinoid constituent of cannabis.

**“Transaction”** means the purchase and sale of Medcolcanna Organics Shares contemplated by the Share Exchange Agreement.

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

**“Unit Subscription Receipts”** means the subscription receipts issued pursuant to the Concurrent Financing, at a price of \$0.25 per Unit Subscription Receipt with each Unit Subscription Receipt entitling the holder thereof to acquire one Medcolcanna BVI Share and one-half of one Medcolcanna Private Placement Warrant upon certain terms and conditions being satisfied, including but not limited to the completion of the Transaction, and which were converted into Medcolcanna Organics Shares and Medcolcanna Unit Warrants on the Closing Date.

#### **SPECIAL NOTE REGARDING FORWARD-LOOKING INFORMATION**

This Annual Information Form contains certain forward-looking information. Words such as “may”, “would”, “could”, “will”, “expects”, “anticipates”, “believes”, variations of such words and similar expressions are intended to identify such forward-looking information. Specifically, and without limiting the generality of the foregoing, all information included in this Annual Information Form that addresses activities, events or developments that Medcolcanna expects or anticipates will or may occur in the future, including, but not limited to, such things as future capital (including the amount and nature thereof), projects under development, goals, objectives, plans and references to the future success of such entities is forward looking information, including, without limitation, such information contained in this Annual Information Form. Actual results could differ materially from those expressed or implied by such forward looking information as a result of certain factors, including those described in “*Risk Factors*” in this Annual Information Form.

Readers are cautioned not to place undue reliance on forward-looking information contained in this Annual Information Form, which reflects the analysis of the management of Medcolcanna, as appropriate, only as of the date of this Annual Information Form. There can be no assurance that the actual results or developments anticipated by Medcolcanna will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, Medcolcanna or any of the business or operations of such entities. Medcolcanna does not intend, and does not assume any obligation, to update such forward looking information.

#### **MARKET AND INDUSTRY DATA**

This Annual Information Form includes market and industry data that has been obtained from third party sources, including industry publications, as well as industry data prepared by management on the basis of its knowledge of and experience in the cannabis industry (including management’s estimates and assumptions relating to such industry based on that knowledge). The knowledge of management of such industry has been developed through its experience and participation in such industry. Although management believes such information to be reliable, management has not independently verified any of the data from third party sources referred to in this Annual Information Form or

ascertained the underlying economic assumptions relied upon by such sources. References in this Annual Information Form to any publications, reports, surveys or articles prepared by third parties should not be construed as depicting the complete findings of the entire publication, report, survey or article. The information in any such publication, report, survey or article is not incorporated by reference in this Annual Information Form.

**TIMING OF INFORMATION**

Unless otherwise noted, all information set forth in this Annual Information Form is as of December 31, 2020, unless otherwise stated to the contrary herein.

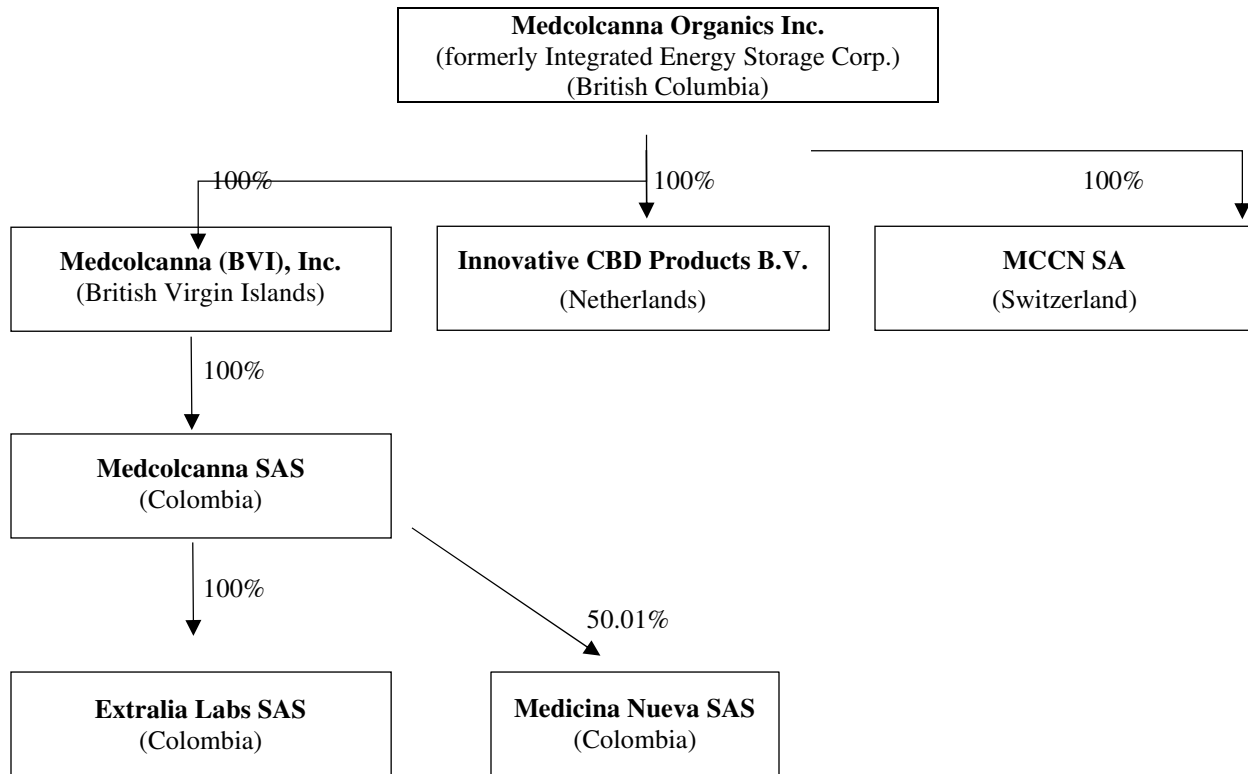
**USE OF WORD CANNABIS**

When used herein, references to the cannabis produced by Medcolcanna in Colombia and sold within that country refer to medicinal cannabis, as only medicinal cannabis has been approved for production and distribution in Colombia since recreational cannabis has not been approved in that country. When used elsewhere, cannabis refers to both medicinal and recreational cannabis, as cannabis has been approved for recreational use in certain jurisdictions where Medcolcanna does business or may in the future do business.

**CORPORATE STRUCTURE**

Medcolcanna was incorporated under the BCAA on May 31, 2010 under the name “1539460 Alberta Ltd”. It then changed its name to “Aileron Ventures Limited” on December 29, 2010. On December 2, 2016, a Certificate of Continuance was filed to change the name again to “Integrated Energy Storage Corp.” and for it be continued under the CBCA. Medcolcanna’s name was changed to “Medcolcanna Organics Inc.” on May 17, 2019 and it was continued under the BCBCA. Medcolcanna’s head office is located at Cra 49b, Number 93-62, Bogota, Colombia. Medcolcanna’s registered office is located at Unit 17, 4840 Borrego Ridge Road, Radium Hot Springs, BC V0A 1M0.

**INTER CORPORATE RELATIONSHIPS**



Medcolcanna has three direct wholly owned subsidiaries, being Medcolcanna BVI, Innovative CBD Products B.V., and MCCN SA. In turn Medcolcanna BVI has three subsidiary entities being Medcolcanna SAS, Extralia Labs SAS and Medicina Nueva SAS.

Medcolcanna BVI was incorporated pursuant to the provisions of the *BVI Companies Act, 2004* on July 10, 2018 originally under the name Geberi, Ltd. and changed its name to Medcolcanna (BVI), Inc. on August 27, 2018. Medcolcanna BVI's registered office is located at 2<sup>nd</sup> floor, Wickham's Cay II, Road Town, Tortola, British Virgin Islands.

Innovative CBD products B.V. ("**ICP**") is a corporation existing and organized under the laws of the Netherlands. The company was incorporated on November 15, 2017. Pursuant to a share purchase agreement, Medcolcanna acquired all the issued and outstanding shares of ICP in exchange for US\$900,000 worth of Medcolcanna Organics Shares at a deemed price of \$0.25 per share, plus a royalty of 10% gross margin of products developed by ICP and sold by Medcolcanna. ICP has its registered address at Eext, Netherlands.

MCCN SA is an incorporated entity, organized and existing under the laws of Switzerland. MCCN SA was acquired by Medcolcanna on August 6<sup>th</sup>, 2020 for the purpose of producing, developing, and distributing cannabis vaping and other cannabis related consumer products in Europe.

Medcolcanna BVI has one wholly owned subsidiary, Medcolcanna SAS, which was incorporated on December 16, 2016 under the laws of Colombia as "Inversiones DLV S.A.S.". On March 7, 2018 it changed its name to "Medcolcanna S.A.S." Medcolcanna SAS has its registered office address at Bogota, Colombia. Medcolcanna SAS is the operating entity of Medcolcanna and holds all of the assets of the business, including the Licences. Medcolcanna SAS also holds all the shares of Extralia Labs SAS.

Pursuant to a share purchase agreement dated July 24, 2018 between Medcolcanna and Trallma S.A.S., Medcolcanna acquired all the issued and outstanding shares in the capital of Medcolcanna SAS from Trallma S.A.S. by issuing a total of 11,520,000 Medcolcanna Organics Shares to the shareholders of Trallma S.A.S.

Medcolcanna SAS has a wholly owned subsidiary, Extralia labs SAS, a Colombian incorporated entity with its registered office address at Bogota, Colombia. Extralia Labs SAS was incorporated by Medcolcanna SAS which holds 100% of the issued and outstanding shares of Extralia Labs.

Medcolcanna SAS has a majority owned subsidiary, Medicina Nueva SAS, a Colombian incorporated entity with its registered office address at Bogota, Colombia. Medicina Nueva SAS was incorporated by Medcolcanna SAS and unrelated company Impoexport International SAS, which corporate purpose is wholesale trading of pharmaceutical products. Medcolcanna SAS holds 50.01% of the issued and outstanding shares of Medicina Nueva SAS.

## **GENERAL DEVELOPMENT OF THE BUSINESS**

IES became a reporting issuer in April 2011, in connection with an arrangement involving Immunall Science Inc. At the time, it was controlled by Mosaic Limited Partnership ("**Mosaic**"). IES did not have active operations at the time, and its business consisted largely of reviewing potential acquisitions and options for a public listing. All of the capital necessary to maintain IES, and ensure compliance with its disclosure obligations, was lent to IES by Mosaic during the time it had control. In August 2016, Mosaic disposed of the majority of its share capital in IES and a new management group was appointed. During this time, John Purdy became a significant shareholder of IES. Mr. Purdy then assumed responsibility for funding of IES, and arranged to complete a series of loans to IES.

New management of IES sought to position IES as a developer of technology for large-scale vanadium flow batteries. In the course of this change, a new name was adopted by IES. One of the company's first initiatives was to undertake development of a relationship with Pacific Northwest National Laboratories of Richland, Washington ("**PNNL**"). This government research facility undertook research into vanadium redox flow batteries and developed and patented several vanadium electrolyte formulations. IES became a licensee of the electrolyte formulations and over the next two years maintained the licence and associated patents. Due to limited funds, actual development of an

electrolyte processing facility did not take place although the PNNL licences were maintained. In early 2019, the PNNL licences were terminated.

Between early 2019 and the Closing Date, IES did not carry on any active business other than to: (i) make an investment in Altius Edge Ltd. to acquire 50% of the outstanding common shares thereof; (ii) undertake matters in connection with an amalgamation transaction involving Altius Edge Ltd. and Immunall Science Inc.; (iii) engage in activities to identify and evaluate businesses and assets with a view to completing an acquisition of a business or assets; and (iv) hold a licence with Pacific Northwest National Laboratories which provides for evaluation and testing of vanadium that could be used in the production of vanadium electrolyte and would enable IES to produce vanadium electrolyte that is currently patented by Pacific Northwest National Laboratories.

IES began seeking new projects and opportunities to enhance shareholder value. On December 5, 2018, IES and Medcolcanna BVI entered into the Share Exchange Agreement setting forth a business combination subject to regulatory approval.

In connection with the Transaction and as a condition to the Closing, IES had to complete a financing of IES Shares in an amount sufficient to ensure that it had not less than \$940,000 in available cash. On January 3, 2019, IES issued a total of 222,000 IES Shares at a price of \$0.02 per IES Share for total gross proceeds of \$4,440. On January 31, 2019, IES issued a total of 40,470,000 IES Shares at a price of \$0.025 per IES Share for total gross proceeds of \$1,011,750. On March 26, 2019, IES issued a total of 6,433,253 IES Shares at a price of \$0.0218 per share for total gross proceeds of \$140,245. In addition, it was a condition of the Closing that IES had no outstanding debt. In order to extinguish its existing debt, John Purdy, a shareholder of IES as well as a subscriber to IES's \$0.025 private placement, acquired \$345,368 of IES's debt from the holders thereof and agreed to settle that debt in consideration for the receipt of 6,500,000 Medcolcanna Organics Shares and 6,450,000 IES Payment Warrants, which he subsequently agreed to assign to certain other individuals and entities pursuant to various commitments unrelated to IES that he had with such individuals and entities. Mr. Purdy retained 400,000 of Medcolcanna Organics Shares and 325,000 of the IES Payment Warrants issued pursuant to the IES debt settlement. Further, certain of the debt incurred in connection with the PNNL licence was assumed by a numbered Alberta company, which is non-arm's length to IES, in that it is controlled by certain principals of IES.

## **THE SHARE EXCHANGE**

### **Background to the Share Exchange**

In 2018, given the delays and uncertainty of obtaining the required permits to advance IES's assets, the IES Board instructed management to explore potential acquisitions or opportunities, with a view to maximizing shareholder value. IES has reviewed a number of opportunities but was interested in opportunities in the then growing marijuana sector.

Management of Medcolcanna BVI sought to go public with a company that is recognized as a "reporting issuer" under Canadian securities laws in order to complete a going public transaction. IES was a "reporting issuer" under Canadian securities laws and in the Provinces of British Columbia, Alberta and Ontario. In addition, IES had capital market expertise. IES was not actively traded and, therefore, did not have a trading symbol.

On December 5, 2018, IES and Medcolcanna BVI entered into a Share Exchange Agreement setting forth a business combination, subject to regulatory approval and announced the Transaction on the same day. In connection with the Share Exchange and pursuant to the terms of the Share Exchange Agreement, IES lent a total of \$730,000 to Medcolcanna BVI to cover the working capital requirements of Medcolcanna BVI until the Closing Date. IES and Medcolcanna BVI entered into a loan agreement dated February 22, 2019 with respect to \$330,000 of this amount. The loan was unsecured, had an interest rate of 8% per annum and a term of 90 days starting from February 25, 2019. IES and Medcolcanna BVI entered into a second loan agreement dated March 31, 2019 with respect to an additional \$250,000. The loan was likewise unsecured, had an interest rate of 8% per annum and a term of 90 days starting from April 1, 2019. IES and Medcolcanna entered into a further loan agreement dated May 6, 2019 with respect to an additional \$150,000. The loan was unsecured, had an interest rate of 8% per annum and a term of 90 days starting

from May 8, 2019. Following the Closing Date, these loans became inter-company loans since they were between a parent company and subsidiary and have since become terminated through inter-company accounting.

### **Summary of the Share Exchange**

Pursuant to the Share Exchange Agreement, IES and Medcolcanna BVI completed a share exchange whereby IES continued under the name “Medcolcanna Organics Inc.”. The Share Exchange was effected in accordance with the terms of the Share Exchange Agreement. The number of Medcolcanna Organics Shares that each shareholder of Medcolcanna BVI received upon completion of the Share Exchange as well as the Consolidation ratio were negotiated and agreed to on an arm’s-length basis and were specifically set out in the Share Exchange Agreement. On the Closing Date, there were 51,628,148 IES Shares and 500,000 IES Stock Options issued and outstanding. Medcolcanna BVI had 41,762,659 Medcolcanna Organics Shares (which includes 7,362,659 shares issued pursuant to Medcolcanna BVI \$0.09 Unit Private Placement), 3,681,330 Medcolcanna BVI \$0.25 Warrants, 1,000,000 Medcolcanna BVI Private Placement Warrants and 30,986,800 Unit Subscription Receipts issued and outstanding. Pursuant to the terms of the Share Exchange Agreement:

- (i) immediately prior to completion of the Share Exchange, IES completed the IES Private Placement in order to meet the condition that it have the necessary working capital and settled all outstanding debt of IES such that at closing there were no current or long-term financial liabilities existing in IES;
- (ii) the outstanding IES Shares were consolidated such that there were 12,900,000 IES Shares issued and outstanding immediately prior to the Effective Time and IES received 6,450,000 IES Payment Warrants;
- (iii) the IES Options were terminated and cancelled;
- (iv) each Medcolcanna BVI Shareholder exchanged their Medcolcanna BVI Shares for Medcolcanna Organics Shares on a one-for-one (1:1) basis, resulting in, prior to giving effect to the Concurrent Financing, 41,762,659 Medcolcanna Organics Shares being issued to Medcolcanna BVI Shareholders;
- (v) immediately prior to the Closing Date, each holder of a Unit Subscription Receipt acquired one Medcolcanna Organics Share and one-half of one Medcolcanna Private Placement Warrant, which were then converted into an IES Share and one-half of one IES Unit Warrant on the Closing Date, resulting in 30,986,800 IES Shares and 15,493,400 IES Unit Warrants being issued to holders of Unit Subscription Receipts and Medcolcanna Units;
- (vi) immediately prior to the Closing Date, each Medcolcanna Organics Share and each whole Medcolcanna BVI Second Private Placement Warrant acquired in Medcolcanna BVI Second Private Placement were converted into a Medcolcanna Organics Share and a whole Medcolcanna Unit Warrant on the Closing Date, resulting in 2,000,000 Medcolcanna Organics Shares and 1,000,000 Medcolcanna Unit Warrants being issued to subscribers to Medcolcanna BVI Second Private Placement;
- (vii) immediately prior to the Closing Date, each whole Medcolcanna BVI \$0.25 Warrant was converted into one IES \$0.25 Warrant on the Closing Date, resulting in 7,362,659 Medcolcanna Organics Shares and 3,681,330 Medcolcanna BVI \$0.25 Warrants being issued to holders of Medcolcanna BVI \$0.09 Units; and
- (viii) IES changed its name to “Medcolcanna Organics Inc.”

Upon completion of the Share Exchange Agreement and the change in name of IES described above, all IES securities became Medcolcanna securities. The completion of the Share Exchange constituted a “Reverse Takeover” of IES within the meaning of such term under applicable securities laws and Exchange policies.

## **DEVELOPMENT AND DESCRIPTION OF THE BUSINESS**

### **History**

Medcolcanna BVI is an integrated medicinal cannabis company founded in July 2018 with its core operations in the Municipality of La Conejera, in the Department of Cundinamarca, Republic of Colombia. In July 2018, Medcolcanna BVI acquired all of the outstanding shares of Medcolcanna SAS.

On June 21, 2018, the Ministry of Health granted the Production Licence authorizing the domestic and international distribution of High and Low THC Medicinal Cannabis extracts which allows Medcolcanna SAS to produce cannabis for domestic use and international export. Pursuant to the Production Licence, the Colombian government approved four hectares of land on which Medcolcanna SAS is permitted to commence cultivation and production of medicinal cannabis at its Cultivation Facility.

On June 22, 2018, the Ministry of Justice granted the Low THC Cultivation Licence (non-psychoactive, less than 1% THC content) allowing Medcolcanna SAS to cultivate and produce grain and seeds for planting, and for by-product production.

On June 29, 2018, the Ministry of Justice granted the High THC Cultivation Licence (psychoactive, more than 1% THC content) allowing Medcolcanna SAS to cultivate and produce grain and seeds for planting, and for by-products production.

With the Licences and authorizations, Medcolcanna SAS has the requisite approvals to cultivate, produce, distribute domestically and export internationally both THC and CBD medicinal cannabis.

On September 24, 2018, Medcolcanna BVI completed the non-brokered Medcolcanna BVI \$0.09 Unit Private Placement in which it issued 7,362,659 units at \$0.09 per unit for gross proceeds of \$662,639. Each unit consisted of one Medcolcanna Organics Share and one-half of one Medcolcanna BVI \$0.25 Warrant. Each whole Medcolcanna BVI \$0.25 Warrant was exercisable into one Medcolcanna Organics Share at a price of \$0.25 per share until September 24, 2019, and all of which have now expired.

On December 5, 2018, Medcolcanna BVI entered into the Share Exchange Agreement with IES, pursuant to which the parties completed the Share Exchange.

In connection with the Share Exchange, Medcolcanna BVI agreed to complete two securities offerings, being Medcolcanna BVI Second Private Placement and the Concurrent Financing. Medcolcanna BVI Second Private Placement closed on December 20, 2018 and raised gross proceeds of \$500,000 and the Concurrent Financing closed on various dates between December 2018 and March 2019, raising gross proceeds of \$7,746,700. On closing of the Share Exchange transaction, each Unit Subscription Receipt unit was converted into one Medcolcanna Organics Share and one-half of one Medcolcanna Unit Warrant. Each full Resulting Unit Warrant is exercisable at \$0.40 per Medcolcanna Organics Share for a period of two years from the Closing Date. Medcolcanna BVI raised, before commissions and expenses, \$8,246,700 pursuant to Medcolcanna BVI Second Private Placement and the Concurrent Financing.

### **Acquisitions and Dispositions**

Pursuant to a share purchase agreement dated July 24, 2018 between Medcolcanna BVI and Trallma S.A.S., Medcolcanna BVI acquired all the issued and outstanding shares in the capital of Medcolcanna SAS from Trallma S.A.S. by issuing a total of 11,520,000 Medcolcanna Organics Shares to the shareholders of Trallma S.A.S. Medcolcanna SAS is the entity that holds all Medcolcanna's cannabis licences. No significant acquisitions were completed by Medcolcanna during the most recently completed financial year and this acquisition was not reportable pursuant to applicable securities laws as being significant since the only asset held by Medcolcanna SAS was the licences and it had no active business that it was conducting and was completed prior to Medcolcanna becoming a reporting issuer under applicable securities laws.

## Developments since the Closing of the Share Exchange

On May 23, 2019, Medcolcanna announced that it had entered into an agreement for the purchase of Innovative CBD Products B.V., a Netherlands-based company, from Harm Hids, a Dutch citizen and resident (the “**Seller**”). ICP is the owner of various CBD formulations and related intellectual property with respect to the development of cannabis and cannabis byproducts as it pertains to Crohn’s disease, insomnia and rectal inflammation. Closing of the transaction occurred on July 5, 2019. Pursuant to the transaction, Medcolcanna paid Mr. Hids US\$900,000, payable in Medcolcanna Organics Shares at a deemed price of \$0.25 per share, plus a royalty of 10% gross margin of products developed by ICP and sold by Medcolcanna, as more particularly described below. The Seller is to be paid the royalty for 10 years on the following formulations and does not include other current or future formulations: Crohn’s formulation, Insomnia formulation, Oral Fast Crohn’s Disease formulation, Rectum Inflammation formulation, Super Endocannabinoid formulation, Systemic Cannabidiol formulation. In addition, Mr. Hids agreed to join Medcolcanna and was appointed Head of Product Development and European Business Development.

On May 30, 2019, Medcolcanna entered into a Master Agreement (the “**Master Agreement**”) with Greenstein Capital Ltd. (“**GCL**”), a Maltese company. GCL’s subsidiary (“**RefineryCo**”) plans to construct and operate a refinery (the “**Refinery**”) in Germany for cannabis oil derivatives. Pursuant to the Master Agreement, Medcolcanna will acquire a 20% stake in RefineryCo. GCL has agreed to grant a 20% shareholding in RefineryCo to Medcolcanna for a purchase price of US\$1 million. Payment will be paid by the issuance by Medcolcanna of a convertible debenture in the principal amount of US\$1 million. The convertible debenture will bear interest at 0.5% per year and payment will be due after the Refinery is completed and is operating to Medcolcanna’s satisfaction, and the 20% shareholding in RefineryCo has been issued to Medcolcanna. After coming due, the convertible debenture will be redeemable at maturity in cash or common shares of Medcolcanna, at the option of GCL, at a conversion price of CDN\$0.285 per share. If redeemed in common shares, only the principal, and no interest, will be payable by Medcolcanna. The Refinery is expected to be a turnkey project that must be built to Medcolcanna’s standards and specifications. Medcolcanna has to approve the commissioning of the Refinery before the convertible debenture can be exercised.

