PHARMADRUG INC.

ANNUAL INFORMATION FORM

FOR THE FISCAL YEAR ENDED

DECEMBER 31, 2020

[SEPTEMBER 29, 2021]

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EXPLANATORY NOTES AND CAUTIONARY STATEMENTS

In this Annual Information Form (the "**AIF**" or the "**Annual Information Form**"), the "**Company**" or "**Pharmadrug**" refers to Pharmadrug Inc. and its subsidiaries unless otherwise specified or the context otherwise requires. Information contained in this AIF is given as of September 29, 2021, for the December 2020 financial year end of the Company, unless otherwise stated. Unless otherwise indicated, all currency amounts in this Annual Information Form and references to "$" are stated in Canadian dollars.

Market industry data used throughout this AIF was obtained from various publicly available sources. Although the Company believes that these independent sources are generally reliable, the accuracy and completeness of such information are not guaranteed and have not been verified due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and the limitations and uncertainty inherent in any statistical survey of market size, conditions, and prospects.

This AIF should be read in conjunction with the Company's audited consolidated financial statements and management's discussion and analysis ("**MD&A**") for the financial year ended December 31, 2020 and its unaudited interim condensed consolidated financial statements and MD&A for the three and six months ended June 30, 2021. The financial statements and MD&A are available under the Company's profile on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") website at www.sedar.com. The Company's financial statements are prepared in accordance with International Financial Reporting Standards.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS AND INFORMATION

This Annual Information Form contains "forward-looking information" and "forward-looking statements" which may include, but are not limited to, statements with respect to the future financial or operating performance of Pharmadrug. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "believes" or variations (including negative variations) of such words and phrases, or statements that certain actions, events or results that "may", "could", "would", "might" or "will" be taken, to occur or to be achieved. Forward-looking statements are based on the reasonable assumptions, estimates, analysis, and opinions of management made in light of its experience and perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable at the date that such statements are made. Forward-looking statements involve known and unknown risks, uncertainties, assumptions, and other factors that may cause actual results, performance, or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, but are not limited to, the factors discussed in the section entitled "Risk Factors" and should be considered carefully by readers. If any of these risks or uncertainties materialize, or if the opinions, estimates, or assumptions underlying the forward-looking information prove incorrect, actual results or future events might vary materially from those anticipated in the forward-looking information.

Given the impacts of the coronavirus ("**COVID-19**") pandemic and resulting ongoing uncertainty, there can be no assurances regarding: (a) the COVID-19 related impacts on the Company's business, operations and performance; (b) the Company's ability to mitigate such impacts; (c) credit, market, operational, and liquidity risks generally; and (d) other risks inherent to the Company's business and/or factors beyond its control which could have a material adverse effect on the Company.

Although the Company has attempted to identify important factors that could cause actions, events, or results to differ materially from those described in the forward-looking statements, there may be other factors that cause actions, events, or results to differ from those anticipated, estimated or intended. Forward-looking

statements contained herein are made as at the date of this Annual Information Form. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on the forward-looking statements. The Company does not undertake to update any forward-looking statements except as required by applicable securities laws.