Effective as of July 10, 2019, Medcolcanna signed a letter of intent, pursuant to which it later entered into a collaborative research agreement with University Medical Center Groningen (“**UMCG**”), a Dutch university, with an effective date of March 10, 2020. In collaboration, Medcolcanna and UMCG were to design the study protocols for the clinical trials for each disease. Each party retains sole ownership of their existing intellectual property and new intellectual property already mandatorily licenced to Medcolcanna granting it the rights on production, marketing, and distribution of the products under fair and reasonable differentiated royalty payments for net sales of products made by Medcolcanna under said licence and for the net licensing income of Medcolcanna arising out of any sublicense. In addition, Medcolcanna would provide to UMCG all formulations (ingredients, dosing, and form) to be trialed during research conducted by medically licenced doctors in all countries agreed upon with UMCG. Medcolcanna paid approximately CAD\$150,000 to conduct the first phase of these studies. The 12 fields of study consist primarily of the following disease conditions: Anxiety, Insomnia, Rheumatoid Arthritis, Psoriasis, Crohn’s Disease, Fibromyalgia, Neuropathic Pain, Eczema, Menstrual Pain, Endometriosis, Osteoarthritis and Autism. However, by April, 2020 while undertaking a comprehensive analysis of the performance by UMCG of the letter of intent, while it was in force, and of the agreement thereafter, Medcolcanna decided to narrow the scope of the research to only focus the activities on producing a proposal for 1 formulation, stopping UMCG from undertaking any other activities and/or costs (ongoing or new) as of April 24, 2020. After two months of discussions with UMCG, on June 5, 2020, it was agreed within the Steering Committee that oversees the project that no further work would be undertaken nor would it incur any additional costs, with UMCG undertaking to present a quotation for a Phase 1 PK Study with the standard deliverables, while Medcolcanna would share the product intended to be used in the study.

On August 6, 2019, Medcolcanna acquired MCCN SA, an entity incorporated in Switzerland, for the purpose of producing, developing, and distributing cannabis vaping and other cannabis related consumer products in Europe. MCCN SA began selling and marketing its vaping products in October 2019 under the brand name Cannav.

On August 20, 2019, Medcolcanna signed a Licensing and Processing Services Agreement with Herbolea Biotech S.r.l. (“**HBT**”), an Italian based bio-technology company that has developed Bio-Herbolysis, a patent pending process for the extraction and preservation of cannabis from newly harvested or dried material. With the closing of these two agreements, Medcolcanna will have the licence rights to use Bio-Herbolysis for their extraction requirements, as well

as offer processing services to third parties in Colombia, delivering full spectrum oil, distillates and crystals. As part of these agreements, HBT has installed 100 kg/h good manufacturing practices (“GMP”) compliant equipment, with an operational capacity of processing approximately 200,000 kg of dry flower or wet biomass equivalent per year.

On February 19, 2020, Medcolcanna announced the signing of two (2) separate letters of intent (“LOIs”) with Dona Blanca Limited (“Dona Blanca”), an Australian based cannabis company with operations in Colombia. Pursuant to the first LOI, Dona Blanca will invest approximately \$1,000,000 USD (\$1,430,000 CAD), is to build an additional two (2) hectares of greenhouses on Medcolcanna’s fully licenced cultivation property to earn a 70% working interest of economic rights in the output from such greenhouses. Pursuant to the second LOI, Dona Blanca is to invest \$1,500,000 USD (\$2,000,000 CAD) for a 15% ownership stake in Extralia Labs S.A.S. (“Extralia Labs”), Medcolcanna’s wholly-owned subsidiary designed to have annualized extraction capacity of 300,000 kilograms of dried flower in Colombia and its operations include providing services for Medcolcanna, Dona Blanca and third parties. On April 7, 2020, Medcolcanna announced the signing of a definitive agreement on the Joint Venture with Dona Blanca and an extension to the LOIs with Dona Blanca, Medcolcanna and Extralia Labs. Pursuant to the definitive agreement and as set forth in the LOIs, Dona Blanca is to invest up to \$1,000,000 USD (\$1,420,000 CAD), to build up to an additional two (2) hectares of greenhouses on Medcolcanna’s fully licenced cultivation property which would earn Dona Blanca a 70% working interest (“WI”) in the economic rights to the output from such greenhouses. Dona Blanca will earn into the project in 3 stages, stage 1 which has been fully funded by Dona Blanca with an investment of \$517,000 USD (\$734,000 CAD), to earn a 35% WI or 0.7 net hectares; stage 2 where Dona Blanca will invest \$290,000 USD (\$412,000 CAD) by May, 15, 2020 to earn an additional 20% WI or an aggregated 55% WI, or 1.1 net hectares in the aggregate; and stage 3 where Dona Blanca will invest an additional \$193,000 USD (\$275,000 CAD) to earn an additional 15% WI or net 1.4 hectares in the aggregate. Pursuant to the revised LOIs, Dona Blanca has amended the period to invest \$1,500,000 USD (\$2,130,000 CAD) for a 15% ownership stake in Extralia Labs to October 15, 2020 in consideration for an additional non-refundable deposit of \$22,500 USD (\$32,000 CAD). Pursuant to the revised LOIs, Dona Blanca also has an additional option to invest an additional \$1,000,000 USD (1,420,000 CAD) for a total equity ownership of 25% in Extralia Labs, which is designed to have annualized extraction capacity of 300,000 kilograms of dried flower in Colombia with operations that include providing services for Medcolcanna, Dona Blanca and third parties.

On May 5, 2020, Medcolcanna announced that Dona Blanca elected to enter stage 2 of the previously announced joint venture arrangement (the “JV”) and invested an additional \$483,000 USD which completed Dona Blanca’s total investment of \$1,000,000 USD on two hectares of greenhouse space on Medcolcanna’s fully licenced cultivation property, which will earn Dona Blanca a 70% WI in those two hectares. Pursuant to the definitive agreement with respect to the JV, Dona Blanca had agreed to invest up to \$1,000,000 USD (\$1,408,000 CAD), to build up to an additional two (2) hectares of greenhouses on Medcolcanna’s fully licenced cultivation property, which would earn Dona Blanca a 70% WI in the economic rights to the output from such greenhouses. Dona Blanca previously earned into stage one of the project, which has now been fully funded. Dona Blanca has now elected to enter into stage two of the project whereby Dona Blanca will invest an additional \$290,000 USD (\$408,000 CAD) by May, 15, 2020 to earn an additional 20% WI or an aggregated 55% WI, or 1.1 net hectares in the aggregate; and stage 3 whereby Dona Blanca will invest an additional \$193,000 USD (\$272,000 CAD) to earn an additional 15% WI or net 1.4 hectares in the aggregate. Medcolcanna subsequently agreed to provide an extension for the date when the aforementioned election could occur until December 15, 2020 in consideration for a payment of USD\$75,000 to Medcolcanna from Dona Blanca, such amount later being paid by way of shares in the capital of Dona Blanca.

On June 26, 2020, Medcolcanna announced that it was conducting an offering of senior secured convertible debentures (the “Debentures”) which are secured by the assets of Medcolcanna and be senior to all other indebtedness of Medcolcanna and are convertible into Medcolcanna Organics Shares on the following terms: the Debentures will be convertible into Common Shares at a price of \$0.20 per share and will have a term of two years from the date of issuance, with interest payable at a rate of fourteen percent (14%) per annum (simple not compounded), payable every six months in cash or shares from the date of issuance. The Debentures will be subject to earlier redemption by Medcolcanna in the event Medcolcanna Organics Shares are trading on the facilities of the TSX Venture Exchange (or such other stock exchange on which Medcolcanna Organics Shares may then be trading) at a volume weighted average trading price at or above \$0.40 per share for a period of not less than ten (10) consecutive trading days. Each Debenture will include five common share purchase warrants (each, a “Warrant”) for every one dollar of principal amount of Debentures subscribed for, with each Warrant exercisable at a price of CDN\$0.20 to purchase one Medcolcanna Organics Share for a period of 24 months from the date of issuance. The Warrants will have a forced



conversion feature whereby Medcolcanna will have the option to force the conversion of Warrants upon Medcolcanna Organics Shares trading on the facilities of the TSX Venture Exchange (or such other stock exchange on which Medcolcanna Organics Shares may then be trading) at a volume weighted average trading price at or above \$0.40 per share for a period of not less than ten (10) consecutive trading days.

On July 20, 2020, Medcolcanna announced that it had entered into a distribution agreement with GCL, a private Maltese company. This agreement, which includes the distribution of a minimum quantity of 1,000 kg of active cannabinoid ingredients per year, will see Medcolcanna products commercialized in Europe. The companies also agreed on immediate financing to Medcolcanna via a share issuance and participation in a debenture offering more particularly described below. Medcolcanna and GC have also committed to continue ongoing discussions towards a corporate transaction in the future. The distribution agreement entered into with Greenstein Trading Ltd. (“GT”), a subsidiary of GC, consists of transferring cannabinoid ingredients to GT on a COGS basis for Active Pharmaceutical Ingredients (“APIs”) and bulk products, and a COGS plus 25% price on all finished products. The agreement includes a profit-sharing mechanism stating that the final sale price minus the transfer price from Medcolcanna to GT will generate profit to be shared equally between the parties. The agreement also provides a minimum purchase of 1,000 kilograms of product per year (subject to EUGMP conformity) or a penalty of 50% of average cost of production to be paid by GT to Medcolcanna for quantities unsold.

The share subscription was done via the issuance of shares at a value of CAD \$0.08 per share, for a total amount of CAD \$800,000 and a total issuance of 10,000,000 Medcolcanna Organics Shares. In addition, GC has subscribed for CAD \$800,000 worth of Debentures. The Debentures are convertible into Medcolcanna Organics Shares on the following terms: the Debentures are convertible into Medcolcanna Organics Shares at a price of \$0.20 per share and will have a term of two (2) years from the date of issuance, with interest payable at the expiration date of fourteen percent (14%) per annum (simple not compounded), payable in cash or shares. The Debentures will be subject to earlier redemption by Medcolcanna in the event Medcolcanna Organics Shares are trading on the facilities of the TSX Venture Exchange (or such other stock exchange on which Medcolcanna Organics Shares may then be trading) at a volume weighted average trading price at or above \$0.40 per share for a period of not less than ten (10) consecutive trading days. The Debentures will include five Warrants for every one dollar of principal amount of Debentures subscribed for, with each Warrant exercisable at a price of CDN\$0.20 to purchase one Medcolcanna Organics Share for a period of 24 months from the date of issuance. The Warrants will have a forced conversion feature whereby Medcolcanna will have the option to force the conversion of Warrants upon Medcolcanna Organics Shares trading on the facilities of the TSX Venture Exchange (or such other stock exchange on which Medcolcanna Organics Shares may then be trading) at a volume weighted average trading price at or above \$0.40 per share for a period of not less than ten (10) consecutive trading days.

On Oct. 13, 2020, Medcolcanna announced that its Common Shares would be delisted from the TSXV at close of business on October 13, 2020 and would begin trading on the NEO Exchange under the symbol “MCCN” at the opening bell on October 14, 2020. No action was required by shareholders in connection with this change of listing.

On December 24, 2020, Medcolcanna announced that it has closed on the second and final tranche of its previously announced offering of Debentures, raising gross aggregate proceeds of \$0.25 million, bringing the total amount raised pursuant to this offering to \$1.25 million.

### **Current Operations**

The current business of Medcolcanna is operated through Medcolcanna SAS. The only business of Medcolcanna is to hold the securities of Medcolcanna BVI, which in turn holds the securities of Medcolcanna SAS. Medcolcanna is currently in the process of growing a variety of 8 strains that it has registered as commercial cultivar and has other 4 strains pending to be registered as commercial cultivars which shall proceed insofar as they successfully complete the respective agronomic evaluation test. In addition, it has registered another 38 proprietary strains for specific patient ailments. Medcolcanna has developed initial processing procedures for mature plants with the objective of distributing products through a variety of market channels in Colombia, and is currently in negotiations with international end users and distributors. Medcolcanna will utilize stringent quality assurance and quality control measures in its Cultivation Facility to ensure that its products are consistent with medicinal cannabis industry standards. Medcolcanna’s product lines will include a variety of THC and CBD offerings that are currently being developed.

As of today, Medcolcanna has performed different agronomical evaluations, resulting in the 12 strains being registered as commercial cultivar or pending commercial cultivar. The Agronomical evaluations have been expanded to the other two regions in Colombia as Medcolcanna is also selling cuttings to other cannabis companies that have no registered strains. The registered strains in commercial cultivar includes psychoactive material, non-psychoactive material as well as hemp, allowing the company to produce and offer a wide range of different products.

Medcolcanna has started commercial cultivation of non-psychoactive strains. Medcolcanna has also built an extraction facility compliant with GMP Standards with capacity to process approximately 300 mega tonnes of dried flower per year. Commercial extraction trials and standardization or process started in the first quarter of 2020, and as result Medcolcanna has already performed some trial exports with products already standardized.

#### *Development Stage*

Medcolcanna is developing specific formulations of THC and CBD compounds for patients, available by prescription only. Medcolcanna is permitted to sell these products to patients under the Medcolcanna Licences. For that purpose, Medcolcanna has established a company named Medicina Nueva. Medicina Nueva has leased a Magistral Preparations laboratory.

Medcolcanna is authorized to export THC and CBD compounds to international markets under the Medcolcanna Licences, provided that (i) cannabis is legal in the destination jurisdiction; (ii) Medcolcanna has a licenced counterparty to receive the product; and (iii) it obtains the export permit in accordance with Article 2.8.11.4.3 of Decree 780 of 2016 and Resolution 1487 of 2006 of the Ministry of Health. Medcolcanna is already exploring the prospect of exporting compounds and cannabis products to legal markets in the coming months.

Medcolcanna is currently developing over-the-counter and prescription products. Prior to the products becoming available for public sale, Medcolcanna will be required to obtain the approval of INVIMA. The review process includes the testing of extracts, production of extracts using standardized cultivation and production methods, and final review by INVIMA of the efficacy of the product.

### **NARRATIVE DESCRIPTION OF THE BUSINESS**

#### **General**

Medcolcanna is an integrated medicinal cannabis company with its core operations in the Municipality of La Conejera, Cundinamarca, Colombia. Medcolcanna combines leading international scientific expertise, agricultural advantages, and branded product market entrance experience to address the medical needs of the Colombian market.

Medcolcanna operates through its indirect wholly-owned subsidiary, Medcolcanna SAS. In June 2018, Medcolcanna SAS received all necessary approvals from applicable Colombian government regulatory bodies for the cultivation, production, domestic distribution, and international export of both THC and CBD medicinal cannabis extracts.

#### **Industry Information**

Medicinal cannabis applies the use of cannabis and its constituent cannabinoids that are the chemical compounds secreted by cannabis flowers that provide relief to an array of symptoms including pain, nausea, anxiety, and inflammation. Cannabinoid is a blanket term covering a family of complex chemicals, both natural and man-made, that bind with receptors (protein molecules on the surface of cells) to elicit a wide number of responses. Cannabinoid receptors in the human body are part of a system called the endocannabinoid system, a system that produces endocannabinoids that bind with cannabinoid receptors. Cannabinoid receptors are found in the brain and throughout the body. Scientists have found that cannabinoid receptors in the endocannabinoid system are involved in a vast array of functions in our bodies, including helping to modulate brain and nerve activity (including memory and pain), energy, metabolism, heart function, the immune system and reproduction.

While there are a large number of active cannabinoids found in cannabis, the two most commonly used for medical purposes are THC and CBD. Scientific studies have identified that THC and CBD, alone or in combination, have the potential to provide treatment benefits for a large number of medical conditions. For example, THC, a psychotropic

cannabinoid, has been shown to activate the endocannabinoid system in the central nervous system. This blocks neuronal signals and has shown the potential to treat patients with post-traumatic stress disorder (PTSD), as well as reduce nausea and vomiting, and improve the appetite of patients being treated with chemotherapy. In addition to the potential benefits of treatment with THC, CBD, a non-psychoactive cannabinoid, has been demonstrated to potentially reduce the frequency and severity of epileptic seizures<sup>1</sup> as well as many other benefits such as pain relief, combatting anxiety, fighting cancer, reducing the risk of diabetes, and treating sleep issues.

## Market and Trends

Medcolcanna's primary focus is to sell medicinal cannabis products in the form of extracts to the domestic market in Colombia. This includes the major city centers of Bogota (9.0 million population), Medellin (2.5 million population), Cali (2.4 million population), and Barranquilla (1.2 million population). Colombia is a country with a population of 48.6 million people and in 2019 recorded a Gross Domestic Product ("GDP") of US\$324 billion and a GDP per capita of US\$7,843<sup>2</sup>. The country has an average life expectancy of 74.1 years and has seen a dramatic reduction in poverty in recent years<sup>3</sup>. Despite the overall improvement in economic and social indicators in Colombia, the country still has challenges in maintaining and improving the quality of its health system. The objective of Medcolcanna is to ensure accessibility, quality, efficiency and sustainability within the health system, by providing affordable medicinal cannabis based products to patients.

Colombia is a recently legalized market for the commercial production and distribution of medicinal cannabis products, having passed legislation to legalize medical cannabis in 2015. Medcolcanna is an early entrant and an emerging leader in developing the domestic market for its products. Medcolcanna is focused on addressing the unmet medicinal cannabis needs of prospective Colombian patients with conditions including: (i) epilepsy; (ii) chronic pain; (iii) chemotherapy-related nausea; (iv) post-traumatic stress disorder (PTSD); (v) anxiety; (vi) insomnia; (vii) multiple sclerosis; (viii) Parkinson's disease; (ix) depression and (x) anorexia.

For market qualification and quantification, Medcolcanna has worked with Neurocountry Ltd., a neurological institute and has used several sources<sup>4</sup>, and secondary public information, based on the qualifying conditions where medicinal cannabis can be an alternative treatment.

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<sup>1</sup> McCormick et al, 2017. "*The Health Effects of Cannabis and Cannabinoids*". Available in the National Academies Press website: [www.nap.edu](http://www.nap.edu)

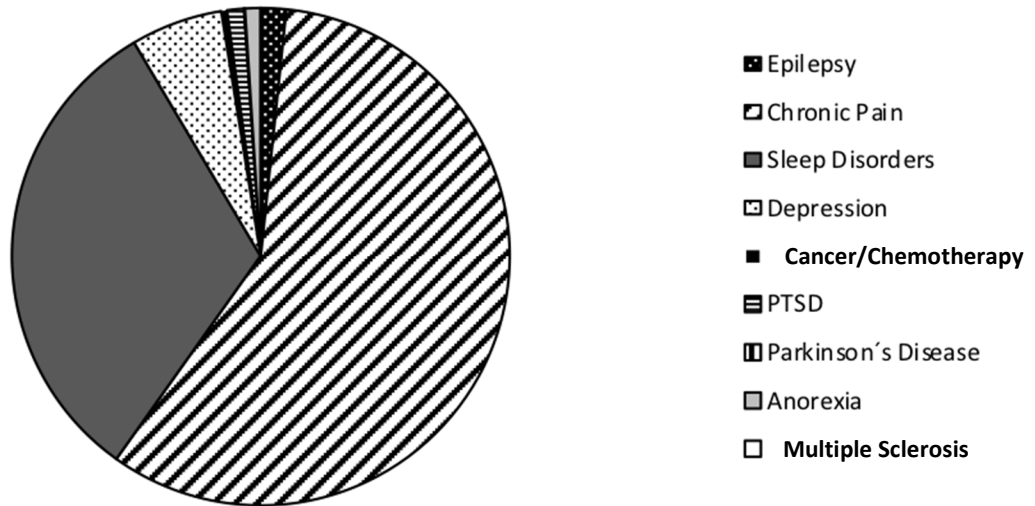
<sup>2</sup> Trading Economics, "Colombia – Economic Indicators" < <https://tradingeconomics.com/colombia/indicators>>

<sup>3</sup> Ibid.

<sup>4</sup> <https://www.minsalud.gov.co/Paginas/Epilepsia-mucho-mas-que-convulsiones.aspx>;  
<https://www.minsalud.gov.co/sites/rid/Lists/BibliotecaDigital/RIDE/VS/PP/ENT/boletin-depresion-marzo-2017.pdf>;  
[http://www.consultorsalud.com/sites/consultorsalud/files/viii\\_estudio\\_prevalencia\\_dolor\\_cronico\\_en\\_colombia\\_publicacion\\_pagina\\_aced\\_2014.pdf](http://www.consultorsalud.com/sites/consultorsalud/files/viii_estudio_prevalencia_dolor_cronico_en_colombia_publicacion_pagina_aced_2014.pdf);  
<http://www.humanas.unal.edu.co/psicologia/files/7112/8351/3380/indag.%201.%20trastorno%20de%20la%20conducta.pdf>;  
[https://www.minsalud.gov.co/sites/rid/Lists/BibliotecaDigital/RIDE/INEC/IETS/GPC\\_Comple\\_Depre%20\(1\).pdf](https://www.minsalud.gov.co/sites/rid/Lists/BibliotecaDigital/RIDE/INEC/IETS/GPC_Comple_Depre%20(1).pdf);  
<https://www.minsalud.gov.co/Documentos%20y%20Publicaciones/ESTUDIO%20NACIONAL%20DE%20SALUD%20MENTAL%20EN%20COLOMBIA.pdf>;  
[http://www.cancer.gov.co/Situacion\\_del\\_Cancer\\_en\\_Colombia\\_2015.pdf](http://www.cancer.gov.co/Situacion_del_Cancer_en_Colombia_2015.pdf);  
<http://www.scielo.org.co/pdf/rfmun/v65s1/0120-0011-rfmun-65-s1-00017.pdf>; <https://www.acnweb.org/es/acta-neurologica/volumen-30-2014/156-volumen-30-no-3-1-suplemento-3-1-octubre-2014/1050-capitulo-1-generalidades-de-la-enfermedad-de-parkinson.html>; <http://www.scielo.org.co/pdf/anco/v31n4/v31n4a05.pdf>

The following table highlights the composition of the potential cannabis market by medical condition:

Total Population	48,600,000	
	#Patients (thousands)	% of population
Epilepsy	631	1.3%
Chronic Pain	22,350	46%
Sleep Disorders	12,150	25%
Depression	2,284	4.7%
Cancer/Chemotherapy	145	0.3%
PTSD	420	0.86%
Parkinson's Disease	22	0.05%
Anorexia	388	0.8%
Multiple Sclerosis	3	0.01%



Currently, Neurocountry Ltd. estimates that approximately 500,000 patients use opioid-based medication for treatment. These medications are often expensive and can lead to adverse health effects. Medcolcanna aims to displace this portion of the market, which aligns with the overall trend in Colombia to utilize medicinal cannabis as a potential solution to meet the unmet medical needs of the population. Medcolcanna and Neurocountry Ltd. are sharing information with the medical community through continuing education courses, medical conferences, social media, web portals, informational training packages, and seminars.

*Marketing Plans and Strategies*

Medcolcanna seeks to position itself as the leading, most knowledgeable and trustworthy medicinal cannabis provider in Colombia. Key to the achievement of this objective is Medcolcanna's robust marketing plan focusing on being a patient-oriented company with strong brand loyalty and patient preference. Medcolcanna has defined essential competitive advantages across the value chain from plant to patient. These include:

- **Cultivation:** Developing standard operating procedures to increase yields and consistency, while implementing sustainable cultivation standards and leading international site security standards. Cultivation will be based on organic standards to guarantee international quality requirements for medications;
- **Strain Selection:** Obtaining medically-validated strains for the optimization of efficient production of cannabinoids and other phytochemicals;
- **Product:** Developing medically endorsed products based on scientific research and manufacturing these products in accordance with GMP Standards to ensure quality and consistency;
- **Doctor Engagement:** Engaging with the medical community to develop medications for specific conditions. Continuously working with healthcare professionals to provide the latest training and information on medicinal cannabis;
- **Medical and Scientific Research and Development:** Launching Colombian medical research studies with leading health organizations to understand and validate the benefits of medicinal cannabis within the market; and
- **Patient-Oriented:** Working with healthcare professionals to offer patients an alternative to existing medications. Developing meaningful relationships with patients by offering them information, support, and learning resources through outreach channels.

Medcolcanna, through Medicina Nueva, is partnering with a group of doctors that have experience treating medical ailments with cannabis, and has already established three clinics and is on track to establish 35 more. These clinics will serve as sales points for the products and education centres for patients. Medcolcanna expects to market the clinics through various conferences and marketing channels. Medcolcanna's clinics are expected to allow for personalized treatment and direct engagement with patients, thus creating brand loyalty and preference. As set forth in the regulations for medicinal cannabis, Medcolcanna has the authority to treat patients through external physicians or a physician employed by Medcolcanna.

Medcolcanna also intends to use the access to the patients from the clinics to perform clinical trials and any other required procedures to receive the necessary permissions from authorities and INVIMA to market over-the-counter medical products.

## **Colombian Regulatory Framework**

### *Highlights of Cannabis Legalization in Colombia*

- Law 1787 of 2016 enacted by Colombian Congress, Decree 613 of 2017 and regulatory resolutions (577, 578 and 579 of August 8th of 2017 enacted by the Ministry of Justice and resolutions 2891 and 2892 of 2017 enacted by the Ministry of Health) formed a legal framework that regulates the actions of any company in Colombia working with cannabis for medical and scientific purposes, including the cultivation, production, and domestic and international distribution of cannabis, cannabis seeds, High THC Medicinal Cannabis and Low THC Medicinal Cannabis extracts.
- Colombia's regulatory framework focuses on extracts to generate a purely medical product market and provides for product quality and consistency through INVIMA.
- The aim of the Colombian regulatory framework is to enable access for patients to medications made in Colombia that are safe, are of high-quality and accessible, while concurrently promoting scientific research in the country.

### *Background – Drug Policies in Colombia prior to Cannabis Legalization*

Prior to the legalization of medicinal cannabis in Colombia, drug policies were punitive in nature and heavily influenced by other international jurisdictions. While Colombia initially took a liberal approach to cannabis use in the early 20<sup>th</sup> century, its stance on prevention and prosecution became increasingly influenced by the stringent policies of the United States and the broader global community. During the second half of the 20<sup>th</sup> century, Colombia

implemented policies with severe sanctions targeting all aspects and actions relating to the production and distribution of narcotics.

In the 1970s, a more hardline approach to narcotics was reinforced in response to the growing influence of international treaties and the efforts of governments to coordinate their drug policies. The 1980s saw an emphasis on comprehensive regulation, leading to the adoption of Law 30 in 1986, focused on the control and enforcement of criminal drug consumption and trafficking. Following the introduction of Law 30, Colombia signed the 1988 United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances on December 20, 1988 and later ratified it on June 10, 1994.

In 1994, the decriminalization of personal possession and consumption was mandated by Judgment C-221 of the Constitutional Court. While this represented a shift in approach by Colombian lawmakers, a constitutional amendment in 2009 reversed the effects of Judgment C-221 of 1994 and reinstated the prohibition on personal possession and consumption of narcotic or psychotropic substances, even on a personal dose basis, unless supported by a medical prescription.

Despite the constitutional amendment in 2009, in recent years Colombian legislation with respect to cannabis has trended towards a preventative and rehabilitative approach. The Citizen Security Law, enacted in 2011, reformed the Criminal Code and softened some of the punitive provisions relating to possession of personal amounts of narcotics. In ruling C-491 by the Constitutional Court in 2012, the right to legally possess a personal amount of narcotics was upheld and the Court noted that drug use should continue to be understood as an activity protected by the right to the free development of personality. The Constitutional Court, through rulings SU-642 of 1998 and C-336 of 2008, among others, has established that the right to the free development of personality, also known as the right to autonomy and personal identity, grants individuals the right to self-determination, that is the freedom and independence to govern his/her own existence and determine a lifestyle according to his/her own interests, provided that the rights of others and the constitutional order are respected. Notwithstanding, the foregoing, Mr. Ivan Duque, the newly elected president of Colombia, issued Decree No 18-44 (Dated October 1, 2018) which allows the police force to seize any amounts of narcotics that are being consumed in public places and impose fines on those who carry or are consuming narcotics. The procedure contemplates an immediate assessment by police officers pursuant to which they will determine whether the owner of the substance qualifies for medicinal consumption in which case the substance will be returned to the owner, otherwise the possession will be qualified as a violation of the citizen coexistence regulations and the seized substance will be destroyed.

In January 2013, the Advisory Commission on Drug Policy (the “**Drug Policy Commission**”) was established to provide recommendations on how legislation should treat criminal networks and citizen drug users, as well as the appropriate quantities to be considered as suitable personal amounts. In July 2014, the Drug Policy Commission issued an initial report submitted to the Ministry of Justice analyzing the conditions of drug use in Colombia and proposing guidelines to update the policy.

In May 2015, the Drug Policy Commission published its final report, which proposed a review of the drug policy in the country and made important recommendations, such as: (i) the creation of an agency for drug policy; (ii) measures to help reduce the risk to consumers; (iii) to rethink the fumigation involved with cultivation; (iv) regulation of medicinal cannabis; (v) alternative means to measure the success of policies against drugs; (vi) modernize the National Statute on Drugs and Psychoactive Substances; and (vii) to lead the global drug policy debate.

As a result of the Drug Policy Commission and the final report, the Colombian President approved and sanctioned Law 1787 of 2016 which was intended to regulate the use of cannabis for therapeutic purposes. The law, in an effort to legalize cannabis for medical and scientific purposes marked a new direction in the legislative approach to drugs. Law 1787 amended articles 375, 376 and 377 of the Colombian Criminal Code (the “**Criminal Code**”) to remove sanctions against the medical and scientific use of cannabis used under a licence duly granted by the relevant authorities according to Colombian laws. This amendment was required given that the Criminal Code expressly provided a general prohibition to the cultivation, conservation or financing of marijuana plantations, among other related activities.

In order to regulate the activities that had become legal by way of Law 1787, the Ministry of Health, Ministry of Justice, and Ministry of Agriculture issued Decree 613 of 2017 whereby they defined the different types of licences that may be granted in respect of permissible activities related to medicinal cannabis including: (i) production of cannabis derivatives; (ii) use of seeds for planting; (iii) planting of psychoactive cannabis plants; and (iv) planting of non-psychoactive cannabis plants. The Decree also sets out the requirements and criteria for the assignment of quotas for psychoactive cannabis plant cultivation, cannabis by-product production and other related activities.

*Cannabis Legalization Framework and Oversight of the Colombian Cannabis Industry*

The Colombian government’s increasingly pragmatic and liberal approach to cannabis culminated in the adoption of Law 1787. Throughout the 20<sup>th</sup> century, Colombia’s lawmakers followed a global agenda that imposed strict prohibitions and harsh sanctions on drug use and trafficking. While certain domestic social conditions hindered the prospect of permitting a specifically medicinal use of an illicit drug, Colombia has changed course and constructed an effective legal framework with appropriate mechanisms to introduce and regulate the use of cannabis for medicinal purposes. The following table sets out the current legal landscape relating to cannabis in Colombia and discusses the legislative developments that have shaped the current outlook.

<b>General Legal Framework</b>	
Colombia’s Political Constitution	Article 49 of the Political Constitution of Colombia regulates the use and consumption of cannabis, stating that “everyone is guaranteed access to services for the promotion, protection and recovery of health”. Subsequently, through Legislative Act 02 of 2009, Article 49 was modified, adding the provision that cannabis use is only legal with a medical prescription.
Colombian Criminal Code	Chapter II of Law 599 of 2000 of the Colombian Criminal Code (“ <b>Trafficking in Narcotic Drugs and the Infractions</b> ”) outlines penalties and sanctions related to narcotics trafficking and associated activities, such as the conservation or financing of marijuana plantations or any other plant from which cocaine, morphine and heroin can be produced without the permission of the competent authority, and the manufacture of narcotic drugs that exceeds the dose for personal use permitted in Colombia.
<b>Laws, Legislative Acts, and Decrees</b>	
Law 30 of 1986	This law established the National Narcotics Statute of Colombia, defining terms such as drug, narcotic, medication and psychotropic and setting the legal personal amount for consumption of cannabis at 20 grams.
Decree 677 of 1995	The Synthetic Drugs Regulation and Good Manufacturing Practices Regulation establishes the Regime of Registers and Licences, the Quality Control, as well as the Sanitary Surveillance Regimen (including the definition of Good Manufacturing Practices), for cosmetic medicines, pharmaceutical preparations based on natural resources and others.
Decree 2200 of 2005	The Prescription preparation and Production Conditions Regulation defines standard pharmaceutical services, including GEP Standards for Prescription preparations and conditions for production and storage.
Legislative Act of 2009	This constitutional amendment prohibits the possession and consumption of narcotic or psychotropic substances, unless supported by a medical prescription. This amendment is intended to have a rehabilitative purpose to prevent addiction, with additional measures and treatments of a pedagogical, prophylactic or therapeutic nature to be implemented as support mechanisms for people over-consuming such substances.
Decree 2467 of 2015	Decree 2467 of 2015 regulates the medical and scientific uses of cannabis by setting standards for the production, manufacturing, import/export, distribution, trade, use and possession of narcotics, as well as the cultivation of plants from which these are produced.

Law 1787 of 2016	Approved on July 6, 2016, Law 1787 creates a regulatory framework that allows for the safe and informed use of cannabis and its derivatives for medical and scientific purposes. It includes provisions outlining the regulation of production, manufacturing, acquisition, import/export, storage, transportation, marketing, distribution, use and possession of the seeds of the cannabis plant, its derivatives and related products for medicinal and scientific purposes.
Decree 613 of 2017	Decree 613 of 2017 supports Law 1787 of 2016 by elaborating on the concepts of informed access and safe production of cannabis for medical and scientific use and establishes a licensing regime to conduct related activities.

With Law 1787 of 2016 and Decree 613 of 2017, Colombia’s regulatory framework has developed five legal and administrative orders that control the operation of the cannabis sector, as follows:

1. Resolutions 577, 578 and 579 of August 8, 2017, enacted by the Ministry of Justice, regulate the cultivation of non-psychoactive and psychoactive cannabis.
2. Resolutions 2891 and 2892 of 2017, enacted by the Ministry of Health, regulate the production or manufacturing of cannabis derivatives (extracts). The Resolutions define whether the derivatives are to be used in the national market as raw material for final medical products or if they are to be exported to international markets.
3. If the derivative is going to be used in the national market, it can be used as a synthetic or prescription drug, or a final product regulated by Decree 677 of 1995, developed in Resolutions 3183 of 1995, 1087 of 2001, and 1124, and 1160 of 2016.
4. The final product sold to the public may be an herbal or branded mass market phytotherapeutic product, a category regulated by Decree 2266 of 2004. Per Decree 613, derivatives extracted from cannabis cannot be commercialized as final products without sanitary approval from INVIMA. A sanitary permit is required to commercialize derivatives as herbal or synthetic products. INVIMA is the regulatory body responsible for defining the final products that have access to the market. The regulatory framework (Decree 613 of 2017 and Decree 2200 of 2005) allows the introduction of Prescription preparations with cannabis. Prescription preparations are customized prescription products that do not require a sanitary permit, as they are not mass market phytotherapeutic products with standardized characteristics but must be prepared by a licence holder in a laboratory that meets GEP Standards.
5. If a product or extract will be exported, the licence holder must obtain a permit from the FNE allowing for the delivery of cannabis. The permit process is regulated in Resolution 1478 of 2006, an administrative order that also regulates the quotas that Colombia requests from the International Narcotic Control Board.

Medcolcanna has in place security protocols which are in compliance with the above.

*Licences and Authorizations*

Decree 613 of 2017 is the most significant aspect of the cannabis regulatory framework concerning medical and scientific uses of cannabis, as it establishes a licensing regime for the evaluation, monitoring and control of import, export, cultivation, production, manufacturing, acquisition, storage, transport, marketing, distribution, and the use of seeds for planting cannabis, cannabis plants and their derivatives, as well as products containing it. Decree 613 granted oversight for the licensing program for the production of cannabis derivatives to the Ministry of Health, through the Division of Medications and Health Technologies. The Ministry of Justice, through the Division of Control and Supervision of Chemical and Narcotic Drugs, has jurisdiction over licences for the use of seeds for planting and cultivating cannabis plants, as well as administrative and operational control of activities related to the management of seeds for planting, cannabis cultivation and cannabis. The FNE was tasked with administrative and operational



control of activities related to the management of cannabis and its derivatives. Once a licence is issued, INVIMA and the ICA are responsible for the control of finished products of psychoactive cannabis.

Decree 613 authorizes the granting of four types of licences permitting the following activities:

- Production of derivatives from cannabis: This licence authorizes activities related to the transformation of the psychoactive constituent elements of cannabis into oils, resins, and other forms for medical and scientific purposes. The licence may include an authorization by the Ministry of Health to carry out any of the following activities: manufacture, acquisition, import, export, storage, transport, trade, and distribution of psychoactive or non-psychoactive cannabis by-products.
- Use of seeds for sowing: This licence authorizes the management of seeds for planting which comprises their acquisition, import, storage, trade, distribution, possession, and final disposal, as well as their export and use for medical and scientific purposes.
- Cultivation of psychoactive cannabis plants: This licence authorizes the cultivation of High THC Medicinal Cannabis plants, which comprises planting, acquisition, and production of seeds, storage, trade, distribution, and final disposal, as well as export and use for medical and scientific purposes.
- Cultivation of non-psychoactive cannabis plants: This licence authorizes the cultivation of Low THC Medicinal Cannabis plants, and comprises the planting, acquisition, and production of seeds, storage, trade, distribution, and final disposal of plants, as well as export and use for medical and scientific purposes.

Self-cultivation activities, which refer to non-commercial cultivation of up to 20 cannabis plants for personal consumption, do not require a plant cultivation licence, nor will they be subject to the licensing and quota system referred to in the Decree 613.

Licences are not transferable, exchangeable or assignable and are valid for five years and may be renewed for an equal period as many times as requested by the licensee. Licences may not be granted to individuals or legal persons who intend to carry on licenced activities on lands that are in national parks or in protected areas established by the National System of Protected Areas.

Licence holders of manufacturing cannabis derivatives must, at a minimum, determine, by means of validated analytical methodologies, the content of THC, CBD and CBN in any cannabis crop they receive and in each lot of derivative that is produced.

Licensees are responsible for the electronic registration of basic information and movements of seeds for planting, plants, derivatives and cannabis products and must comply with established safety protocols.

#### *Obligations and Restrictions Imposed on Licence Holders*

Licencees are required to meet a number of conditions in the course of carrying on business, including:

- Compliance with the conditions established in the law, the decree, and the technical regulations issued by governmental authorities.
- Present the licence to third parties with whom it is intending to carry out transactions involving seeds for sowing, cannabis plants and cannabis, or their registration with the FNE in the case of transactions with cannabis derivatives.
- Inform governmental authorities of unusual or suspicious operations that licencees become aware of during the performance of activities authorized by the corresponding licence.
- Attend inspections carried out in the exercise of administrative and operational control.

- Maintain up to date records as required by the decree and its technical regulations including the monitoring and follow-up of the activities developed by the licence holders.
- Provide all information and documentation requested by governmental authorities within any prescribed time period.
- Rectify any administrative or operational failures identified by governmental authorities during the inspections, within the deadline established in any report issued.
- Begin the process of modification of the licence upon the occurrence of fundamental changes to the licensee.
- Authorized importers and exporters must submit to the Ministry of Justice and to the FNE, as applicable, within eight days of the completion of the customs clearance process, import and export declarations that indicate the dates and quantities of entry or exit from Colombia of seeds for planting, cannabis plants, cannabis, cannabis derivatives, and products containing them.
- Comply with the administrative requirements and requirements derived from on-site citations issued by the authorities.

The Ministry of Justice, the Ministry of Health and the Ministry of Agriculture issued Resolution 579 of 2017, stating that small and medium licenced growers are those who grow or cultivate cannabis in an area of 0.5 hectares or less. In an effort to ensure the sustainability of small-scale growers, holders of cannabis derivative production licences, except in the research modality, are required to, within 5 years following the commencement of their operations, process at least 10% of their assigned annual cannabis quota from a small or medium licenced grower. If market conditions prevent the satisfaction of this requirement, licensees must file a declaration supporting their inability to source cannabis from small or medium growers.

In the course of carrying on business, licensees are restricted from engaging in a number of activities, including:

- Promotion or publicity, through the media or social networks, or by means of flyers or by any other means, of seeds for planting, cannabis plants, cannabis, cannabis derivatives and products containing it. Medicines may only be advertised or promoted in scientific or technical publications, addressed to the medical or veterinary communities and must specify in the information or materials addressed to the medical or veterinary community, the actions, indications, therapeutic uses, contraindications, side effects, risks of administration, risks of drug addiction and other precautions and warnings, without omitting any found in scientific literature or known by the manufacturers.
- Marketing or transformation for sale, distributing, reception or delivery to third parties, under any licence, the cannabis plants from self-cultivation, as well as the derivatives and seeds for sowing obtained from them, except as momentarily provided as seed source.
- Allowing individuals under 18 years of age to access seeds for planting, cannabis plants, cannabis, cannabis derivatives and products containing them. Minors may access products containing cannabis if there is a medical prescription and the informed consent of the parents or guardians.
- Exporting cannabis plants, dried cannabis flower or unprocessed cannabis, except with authorization for scientific purposes.

#### *Termination of Licences*

Decree 613 of 2017 provides that the Ministry of Health or the Ministry of Justice, as applicable, may terminate a licence upon occurrence of any of the following conditions:

- Failure to correct the administrative and operational failures identified by the control authorities, within the deadlines provided.
- Failure to comply with the security protocol. See “Required Security Measures for Cannabis Activities under Colombian Law” below.
- Exceeding the maximum authorized quota for each term.
- Advertising seeds for sowing, cannabis plants, cannabis, cannabis derivatives or any product containing cannabis through media, social networks, flyers or any means, if such advertisements do not relate to academic or scientific purposes. Any advertisement must be addressed to medical or veterinary groups and must include the actions, indications, therapeutic uses, contraindications, collateral effects, risks of administration, the risks of drug dependence and any other precautions and warnings.
- Failure to initiate the activities authorized in the licence within a six month period from the date the corresponding quotas are granted or as of the granting of the licences for sowing seeds and cultivation of non-psychoactive cannabis plants.
- Failure to request the amendment of the licence within 30 calendar days following any changes in (i) legal representation; (ii) regarding the ownership or possession of the real estate properties in which the licenced activities are authorized to take place; and (iii) in the contractor(s) that provide services to the licensee related to activities authorized in the licence.
- Preventing the access to control authorities conducting administrative and operational control.
- Perform transactions involving seeds for sowing, cannabis plants, cannabis or cannabis derivatives with unlicensed third parties or parties not registered with the FNE when the transaction relates to cannabis derivatives.
- Use seeds for sowing, cannabis plants, cannabis, or cannabis derivatives for non-scientific or medical purposes or beyond the scope authorized by the corresponding Licence.
- The licensee is convicted (or its legal representative is in case of a Company), for crimes related to drug trafficking and related crimes, after the licence was issued.
- Any indication of, or actual forgery or fraudulent alteration of the documents supporting, the licence application.
- Failure to pay the monitoring fees to the applicable government entity.

Also, in accordance with Colombian regulations, licence holders must refrain from, among other things: (i) allowing individuals under 18 years of age to access seeds, plants and/or products containing cannabis; (ii) exporting the plants, dry cannabis flowers or non-transformed cannabis, except as authorized for scientific purposes; and (iii) commercialize or transform for sale, distribute, receive or deliver to third parties, cannabis plants, derivatives and seed for sowing resulting from self-cultivation, except as temporarily provided for seed sources.

#### *Required Security Measures for Cannabis Activities under Colombian Law*

The Ministry of Justice and the Ministry of Health regulate the security protocol requirements established in licences for sowing seeds, the cultivation of psychoactive cannabis plants, and the manufacturing of cannabis derivatives in Resolutions 577 and 2892 of 2017, respectively.

According to Resolution 577 of 2017, licence holders must prepare a security protocol and submit same to the Ministry of Justice and should include measures to ensure that areas and properties in which sowing seeds, psychoactive

cannabis plants and psychoactive cannabis are handled have the appropriate levels of protection, according to the particular environment and scale of the operation. The licence holders must comply with the following minimum security protocol specifications:

- Submit a comprehensive security plan and risk analysis that addresses physical security and operations, and security measures during transportation, which includes the following phases:
  - Diagnosis: including the vulnerability and probability variables of an event and all its consequences;
  - Design: including the risk control mechanisms, as well as the protection management system indicators that demonstrate the effectiveness and efficiency of the risk control mechanisms; and
  - Monitoring or evaluation: including a protection (internal and external) audit program and safety inspections of the risk control mechanisms.
- Have a protection system with risk control mechanisms for physical and operational safety that includes physical barriers and conduct control procedures to prevent access to unauthorized persons.
- Physical barriers must be built with materials that guarantee the integrity of the installations.
- Establish a single entrance and exit point, where employees, visitors and vehicles access the area, which must have access control for the entry and exit of vehicles, individuals, operational assets and raw materials, seeds for sowing, psychoactive cannabis plants and psychoactive cannabis, and in general all kinds of goods. This exit must be established without compromising the emergency exits and other industrial safety measures that the licensee must ensure in the facilities. Areas where activities related to the management of sowing seeds, psychoactive cannabis plants and psychoactive cannabis take place, must have restricted access and manual or systematized entry and exit control records are required.
- Establish a monitoring and surveillance service that generates evidence and traceability.
- Establish internal and external signaling indicating that unauthorized access is prohibited.
- Provide and ensure that the plant personnel and visitors carry visible identification at all times. Employees engaged in activities related to the management of sowing seeds, plants for psychoactive cannabis and non-psychoactive cannabis must be fully identified and carry appropriate employee identification.
- Ensure that it has the capacity to hold communications internally and with external agents in order to notify or report security incidents and request, in a timely manner, the intervention and support of the state's security forces, if necessary.
- Establish risk control mechanisms to deter and control risk situations in the facilities' perimeter, including protective perimeter lighting.
- For transportation purposes, the licence holder must establish control mechanisms that allow it to prove compliance with the protection of areas and facilities, using closed-type vehicles with elements that allow for seal verification control of the transported derivatives at all times.

In addition, the Ministry of Justice shall conduct a control visit during the assessment of the licence application for the cultivation of psychoactive and non-psychoactive cannabis plants at the premises where the cultivation activities take place. The Ministry of Justice will verify the following minimum standards:

- The location of the property and the facilities where the activities will take place, compared with the documentation and photographic record attached to the licence application.

- The internal procedures for the implementation of the security protocol.
- The cultivation area is free of pre-existing cannabis crops.
- The storage areas, if applicable, are free of cannabis crops.

Failure to allow the control visit will lead to the rejection of the corresponding licence application.

In addition to the security protocol guidelines set out by the Ministry of Justice, the Ministry of Health issued Schedule 1 to Resolution 2892 of 2017, which contains guidelines for the elaboration and implementation of the security protocol related specifically to the manufacturing of cannabis derivatives. The guidelines established by the Ministry of Health set out specific additional measures that are required as follows

- Safety:
  - Guarantee the integrity of the facilities and establish a physical barrier to prevent access of unauthorized individuals;
  - All doors and windows must be in adequate condition so as to allow for full closure of the areas and prevent access to unauthorized individuals;
  - All openings, ducts and mechanical/electrical passageways must be protected with safety material;
  - External and internal signals/signage indicating that unauthorized access is prohibited;
  - Establish personal profiles and responsibilities of company employees and third party contractors that provide security services in the facilities and monitor the fulfilment of the security protocol;
  - Establish a single entrance and exit point, where employees and visitors access the area, notwithstanding which provisions in terms of industrial safety (including emergency exits) must be made; and
  - The structures of buildings must be constructed using resistant materials to prevent forced entry and secured with locking devices. The harvest and production storage areas, as well as for the manufactured derivatives, shall provide for secure access with control and registration.
- Monitoring and Detection
  - The licensee must guarantee that licenced area complies with the following monitoring and detection parameters:
    - Installation of closed-circuit cameras that operate 24 hours per day and 7 days per week around the perimeter of the facilities. The video camera recordings must be saved for a minimum 30 calendar day period;
    - All managers, employees, contractors and visitors must be identified at all times. An employee inside the Cultivation Facility must accompany visitors at all times; and
    - Qualified security surveillance personnel who are prepared to react effectively to any detection of unauthorized access or security incidents. The security personnel must record each event, indicating the place, time, date, personnel present in the facilities, facts and measures adopted. The records of unusual events must be saved for a minimum 5 year period.

- Access control
  - Installation of appropriate access control technology and appropriate measures to restrict access and properly identify any individual entering or leaving the perimeter of manufacturing facilities are required;
  - Pre-established and appropriate controls for the issuance of locks, keys and access codes; and
  - Access to storage and production areas should be restricted to only those individuals requiring access.
- Electricity supply
  - Facilities for the manufacturing of cannabis derivatives require constant lighting;
  - The power system must have auxiliary sources to ensure it can be fully operational under any circumstance; and
  - A response plan in case of interruption of the electric power.
- Cooperation with authorities
  - Cooperate with public authorities in order to prevent the diversion or misuse of derivatives or products that contain it; and
  - Licencees shall immediately inform applicable authorities of suspicious or unusual activities. In case of unjustified loss or theft of psychoactive cannabis or its derivatives during the manufacturing process, the licensee must inform the applicable authorities and the Ministry of Health within 48 hours after the event took place. The notice sent by the licensee must include a complaint form, records describing the event, personnel involved, date and time, location, product type and amount lost. Records of theft or lost products and the subsequent investigation reports must be saved for a minimum five year period.

In addition to the foregoing, the FNE will conduct audit visits during the licence term to verify compliance with the operations plan, security protocol and other obligations the licensee must meet.