CORPORATE STRUCTURE

Name, Address and Incorporation

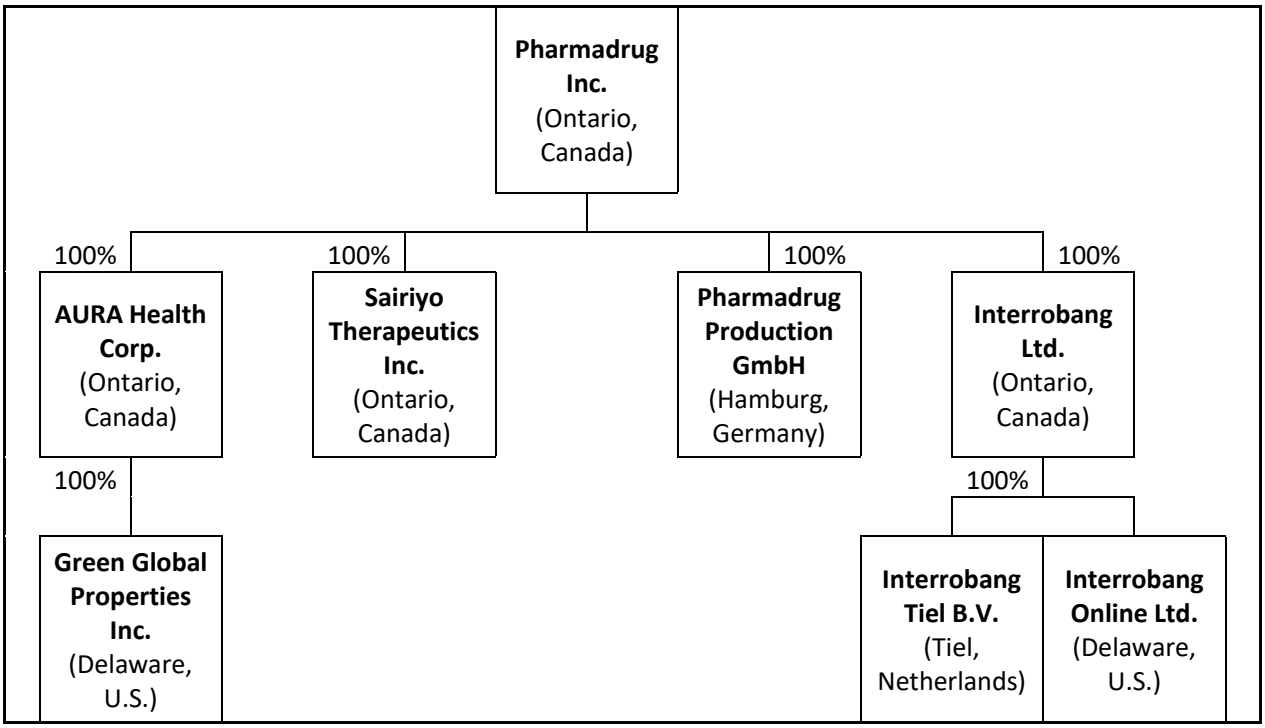
Pharmadrug Inc. ("**Pharmadrug**" or the "**Company**") was incorporated pursuant to the *Canada Business Corporations Act* (the "**CBCA**") on September 6, 2011, under the name Gimus Resources Inc. The Company subsequently changed its name from Gimus Resources Inc. to Lamêlée Iron Ore Ltd./Lamêlée Minerais de Fer Ltée on December 20, 2013. On August 7, 2018, the Company ceased to continue under the CBCA and instead was continued pursuant to the *Business Corporations Act* (Ontario) (the "**OBCA**"). The Company also changed its name from Lamêlée Iron Ore Ltd./ Lamêlée Minerais de Fer Ltée to Aura Health Inc. on this date in connection with a reverse takeover transaction.

On October 21, 2019, the Company changed its name from Aura Health Inc. to Pharmadrug Inc. to better reflect the vision, strategy, and operations of the Company, being the distribution and brand creation of medical cannabis across Europe.

The Company's head office and registered address is 2905 - 77 King Street West Toronto, Ontario M5K 1H1. The telephone number for the Company's principal place of business is 647 202-1824. The Company's website is https://www.Pharmadrug.co/.

Intercorporate Relationships

The following chart illustrates the structure of the Company, and each of its subsidiaries and respective jurisdiction of incorporation. Unless otherwise stated, Pharmadrug holds all the issued and outstanding securities, including all voting securities, of the subsidiaries.



DESCRIPTION OF THE BUSINESS

General

Pharmadrug is a specialty pharmaceutical company focused on the research, development, and commercialization of controlled substances and natural medicines such as psychedelics, cannabis and naturally-derived approved drugs. The Company operates through three distinct divisions. These divisions are: Pharmadrug Production GmbH ("**Pharmadrug Production**"), Interrobang Ltd. ("**Interrobang**" or "**Super Smart**"), and Sairiyo Therapeutics Inc. ("**Sairiyo**"). The Company is currently focusing on the following controlled substances: THC, CBD, Psilocybin, Cepharanthine, and Dimethyltryptamine ("**DMT**").

Divisions

Pharmadrug Production GmbH

Established in 1982, Pharmadrug Production is a German medical cannabis distribution company with over 20 years of operating history. In May 2019, the Company acquired an 80% equity interest in Pharmadrug Production (the "**Pharmadrug Acquisition**") and acquired the remaining 20% equity interest in August 2021.

Pharmadrug Production holds a Schedule 1 European Union ("**EU**") narcotics license, allowing for the importation and distribution of medical cannabis to pharmacies in Germany and throughout the EU as markets become legalized. Additionally, Pharmadrug Production has EU Good Manufacturing Practice certification ("**EuGMP**"), enabling the company to third party manufacture narcotics and package them under their own brand. Pharmadrug Production recently passed its EuGMP inspection and has secured its certification for another three years.