The implementation of security measures demands that licence holders work closely with local security forces aimed to ensure the fulfilment of security protocols, as seen in other key industries in Colombia. For example, oil and gas and mining contract holders in Colombia usually share and coordinate their safety and private security measures with police and military forces. While security protocols in the medical and scientific cannabis industries are mandatory, those security measures may be considered as common good practices in other industries. For example, security measures in other industries aim to ensure that access to unauthorized personnel is limited and operations are conducted by qualified personnel; strict monitoring over operations and related activities take place and are properly recorded; periodic information is provided and audit controls must be performed at all times, among others. In addition, connected services are subject to controls and contractors, in most cases, must be licenced or certified by different authorities to have good practice standards.

## **Licences and Authorizations**

### *Medcolcanna's Licences*

Medcolcanna SAS applied for the Production Licence on April 5, 2018, and applied for the Low THC Cultivation Licence, and the High THC Cultivation Licence on April 9, 2018. Medcolcanna received approval for all of the Licences in June 2018.

The High THC Cultivation Licence and Low THC Cultivation Licence allow Medcolcanna SAS to grow psychoactive and non-psychoactive medicinal cannabis for domestic consumption, production of seeds for cultivation, storage and disposal.

With the Production Licence, Medcolcanna SAS is authorized to produce High and Low THC Medicinal Cannabis extracts for the internal market, and to manufacture extracts for export.

Medcolcanna has received the approval as commercial cultivar of 8 different strains, including Psychoactive and non-Psychoactive, and hemp.

### **Product Information and Distribution**

Medcolcanna has received the approval into commercial cultivar of eight (8) strains of medicinal cannabis on the Leased Land for a variety of medical conditions. Such registration applies for Andean Region. In addition, the company has expanded Agronomical evaluation to another two regions where Medcolcanna plans to expand cultivation and where other cuttings customers have their licenced land. Medcolcanna has also submitted documentation to register additional strains. The development of the strains enabled Medcolcanna to select mother plants and identify the concentrations of cannabinoids required for the formulations which Medcolcanna intends to produce and distribute. The products will be produced utilizing stringent quality assurance and quality control measures as required by GAP, GACP and GMP Standards. Medcolcanna is committed to the development of final products that are consistent with medicinal cannabis industry standards and pharmaceutical procedures. The products will include a variety of THC and CBD compositions that will be designed to respond to specific medical conditions. The composition of strains will include a wide range of THC and CBD ratios. At this stage, the products have been formulated and the strains selected in order to achieve the technical requirements needed to fabricate the products. Medcolcanna is also currently evaluating various delivery methods.

Medcolcanna is licenced to produce High and Low THC Medicinal Cannabis extracts and to sell those formulations as Magistral Preparations. However, Colombian regulations do not allow for the direct commercialization of extracts as final branded products for mass market distribution until separate approval of INVIMA is obtained. Therefore, Medcolcanna's management team has initiated the process of pharmacological evaluation with INVIMA to obtain the final sanitary permit for its branded mass market physiotherapeutic products. Based on input from experienced drug regulatory professionals operating in Colombia, and input from INVIMA, Medcolcanna has devised the following plan to obtain INVIMA approval for its branded mass market products over the next 12 months:

1. Medcolcanna plans to submit a product dossier to INVIMA presenting technical and legal product information. This information includes, but is not necessarily limited to, identification of lab and related protocols/procedures, the active ingredients within the products and their medical application, the composition of the product, the rationale for product dosages, the target market for the product by medical condition, and the potential benefits and side effects of the product.
2. A technical group at INVIMA will evaluate the formulations and concentrations submitted in Medcolcanna's product dossier using criteria that includes safety, effectiveness and stability for the medical condition. Their evaluation will consider:
  - a presentation by Medcolcanna of scientific evidence demonstrating the effectiveness of its formulations;
  - a presentation by Medcolcanna of the legal and technical aspects of the packaging to ensure the disclosure of product contents, container concealment, and appropriate warnings; and
  - the performance by Medcolcanna of a stability analysis to ensure the product maintains its characteristics under normal environmental conditions.

3. Enactment by INVIMA of a public resolution granting a permit authorizing the laboratory and distribution conditions for the approved products.

The total estimated cost for the submission fees and research documents is expected to be less than \$500,000.

### **Distribution Methods & Principal Markets**

Medcolcanna intends to develop products primarily in two forms:

- **Magistral Preparations:** Direct-to-patient formulations prescribed by physicians to patients and developed by a certified pharmaceutical establishment using cannabis derivatives according to the needs and symptoms of patients requiring cannabis products. Magistral Preparations must be prepared according to an individual patient's medical prescription. Cannabis byproducts required as raw material for Magistral Preparations may only be provided by licenced manufacturers and must have been manufactured within the assigned quotas for High THC Medicinal Cannabis.
- **Branded mass market phototherapeutic products:** A mass marketed product available through pharmacies to patients on a prescription basis (for High THC Medicinal Cannabis) or over-the-counter (for Low THC Medicinal Cannabis). These products have active ingredients derived from natural extracts and the related medical properties generally accepted for traditional use.

#### *Magistral Preparations*

Magistral Preparations are doctor-prescribed customized products based on a patient's specific needs and symptoms. All Magistral Preparations must be individually prescribed to ensure proper dosage, quantity, and pharmaceutical form.

Magistral Preparations are subject to the following pharmaceutical rules:

- The Magistral Preparations can only be prepared by pharmacists and pharmaceutical services of health service institutions in accordance with Decree 2200 of 2005. Pharmaceutical establishments and services that produce of the Magistral Preparations must have or obtain the applicable certification from INVIMA.
- Preparation and distribution of cannabis Magistral Preparations requires prior registration in the FNE, in accordance with the requirements established in the technical regulations. Cannabis derivatives that are required as raw material for this type of preparation can only be provided by individuals or legal entities with a Licence to produce cannabis derivatives and that have been manufactured within the framework of the quotas granted.
- A finished product is the Magistral Preparation obtained from a cannabis derivative, which is to be marketed or distributed as a product for human or veterinary consumption. Finished products with psychoactive cannabis can only be used for medical purposes, while non-psychoactive products do not carry any restrictions on use. Finished products must have received the appropriate approval from INVIMA to guarantee quality, safety and efficacy.
- To market a finished product with psychoactive cannabis, the licensee must be enrolled in the FNE and permitted to produce and sell finished products at the national level. When the derivative is delivered to a third party at any national level, it must be registered with the FNE. Likewise, the finished product must have the requisite INVIMA authorization.
- Finished products made from psychoactive cannabis must be sold as a medical formula.
- The Ministry of Health will publish a list of finished products to be classified as special control substances, as well as guidelines and protocols to care for patients who need products containing cannabis. If INVIMA, according to the product category, determines that a product contains narcotic drugs, these must also be sold under the condition of a medical formula, including homeopathic drugs. Depending on the pharmaceutical



method, level of THC, as well as the risk of abuse, INVIMA may recommend the declassification of certain products as narcotic drugs and enable their free sale.

- Different conditions of purchase and sale will be established for psychoactive and non-psychoactive finished cannabis products, following the instructions provided by the Ministry of Health.
- Finished products derived from non-psychoactive derivatives of cannabis, provided they contain a THC concentration within the legal limit, shall originate from a non-psychoactive production licensee or non-psychoactive cultivation licensee. The manufacture and sale of these derivatives must comply with applicable regulations but are not required to register with the FNE.

### *Distribution*

Magistral Preparations can be delivered to patients through pharmacies registered with INVIMA. Suppliers of Magistral Preparations must meet GEP Standards for pharmaceutical laboratories. GEP Standards for the preparation of Magistral Preparations include requirements relating to the elaboration, transformation, preparation, mixing, adaptation and adjustment of dosages, as well as the re-packaging, distribution and storage of preparations.

Medcolcanna's manufacturing process follows GMP Standards that regulate principles and practices of hygiene in the handling, preparation, processing, packaging, storage, transportation, and distribution of food and medicines for human consumption. In accordance with these requirements, Medcolcanna intends to distribute its Magistral Preparation products in two ways:

- By INVIMA-authorized health product retailers that will ensure Medcolcanna products are prescribed by a registered physician under a prescription specific to each patient. Medcolcanna is in the process of negotiating with Colombian retailers to incorporate Medcolcanna's Magistral Preparations in their product offerings.
- Medcolcanna has developed its own health service centres or clinics where patients can access holistic treatment alternatives as more particularly set forth herein.

Upon completion of development and construction, Medcolcanna's accredited laboratory will be responsible for obtaining and preparing each patient's prescription. Magistral Preparations will then be shipped to the patient or to the authorized seller.

Currently, there are over 500 entities registered to sell non-cannabis Magistral Preparations in Colombia<sup>5</sup>. Despite the growth in usage of Magistral Preparations in Colombia, reliable financial information regarding pharmacies that manufacture and distribute these products is unavailable. However, Medcolcanna has identified, through market research, a number of pharmacies that account for significant industry sales.

### *Branded Mass Market Phytotherapeutic Products*

Under the Colombian regulatory regime, cannabis-based products may be sold through traditional distribution channels once permits have been obtained from INVIMA. Branded products can be sold to patients with a prescription (for High THC Medicinal Cannabis) or over-the-counter through INVIMA-authorized sellers (for Low THC Medicinal Cannabis).

Medcolcanna will focus its distribution strategy on selling products through major authorized retailers, as well as developing its own health service centres.

Pharmacies and drugstores are anticipated distribution channels for Medcolcanna's products. These channels are well-established methods for the distribution of health products given their widespread presence throughout Colombia. These outlets offer prescription and over-the-counter products, and increasingly emphasize the sale of herbal and

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<sup>5</sup> <https://www.invima.gov.co/images/pdf/informate/BoletnOpininJurdicaNo35Noviembre.pdf>

traditional medicinal products. There is rising demand in Colombia for vitamins and dietary supplements, as well as herbal and traditional medicinal products. This demand has benefited outlets like natural food stores and modern retailers like supermarkets and hypermarkets, which have been increasing their stock of such products.

Branded mass products will be delivered with information, including batch-to-batch identification and product identification labels in the primary and secondary packaging materials. These labeling practices enable Medcolcanna to trace a product from the patient to the manufacturing process and to the components used to prepare the product. All labels will be easily readable and will be made of weather-resistant and tamper-resistant materials, and will be conspicuously placed on the package.

#### *Access to Medicinal Cannabis in Colombia*

In Colombia, patients will be able to access medicinal cannabis with a prescription after a medical evaluation. For Magistral Preparations, the prescription must identify the THC and CBD dosages required based on the patient's physical condition. Medcolcanna has now commenced the development of such Magistral Preparations.

#### *Timing and Stage of Research & Development Programs*

Medcolcanna has hired an experienced team in the cannabis industry to develop the cultivation process, extraction methods, purification systems, and laboratory for analysis.

Specific research and development objectives will be identified by Medcolcanna's management team, in conjunction with national and international research centres and universities with expertise in cultivation, pharmacology, and the extraction of natural compounds from plants with pharmaceutical properties.

#### *Additional Steps Required to Reach Commercial Production*

Key milestones to reach commercial production are as follows:

1. **Development of upstream facilities, including greenhouse set up and cultivation**
  - (a) Status: currently 5.7 hectares of greenhouses have been built. In addition, two (2) hectares of outdoor space has been cultivated.
  - (b) Suitability of site confirmed through soil and water testing, as well as analysis of regional climate and local regulations.
  - (c) Facilities were built based on detailed site development and security plan.
  - (d) Fencing, greenhouses, irrigation systems, water and power sources, and initial security measures have been built.
2. **Development of downstream facilities, including post-harvest, extraction and analysis labs**
  - (a) Construction of warehouse was completed in the first quarter of 2020.
  - (b) Construction of clean areas under GMP compliance are ready. Some minor adjustments required by GMP EU consultants which are currently being updated and expected to be finalized by the third quarter of 2020.
  - (c) Estimated additional cost: \$200,000.
  - (i) Post harvesting facilities are operating and were built in a new warehouse built by Medcolcanna according to GACP standards. Inspection visit already approved and the company is waiting for the GACP final certificate.

- (d) Extraction equipment in place and stability testing of extraction in process.

### 3. **Commercial distribution**

- (a) Estimated Cost: \$0.4 million.
- (b) Status: In progress.
- (i) Licence fully secured to implement initial distribution strategy (Magistral Preparations).
- (ii) Addressable market and distribution strategy defined, including product positioning, branding, packaging and labelling, logistical channels and security controls.
- (iii) Development of patient outreach strategy defined including the development plans for Medcolcanna's clinics.
- (iv) First export completed during second quarter of 2020.

Medcolcanna has created a detailed staffing plan to meet the human resource needs to achieve the above milestones. Medcolcanna has hired a human resource professional to manage all recruitment, development, and retention of the required skillsets.

### **Future Research and Development**

Medcolcanna's research goals will focus on entry points in the Colombian market. Medcolcanna Licences will enable it to implement research and development strategies through a research plan that is directed towards achieving the following objectives:

Psychoactive and Non-Psychoactive Cannabis Research Objectives:

- General objective: Standardize processes for obtaining seeds, cultivation, harvesting, post-harvesting, and extraction of cannabinoid and non-cannabinoid derivatives of cannabis plants in order to establish cultivation protocols providing a high degree of assurance relating to the quality, safety and reproducibility of resins and natural compounds for medical applications.
  - Specific objectives:
    - (i) Identify the type and concentration of cannabinoid and non-cannabinoid compounds of cannabis plants cultivated in Colombia.
    - (ii) Evaluate the effect of nutrient solutions of fertigation and type of substrates on the quality and quantity of cannabinoid and non-cannabinoid compounds produced by cannabis strains sown in Colombia.
    - (iii) Determine the optimum stage and the methods for determining the harvest point of the plant in which the presence of cannabis derivatives with therapeutic application is maximized.
    - (iv) Evaluate different drying methods and their effect on the quality of cannabinoid and non-cannabinoid compounds obtained from different varieties of cannabis.
    - (v) Identify and quantify cannabinoids and non-cannabinoids obtained in extracts made from fresh plant material.

## Manufacturing Research Objectives

- General objective: Research will focus on identifying derived compounds (cannabinoids, non-cannabinoids, and others such as terpenes and flavonoids) of cannabis strains with medicinal applications, sown in Colombia, in order to establish the biochemical profile of existing derivatives. Once identified, specific studies will be carried out to determine possible applications of the identified derivatives.
  - Specific objectives:
    - (i) Study the antimicrobial effect of biochemical derivatives obtained from cannabis plants planted in Colombia.
    - (ii) Determine the cosmetic potential of derivatives obtained from cannabis plants planted in Colombia.

## Operations

Medcolcanna's proposed production method consists of cultivating High and Low THC Medicinal Cannabis varieties on the Leased Lands in the Municipality of La Conejera. By harvesting four times per year, Medcolcanna intends to obtain fresh flowers for curing, followed by extraction utilizing supercritical fluid extraction with CO<sub>2</sub>. The raw material obtained will be whole-plant extracts with THC and/or CBD content, which will enable the creation of different formulations to address specific medical needs. Raw material will be mixed as the active pharmaceutical ingredient with excipients and carrier agents to ensure proper release into the body. Medcolcanna intends to initially deliver extracts in the form of oral drops.

For Magistral Preparations, Medcolcanna intends to provide delivery services through pharmacies and clinics with whom distribution agreements are being negotiated.

### *Land Development*

The cultivation and production of extractions will take place on the Leased Lands. Medcolcanna entered into a 5 year lease for an area of 3 hectares in the Municipality of La Conejera, in the Department of Cundinamarca, 10 minutes away from Bogota, with monthly rent of approximately \$5,000. This lease contains options to lease additional land and any expansions thereof up to a total of 18 hectares on the same conditions as the lease agreement. In February 2020, the lease was amended to include an additional four (4) hectares of cultivation area.

Medcolcanna's Cultivation Facility have been developed on the Leased Lands, which will be surrounded by physical and natural barriers for security and control purposes.

Medcolcanna has enlisted a team to set up optimal work flow processes for cultivation and post-harvest processing, comprised of a senior master grower and a field director with experience under local conditions.

Based on local conditions and the information gathered from experimental harvest and the already commercial cycles cultivated, Medcolcanna uses on its estimates that it can harvest 3.2 crops per year, growing approximately 80,000 plants per year per hectare with an estimated yield of 75-90 grams of dry flower per plant for a total of 6 tons of dry flower per year per hectare.

The cultivation site has been designed with separate areas for psychoactive and non-psychoactive cannabis production. However, production procedures and processes for Magistral Preparations and phytotherapeutic products are the same.

### *Facilities*

Medcolcanna has established Cultivation Facilities on the Leased Land. Medicinal cannabis is grown in semi-enclosed greenhouses. The greenhouses are automatic, with climate controlled, thereby isolating the plants from the changing conditions of the environment. The greenhouses provide stable microclimate and growing conditions.

Medcolcanna currently has 5.7 hectares of cultivation in greenhouses. Out of this amount, 1.6 Hectares are for commercial production, 0.4 hectares are for breeding, including mother plants and rooting of cuttings, and 0.6 hectares are dedicated to R&D and agronomical evaluation. In addition, Medcolcanna has two hectares cultivated for outdoor growth. This includes automated irrigation system as well supplemental lighting for vegetative stage.

Medcolcanna constructed a deep water well and a reservoir to gather and store water, also developed a collection and recycling water system from rain that is the main source of water in order to have an environmental clean production. Also Medcolcanna has established a water treatment plant. Medcolcanna will conduct regular water quality analysis (testing for heavy metals, microorganisms, and LRMs of the main water source and the water treatment plant).

### *Raw Materials*

Medcolcanna's raw materials include water, soil, fertilizers, and electricity. Utilization and sources of these raw materials include:

- Seeds: Medcolcanna has registered 50 strains of which twelve (12) have already been approved into commercial cultivar and thirty eight (38) have been approved for specific patient ailments.
- Water: Medcolcanna has drilled a well into an underground water reservoir that produces the inputs necessary to hydrate the plants. Also Medcolcanna has created a reservoir and has built a water collection and recycling system. Medcolcanna has also built a water treatment plant.
- Soil: Medcolcanna secures soil for its cultivation from local providers. Colombia has an abundance of suitable soil. Quality controls will be established to guarantee that soil is organic (free of any chemical compound and pesticides).
- Fertilizers: Medcolcanna secures fertilizers from local providers. This includes the nitrogen/phosphorous/potassium formulations needed by cannabis plants. Colombia has an abundance of fertilizers for cultivation due to its history of cultivating.
- Electricity: Medcolcanna utilizes electricity to augment natural sunlight in the cultivation of cannabis plants. Although Colombia typically averages approximately 12 hours of sunlight per day, the vegetative stage of cultivation requires several hours of supplemental lighting to prevent the plants from flowering prematurely. Due to the proximity of the Leased Land to Bogota (the main commercial centre in Colombia and the largest city) access to electricity and infrastructure is virtually assured. Medcolcanna will also have a backup power generation plant in case of any possible disruption.

### *Quality Assurance and Control Measures*

Medcolcanna's quality control measures its being implemented throughout all aspects of the cultivation, extraction, and production processes. At the cultivation stage, Medcolcanna use vegetative material that is free from pathogens and chemical residues which would be confirmed by internal testing and third-party testing. Agricultural best practices have been implemented on site. Vegetative material and water are tested for any pesticide residues, heavy metals, plant growth regulators and pathogenic microorganisms, adhering to the limits established for medicinal cannabis by the Commonwealth of Massachusetts. Further, a water treatment plant was built at the cultivation site in order to provide clean potable water to the site.

Medcolcanna has implement a pest management program in order to control possible pests and diseases during the cultivation process. A nutrient monitoring regime will also be implemented at cultivation to detect any deficiency symptoms and pathogen incidences. The cultivation manager (agronomist) provides weekly reports on the quality of the plants during cultivation. Following harvest, Medcolcanna has implement microbiological and chemical tests from random batches. Any product that does not meet quality standards will be rejected. Only approved material will be processed for extraction.

Cultivation its being performed under strict sanitary guidelines. Only authorized personnel are allowed to enter designated areas. The post-harvest and drying facilities, as well as all the equipment and material that are in contact with the plant product will be continuously treated with biocidal agents to maintain sanitary standards. The cultivation manager will ensure that production guidelines are followed according to agricultural best practices. The senior master grower will oversee processing of raw materials into dry flowers.

### *Security Protocol*

Medcolcanna has a scalable and comprehensive security plan that identifies and mitigates risks relating to Medcolcanna's assets and covering the production, distribution, logistics and operations chain. Medcolcanna's security protocol features range from electronic controlled access to ultra-high definition video surveillance and intrusion detection devices, among others. Medcolcanna's security protocol was prepared by a security company after an assessment performed at the Leased Land location, and was presented to the authorities at the time of the licence applications. Furthermore, a meeting was held with the police at the locality Cuadrante 47, who are in charge of the security of the area. They also reviewed the security protocol and approved it.

### *Cultivation Area*

Medcolcanna's cultivation area is protected by an electric fence with a controlled access door and electronic security system. A closed-circuit surveillance system monitors the premises 24 hours per day, 7 days per week, storing recorded images for month-long periods. A third-party security company has been contracted to monitor the cultivation area, control access and verify personnel on site.

Door and window contacts are connected to the primary security panel on all perimeter doors and windows of the Cultivation Facility, which will notify Medcolcanna of any unauthorized entries. The siren/strobe provides an audible alert, as well as a visual alert for the hearing impaired, if the primary security panel is compromised. Motion sensors will notify the primary security panel of movement around the perimeter of the Cultivation Facility during restricted hours.

The following security measures have been enacted to control access to the Cultivation Facility:

- Currently, two permanent security guards patrol the Cultivation Facility with radio and other communication equipment. An off-site service supervisor is available to provide additional support according to protocol and in case of emergency.
- At the local and regional level, the police and the military are aware of the project and ready to respond in the event of an emergency situation.
- Medcolcanna will complete background investigations of all personnel.
- Medcolcanna will have a product storage vault. A vault has been designed with access controls that are intended for the storage of dried flower, extracts and seeds.

### *Controlled Access*

Medcolcanna have installed network access control at every entry point. Each entry point to the Cultivation Facility is equipped with an encrypted reader to grant or deny access to a given entrance or exit. Each employee and authorized occupant of the Cultivation Facility has been given a fob or clamshell access card, granting him or her individualized access privileges within the Cultivation Facility. Each employee or authorized occupant has only had access to zones pertaining to his or her responsibilities.

Every entrance and exit have a contact device connected to the ethernet network controller, reporting each time a door is opened and monitoring the status of each door in the Cultivation Facility. The network access control logs every authenticated user, as well as unauthorized entrance and exit attempts. The ethernet network controller is also notified

if a door is forced or left open by sounding an internal buzzer. Open-door notifications are sent from the network controller to the server, key personnel, and the primary security provider.

#### *Transport Security*

Transportation services will be provided in accordance with Medcolcanna's security protocols and local legislation. Medcolcanna will hire a security company to oversee the transport of any seed, plant, or processed product to and from all facilities that Medcolcanna runs, owns, or operates. The selected company will provide point-to-point transportation capability with armed security personnel. Medcolcanna's vehicles will be tracked and monitored with video and GPS technology by security personnel.

#### *Seasonality*

Medcolcanna's cultivation site is located in a region with a fairly consistent average daily temperature of 20°C, average annual humidity of 68%, with a bimodal rain regime with a dry season from December to March and in July and August, and rainy seasons from April to June and August to November.

#### *Special Skills and Knowledge*

Medcolcanna's management and advisory team has experience working in the Colombian agricultural industry, the international commodity markets, Canadian capital and financial markets, the Colombian and US medical industry and with Colombian governmental institutions.

The loss of any member of Medcolcanna's management team could have a negative impact on its business and results of operations. In addition, an inability to hire, or the increased costs of new personnel, including members of executive management, could have a material adverse effect on Medcolcanna's business and operating results. At present and for the near future, Medcolcanna will depend upon certain employees to develop, market, sell, grow and support its products. These risks are mitigated by the fact that members of the management team and certain employees have aligned interests with shares in Medcolcanna. The expansion, marketing and sales of its products will require Medcolcanna to find, hire and retain additional capable employees who can understand, explain, market and sell its products. For non-management staff at Medcolcanna's operating companies, specialized knowledge is generally not required, however customary training will be required.

#### *Employees*

As at the date of this Annual Information Form, Medcolcanna has ninety full-time employees. Medcolcanna is in material compliance with all applicable labour laws

#### *Competitive Conditions*

The market for medicinal cannabis in Colombia is characterized by a structural shortage of supply, with few authorized producers. Although competition in the market is growing, management believes that Medcolcanna is competitively positioned to satisfy a significant portion of the market's demand for medicinal cannabis.

Medcolcanna will initially serve the Colombian cannabis market by selling Magistral Preparations. In doing so, Medcolcanna will aim to develop brand recognition and establish its customer base.

#### *Medcolcanna's Principal Competitors*

The global cannabis industry is experiencing significant change as governments embrace regulatory reform, liberalizing the production and consumption of cannabis. It is possible that foreign corporations may enter the Colombian market as a result of Colombia's regulatory regime, creating the prospect of Colombia becoming a hub for future industry development.

In addition, climate conditions and low cost labor are positive factors that may result in Colombia becoming a leader in cannabis production in the world.

Medcolcanna may face new competition for its Magistral Preparations from local laboratories with experience developing Magistral Preparations that partner with a licenced cannabis provider to offer products similar to Medcolcanna's anticipated product line. Medcolcanna is aware of at least one other company that is pursuing a similar strategy of acquiring medical facilities in order to approach the local market.

Similarly, new competition for branded mass market phototherapeutic products may arise from local laboratories that have previously developed natural phototherapeutic products with natural ingredients. Alternatively, foreign corporations may choose to undertake the Colombian licensing process in order to register products and develop further opportunities in other Latin American jurisdictions.

#### *Intellectual Property*

Medcolcanna has recognized the importance of its intangible assets such as brand names, circulation lists, copyrights, franchises, licences, patents, software, subscription lists and trademarks. With this in mind, Medcolcanna has an external advisory team to coordinate the filing, prosecution and protection of intellectual property rights (IPRs) in Colombia.

The duration of IPR protections in Colombia are in line with the international conventions, with 20 year protection for patents; 10 year protection for utility models; 10 year protection for trademarks (with optional renewal); and 80 year protection for copyrights.

Medcolcanna's policy is to require all employees and third-party contractors to sign non-disclosure agreements and intellectual property assignments to protect sensitive information regarding Medcolcanna's core business products and services.

#### *Legal and Administrative Proceedings*

In the ordinary course of business, Medcolcanna may be subject to certain contingent liabilities with respect to existing or potential claims, lawsuits and other proceedings, including those involving tax, social security, labour lawsuits and other matters. Medcolcanna will accrue liabilities when it is probable that future costs will be incurred and such costs can be reasonably estimated. There are no material proceedings currently pending against Medcolcanna.

#### *Environmental and Social Programs*

Environmental protection requirements in Colombia are governed mainly by legislation and regulations for environmental components (soil, water, air and biodiversity) that will be impacted in positive or negative contexts. The relevant environmental laws are summarized below.

After a detailed consultation, Medcolcanna concluded that the Cultivation Facility has not previously been used for any intensive agricultural projects. The local environmental authority has not published any restriction on the site being used for agricultural purposes. Moreover, the land surrounding the cultivation site has been used to cultivate flowers and therefore the area is cleared for agricultural production according with its use-of-soil registry.

Medcolcanna has created its health and safety programs. The health, safety, environment, and quality ("HSEQ") outsourcing team is working on the identification, definition and measures for occupational health and safety. Medcolcanna has HSEQ management manual that includes all potential situations and measures.

As part of its environmental, social and sustainability strategy, Medcolcanna has implemented a strict environmental and social management system, which allows Medcolcanna to systematically manage its environmental, social, health and safety matters. This integrated management systems allows for the following:



- The identification and assessment of environmental, social and labour risks and impacts through a specific methodology that allows Medcolcanna to prioritize significant impacts and risk.
- Identification and assessment of applicable environmental, social and labour law requirements.
- Improving the management of agrochemicals, chemical products and fuels through programs which allows tracking of improvements.
- Monitoring water and soil quality in accordance with internal procedures and legal requirements.
- Monitoring of water, fuels and electricity consumption.
- Waste management according to Decree 1076 of 2015.
- The control of safety and health of workers and the community.
- The management and control of contractors' HSEQ practices.
- The establishment of performance indicators for monitoring HSEQ processes.
- The preparation and response to possible emergencies and contingencies.
- Communication with all stakeholders.
- Management of complaints, non-conformities, actions and evaluating their effectiveness.

## **Doing Business in Colombia<sup>6</sup>**

### *Foreign Exchange Market*

Foreign investment comprises (i) foreign capital investment made in the country (direct foreign investment and portfolio investment) and (ii) Colombian capital investment made abroad (Colombian investments abroad).

#### 1. Foreign investment in Colombia

##### Types of foreign investment in Colombia

- Direct foreign investment This is any investment made in any of the following assets, as long as a nonresident has acquired them in any manner under a lawful act, contract or transaction:
  - Equity investments made in the capital of a Colombian resident company. They can be made in shares or other types of equity interests, corporate capital shares, or convertible bonds as long as these are not registered under the National Securities and Issuers Register (acronym in Spanish RNVE) or in any foreign securities quoting system.
  - Any of the above equity investments made in a Colombian resident company, which shares, are registered under the National Securities and Issuers Register, when the foreign investor makes the statement that shares have been acquired with the intention of a permanent investment.

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<sup>6</sup> [https://www.pwc.com/co/es/doing-business/assets/doing%20business\\_english\\_v3.pdf](https://www.pwc.com/co/es/doing-business/assets/doing%20business_english_v3.pdf)

- Interests or shares in trusts under agreements made with trust companies subject to surveillance by the Office of the Superintendent of Finance of Colombia, whose purpose does not constitute a portfolio investment.
- Any pieces of real property located in the country and acquired in any manner, either directly or through trust agreements or as a result of the securitization of any piece of real property or of any construction projects, as long as the securities are not registered with the National Securities and Issuers Register (RNVE is the Spanish acronym).
- Any interests or shares or economic rights deriving from any acts or contracts such as collaboration, concession, management services, licences or joint venture agreements (consortiums or temporary unions) or other agreement is entailing technology transfer, when these does not represent a corporate equity interests and that the incomes derived from the investment depend on the profits made by the venture.
- Any shares in the assigned capital and any supplementary investments made in a branch established in the country of a foreign company (head office).
- Any shares or interests in private equity funds.
- Any intangible property acquired to be used to obtained economic gains in the country.
- Portfolio investment These are investments made over securities registered under the RNVE or any securities listed in any foreign securities quoting system; investments made as interest in collective investment funds or as shares in negotiable depository certificates that represent securities.

#### *Registering foreign investment in Colombia*

All foreign investments must be registered directly with the Central Bank (Banco de la República) or through a foreign-exchange market intermediary or through a so-called compensation account. Registration is a necessary condition for any foreign investor to be entitled to exercise his foreign-exchange rights under the local law. This registration must be done by the foreign investor, his agent or attorney or whoever represents his interests.

- Registration of direct investment made in cash, i.e. in currencies. These investments are registered automatically upon the submission of the minimum requisite of foreign investment data (through filing of the foreign-exchange declaration), which is done at the time the currencies are channeled into the foreign exchange market (through a compensation account or a local bank).
- Registration of other instances of direct investment: Any other investments made through a lawful act, contract or transaction (other than those involving currencies) must be registered at any time by filing Form 11 – Foreign Investment Registration Declaration.

Where the investment is sold to Colombian residents or the investment is liquidated, partially or totally or where there is a capital reduction or the reacquisition of shares or equity interests, or real state selling, the investor of record must cancel the corresponding foreign investment registration within the six months following the date of the transaction. To cancel any investment derived from the change of the owner or holder of a fixed asset, the seller/transferring party must file the document that proves that the tax accruing on the transaction has been reported on a tax return, computed and paid. Likewise, were there is a change of the initial investor for another foreign investor or the investment destination changes on other Colombia resident company, this fact must be reported to the Central Bank by the procedure of substitution of investor of record. This procedure must be carried out within the six months following the transaction date. The registration of foreign investment in Colombia must be updated every year, on and before the deadlines set by the Central Bank following the procedures set by that institution.

### *Foreign-exchange rights*

Once the investment has been registered, the investor of record has the following foreign-exchange rights:

- To remit abroad any proven net profits generated by his investment periodically.
- To reinvest any net profits or to retain as part of surplus or equity any profits or gains that have not been distributed and can be remitted abroad.
- To capitalize any amounts that can be remitted abroad and that are derived from any obligations originated from the investment.
- To remit abroad (in freely convertible currency) any proceeds from the sale of investment within the country or from liquidation of Medcolcanna or the investment portfolio or from any capital reductions.

### *Foreign Exchange Market*

The foreign exchange market is made of the entire foreign currencies that must be channeled through regular foreign-exchange market intermediaries or through compensation accounts. Additionally, those currencies that any person voluntarily channels through the regular foreign-exchange market are also part of the foreign-exchange market.

1. Transactions that belong to the regulated foreign-exchange market

The following transactions must be monetized through the foreign exchange market:

- Imports and exports of goods.
- Foreign debt transactions carried out by Colombian residents as well as the related financial costs.
- Foreign capital investments made in the country, as well as the gains or yields that relate to them.
- Investments of Colombian capital made abroad, as well as the gains or yields that relate to them.
- Financial investments made in foreign securities or in assets located abroad, as well as the gains or yields that relate to them, except for the investment is made with currencies that originate in transactions that are not required to be channel through the foreign-exchange market.
- Foreign-currency denominated guarantees.
- Derivative transactions.

All those other transactions which have not been classified as transactions that must be channeled through the regular foreign-exchange market belong in the so-called free market. Accordingly, they can be carried out without the parties being required to resort to any foreign-exchange market intermediary or to use a compensation account to carry them out (e.g. payments in foreign-currency for the provision of services).

1. Foreign-exchange market intermediaries (local banks and financial entities authorized)

Foreign-exchange market intermediaries are those entities authorized to channel any currencies required or generated by transactions made through regulated foreign exchange market, either mandatorily or voluntarily. They do so by purchasing or selling the currencies. The foreign-exchange rates that apply for the purchase and sale of currencies will be the rates that the parties to the transaction agree upon freely; and the intermediaries cannot charge any type of

commission on these transactions. As a general rule, the intermediaries in charge of channeling foreign-exchange market transactions are the banks.

## 2. Compensation Accounts

Compensation accounts are bank accounts held in foreign-currency with a foreign financial institution where the account holder is a Colombian resident. These accounts must be registered as such (as compensation accounts) with the Central Bank.

The revenues and the expenditures transacted through compensation accounts may originate in the payment of foreign-exchange transactions that must or must not be channeled through the foreign exchange market, as well as in the payment of domestic (between residents) transaction obligations. In any event, please note that it is only the account holder who can carry out foreign-exchange transactions through a compensation account. The opening, handling (movements) and closure of compensation accounts must be reported to the Central Bank (through monthly reports) and to the Customs and Tax Authorities (the DIAN, through quarterly reports).

## 3. Foreign-Exchange (FX) Declaration

The minimum requisite data FX declaration is a formal requirement that a person needs to meet to document a FX transaction entailing the purchase or sale of foreign-currency through duly authorized intermediaries. This minimum requisite data declaration is made by filing a form that each intermediary designs; in the form, the interested party enters the basic data of the transaction made. No minimum requisite data FX declaration is required for transactions made through compensation accounts. There are other forms that must be filed although they are not considered FX declarations. They had been provided by the Central Bank to report on FX transactions to do any of the following, among other transactions or events. Updating the foreign investment of companies that belong in the general FX regime (Form No. 15). Registering and updating foreign investment in the hydrocarbons and mining sector (Form No. 13). Registering and reporting any movements or the cancellation of compensation accounts (Form No. 10). These forms must be filed in a timely manner with the Central Bank, either in hard copy form or electronically (online).

## 4. Regulation of Foreign-Exchange Market Transactions

All imports or exports made by Colombian residents must be paid using foreign-exchange market currencies. The required currencies must be obtained through the intermediaries or from compensation accounts.

- Imports of goods

The minimum requisite data FX declaration for imports and the related attachments will depend upon the type of payment made by the importer of record. In point of imports, the importer of record is not allowed to offset obligations; instead, as a general rule, the Colombian importer must remit abroad the currencies that correspond to the relevant importation of goods, otherwise he will be subject to a penalty equal to 100% of the transfer amount.

- Exports of goods

Colombian exporters may also receive payment for exports in Colombian pesos for a foreign-exchange market intermediaries, or in foreign-currency channel through the foreign-exchange market, or in Colombian pesos through international credit cards. In point of exports, the exporter is also not allowed to offset obligations; instead, as a general rule, the Colombian exporter must receive the currencies from his foreign customer, otherwise he will be subject to a penalty equal to 100% of the transfer amount.

- Foreign-currency credits and debts

All inflows and outflows of currencies for foreign-currency credit transactions where Colombian residents borrow or lend money must be channel through the foreign-exchange market.

Colombian residents and foreign-exchange market intermediaries may obtain foreign-currency denominated loans from intermediaries (local banks) and from nonresident lenders duly registered with the Central Bank, either directly or with the funds been disbursed by local public discount lending institutions; they can also obtain foreign credits by the placement of securities in international capital markets (borrowing transaction).

All foreign indebtedness (via lending or borrowing) acquired or incurred by local residents must be channel through the foreign-exchange market, and these transactions must be reported to the Central Bank before the underlying funds are disbursed, by filing the applicable FX form with a foreign-exchange market intermediary.

#### *International Investment Agreements*

Colombia has launched a strategy to improve its foreign trade relations. This strategy includes negotiating and signing Agreements for the Reciprocal Promotion and Protection of Investments (APPRI is the Spanish acronym) and Foreign Trade Agreements (“FTA”) that include chapters on foreign investments. The main purpose of both the APPRI and the foreign investment chapters of the FTA is to set clear and stable game rules for the investments made by nationals of each party in the territory of the counterparty. These rules are based upon principles of justice and transparency and on international standards. Additionally, they contain obligations of treatment and protection that must be afforded to the investments, and conflict resolution mechanisms for any conflicts that arise in relation to them, including the possibility of resorting to arbitration to settle any disputes between the foreign investors and the states that involve a violation of the relevant treaty.

Currently, Colombia has international FTAs with the Andean Community, AELC (Switzerland, Liechtenstein, Norway and Iceland), Canada, Chile, United States, Mexico, the Northern Triangle (Guatemala, El Salvador, and Honduras), the European Union, the Pacific Trade Alliance, South Korea, Costa Rica, CARICOM, Panama, Cuba, Mercosur: ACE 59 and ACE 72, Nicaragua, Venezuela.

FTAs with investment chapters have been signed with Israel and Panama, and negotiations are underway for the signing of treaties with Japan, Australia, New Zealand and Singapore.

Additionally, Colombia has signed APPRIs with Canada, Chile, United States, India, Mexico, the Northern Triangle, the Pacific Trade Alliance, South Korea, Costa Rica, China, Spain, Switzerland, Japan, Peru, and the United Kingdom.

Additionally, Colombia has signed APPRIs with Brazil, France, Israel, Panama, Singapore, Turkey, United Arab Emirates, in respect of which the internal legislative enactments and approvals are still pending.

Finally, negotiations for the entering into APPRIs with Qatar, Kuwait and United Arab Emirates are underway.

#### *Taxes*

Tax regulation is complex and subject to frequent amendments. Recent amendments have implemented base erosion and profit sharing measures as well as emphasized the enforcement of the value-added tax (“VAT”). The most recent tax reform was introduced on December 28, 2018 (the “**2018 Tax Reform**”). Colombia has signed several international treaties following the OECD model to reduce the potential for double taxation. The Colombian tax system is comprised of national, departmental and municipal taxes.

Subsequently, the 2018 Tax Reform was declared unconstitutional and was replaced by an Act (2010) enacted on December 27, 2019 which essentially keeps the same terms of the 2018 Tax Reform, but (i) reintroduces the reduction of the companies' income tax rate for taxable year 2022 onwards to 30%, (ii) reduces the presumed net income for 2020 from 1.5% to 0.5%, (iii) reduces from 15% to 10% the maximum rate for dividends for natural persons, (iv) keeps the extraordinary equity tax payable in years 2020 and 2021, but changes the date when having net equity exceeding COP 5,000 million triggers the tax, from January 1, 2019 to January 1, 2020.

The following is a general summary of material Colombian tax regulations impacting Medcolcanna and are current as at the date of this Annual Information Form. The information below is subject to legislative, judicial or

administrative change or interpretation, and any such change or interpretation could result in tax consequences, potentially on a retroactive basis, material to Medcolcanna's financial position.

#### *Income Tax on Economic Activities*

Colombian companies, and individuals deemed residents for taxation purposes, are taxed on their worldwide income. Non-resident corporations and individuals are taxed on their Colombian source income. Entities engaged in business cooperation agreements, including joint ventures, are taxed as separate taxpayers.

For tax year 2019, companies are subject to income tax at a rate of 33% and companies with a tax base of COP\$800,000,000 (approximately US\$266,000) or greater are subject to an additional tax surcharge of 4%. The 2018 Tax Reform established the following corporate income tax rates 33% for 2019, 32% for 2020 and 31% for 2021. The 2018 Tax Reform included a surcharge applicable only to financial companies of 4% for 2019 and 3% for 2020 and 2021.

Colombia's income tax regime presumed that a corporation's net income for 2018 for tax purposes will, at a minimum, equal 3.5% of the corporation's net equity as calculated at December 31 of the prior year. The 2018 Tax Reform, as amended, reduced this tax to 0.5% for 2019 and 2020 and to 0% 2021 onwards. The corporate tax rate is applied to the presumptive income. Corporations will be subject to the presumptive income whenever the net income of the current taxable year is lower than the presumptive income.

Capital gains are those profits arising from the disposition of assets which have been part of the fixed assets of the taxpayer for a period of at least two calendar years and are taxed at a rate of 10%. Capital losses may only be offset with capital gains over the following 12 taxation years.

#### *Non-Resident Income Tax*

For 2018, non-resident corporations will be taxed on their Colombian source income at different rates depending on the type of income.

For 2020, payments to non-residents are generally subject to withholding tax at rate of 15 to 20%, with several exceptions including payments by way of dividends or other special payments. The tax and withholding tax rate may be reduced if Colombia is a signatory to a tax treaty with the non-resident's home jurisdiction. Canada and Colombia have entered into a convention for the avoidance of double taxation. Colombia and British Virgin Islands have no tax treaties currently in place. However, the 15% withholding tax rate continues to apply to interest payable on a loan of at least one year. Fees for management and related services paid directly or indirectly to a foreign parent company continue to be subject to a withholding tax rate of 33% on the gross amount of the payment.

Under Colombian regulation, foreign companies are subject to local tax obligations which in most cases is a withholding income tax. However, when withholding tax does not apply or when the withholding tax applicable is different to the ones established in articles 407, 408, 409, 410 and 411 of the Colombian tax code (these articles include, but are not limited to, the payments of interests, dividends and royalties), Medcolcanna will have to file the tax return and pay any amount of tax that exceeds the withholding tax rate applied by the payer.

#### *Taxation of Dividend Distributions – 2019 Onwards*

The distribution of dividends and shares in profits to Colombian residents and their corporate entities qualify as nontaxable income provided they correspond to earnings that were reported and taxed at corporate level. If that is not the case, the following withholding taxes will apply on any dividend or profit distributions that are paid from earnings realized as from taxable year 2019 (without detriment to the application of any double taxation treaty subscribed by Colombia):

1. Non-resident foreign companies
  - Profits already taxed in the hands of the distributing company – 7.5%.

- Profits that were not taxed in the hands of distributing company - at the applicable corporate tax rate onwards (i.e. 33% for 2019). In this case, the withholding tax applies after deduction of this tax.
2. National Companies
- Profits already taxed in the hands of the distributing company – 7.5%.
  - Profits that were not taxed in the hands of distributing company - at the applicable corporate tax rate onwards (i.e. 33% for 2019). In this case, the withholding tax applies after deduction of this tax
3. Resident Natural Persons
- Profits already taxed in the hands of the distributing company – 0 or 15% depending on the amount of the dividend.
  - Profits that were not taxed in the hands of distributing company - at the applicable corporate tax rate onwards (i.e. 33% for 2019). In this case, the withholding tax applies after deduction of this tax.

#### *Equity Tax*

The extraordinary equity tax originally proposed to be introduced for taxable years 2019 and 2020 is extended to 2021. The tax applies at 1% on net equity exceeding COP 5,000 million on 1 January 2019.

#### *Double Taxation Treaties and Decision 578 of the Andean Community of Nations*

Colombia has been negotiating double taxation treaties to avoid double taxation and prevent tax evasion in point of income taxes in patrimony taxes, particularly with respect to cross-border transactions. At the level of the Andean Community of Nations, Colombia adopted Decision 578 which corresponds to the new Andean community regulation to avoid double taxation and prevent tax evasion between the member countries of the CAN (Colombia, Peru and Ecuador). In regulating the taxing power of the member states, this decision favors the criterion of source-based taxation above residence-based taxation.

The double taxation treaties signed by Colombia to date seek to avoid international double taxation and prevent tax evasion; and in addition to that, they seek to eliminate barriers to the flow of capitals, goods, technologies and persons between the signatory countries.

Additionally, these treaties help the countries to better implement transfer pricing regulations; they recognize the principles of nondiscrimination of nationals and nonresidents which carry out activities in any of the other counterparty countries; they implement procedures of reciprocal cooperation between taxing authorities for the resolution of conflicts, the making of consultations, the exchange of information, and assistance in tax collection efforts.

As of this date of this Annual Information Form, double taxation treaties are in force with the following countries: Spain, Chile, Portugal, Korea, India, Mexico, Czech Republic, Canada and Switzerland. Double taxation treaties were also signed with the United Kingdom and France, and the related, internal approving legislation is expected to be promulgated soon.

#### *The Financial Transactions Tax – GMF (for the Spanish acronym)*

The financial transactions tax is an instantaneous event tax. Among others, the taxable event is making financial transactions by which the taxpayer disposes of resources held in savings or checking accounts as well as in special deposit accounts with the Bank of the Republic, and the drawing of cashier's checks. Because it is an instantaneous event tax, the tax accrues at the time the resources are disposed by the financial transaction.

The tax rate is four per thousand (4 x 1000) of the total value of the financial transaction by which the taxpayers disposal of their resources. 50% of the GMF paid is deductible for income tax purposes regardless of whether the tax relates to the income-producing activity of the taxpayer.

This tax is collected and paid by withholding tax collection carried out by the Bank of the Republic and the rest of financial institutions in which the respective checking or savings account is held for the other types of account where accounting movements are made entailing the transfer or disposal of resources. Under the law, there are a number of transactions that are exempt from this tax.

#### *Value-Added Tax*

The VAT is a 19% indirect national tax applied on: (i) services rendered in Colombia for any individual or corporation, regardless of its place of incorporation or tax residency; (ii) services rendered from abroad which are intended to benefit Colombian individuals or companies; (iii) the sale or import of goods; (iv) the first sale of residential units with a price exceeding approximately US\$285,000; and (v) the sale or transfer of intangible assets related to industrial property.

In most cases, VAT does not apply to the sale of fixed assets or export of goods and services. VAT does not apply to expressly excluded goods or services, including: most groceries, energy, pharmaceuticals, medical services, certain transportation services, residential tenancies, education services, tickets (i.e. cultural events, sporting events, movies), and certain services related to agricultural activities. Various other products and services are exempt from the application of VAT, including the export of services (provided that certain conditions are complied with) and tourism services.

Generally, VAT paid by a corporation may be treated as an input tax credit if the good or service acquired is related to a VAT-taxable activity and can be characterized as an expense for tax purposes. Accordingly, the VAT payments that are generated by Medcolcanna SAS are creditable against any VAT paid by Medcolcanna SAS to third parties. Exporters and producers of exempt goods and services are refunded surplus input VAT.

#### *Medicinal Cannabis Consumption Tax*

Law 1819 of 2016 created a Medicinal Cannabis Consumption Tax (“MCCT”) levied on the sale of any manufactured products that contains psychoactive or non-psychoactive cannabis. The MCCT is assessed at a rate of 16%.

MCCT cannot be used as input tax credits for VAT purposes. In other words, the MCCT cannot be creditable for VAT purposes but can be treated as a deductible expense for income tax purposes. The taxpayer is the buyer or producer of cannabis that submits cannabis to a transformation process. According to Colombian tax law, transformation is understood as (i) any process that implies changing the form of cannabis; (ii) any transmutation of flowering tops or with fruit, in any other product; or (iii) obtaining a derivative through any mechanical, physical, chemical or biological process from psychoactive or non-psychoactive cannabis. These derivatives include, among others, oils, resins, tinctures, extracts, or plant materials from cannabis plants.

#### *Employment Matters*

Colombian law permits parties to enter into employment relationships for the duration of a specific project, for a fixed period or indefinitely. Fixed term employment must be evidenced by a written employment agreement and the initial term may not exceed three years. Employment contracts may be renewed by the parties. Fixed term contracts are automatically renewed for an additional term in the event the relationship extends 30 days beyond the initial term and no party notifies the other of its intention not to extend the agreement. Unless expressly agreed otherwise, employment agreements are presumed to be indefinite in nature.