Pharmadrug Production imports and distributes Bedrocan cannabis from the Netherlands to over 300 pharmacies in Germany. Pharmadrug's ability to grow its revenues and distribution network have been considerably limited by access to Bedrocan Inventory. Bedrocan's overall supply issues have resulted in a

corresponding loss of market share, but that void seems to have been filled by Aurora, Canopy and Tilray. The Company did see the first shipment of medical cannabis from the Canadian based supplier Global LP, however, demand for the product was far lower than anticipated. The supplier also failed to co-operate adequately for the marketing initiatives that management deemed necessary. Additional developments in the German market included the first introduction of natively grown medical cannabis. All of these elements have led to the beginning of margin erosion. Pharmadrug has been offered supply agreements from some of the other aforementioned players but has determined that the price is not attractive.

Management believes it needs to focus on its own supply chain where it can better control product margins, inventory supply and marketing initiatives. Consistent with this view, management has decided to shift its focus to the growing medical cannabis oil segment. The Company plans to maintain its Bedrocan business, but all future growth initiatives will be focused on burgeoning cannabis extracts and oils space.

Management estimates that the medical cannabis flower market was more than two times the size of the cannabis oil market in 2019 with approximately 90% of the oil market dominated by synthetic oils such as Dronabinol. By the first quarter of 2021, management estimates the oil market is within 15% of the flower market. The full extract market is continuing to gain ground on Dronabinol, nearly doubling its share of the total cannabis oil market. According to the GKV GAmSI report, the German market's overall move towards oils is following the same trend seen in the North American markets in the last 5 years. As such, the Company is planning to enter the oil market with Pharmadrug branded offerings of Dronabinol, high THC oil and balanced THC/CBD oils.

Pharmadrug Production has signed a supply agreement with an emerging cannabis extractor in Denmark to produce cannabis oil under Pharmadrug's brand. The facility has already received EuGMP certification from the Danish government and Pharmadrug is in the final stages of registering the product with the regulatory authorities in Germany. The Company anticipates its first receipt and distribution of high THC oil early in the fourth quarter followed by balanced oil in the first quarter of 2022. Pharmadrug Production will supply local German cannabis wholesalers while also selling directly to the Company's own extensive pharmacy distribution network. The deal is a milestone event for Pharmadrug Production as it will allow it to have an abundance of supply while giving the Company the opportunity to establish a more dominant role in the German medical cannabis market

The Company is also finalizing a supply agreement with a German company to supply Pharmadrug Production with Dronabinol. The supply cost should allow Pharmadrug Production to enter the market with an extremely competitive price. Management anticipates beginning sales of Dronabinol on a wholesale basis early in the fourth quarter followed by a Pharmadrug branded Dronabinol in the first quarter of 2022.

Management has also made significant advancements towards launching a CBD line. The Company has received its shipment of initial Pharmadrug branded CBD oils. The Company will seek to distribute the product via distributors and e-commerce platforms. With an established supply chain in place and final consumer packaging now finalized, management will be able to test the market out and determine its strategy for CBD oils in Germany and potential other Eurozone countries.

The Company will seek to use its controlled substance import and distributor license to build a pharmaceutical psychedelics business in the Eurozone as jurisdictions in the EU legalize psychedelics, and pharmaceutical psychedelics pass through clinical testing. Germany's Federal Institute of Drugs and Medical Devices ("**BfArM**") recently approved a study on the use of Psilocybin in Treatment-Resistant Depression, demonstrating the broadening acceptance towards psychedelics.

Interrobang/Super Smart

In June of 2020, the Company acquired Interrobang Ltd. ("**Interrobang**" doing business as Super Smart) ("**Super Smart**"). The Company was focused on consolidating the fragmented "smartshop" market in the Netherlands, with a particular focus on psychedelic-based products.

Unlike coffee shops, smartshops have a legal framework that allows them to sell entheogenic plants, which are plants containing substances that have hallucinogenic properties. The bulk of what is sold in smart shops are truffles containing psilocybin, the active component of "magic" mushrooms.

Super Smart purchased its first psychedelic retail store in the town of Teil, Netherlands in October 2020. The Tiel location provides a platform to build out and refine the retail business model for psychedelics. Super Smart's plan was to continue to add more smartshops in the Netherlands, with a flagship store targeted to open in Amsterdam. All of the Company's future smart shops and e-commerce platforms will operate under the "**Slim Winkel**" brand. Slim Winkel is the Dutch word for Smartshop.