#### *Termination of Employment Agreements*

An employment agreement may be terminated unilaterally, with or without cause, or by mutual consent. In case of unilateral termination by the employer without cause, the employee is entitled to damages payable by the employer. Damages vary depending on the salary level of the employee and the duration of the employment agreement.



Prior authorization from the Ministry of Labour is required for unilateral terminations involving defined classes of protected employees (i.e. those on maternity or sick leave, disabled employees, etc.) The authorization to unilaterally terminate an employment contract for a protected or unionized employee must be granted by the courts. The amount of the compensation required upon termination varies based on the salary level of the employee and the duration of the employment agreement.

For agreements entered into for an indefinite term, severance rules apply as follows:

- For employees with a salary equivalent to less than 10 minimum monthly legal wages: 30 days' salary for the first year of services plus 20 additional days' salary for each subsequent year of service on a pro rata basis.
- For employees with a salary equivalent to 10 minimum monthly legal wages or more: 20 days' salary for the first year of services plus 15 additional days' salary for each subsequent year of service on a pro rata basis.

For fixed term agreements or agreements in which the term is subject to the performance of a specific job, upon termination, the employer must pay the employee the greater of the compensation for the remaining term of the contract or 15 days' salary.

### *Salaries*

Under Colombian law, salary includes fixed or variable remuneration as well as any other amount that the employee receives, in money or in kind, as direct compensation for services performed, regardless of the form or name given to it. By way of example, the following concepts, in principle (subject to the exclusions mentioned below), constitute salary: premiums, contractual bonuses, overtime pay for work on compulsory rest days, sales commissions, meals, housing or clothing benefits and permanent travel expenses for dining and lodging.

The following amounts are excluded from the definition of salary:

- Amounts granted to the employee occasionally as discretionary premiums, bonuses and gratuities.
- Amounts granted (in money or in kind) to properly perform an employee's functions, such as relocation and transportation allowances or stipends for work tools.
- Business development expenses incurred in the course of representing an employer at industry or entertainment-related events.
- Payments in respect of mandatory social benefits programs.
- Any customary or occasional extralegal benefit paid (in money or in kind) when the parties have expressly agreed in writing that these are not part of the salary and which by nature do not compensate the work or services provided.

### *Legal Guidelines for Establishing Salary Level*

There is no legal provision for establishing special salary levels, except for the minimum monthly legal wage. The minimum monthly legal wage in Colombia for 2020 is COP 877,803 per month. Employees earning less than twice the minimum wage also receive a transportation allowance of COP 102,854 per month and are entitled to receive uniforms from their employer.

In practice, and subject to the minimum monthly legal wage, salary levels depend on the criterion of the employer, the qualifications of the employee and, in general terms, on the specific characteristics of the activity performed (i.e. average salary levels applicable in the region for similar services).

Article 132 of the Labour Code establishes a term called "integral salary", which refers to a salary that compensates the ordinary services rendered by an employee and incorporates all social benefits (including semester bonuses, severance pay and interest on severance pay), allowances, work performed on Sundays and holidays, and, in general, any other payment or benefit expressly identified in the agreement as part of the employee's salary. Vacation time is the only benefit that is provided by an employer in addition to the lump sum integral salary.

Integral salary is applicable only if agreed to in writing with employees who have a monthly salary greater than 13 times minimum legal wages. For 2019, the minimum monthly integral salary is COP 10,765,508 which is adjusted annually based on increases to the minimum legal wage.<sup>7</sup>

### *Social Benefits*

Colombian labour law requires the employer to pay the employee certain mandatory social benefits. Social benefits are the minimum benefits payable to employees and are included in the monthly salary for those employees who have agreed to receive an integral salary. The following social benefits are established under Colombian law:

#### 1. Severance Pay and Interest on Severance Pay

As of December 31 of each year, employers must calculate the severance pay accrued for each employee during the corresponding calendar year, based on 1 months' salary if the employee worked a full calendar year or on a pro rata basis if the employee worked less than 1 year.

Employers must deposit the accrued severance pay into an account designated by each employee and held by a financial institution authorized by the government to receive and administer said funds by no later than February 15 of the following year.

Employees also receive direct interest payments equal to 12% interest per annum calculated on the accrued severance pay existing as of December 31 of each year, or on the date of termination of the employment, before January 30 of the following year.

#### 2. Half-Yearly Bonus

This benefit is equivalent to 30 days of salary payable to employees and is paid in two tranches with 50% being paid on the last business day of June and the remaining 50% being paid within the first 20 business days of December. Both payments are made based on the time worked during the previous six-month period.

#### 3. Dress and Shoes for Labour

Employees having a monthly salary not exceeding an amount equal to twice the minimum monthly legal wage are entitled to receive uniforms and shoes appropriate for work from the employer every four months.

### *Working Hours and Overtime*

On average, employees work eight hours per day to a maximum of 48 hours per week. Regulations governing hours of work and overtime pay do not apply to employees that perform managerial functions or handle funds or property. However, these employees are entitled to receive overtime surcharges for work completed on Sundays or holidays, unless otherwise provided for in an integral salary.

In exceptional circumstances, Colombian law permits overtime work up to two hours per day and 12 hours per week. The employer must apply to the Ministry of Labour and receive approval for a segment of non-managerial employees to accrue overtime hours.

If authorized by the Ministry of Labour, employees are entitled to the payment of a premium hourly wage equal to 125% of the employee's hourly wage for day shifts and 135% for night shifts. The Ministry of Labour can impose

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<sup>7</sup> Exchange rate equivalent to USD 1 = COP 3109.45 as of February 22, 2019.

discretionary penalties on the employer for the non-compliance with overtime obligations in the form of fines of up to 5,000 minimum legal monthly wages.

From a legal point of view, employers must have received the required authorization for overtime from the Ministry of Labour in advance of employing employee(s) to work overtime, regardless if the overtime work is required urgently or not.

Colombian law does not establish categories of employees eligible for overtime work. To request overtime authorization, an employer must file an application before the Ministry of Labour that includes: the position and services provided by the required employees, the needs and activities of the company and any other information which support the overtime work.

Employees who perform supervisory functions, hold positions of trust or handle funds or property are considered exempt employees and are excluded from the legal maximum workday provisions requiring overtime pay. Exempt employees are only entitled to overtime for overnight shifts and shifts on Sundays and holidays. Exempt employees earning integral salary do not receive any additional payment.

#### *Vacation*

Pursuant to Colombian Decree-Law 2663 of 1970 and its modification to Law 50 of 1990, all employees are entitled to 15 paid vacation days per year. Upon termination, employees are entitled to receive compensation for the accrued vacation days not used during the course of the employment.

Employees must use at least six vacation days per year. Subject to exceptions, unused vacation days may be carried over to subsequent years. Pursuant to a request from an employee, employers and employees may agree in writing to pay employees for up to 50% of accrued vacation days.

#### *Annual Bonus*

Employees and employers can agree on non-salaried benefits or payments that do not directly remunerate the employee's services. These benefits are not included for the purposes of calculating social benefits, vacation, contributions to the social security system and payroll taxes.

#### *Social Security Contributions*

Law 100 of 1993 requires all employees in Colombia to participate in the integral social security system, which includes mandatory health, worker compensation and pension programs.

Two mandatory pension programs exist in Colombia: (i) a fixed contribution scheme administered by Colpensiones, which is a public entity; and (ii) individual savings schemes through private pension funds regulated by the government.

Both pension schemes cover retirement, disability and death risks. The pension schemes are differentiated by the requirements for each program.

In the fixed contribution scheme, an individual has the right to receive a retirement pension upon reaching the legal retirement age (which is 57 years of age for women and 62 years of age for men) and if they have contributed to the pension plan for a minimum of 1,300 weeks. In the individual savings scheme, an individual may receive the retirement pension whenever the capital accrued in the individual account via contributions is enough to finance the pension. In addition to the mandatory pension programs, employees may voluntarily contribute to private pension funds.

All employees must be affiliated with a health service provider (an “EPS” or *Empresa Prestadora de Salud*), which provides coverage and reimbursement to individuals and their families for health services and medical coverage authorized by the Health Superintendence. An EPS does not provide health services directly and can be either private or government-owned.

Employers are required to engage their employees with a workplace accident insurance provider duly authorized to provide general medical care in the event an accident or illness occurs during the course of employment.

#### *Employee Contributions*

On a monthly basis, 16% of an employee’s salary is contributed to pension programs. The employers are responsible for contributing 12% of this, and the employees are responsible for the remaining 4%. Employees COP 3,200,000 are required to contribute up to an additional 2% towards their pension plan.

Contributions of 12.5% of employees’ salaries are made to the EPS, with employers being responsible for contributing 8.5% of this amount and employees being responsible for the remaining 4%.

The quantum of contributions to labour risk entities is dependent on the corporation’s unique risk factors. Contributions range from 0.348% to 8.7% of an employee’s salary.

Employers are required to contribute 9% of their total payroll costs to family subsidy institutions as follows:

- 2% is allocated to the National Learning Service, which is a Colombian public institution focused on the provision of technical and higher education services;
- 3% is allocated to the Colombia Institute of Family Welfare, which is a Colombian public institution focused on early childhood care and protection services; and
- 4% is allocated to Family Welfare Funds, which are private entities focused on the improvement of the quality of life of employees.

Employees earning less than 10 times the minimum legal wages are exempt from paying the National Learning Service and Colombia Institute of Family Welfare contributions. In lieu of the above, employers contribute a total of 4% of payroll costs for employees earning less than 10 times the minimum legal wages.

If an employer pays integral salaries, the above-noted percentages will be applied to 70% of the employee’s integral salary.

#### *Accident and Health Insurance*

There is no legal provision requiring employers to provide employees with occupational accident and health insurance. Insurance coverage is provided by social security entities. Extended coverage for accidents occurring during work activities is included in the integral social security system.

#### *Time Limits for Claims*

Labour law claims are subject to a three-year statute of limitations period commencing on the date of the claim’s enforceability. However, in accordance with the Colombian Constitution, the right to bring claims related to pension rights have no statute of limitations period.

## PRIOR SALES

For issuances of securities by Medcolcanna during the most recently completed financial year and prior thereto, see above under the heading “General Development of the Business” and “The Share Exchange”. No other securities, other than Medcolcanna Options and the Debentures, were issued during the fiscal year ended December 31, 2020.

## PRICE RANGE AND TRADING VOLUME OF MEDCOLCANN A ORGANICS SHARES

Medcolcanna Organics Shares currently trade on the facilities of the NEO Exchange Inc. and have traded on that exchange since October 14, 2020 and prior to that date traded on the facilities of the TSX Venture Exchange under the trading symbol “MCCN” since May 23, 2019. The following table sets out the price range for, and trading volume of, Medcolcanna Organics Shares as reported by the NEO and TSXV for the periods indicated:

	Trading Price (\$)		Volume Traded
	High	Low	# of shares
<b>2020</b>			
January	0.145	0.090	559,302
February	0.115	0.090	1,406,572
March	0.125	0.045	1,664,198
April	0.115	0.050	701,826
May	0.150	0.080	859,845
June	0.115	0.065	1,786,499
July	0.090	0.065	913,976
August	0.105	0.060	1,153,089
September	0.100	0.075	837,843
October	0.080	0.075	72,002
November	0.080	0.050	1,182,754
December	0.075	0.040	1,419,885

## CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of Medcolcanna as at December 31, 2020

Designation of Security	Amount Authorized	Outstanding as at December 31, 2020
Medcolcanna Organics Shares	Unlimited	101,070,667
Medcolcanna Warrants	Unlimited	32,177,975
Medcolcanna Options	10% of issued and outstanding shares	7,875,000
Agent’s Compensation Options	Unlimited	1,428,944
Agent’s Compensation Warrants (issued on exercise of Compensation Options above)	Unlimited	714,472
Convertible Debentures	Unlimited	10,234,575
Total (fully diluted)		153,501,633

## NON-ARM’S LENGTH PARTY TRANSACTIONS

In September, 2018, Felipe de la Vega and some of his family members were paid US\$50,000 in consideration of Medcolcanna acquiring the shares of Medcolcanna SAS held by Mr. de la Vega and his family. Two officers of Medcolcanna advanced funds to Medcolcanna in January and February of 2021, such amount disclosed via press

releases and subsequent event noted in the financial statements for the year ended December 31, 2020 and which will be described in more detail in the annual information form for the year ended December 31, 2021.

## **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

Medcolcanna is not a party to and none of its property is the subject of any legal proceedings as at the date of this Annual Information Form or from the date of incorporation, and Medcolcanna knows of no such legal proceedings currently contemplated.

Medcolcanna is not the subject of any penalties or sanctions imposed against it by a court relating to provincial and territorial securities legislation or by a securities regulatory authority as at the date of this Annual Information Form or from the date of incorporation. Medcolcanna is not the subject of any other penalties or sanctions imposed by a court or regulatory body against it necessary for the Annual Information Form to contain full, true and plain disclosure of all material facts. Medcolcanna has not entered into any settlement agreements before a court relating to provincial and territorial securities legislation or with a securities regulatory authority as at the date of this Annual Information Form or from the date of incorporation.

## **RISK FACTORS RELATING TO MEDCOLCANNA**

Due to the nature of Medcolcanna's business, the legal and economic climate in which it operates and its present stage of development, Medcolcanna is subject to significant risks. The risks presented below should not be considered to be exhaustive and may not be all of the risks that Medcolcanna may face. Medcolcanna's future development and operating results may be very different from those expected as at the date of this Annual Information Form. Additional risks and uncertainties not presently known to Medcolcanna or that Medcolcanna currently considers immaterial may also impair the business and operations of Medcolcanna and cause the trading price of Medcolcanna Organics Shares to decline. If any of the following or other risks occur, Medcolcanna's business, prospects, financial condition, results of operations and cash flows could be materially adversely impacted. In that event, the trading price of Medcolcanna Organics Shares could decline and investors could lose all or part of their investment. There is no assurance that risk management steps taken will avoid future loss due to the occurrence of the risks described below or other unforeseen risks. Readers should carefully consider all such risks and other information elsewhere in this Annual Information Form before making an investment in Medcolcanna Organics Shares and should not rely upon forward-looking statements as a prediction of future results. Risk factors relating to Medcolcanna include, but are not limited to, the factors set out below.

### **Business Risks**

#### *Limited Operating History*

Medcolcanna is an early stage company having been founded in 2018 and, as a result, it has a limited operating history upon which its business and future prospects may be evaluated. Medcolcanna will be subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that it will not achieve its operating goals. In order for Medcolcanna to meet future operating and debt service requirements, Medcolcanna will need to be successful in its growing, marketing and sales efforts. Additionally, where Medcolcanna experiences increased sales, Medcolcanna's current operational infrastructure may require changes to scale Medcolcanna's business efficiently and effectively to keep pace with demand, and achieve long-term profitability. If Medcolcanna's products and services are not accepted by new customers, Medcolcanna's operating results may be materially and adversely affected.

#### *COVID-19*

Currently, there is considerable economic upheaval as a result of the outbreak of the novel coronavirus or COVID-19. There is considerable uncertainty about the spread of the COVID-19 virus and the impact it will have on Medcolcanna's operations, the demand for Medcolcanna's products, global supply chains and economic activity in general. While efforts are made to contain the spread of the virus, it is likely that there will be considerable disruption to Medcolcanna's operations and demand for Medcolcanna's products and services. In addition, mandatory quarantine or isolation measures may result in closures of clinics for non-emergency treatments or consultations, including a potential reduction in patient visits at the clinics with which Medcolcanna has business relationships and, as a result,

potential lost revenue. Such measures could also require the closure of retail stores where Medcolcanna's products are sold, resulting in lost sales. An outbreak such as COVID-19, if uncontrolled or prolonged, could have a material adverse effect on Medcolcanna's business, financial condition, results of operations and cash flows and as a result, potential lost revenue. A local, regional, national or international outbreak of a contagious disease, such as COVID-19, could have an adverse effect on local economies and potentially the global economy, which may adversely impact the price and demand of Medcolcanna's products. COVID-19 could affect Medcolcanna's ability to maintain production and may result in temporary shortages of staff, to the extent its workforce is impacted.

### *Going Concern*

Medcolcanna's ability to continue as a going concern will be dependent upon its ability in the future to grow its revenue and achieve profitable operations and, in the meantime, to obtain the necessary financing to meet its obligations and repay its liabilities when they become due. External financing, predominantly by the issuance of equity and debt, will be sought to finance the operations of Medcolcanna; however, there can be no certainty that such funds will be available at terms acceptable to Medcolcanna, or at all. These conditions indicate the existence of material uncertainties that may cast significant doubt about Medcolcanna's ability to continue as a going concern.

### *Managing Growth*

In order to manage growth and change in strategy effectively, Medcolcanna must (i) maintain adequate systems to meet customer demand; (ii) expand sales and marketing, distribution capabilities and administrative functions; (iii) expand the skills and capabilities of its current management team; and (iv) attract and retain qualified employees. While it intends to focus on managing its costs and expenses over the long term, Medcolcanna expects to invest to support its growth and may have additional unexpected costs. It may not be able to expand quickly enough to exploit potential market opportunities.

### *Retention and Acquisition of Skilled Personnel*

The loss of any member of Medcolcanna's management team could have a material adverse effect on its business and results of operations. In addition, an inability to hire, or the increased costs of new personnel, including members of executive management, could have a material adverse effect on Medcolcanna's business and operating results. At present and for the near future, Medcolcanna will depend upon a relatively small number of employees to develop, market, sell and support its products. The expansion of marketing and sales of its products will require Medcolcanna to find, hire and retain additional capable employees who can understand, explain, market and sell its products. There is intense competition for capable personnel in all of these areas and Medcolcanna may not be successful in attracting, training, integrating, motivating, or retaining new personnel, vendors, or subcontractors for these required functions. New employees often require significant training and, in many cases, take significant time before they achieve full productivity. As a result, Medcolcanna may incur significant costs to attract and retain employees, including significant expenditures related to salaries and benefits and compensation expenses related to equity awards, and may lose new employees to its competitors or other companies before it realizes the benefit of its investment in recruiting and training them. In addition, as Medcolcanna moves into new jurisdictions, it will need to attract and recruit skilled employees in those areas.

### *Legal Proceedings*

From time to time, Medcolcanna may be a party to legal and regulatory proceedings, including matters involving governmental agencies, entities with whom it does business and other proceedings arising in the ordinary course of business. Medcolcanna will evaluate its exposure to these legal and regulatory proceedings and establish reserves for the estimated liabilities in accordance with generally accepted accounting principles. Assessing and predicting the outcome of these matters involves substantial uncertainties. Unexpected outcomes in these legal proceedings, or changes in management's evaluations or predictions and accompanying changes in established reserves, could have an adverse impact on Medcolcanna's financial results.

### *Regulatory Compliance Risks*

Achievement of Medcolcanna's business objectives is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. Medcolcanna may not be able to obtain or maintain the necessary licences, permits, quotas, authorizations or accreditations, or may only be able to do so at great cost, to operate its business. Medcolcanna cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by local governmental authorities. To date, Medcolcanna has received the Licences to cultivate Low THC Medicinal Cannabis and to cultivate and produce High THC medicinal cannabis from the Colombian government. The impact of the compliance regime, any delays in obtaining, or failure to obtain or keep the regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the business, results of operations and financial condition of Medcolcanna.

The officers and directors of Medcolcanna must rely, to a great extent, on Medcolcanna's Colombian legal counsel and local consultants retained by Medcolcanna in order to keep abreast of material legal, regulatory and governmental developments as they pertain to and affect Medcolcanna's business operations, and to assist Medcolcanna with its governmental relations. Medcolcanna must rely, to some extent, on those members of management and the board who have previous experience working and conducting business in Colombia in order to enhance its understanding of and appreciation for the local business culture and practices in Colombia.

Medcolcanna also relies on the advice of local experts and professionals in connection with current and new regulations that develop in respect of banking, financing and tax matters in Colombia. Any developments or changes in such legal, regulatory or governmental requirements or in local business practices in Colombia are beyond the control of Medcolcanna and may adversely affect its business.

Medcolcanna will incur ongoing costs and obligations related to regulatory compliance. 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. Medcolcanna 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. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to Medcolcanna's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of Medcolcanna.

### *Canadian Regulatory and Civil Proceedings*

The sale and distribution of cannabis products for medicinal use by licenced producers is legal in certain Canadian provinces. The Canadian federal government legalized the recreational use of marijuana effective October 17, 2018, the use of medical cannabis having previously been approved. As such, both recreational and medicinal uses of cannabis is legal in Canada.

Medcolcanna operates in Colombia pursuant to the Licences and authorizations granted by the *Ministry of Justice and the Ministry of Health*. Consequently, certain activities conducted by Medcolcanna are permissible under one regulatory regime while not under another. In the past, Canadian courts and regulatory authorities have taken the view that it is not contrary to Canadian federal or provincial law for a person to be engaged in, or for an entity to hold interests in affiliates that are engaged in, certain regulated activities where such activities may be regulated differently than in the home jurisdictions and have enforced extra-territorial laws even where such laws (or regulatory regimes applicable to certain activities or industries) differs from those in the Canadian jurisdiction. There is a risk however that the Canadian courts or applicable Canadian or other governmental authorities may take a contrary view with respect to the business of Medcolcanna and view Medcolcanna as having violated their local laws, despite Medcolcanna having obtained all applicable Colombian licences or authorizations and despite that Medcolcanna does not carry on business in Canada. Therefore, there is a risk that civil and criminal proceedings, including class actions, could be initiated against Medcolcanna. Such potential proceedings could involve substantial litigation expense, penalties, fines, seizure of assets, injunctions or other restrictions being imposed upon Medcolcanna or its business partners, while diverting the attention of key executives. Such proceedings could have a material adverse effect on



Medcolcanna's business, revenues, operating results and financial condition as well as impact upon Medcolcanna's reputation.

#### *Change of Cannabis Laws, Regulations and Guidelines*

Cannabis laws and regulations are dynamic and subject to evolving interpretations which could require Medcolcanna to incur substantial costs associated with compliance or alter certain aspects of its business plan. It is also possible that regulations may be enacted in the future that will be directly applicable to certain aspects of Medcolcanna's businesses. Medcolcanna cannot predict the nature of any future laws, regulations, interpretations or applications, nor can it determine what effect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on Medcolcanna's business. Management expects that the legislative and regulatory environment in the cannabis industry in Colombia and internationally will continue to be dynamic and will require innovative solutions to try to comply with this changing legal landscape in this nascent industry for the foreseeable future. Compliance with any such legislation may have a material adverse effect on Medcolcanna's business, financial condition and results of operations.

Public opinion can also exert a significant influence over the regulation of the cannabis industry. A negative shift in the public's perception of the cannabis industry could affect future legislation or regulation in different jurisdictions.

#### *Reliance on Medcolcanna Licences and Authorizations*

Medcolcanna's ability to grow, store and sell medicinal cannabis in Colombia is dependent on Medcolcanna's ability to sustain and/or obtain the necessary licences and authorizations by certain authorities in Colombia.

The licences and authorizations are subject to ongoing compliance and reporting requirements and the ability of Medcolcanna to obtain, sustain or renew any such licences and authorizations on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable authorities or other governmental agencies in foreign jurisdictions. Failure to comply with the requirements of the licences or authorizations or any failure to maintain the licences or authorizations would have a material adverse impact on the business, financial condition and operating results of Medcolcanna.

Although Medcolcanna believes that it will meet the requirements to obtain, sustain or renew the necessary licences and authorizations, there can be no guarantee that the applicable authorities will issue these licences or authorizations. Should the authorities fail to issue the necessary licences or authorizations, Medcolcanna may be curtailed or prohibited from the production and/or distribution of cannabis or from proceeding with the development of its operations as currently proposed and the business, financial condition and results of the operation of Medcolcanna may be materially adversely affected.

#### *Reliance on One Facility*

The Cultivation Facility is currently Medcolcanna's only Licenced facility under the Licences. The Licences held by Medcolcanna are specific to the Cultivation Facility. Adverse changes or developments affecting the Cultivation Facility, including but not limited to a breach of security, could have a material and adverse effect on Medcolcanna's business, financial condition and prospects. Any breach of the security measures and other facility requirements, including any failure to comply with recommendations or requirements arising from inspections by Colombian regulatory authorities, could have an impact on Medcolcanna's ability to continue operating under the Licences or the prospect of renewing the Licences.

Certain contemplated capital expenditures of Medcolcanna may require approval of Colombian regulatory authorities. There is no guarantee that Colombian Regulatory Authorities will approve any contemplated expansion and/or renovation, which could adversely affect the business, financial condition and results of Medcolcanna's operations.

*Unexpected disruptions affecting operations, whether due to labor disruptions, supply disruptions, power disruptions, damage to equipment or otherwise*

Medcolcanna's operations may be disrupted by a variety of risks and hazards that are beyond its control, including, but not limited to, fires, power outages, labour disruptions, supply disruptions, flooding, and the inability to obtain suitable or adequate machinery, equipment or labour as well as other risks involved in the cultivation and production of medicinal cannabis.

#### *Demand for Cannabis and Derivative Products*

The legal cannabis industry in Colombia is at an early stage of its development. Consumer perceptions regarding legality, morality, consumption, safety, efficacy and quality of medicinal cannabis are mixed and evolving and can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medicinal 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 medicinal 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 medicinal cannabis and on the business, results of operations, financial condition and cash flows of Medcolcanna. Further, adverse publicity reports or other media attention regarding cannabis in general, or associating the consumption of medicinal cannabis with illness or other negative effects or events, could have such a material adverse effect. Public opinion and support for medicinal cannabis use has traditionally been inconsistent and varies from jurisdiction to jurisdiction. While public opinion and support appears to be rising for legalizing medicinal cannabis, it remains a controversial issue subject to differing opinions surrounding the level of legalization. Medcolcanna's ability to gain and increase market acceptance of its business 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 Medcolcanna.

#### *Liability, Enforcement, Complaints, etc.*

Medcolcanna's participation in the cannabis industry may lead to litigation, formal or informal complaints, enforcement actions, and inquiries by third parties, other companies and/or various governmental authorities against Medcolcanna. Litigation, complaints, and enforcement actions involving Medcolcanna could consume considerable amounts of financial and other corporate resources, which could have an adverse effect on Medcolcanna's future cash flows, earnings, results of operations and financial condition.

#### *Breaches of security*

Given the nature of Medcolcanna's product, despite meeting or exceeding all legislative security requirements, there remains a risk of shrinkage, as well as theft. A security breach at one of Medcolcanna's facilities could expose Medcolcanna to additional liability and to potentially costly litigation, increase expenses relating to the resolution and future prevention of these breaches and may deter potential consumers from choosing Medcolcanna's products. In addition, Medcolcanna collects and stores personal information about its consumers 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 consumer lists and preferences, is an ongoing risk whether perpetrated via employee collusion or negligence or through a deliberate cyber-attack. Any such theft or privacy breach would have a material adverse effect on Medcolcanna's business, financial condition and results of operations.

#### *Product Liability*

As a distributor of products designed to be ingested by humans, Medcolcanna faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused damages, loss or injury. In addition, the sale of Medcolcanna's products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Adverse reactions resulting from human consumption of Medcolcanna's products alone or in combination with other medications or substances could occur. Medcolcanna may

be subject to various product liability claims, including, among others, that Medcolcanna's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning health risks, possible side effects or interactions with other substances. A product liability claim or regulatory action against Medcolcanna could result in increased costs, could adversely affect Medcolcanna's reputation with its clients and consumers generally, and could have a material adverse effect on the results of operations and financial condition of Medcolcanna. There can be no assurances that Medcolcanna 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 Medcolcanna's potential products.

#### *Negative results from clinical trials*

From time to time, studies or clinical trials on cannabis products may be conducted by academics or others, including government agencies. The publication of negative results of studies or clinical trials related to Medcolcanna's proposed products or the therapeutic areas in which Medcolcanna's proposed products will compete could have a material adverse effect on Medcolcanna's sales.

#### *Insurance Coverage*

Medcolcanna's production is, in general, subject to different risks and hazards, including adverse weather conditions, fires, plant diseases and pest infestations, other natural phenomena, industrial accidents, labour disputes, changes in the legal and regulatory framework applicable to Medcolcanna and environmental contingencies.

Medcolcanna has obtained insurance coverage over Medcolcanna's production and facilities. Medcolcanna has insurance against a variety of risks, including losses and damages relating to its plants, equipment and buildings. However, the insurance that Medcolcanna has obtained may only cover part of the losses it may incur and may not cover losses on crops due to drought or floods. Furthermore, certain types of risks may not be covered by the future policies. There is a risk that any claims to be paid by an insurer due to the occurrence of a casualty covered may not be sufficient to compensate Medcolcanna for all of the damages suffered. Medcolcanna may not be able to maintain or obtain insurance of the type and amount desired at a reasonable cost, in the future. If Medcolcanna were to incur significant liability for which it was not fully insured, it could have a materially adverse effect on Medcolcanna's business, financial condition and results of operations.

#### *Ability to Establish and Maintain Bank Accounts*

While Medcolcanna does not anticipate dealing with banking restrictions, there is a risk that banking institutions in countries where Medcolcanna operates will not accept payments related to the cannabis industry. Such risks could increase costs for Medcolcanna. In the event financial service providers do not accept accounts or transactions related to the cannabis industry, it is possible that Medcolcanna may be required to seek alternative payment solutions, including but not limited to cryptocurrencies such as Bitcoin. There are risks inherent in cryptocurrencies, most notably its volatility and security issues. If the industry were to move towards alternative payment solutions and accept payments in cryptocurrency Medcolcanna would have to adopt policies and protocols to manage its volatility and exchange rate risk exposures. Medcolcanna's inability to manage such risks may adversely affect Medcolcanna's operations and financial performance. Medcolcanna continues to work thru the *Sistema de Administración del Riesgo de Lavado de Activos y de la Financiación del Terrorismo* ("SARLAFT") onboarding protocols on money laundering with a Colombian bank and has opened a Colombian bank account. Cash is also being managed through the Canadian bank account.

#### *Product Recalls*

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure. If any of Medcolcanna's products are recalled due to an alleged product defect or for any other reason, Medcolcanna could be required to incur the

unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. Medcolcanna may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although Medcolcanna has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if Medcolcanna is subject to recall, the image of Medcolcanna could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for Medcolcanna's products and could have a material adverse effect on the results of operations and financial condition of Medcolcanna. Additionally, product recalls may lead to increased scrutiny of Medcolcanna's operations by regulatory agencies, requiring further management attention, potential loss of applicable licences and potential legal fees and other expenses.

#### *Risks Inherent in an Agricultural Business*

Medcolcanna's business involves the growing of cannabis, which is an agricultural product. Medicinal cannabis will be grown outdoors. The occurrence of severe adverse weather conditions, especially droughts, hail, floods or frost, is unpredictable and may have a potentially devastating impact on agricultural production, and may otherwise adversely affect the supply of cannabis. Adverse weather conditions may be exacerbated by the effects of climate change and may result in the introduction and increased frequency of pests and diseases. The effects of severe adverse weather conditions may reduce Medcolcanna's yields or require Medcolcanna to increase its level of investment to maintain yields. Additionally, higher than average temperatures and rainfall can contribute to an increased presence of insects and pests, which could negatively affect cannabis crops. Future droughts could reduce the yield and quality of Medcolcanna's cannabis production, which could materially and adversely affect Medcolcanna's business, financial condition and results of operations.

The occurrence and effects of plant disease, insects and pests can be unpredictable and devastating to agricultural, potentially rendering all or a substantial portion of the affected harvests unsuitable for sale. Even when only a portion of the production is damaged, Medcolcanna's results of operations could be adversely affected because all or a substantial portion of the production costs may have been incurred. Although some plant diseases are treatable, the cost of treatment can be high and such events could adversely affect Medcolcanna's operating results and financial condition. Furthermore, if Medcolcanna fails to control a given plant disease and the production is threatened, Medcolcanna may be unable to supply its customers, which could adversely affect its business, financial condition and results of operations. There can be no assurance that natural elements will not have a material adverse effect on any such production.

As per the Medcolcanna Licences, Medcolcanna is required to register vegetative material. There is some uncertainty as to whether Medcolcanna will be able to ensure consistency and quality of all of this material. Over time, management is of the view that this uncertainty will be corrected, because any strain not being stable during the first cycle of registration, will be re-cultivated using the plants with better results to improve the genetics.

#### *Risks Inherent in Rural Real Estate*

The Colombian Constitution protects the right to own private property and related rights acquired in compliance with civil regulations. According to Colombian Constitution, legally acquired private property ownership rights cannot be affected if the owner is in compliance with applicable laws.

Except in the case of public necessity or social interest, subject to due process and the payment of an indemnification, expropriations without just cause or on a discriminatory basis are restricted. Although, there is currently no specific expropriation regime for cannabis-related activities, the National Land Agency (*ANT or Agencia Nacional de Tierras*) is entitled to expropriate rural land in the following events: (i) in favor of indigenous, afro-Colombian people and other ethnic people provided the land where they inhabit is insufficient; (ii) in favor of farmers of regions affected by public catastrophes; and (iii) in favor of farmers or other people beneficiaries of special governmental programs for provision of land or areas over which there is an ecological interest of the national government. Every act or transaction affecting rights associated with real property must be registered with the Office of Public Registry. The property's ownership history and any encumbrances or liens is recorded on a certificate maintained by the Office of Public Registry.

In August 2011, Colombia and Canada entered into a Free Trade Agreement (“CCOFTA”), which outlines the issue of expropriations in Article 811 as well as dispute settlements in Chapter 21. The Free Trade Agreement provides that Canadian investments in Colombia will be granted fair and equitable treatment with full protection and security and will be accorded no less favourable treatment than Colombia grants to its own investors or investors of any other country. It also provides that an investment will not be expropriated except in a nondiscriminatory manner in accordance with due process of law with prompt and adequate compensation. The expropriation provisions cover both traditional “direct” takings and so-called “indirect” or “creeping” expropriation, which results from a measure or a series of measures by a government that have an effect equivalent to direct expropriation without a formal transfer of title or outright seizure of the investment. An investor-state dispute resolution process is provided for in the event that the investment is not provided the protections set out in the CCOFTA. Through this process, a Canadian investor can challenge a Colombian measure through binding international arbitration instead of relying on the Colombian local courts.

### *Energy Prices and Supply*

Medcolcanna requires substantial amounts of electric energy and other resources for its harvest activities and transport of cannabis. Medcolcanna relies upon third parties for its supply of energy resources used in its operations. The prices for and availability of energy resources may be subject to change or curtailment, respectively, due to, among other things, new laws or regulations, imposition of new taxes or tariffs, interruptions in production by suppliers, imposition of restrictions on energy supply by government, worldwide price levels and market conditions. If energy supply is cut for an extended period of time and Medcolcanna is unable to find replacement sources at comparable prices, or at all, Medcolcanna’s business, financial condition and results of operations would be materially and adversely affected.

### *Changes in Corporate Structure*

Colombian cannabis licences are granted on a non-transferable, non-exchangeable and non-assignable basis. Any breach of this restriction may give rise to unilateral termination of the licence by the governmental authority.

Notwithstanding the above, Colombian laws do not provide for specific regulations or restrictions regarding the effects of a change in control, modification of the corporate structure, issuance of shares, or any changes in holders or final beneficiaries of cannabis licences.

Colombian legislation gives special attention to the identification and background of the legal representatives of licencees. Licencees must file a declaration of the legality of the proceeds of the legal representatives. Furthermore, Decree 613 of 2017 provides a set of resolutive conditions, which enable the Ministry of Health or the Ministry of Justice, as applicable, to terminate a licence if the licensee fails to request the amendment of the licence within 30 calendar days following any changes in (i) the legal representation of the licensee; or (ii) the declaration that a legal representative is criminally liable for drug trafficking or related crimes, after having issued the respective licence.

### *Emerging Market Risks*

Emerging market investment generally poses a greater degree of risk than investment in more mature market economies because the economies in the developing world are more susceptible to destabilization resulting from domestic and international developments.

All of Medcolcanna’s operations are in Colombia. Colombia has a history of economic instability or crises (such as inflation or recession). While there is no current political instability, and historically there has been no change in laws and regulations, this is subject to change in the future and could adversely affect Medcolcanna’s business, financial condition and results of operations.

In particular, fluctuations in the Colombian economy and actions adopted by the Government of Colombia have had and may continue to have a significant impact on companies operating in Colombia, including Medcolcanna. Specifically, Medcolcanna may be affected by inflation, foreign currency fluctuations, regulatory policies, business and tax regulations and in general, by the political, social and economic scenarios in Colombia and in other countries that may affect Colombia.

Global economic crises could negatively affect investor confidence in emerging markets or the economies of the principal countries in Latin America, including Colombia. Such events could materially and adversely affect Medcolcanna's business, financial condition and results of operations.

#### *Global Economy*

Financial and securities markets in Colombia are influenced by the economic and market conditions in other countries, including other South American and emerging market countries and other global markets. Although economic conditions in these countries may differ significantly from economic conditions in Colombia, investors' reactions to developments in these other countries, such as the recent developments in the global financial markets, may substantially affect the capital flows into, and the market value of securities of issuers with operations in Colombia.

An economic downturn or volatility could have a material adverse effect on Medcolcanna's business, financial condition and results of operations. The economy of Colombia, where Medcolcanna's operations are located, has experienced significant economic uncertainty and volatility during recent years. A weakening of economic conditions could lead to reductions in demand for Medcolcanna's products. For example, its revenues can be adversely affected by high unemployment and other economic factors. Further, weakened economic conditions or a recession could reduce the amount of income customers are able to spend on Medcolcanna's products. In addition, as a result of volatile or uncertain economic conditions, Medcolcanna may experience the negative effects of increased financial pressures on its clients. For instance, Medcolcanna's business, financial condition and results of operations could be negatively impacted by increased competitive pricing pressure, which could result in Medcolcanna incurring increased bad debt expense. If Medcolcanna is not able to timely and appropriately adapt to changes resulting from a weak economic environment, its business, results of operations and financial condition may be materially and adversely affected.

A crisis in other emerging market countries could dampen investor enthusiasm for securities of issuers with South American operations. Financial conditions in Argentina, Brazil or other emerging market countries could negatively impact Colombia's economy in the future. If such fluctuations were to occur, Medcolcanna's business, financial condition and results of operations could be materially and adversely affected.

### **Risks Related to Investment in a Colombian Company**

#### *Operational Risks*

Operations in Colombia are subject to risk due to the potential for social, political, economic, legal and fiscal instability. After peace negotiations in Cuba, the Colombian government of President Juan Manuel Santos and guerrilla of FARC-EP announced a final agreement to end the conflict. However, a referendum to ratify the deal was unsuccessful. Afterward, the Colombian government and the FARC signed a revised peace deal in November 2016, which the Colombian congress approved. In 2016, President Santos was awarded the Nobel Peace Prize. Colombia is Latin America's oldest and most stable democracy. For more than a century, the country has experienced peaceful changes of government every four years as citizens have elected government representatives in free and fair elections in a political environment that proudly supports full freedom of the press.

The government in Colombia faces ongoing problems including but not limited to inflation, unemployment and inequitable income distribution. Notwithstanding the peace deal of 2016, Colombia is also home to South America's largest and longest running insurgency and large swaths of the countryside are still under the influence of certain guerrilla factions, such as the ELN. In addition, Colombia experiences narcotics-related violence, a prevalence of kidnapping and extortionist activities and civil unrest in certain areas of the country. Such instability may require Medcolcanna to suspend operations on its properties. Although Medcolcanna is not presently aware of any circumstances or facts which may cause the following to occur, other risks may involve matters arising out of the evolving laws and policies in Colombia, any future imposition of special taxes or similar charges, as well as foreign exchange fluctuations and currency convertibility and controls, the unenforceability of contractual rights or the taking or nationalization of property without fair compensation, restrictions on the use of expatriates in Medcolcanna's operations, or other matters. Medcolcanna also bears the risk that changes can occur in the government of Colombia and a new government may void or change the laws and regulations that Medcolcanna is relying upon.

Currently there are no restrictions on the repatriation from Colombia of earnings to foreign entities and Colombia has never imposed such restrictions. However, there can be no assurance that restrictions on repatriation of earnings from Colombia will not be imposed in the future. Exchange control regulations require that any proceeds in foreign currency originated on exports of goods from Colombia (including minerals) be repatriated to Colombia. However, purchase of foreign currency is allowed through any Colombian authorized financial entities for purposes of payments to foreign suppliers, repayment of foreign debt, payment of dividends to foreign stockholders and other foreign expenses.

#### *Inflation in Colombia*

Colombia has in the past experienced double digit rates of inflation. If Colombia experiences substantial inflation in the future, Medcolcanna's costs in Colombian peso terms will increase significantly, subject to movements in applicable exchange rates. Inflationary pressures may also curtail Medcolcanna's ability to access global financial markets in the longer term and its ability to fund planned capital expenditures, and could materially adversely affect Medcolcanna's business, financial condition and results of operations. The Colombian government's response to inflation or other significant macro-economic pressures may include the introduction of policies or other measures that could increase Medcolcanna's costs, reduce operating margins and materially adversely affect its business, financial condition and results of operations.

#### *Operations in Spanish*

As a result of Medcolcanna conducting its operations in Colombia, the books and records of Medcolcanna, including key documents such as material contracts and financial documentation are principally negotiated and entered into in the Spanish language and English translations may not exist or be readily available.

#### *Enforcement of Judgments*

Medcolcanna is incorporated under the laws of British Columbia, Canada; however, all of its assets are located outside Canada. Furthermore, the majority of Medcolcanna's directors and officers reside outside Canada. As a result, investors may not be able to effect service of process within Canada upon Medcolcanna's directors or officers or enforce against them in Canadian courts judgments predicated on Canadian securities laws. Likewise, it may also be difficult for an investor to enforce in Canadian courts judgments obtained against these persons in courts located in jurisdictions outside Canada.

As a result of the above, public shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of the Board or controlling shareholders than they would as public shareholders of a Canadian company.

### **Financial and Accounting Risks**

#### *Access to Capital*

In executing its business plan, Medcolcanna makes, and will continue to make, substantial investments and other expenditures related to acquisitions, research and development and marketing initiatives. Since its incorporation, Medcolcanna has financed these expenditures through offerings of its equity securities. Medcolcanna will have further capital requirements and other expenditures as it proceeds to expand its business or take advantage of opportunities for acquisitions or other business opportunities that may be presented to it. Medcolcanna may incur major unanticipated liabilities or expenses. Medcolcanna can provide no assurance that it will be able to obtain financing to meet the growth needs of Medcolcanna.

#### *Foreign Sales*

Medcolcanna's functional currency is denominated in Canadian dollars. Medcolcanna currently expects that sales will be denominated in Colombian pesos and United States Dollars and may, in the future, have sales denominated in the currencies of additional countries in which it establishes sales offices. In addition, Medcolcanna incurs the majority of its operating expenses in Colombian Pesos. In the future, the proportion of Medcolcanna's sales that are

international may increase. Such sales may be subject to unexpected regulatory requirements and other barriers. Any fluctuation in the exchange rates of foreign currencies may negatively impact Medcolcanna's business, financial condition and results of operations. Medcolcanna has not previously engaged in foreign currency hedging. If Medcolcanna decides to hedge its foreign currency exposure, it may not be able to hedge effectively due to lack of experience, unreasonable costs or illiquid markets. In addition, those activities may be limited in the protection they provide Medcolcanna from foreign currency fluctuations and can themselves result in losses.

#### *Estimates or Judgments Relating to Critical Accounting Policies*

The preparation of financial statements in conformity with International Financial Reporting Standards, or IFRS, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Medcolcanna bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, as provided in the notes to the Medcolcanna Financial Statements, the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenue and expenses that are not readily apparent from other sources. Medcolcanna's operating results may be adversely affected if the assumptions change or if actual circumstances differ from those in the assumptions, which could cause Medcolcanna's operating results to fall below the expectations of securities analysts and investors, resulting in a decline in the share price of the Medcolcanna Organics Shares. Significant assumptions and estimates used in preparing the financial statements include those related to the credit quality of accounts receivable, income tax credits receivable, share based payments, impairment of non-financial assets, fair value of biological assets, as well as revenue and cost recognition.

#### *Tax Risks*

Medcolcanna will operate and will be subject to income tax and other forms of taxation (which are not based upon income) in multiple tax jurisdictions. Taxation laws and rates which determine taxation expenses may vary significantly in different jurisdictions, and legislation governing taxation laws and rates is also subject to change. Therefore, Medcolcanna's earnings may be impacted by changes in the proportion of earnings taxed in different jurisdictions, changes in taxation rates, changes in estimates of liabilities and changes in the amount of other forms of taxation. Medcolcanna may have exposure to greater than anticipated tax liabilities or expenses. Medcolcanna will be subject to income taxes and non-income taxes in a variety of jurisdictions and its tax structure is subject to review by both domestic and foreign taxation authorities and the determination of Medcolcanna's provision for income taxes and other tax liabilities will require significant judgment.

Medcolcanna will be subject to different taxes imposed by the Colombian government and any changes within such tax legal and regulatory framework may have an adverse effect on our financial results. All current tax legislation is a matter of public record and Medcolcanna will be unable to predict which additional legislation or amendments may be enacted.

#### **Public Market Risks**

##### *Market for Medcolcanna Organics Shares*

While Medcolcanna Organics Shares trade on a public market, being the TSXV, there can be no assurance that an active trading market for Medcolcanna Organics Shares will be sustained. Medcolcanna cannot predict the prices at which Medcolcanna Organics Shares will trade. Fluctuations in the market price of Medcolcanna Organics Shares could cause an investor to lose all or part of its investment in Medcolcanna Organics Shares. Factors that could cause fluctuations in the trading price of Medcolcanna Organics Shares include: (i) announcements of new offerings, products, services or technologies; commercial relationships, acquisitions or other events by Medcolcanna or its competitors; (ii) price and volume fluctuations in the overall stock market from time to time; (iii) significant volatility in the market price and trading volume of agriculture companies; (iv) fluctuations in the trading volume of Medcolcanna Organics Shares or the size of Medcolcanna's public float; (v) actual or anticipated changes or fluctuations in Medcolcanna's results of operations; (vi) whether Medcolcanna's results of operations meet the expectations of securities analysts or investors; (vii) actual or anticipated changes in the expectations of investors or securities analysts; (viii) litigation involving Medcolcanna, its industry, or both; (ix) regulatory developments in the Canada, Colombia and foreign countries; (x) general economic conditions and trends; (xi) major catastrophic events;



(xii) escrow releases, sales of large blocks of Medcolcanna Organics Shares; (xiii) departures of key employees or members of management; or (xiv) an adverse impact on Medcolcanna from any of the other risks cited herein.

#### *No History of Payment of Cash Dividends*

Medcolcanna has never declared or paid cash dividends on Medcolcanna Organics Shares. Medcolcanna intends to retain future earnings to finance the operation, development and expansion of the business. Medcolcanna does not anticipate paying cash dividends on Medcolcanna Organics Shares in the foreseeable future. Payment of future cash dividends, if any, will be at the discretion of Medcolcanna Board and will depend on Medcolcanna's financial condition, results of operations, contractual restrictions, capital requirements, business prospects and other factors that Medcolcanna Board considers relevant.

#### *Reporting Issuer Status*

As a reporting issuer, Medcolcanna will continue to be subject to reporting requirements under applicable securities law and stock exchange policies. Medcolcanna is working with its legal, accounting and financial advisors to identify those areas in which improvements should be made to Medcolcanna's financial management control systems to manage its obligations of a public company. Compliance with these requirements will have legal and financial compliance costs, make some activities more difficult, time consuming or costly and increase demand on existing systems and resources. Among other things, Medcolcanna will continue to be required to file annual, quarterly and current reports with respect to its business and results of operations and maintain effective disclosure controls and procedures and internal controls over financial reporting. In order to maintain and, if required, improve disclosure controls and procedures and internal controls over financial reporting to meet this standard, significant resources and management oversight may be required. As a result, management's attention may be diverted from other business concerns, which could harm Medcolcanna's business and results of operations. As Medcolcanna grows, Medcolcanna may need to hire additional employees to comply with these requirements in the future, which would increase its costs and expenses. Management of Medcolcanna expects that while it continues to be a reporting issuer will make it more expensive to maintain director and officer liability insurance. This factor could also make it more difficult for Medcolcanna to retain qualified directors and executive officers.

#### *Tax Issues*

There may be income tax consequences in relation to Medcolcanna Organics Shares, which will vary according to circumstances of each investor. Prospective investors should seek independent advice from their own tax and legal advisers.

### **MATERIAL CONTRACTS**

The only material contracts entered into by Medcolcanna, other than in the ordinary course of business, since the date of incorporation are as follows:

- (a) the Share Exchange Agreement;
- (b) the Property Lease Agreement; and
- (c) the Independent Trading Group Inc. market making agreement.

Copies of all material contracts may be inspected at the office of the legal counsel of Medcolcanna at c/o EnerNext Counsel, Suite 1620, 444 – 5<sup>th</sup> Avenue SW, Calgary, Alberta T2P 2T8, attention: Peter Yates during normal business hours.

### **DESCRIPTION OF SECURITIES**

Medcolcanna is authorized to issue an unlimited number of Shares without nominal or par value. As of the date hereof, there are 105,721,957 Medcolcanna Organics Shares issued and outstanding. The holders of Medcolcanna Organics

Shares are entitled to receive notice of and to attend any meeting of the Shareholders and have the right to one vote per Medcolcanna Organics Share thereat. The holders of Medcolcanna Organics Shares are entitled to receive any dividend declared by the Board, and have the right to receive a proportionate amount, on a per share basis, of the remaining property of Medcolcanna on its dissolution, liquidation, winding up or other distribution of its assets or property among the Shareholders for the purpose of winding up its affairs.

#### **DIVIDEND RECORD AND POLICY**

It is not contemplated that any dividends will be paid in the immediate or foreseeable future. There are no restrictions on Medcolcanna's ability to pay dividends on Medcolcanna Organics Shares other than Medcolcanna's financial position. It is expected that Medcolcanna will retain future profits to finance further growth and that Medcolcanna will not pay dividends in the near future. However, Medcolcanna may consider paying dividends on Medcolcanna Organics Shares in the future when circumstances permit, having regard to, among other things, its earnings, cash flow and financial requirements, as well as relevant legal and business considerations. All of Medcolcanna Organics Shares are entitled to an equal share in any dividends declared and paid.

#### **PRINCIPAL SECURITYHOLDERS**

To the knowledge of the directors and senior officers of Medcolcanna, no shareholder owns, of record or beneficially, directly or indirectly, or exercise control or direction over, shares carrying more than 10% of the voting rights attached to all of the outstanding Medcolcanna Organics Shares, except for Mr. De La Vega, who holds 10.63% of the issued and outstanding Medcolcanna Organics Shares both directly and indirectly through his spouse and relatives and various holding companies. See table below for further particulars and Morsevo Trade Inc, which holds 11.03% of the issued and outstanding Medcolcanna Organics Shares.

#### **DIRECTORS, OFFICERS AND PROMOTERS**

##### **Summary Information on Directors and Officers**

The following are the names, age and municipalities of residence of those individuals who serve as directors and officers of Medcolcanna, their positions and offices with Medcolcanna, their principal occupations during the last five years, the number of Medcolcanna Organics Shares that each holds and the percentage of the class that such holdings represent. The information concerning the directors of Medcolcanna is as furnished by such directors and is current as of December 31, 2020.

Name & Municipality of Residence	Position with Issuer and date position started	Principal Occupations for the Last Five Years	Number and Percentage of Issued Shares	Number and Percentage of Issued Warrants and Options
Felipe de la Vega, 41 Bogotá, Colombia	President CEO & Director since May 17, 2019	Mr. De La Vega has been the CEO, President and a Director of Medcolcanna since May 17, 2019. Prior thereto, Mr. De La Vega was the founder of Trenaco Holdings Group, a major Latin American commodity trading company with revenues of US\$800 million in 2014. He acted in the capacity of CEO for 10 years. In that role, he developed strong relationships with domestic and global commodities companies and created vertical integration for the value chain through the acquisition of profitable assets such as coal mines, metcoke ovens, quality labs, stockyards, and transportation infrastructure. Mr. De la Vega led the company to be the second largest exporter of coking coal in Colombia. Trenaco was ranked 17th largest Colombian exporter, 76th largest Colombian company, and #1 in growth prospects for 2013-2014.	11,234,111 <sup>(5)</sup> (10.63%)	1,350,000 Options
Chris Reid, 42 Bogota, Colombia	CFO since May 17, 2019	Mr. Reid has been CFO of Medcolcanna since May 17, 2019. Mr. Reid is a CPA with 12 years of experience in industry and international business. Mr. Reid is currently a director of Petrodorado, a petroleum company with operations in Colombia and was previously the President and CEO of that company, as well as holding various other positions with that company over the past decade. Currently is serves a director of several publicly listed companies. In his current role Mr. Reid is responsible to provide strategic direction, financial leadership on capital markets and providing insight and recommendations to both short-term and long-term growth plans of the company.	6,116,525 <sup>(6)</sup> (5.83%)	700,000 Options

<p>Nicolas Rodriguez, 39 Bogota, Colombia</p>	<p>COO since May 17, 2019</p>	<p>Mr. Rodriguez has been the Chief Operating Officer of Medcolcanna since May 17, 2019. Mr. Rodriguez is an agricultural engineer with more than 13 years of experience leading innovation and business development in the agro industry. He has strong leadership skills and technological knowledge in agricultural production. Mr. Rodriguez previously held the position of General Manager at Clinton Giustra Enterprise Partnership, a social business builder that brings entrepreneurial solutions to agribusinesses, farmers and fishermen. In his current position he is responsible for designing, implementing and overseeing business operations.</p>	<p>1,188,472 (1.12%)</p>	<p>700,000 Options</p>
<p>Robert Metcalfe<sup>(1)</sup> <sup>(2)</sup> <sup>(3)</sup>, 79 Toronto, Ontario</p>	<p>Chairman of the Board of Directors since May 17, 2019</p>	<p>Mr. Metcalfe has been a director of Medcolcanna since May 17, 2019. Mr. Metcalfe, a lawyer, was senior partner with the law firm Lang Michener, LLP for 20 years. He is the former President and Chief Executive Officer of Armadale Properties and Counsel to all of the Armadale Group of Companies, with significant holdings across numerous industries including finance, construction of office buildings, airport ownership, management and refurbishing, land development, automotive dealerships as well as newspaper, radio and television stations. Mr. Metcalfe has served as President, CEO, Lead Director, Chairman and Committee member on numerous publicly listed natural resource and industry company corporate boards in Canada, the USA, England, South America and Africa. As director and shareholder, Mr. Metcalfe has been engaged in numerous acquisitions, divestitures, corporate reorganizations, financings and corporate improvements, as well as serving on numerous special committees across many sectors. He is a member of the Institute of Corporate Directors and a member in good standing of the Law Society of Ontario.</p>	<p>669,810 (0.64%)</p>	<p>1,125,000 Options, 50,000 Warrants and 50,000 Debentures</p>

<p>Thor Borresen<sup>(1)(3)</sup>, 38 Bogota, Colombia</p>	<p>Director since May 17, 2019</p>	<p>Mr. Borresen has been a director since May 17, 2019. Mr. Borresen is an Industrial Engineer from the Javeriana University in Cali, Colombia and is currently the Marketing Vice-president of Bavaria, the Colombian operation of AB-InBev, the world's leading brewer. In his current position, he is responsible for leading the development of a complete portfolio of local and international beer brands, boosting category growth and building the equity of the brands. His main challenge is to keep the category alive and relevant among young adults, through a strategy of brand renovation, innovation and digital connection with consumers and stakeholders. His professional career spans over 14 years in different commercial roles. Before joining Bavaria, he was part of the marketing team in Kraft Foods Colombia and Venezuela, overseeing local and regional markets. Recently, he led the development and launch of a new business unit: The High End Company, integrating the roles of Sales, Marketing, Finance and Logistics for a group of Global and Craft brands.</p>	<p>542,691<sup>(4)</sup> (0.50%)</p>	<p>750,000 Options &amp; 215,874 Warrants</p>
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<p>Abba (Pablo) Vieira<sup>(1)(3)</sup>, 46 Washington DC, USA</p>	<p>Director since May 17, 2019</p>	<p>Mr. Vieira is the Global Director of the NDC Partnership Support Unit. In this role, Mr. Vieira leads efforts that build momentum for ambitious climate and development actions, in collaboration with governments and international stakeholders around the world. Mr. Vieira develops and executes activities that help countries advance climate goals by facilitating access to analysis, tools, expertise, financing, and other resources. Mr. Vieira is a leading figure in the environmental, green growth, and sustainable rural development sectors in Colombia. Before joining the NDC Partnership, he served as an Advisor to President Juan Manuel Santos, managing Colombia's accession to the Organization for Economic Cooperation and Development (OECD) and supporting the coordination and implementation of national and international commitments on the environment and climate change. In 2013, Mr. Vieira was appointed as Deputy Minister of Environment and Sustainable Development, responsible for the formulation, adoption, and implementation of all environmental and sustainable development strategies, policies, and regulations, with a special emphasis on climate change, water management, biodiversity, and ecosystem services. Mr. Vieira also has wide experience working for the private sector in the fields of innovation and technology development for the petrochemical industry. Mr. Vieira is a Chemical Engineer from Colombia's National University and holds a Ph.D. from the Department of Chemical and Biomolecular Engineering at Tulane University in New Orleans.</p>	<p>110,943 (0.10%)</p>	<p>750,000 Options</p>
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<p>Peter Yates, 48 Calgary, Alberta</p>	<p>Corporate Secretary since May 17, 2019</p>	<p>Corporate Secretary of Medcolcanna since May 17, 2019. Consultant/Lawyer with EnerNext Counsel since August 2017. Associate at Field LLP in the corporate/securities department from November, 2015 until August, 2017. Prior thereto, Partner in the securities/corporate finance group at Dentons Canada LLP (formerly Fraser Milner Casgrain LLP) from May 2012 to October 2015. Formerly an Associate in the securities, corporate finance and mergers and acquisitions group with Heenan Blaikie LLP from March, 2004 to May, 2012. Mr. Yates has a Bachelor of Arts degree from McGill University ('96) and a Bachelor of Law degree from Dalhousie University ('00). Mr. Yates is a graduate of the Canadian Securities Course offered by the Canadian Securities Institute.</p>	<p>Nil (0.0%)</p>	<p>Nil</p>
<p>Jose Mora Hernández, 66 Bogotá, Colombia</p>	<p>Director since June 11, 2019</p>	<p>Mr. Hernandez has more than 30 years' experience in senior executive management roles in the pharmaceutical industry including those with Johnson and Johnson, Janssen-Cilag, More Pharma Corp. and FarmaLatam Holding Inc. where he currently serves as CEO &amp; Co-Founder. Reporting directly to two Company Group Chairmen of Johnson &amp; Johnson, José was International Vice President for Latin America and Puerto Rico responsible for over US\$625 million in revenue and over 1,800 employees. He also served as an advisor to large Latin American pharmaceutical companies that expanded into Colombia, Mexico and Peru. At Janssen-Cilag, Mr. Mora Hernandez served as President for Mexico, Central America and the Caribbean. As founder and owner of FarmaLatam he developed the first Technological Healthcare Platform in Colombia, Mexico and Peru. Mr. Mora Hernandez graduated from the Universidad de los Andes, Bogotá, Colombia with an Engineering degree and also holds an MBA in International Business from the University of South Carolina.</p>	<p>110,943 (0.10%)</p>	<p>700,000 Options</p>

Daniel Herrera, 44 Montreal, Quebec	Chief Corporate Development Officer	Mr. Herrera was previously with CannTrust Holdings Inc., where he was Director of Global Strategy and Business Development also serving as lead of the Global Partnerships and Investments group, where he advised on several M&A and sales transactions in Denmark, Germany, Australia and the US, including acquisition and licensing of technologies related to the cannabis and biopharmaceutical sector. Mr. Herrera has over 15 years' experience in the pharmaceutical industry serving in various commercial and strategic roles at Eli Lilly and Company. Daniel is a graduate of McGill University, the University of Montreal and earned an MBA from the John Molson School of Business at Concordia University.	580,000 (0.55%)	Nil
	Total		<b>20,664,438</b> <b>(19.54%)</b>	<b>6,075,000 Options</b> <b>215,874 Warrants</b> <b>50,000 convertible</b> <b>debentures</b>

**Notes:**

- (1) Member of the audit committee.
- (2) Chairman of the audit committee.
- (3) Member of the compensation and governance committee.
- (4) Held by Freyr SAS, a company controlled by Mr. Borresen.
- (5) Includes 11,234,111 Medcolcanna Organics Shares held directly by Mr. de la Vega, as well as Medcolcanna Organics Shares held by various companies affiliated with Mr. de la Vega, including a company owned by Mr. de la Vega's mother and sister, a company owned by Mr. de la Vega's mother and half-brother (who also separately holds Medcolcanna Organics Shares directly), and Medcolcanna Organics Shares held by Mr. de la Vega's common law spouse.
- (6) 4,800,000 shares held through BB Enterprises Ltd, a wholly owned subsidiary. 1,316,525 shares held directly.

The directors, officers and promoters of Medcolcanna as a group, control, directly or indirectly, 20,664,438 Medcolcanna Organics Shares, representing 19.54% of the outstanding Medcolcanna Organics Shares.

The affairs of the Corporation are managed by a Board who are elected annually for a one (1) year term at each annual meeting of Shareholders and who hold office until the next annual meeting, or until their successors are duly elected or appointed or until a director vacates his office or is replaced in accordance with the by-laws of the Corporation. Medcolcanna has adopted a majority voting policy pursuant to which directors who do not receive greater than a majority of withheld votes at an annual general meeting will be required to resign as directors within a certain amount of time following the meeting.

Medcolcanna is considered an Emerging Market Issuer, as all of its business and assets are located outside of Canada. As such, it is subject to additional requirements under the policies of the stock exchange on which its Medcolcanna Organics Shares are listed. All of the members of the Board of Directors are fluent in both English and Spanish, with the exception of Robert Metcalfe, who has a rudimentary understanding of Spanish. However, since all of the Spanish speaking directors are also completely fluent in English, Medcolcanna does not anticipate there being any difficulty with communications at the Board level or with front line staff. Members of the Board of Directors have adequate public company experience and where they do not have such experience, they have general business experience as noted in their biographies above, such that they can facilitate the efficient operation of Medcolcanna. In addition, members of the management team have public company experience, including the Corporate Secretary of Medcolcanna, who is a securities lawyer with public company experience, the Chief Corporate Development Officer, who was previously an officer with a large publicly traded licenced cannabis producer in Canada, and the Chief



Financial Officer, who has been a director and officer of several publicly traded Canadian companies, such that the members of the Board of Directors without direct Canadian public company experience, can easily leverage this knowledge and expertise.

The Board of Directors has a corporate governance policy in place to ensure that there are policies to mitigate risks identified in its disclosure (e.g. anti-bribery and anti-corruption policies) and any imposed governance policies by any applicable stock exchange, for instance, physical security matters in Colombia. The Board of Directors also has implemented control procedures over financial reporting and internal controls in conjunction with the auditors of Medcolcanna to ensure that protections are in place to prevent fraud or inaccurate financial statement filings.

Christopher Reid, the Chief Financial Officer, is able to devote a significant amount of time in his role as such as currently resides in Bogota, Colombia and thus is able to devote significant time to Medcolcanna.

### **Corporate Cease Trade Orders or Bankruptcies**

Except as disclosed elsewhere herein (see below, “*Penalties or Sanctions*”) to the best of Medcolcanna’s knowledge, no director, proposed director or executive officer of Medcolcanna is at the date hereof, or within the ten years prior to the date hereof has been, a director, chief executive officer or chief financial officer of any company (including Medcolcanna) that, while that person was acting in that capacity:

- (a) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days; or
- (b) was subject to a cease trade order or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the proposed director 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.

To the best of Medcolcanna’s knowledge, no director of Medcolcanna is at the date hereof, or within the ten years prior to the date hereof has been, a director or executive officer of any company (including Medcolcanna) 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.

### **Individual Bankruptcies**

No proposed director, officer, promoter or principal shareholder of Medcolcanna is or has, within ten years prior to the date hereof, 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 that individual.

### **Penalties or Sanctions**

No director or officer of Issuer has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by any securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or been subject to any other penalties or sanctions imposed by a court or regulatory body or self-regulatory authority that would be likely to be considered important to a reasonable investor.

Robert Metcalfe was a director of Xinergey Ltd. (“**Xinergey**”), a U.S. producer of metallurgical and thermal coal in West Virginia. On April 6, 2015, as a result of decline in the coal industry in North America, Xinergey became the subject of a cease trade order and Xinergey filed voluntary petitions in the Western District of Virginia, Roanoke

Division. Xinery continued to operate while it went through an in court voluntary reorganization plan, from which it has now successfully emerged as a fully operating private company.

### **Conflicts of Interest**

Certain directors and officers of Medcolcanna currently, or may in the future, act as directors or officers of other companies and, consequently, it is possible that a conflict may arise between their duties as a director or officer of Medcolcanna and their duties as a director or officer of any other such company. There is no guarantee that while performing their duties for Medcolcanna, the directors or officers of Medcolcanna will not be in situations that could give rise to conflicts of interest. There is no guarantee that these conflicts will be resolved in favour of Medcolcanna. The proposed directors and officers of Medcolcanna are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosure by directors and officers of conflicts of interest and the fact that Medcolcanna will rely upon such laws in respect of any director's or officer's conflicts of interest or in respect of any breaches of duty by any of its directors or officers. All such conflicts must be disclosed by such directors or officers in accordance with the BCBCA, and they will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

### **PROMOTERS**

The only persons who may be considered to be promoters of Medcolcanna would be Chris Reid and Felipe de la Vega, the details of amounts paid to such individuals being as set forth herein. Such individuals would be considered promoters solely by virtue of the fact that they took the initiative to incorporate Medcolcanna BVI.

### **INDEBTEDNESS OF DIRECTORS AND OFFICERS**

No director or officer, member of management, nominee for elections as director of Medcolcanna, nor any of their Associates or Affiliates, is or has been indebted to Medcolcanna.

### **INVESTOR RELATIONS ARRANGEMENTS**

Medcolcanna entered into the Renmark Investor Relations Agreement on February 22, 2019 with Renmark Financial Communications Inc. ("**Renmark**") for a period of six months starting March 1, 2019 and ending on August 31, 2019. The agreement was not extended. Renmark provided services from its principal offices in Toronto, Ontario. Renmark received consideration of \$6,000 per month for the provision of such services. Renmark does not own any securities of Medcolcanna. Renmark provided investor relations services to Medcolcanna, including communications with potential investors and ensuring timely disclosure of important information to existing shareholders.

Medcolcanna entered into the Storyboard Investor Relations Agreement on February 26, 2019 with Storyboard Communications Corp. ("**Storyboard**") for a period of six months starting March 1, 2019 and ending on August 31, 2019. The agreement was not renewed. Storyboard provided the services from its principal offices in Toronto, Ontario. Storyboard received consideration of \$9,000 per month for the provision of such services. Storyboard did not own any securities of Medcolcanna. Storyboard provided investor relations services to Medcolcanna, including communications with potential investors and ensuring timely disclosure of important information to existing shareholders.

Medcolcanna entered into an agreement with Independent Trading Group ("**ITG**") on March 2, 2020 for a period of three months starting March 2, 2020 and ending on June 2, 2020. ITG will provide the services from its principal offices in Toronto, Ontario. ITG will receive consideration of \$5,000 per month for the provision of such services. ITG is to provide market making services for Medcolcanna.

Medcolcanna entered into a marketing agreement dated effective June 25, 2020 (the "**Marketing Agreement**") with Hybrid Financial Ltd. ("**Hybrid**") out of their Toronto, Ontario office for a six month term, such term automatically extending for additional three month terms until such time as Medcolcanna provides notice to Hybrid not less than thirty days in advance that it wishes to terminate the agreement. Medcolcanna shall pay Hybrid a total of \$22,500 per month during the initial term of the agreement and \$15,000 per month during the renewal period(s). Hybrid will

provide marketing services with the objectives of increasing Medcolcanna's reach within the investment community. There are no performance factors contained in the agreement. Hybrid and Medcolcanna are unrelated and unaffiliated entities, but Hybrid and/or its clients may have an interest, directly or indirectly, in the securities of Medcolcanna.

## ESCROWED SECURITIES

To the best knowledge of the management of Medcolcanna, as of the date of the Annual Information Form, the following table discloses the names and municipalities of residence of the securityholders, the number of securities currently held in escrow and the number of securities of Medcolcanna held in escrow upon completion of the Share Exchange Agreement, and the percentage that those numbers represent of the outstanding securities.

### Terms of Escrow for the Value Escrow Shares

An aggregate of 32,000,000 Issuer Shares issued under the Share Exchange Agreement were considered “Value Escrow Shares” in accordance with TSXV Policy 5.4 and are subject to the release schedule applicable under a Tier 2 Value Security Escrow Agreement in accordance with the following timeline:

<b>Tier 2 Issuer % of Medcolcanna Organics Shares Released from Escrow</b>	<b>Release Date</b>
10%	May 17, 2019
15%	November 17, 2019
15%	May 17, 2020
15%	November 17, 2020
15%	May 17, 2021
15%	November 17, 2021
15%	May 17, 2022

In addition, an aggregate of 1,040,128 Medcolcanna Organics Shares issued to the founders of IES and certain shareholders on the spin-out transaction of IES described above were considered “Value Escrow Shares” in accordance with TSXV Policy 5.4 and are subject to the release schedule applicable under a Tier 2 Value Security Escrow Agreement in accordance with the foregoing timeline.

Lastly, a total of 7,762,659 Medcolcanna Organics Shares were subject to either (a) lock-up provisions restricting the resale of Medcolcanna Organics Shares for a period of eighteen months from the Closing Date (being May 17, 2019, expiring on November 17, 2020), as agreed to by IES and Medcolcanna BVI with the agents as a condition of closing the Concurrent Financing, or (b) the hold periods pursuant to the “Seed Share Resale Matrix” in accordance the policies of the TSXV (Seed Share Resale Restrictions under Exchange Policy 5.4) upon completion of the Share Exchange, which vary from three years to four (4) months, depending on the initial price at which the IES Shares and Medcolcanna Organics Shares, as the case may be, were purchased and for how long they have been held by the applicable shareholder prior to the Closing Date. Lastly, a total of 6,500,000 Medcolcanna Organics Shares and 6,450,000 Medcolcanna Warrants are subject to a three year hold period pursuant to a Tier 2 Value Security Escrow under the “Seed Share Resale Matrix” pursuant to certain debt settlement transactions undertaken by IES in advance of closing.

The following table sets out, as of the date hereof and to the knowledge of Medcolcanna, the name and municipality of residence of the security holders who are Principals as defined in TSXV Policy 1.1 and whose Medcolcanna Organics Shares are held in escrow pursuant to the terms of the Escrow Agreement and according to the release schedule set out above.

<b>Name and Municipality of Residence of Shareholder</b>	<b>Designation of Class</b>	<b>Number of Securities held in Escrow or that are subject to a contractual restriction on transfer</b>	<b>% of Class<sup>(1)(2)</sup></b>
Felipe de la Vega Bogotá, Colombia	Common Shares	4,042,350	3.82%
Chris Reid Bogota, Colombia	Common Shares	2,160,000	2.04%
Nicolas Rodriguez Bogota, Colombia	Common Shares	450,000	0.43%
Thor Borresen Bogota, Colombia	Common Shares	194,287	0.18%
Robert Metcalfe Toronto, Ontario	Common Shares	Nil	0.0%
Pablo Vieira Washington, DC	Common Shares	Nil	0.0%
Peter Yates Calgary, Alberta	Common Shares	Nil	0.0%

**Notes:**

- (1) Based on total issued and outstanding Issuer Shares of 105,721,957
- (2) Based on total issued and outstanding Issuer Warrants of 43,802,975

**AUDITORS**

MNP LLP, Chartered Accountants, of Toronto, Ontario, were appointed as the auditors of Medcolcanna on May 17, 2019.

**TRANSFER AGENT AND REGISTRAR**

TSX Trust Company, Suite 301, 100 Adelaide Street West, Toronto, Ontario M5H4H1 is the transfer agent and registrar for Medcolcanna Organics Shares.

**LISTED ISSUER WITH FOREIGN ASSETS**

Substantially all of the assets of Medcolcanna are located outside of Canada in Colombia. It may not be possible for investors to effect service of process within Canada on the operations of Medcolcanna in Colombia. It may also not be possible to enforce against Medcolcanna judgments which are obtained in Canadian courts predicated upon Canadian laws, including the civil liability provisions of applicable securities laws in Canada.

**EXPERTS**

Certain legal matters pertaining to Medcolcanna have been performed by EnerNext Counsel. Peter Yates, Corporate Secretary of Medcolcanna, is a consultant with EnerNext Counsel and receives compensation for legal fees billed to Medcolcanna.

**INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Other than as set out herein or as disclosed in the financial statements or MD&A, none of the directors, executive officers of Medcolcanna, any person or company that is the direct or indirect beneficial owner of, or who exercises control or direction over, more than 10 percent of any class or series of outstanding voting securities of Medcolcanna,

nor any associate or affiliate of the foregoing persons had any material interest, direct or indirect, in any transaction during the three most recently completed financial years or during the current financial year that has materially affected or will materially affect Medcolcanna.

#### **ADDITIONAL INFORMATION**

Additional information relating to Medcolcanna is available on SEDAR at [www.sedar.com](http://www.sedar.com). Shareholders may contact the Corporate Secretary of Medcolcanna at (403) 971-9104 to request copies of Medcolcanna's financial statements and Management Discussion and Analysis thereon. Financial information is provided in Medcolcanna's comparative financial statements and Management Discussion and Analysis thereon for Medcolcanna's most recently completed financial year ended December 31, 2020 and any interim periods thereafter following the issuance of same. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Medcolcanna's securities and securities authorized for issuance under equity compensation plans are contained in Medcolcanna's information circular for the Annual General Meeting held on May 21, 2020 and dated April 9, 2020 and available under Medcolcanna's profile on SEDAR.