With the COVID-19 pandemic lasting much longer than management initially expected, the Company took the decision to pivot from its initial plans and put the development of its brick-and-mortar strategy on hold. In the meantime, the Company decided to develop its brand and business by establishing an online retail strategy under its Slim Winkel brand. Super Smart launched two separate e-commerce platforms. One in Europe and one in the United States (the "**U.S.**"). The European Slim Winkel online store will sell psilocybin truffles as well as functional mushrooms in the Netherlands. The website will also service other parts of Europe, but without the access to psilocybin truffles. Launching the online smart shop enabled the Company to establish and build its brand and business. Management will reassess the brick-and-mortar strategy following the end of the pandemic.

Management believes the online strategy will benefit Super Smart in four distinct ways. Firstly, it will help establish the Slim Winkel brand and Super Smart's evolved Smart Shop concept. Secondly, it will enable the Company to continue to curate quality products, which will eventually include its own branded psilocybin truffles in the Netherlands. Thirdly, it will enable Super Smart to continue to develop its psilocybin supply chain. Lastly, by introducing the store in other European countries, it will enable Super Smart to capitalize on an already established distribution model and psilocybin supply chain when other European countries legalize. This last point also includes the U.S. Slim Winkel platform.

Super Smart also opened a separate Slim Winkel e-commerce platform in the U.S. that will sell functional mushrooms. Slim Winkel will not only also act as a retail channel but will carry its own branded products. Management has begun to establish its product line and expects to launch in it 2021. The initial focus will continue to remain on functional mushrooms but with the establishment of a strong brand in the U.S., it can be used for psilocybin truffles as well once their use is approved.

The Company hired a director of e-commerce with specific experience in the functional mushroom industry and initiated a major overhaul of the U.S. site. It was quickly determined that the cornerstone of a successful business would require the development of an in-house product that can adequately match the quality and technical specifications that the Company strived for. A product line was developed and the initial batch of the first product has been sent into production. The product will be revealed with the new e-commerce site at the start of September with initial sales to commence at the start of October. The site will continue to provide educational content and the product offering will be augmented with curated bundles. In the meantime, the Company has been successfully increasing traffic to its website and social network while it has been recruiting influencers and micro influencers to champion the Slim Winkel products as they are launched.

Sairiyo Therapeutics

Sairiyo is a biotechnology company focused on repurposing and developing improved formulations of naturally derived compounds for serious, rare, and life-threatening diseases. Sairiyo aims to obtain European Medicines Evaluation Agency and U.S. Food and Drug Administration ("**FDA**") approval.

Sairiyo is advancing the clinical development of its lead drug candidate, Cepharanthine, a repurposed and reformulated naturally-derived compound for the potential treatment of cancer, neurological, inflammatory and infectious diseases.

Cepharanthine is a natural product and an approved drug used for more than 70 years in Japan to treat a variety of acute and chronic diseases. In clinical research, Cepharanthine exhibits multiple pharmacological properties including anti-oxidative, anti-inflammatory, immuno-regulatory, anti-cancer, anti-viral and anti-parasitic properties. Sairiyo has an exclusive license from a research and development organization to develop and commercialize reformulated Cepharanthine for all diseases and exclusive rights to the patent, method of manufacturing, clinical supply, pre-clinical data, and know-how to support FDA clinical trials.

The Company possesses the exclusive rights to a patented enteric-coated formulation of Cepharanthine ("**PD-001**"). Compared to generic Cepharanthine, Pharmadrug's novel formulation has been shown in rodent and non-rodent models to possess markedly superior bioavailability (more easily absorbed). These findings support the development of an orally administered formulation, and in so doing, removes the undesirable requirement for frequent intravenous dosing.

Sairiyo is currently focused on advancing the clinical development of Cepharanthine to treat rare cancer diseases. Sairiyo was granted Orphan Drug Designation ("**ODD**") from the FDA for Cepharanthine in the treatment of esophageal cancer in January 2021 and has since added some world class experts to its scientific advisory team. Orphan Status from the FDA provides numerous benefits such as tax credits, a more streamlined process, and seven years of marketing exclusivity post regulatory approval.

Management decided to conduct some pre-clinical work to evaluate the mechanism of action more fully for Cepharanthine given that the drug displays potential as a direct anti-cancer agent as well a prospect for reducing resistance to common chemotherapies.

The first phase of the study aimed to compare Cepharanthine to the current standard of care in 60 human cancers. The Company was pleased to see that 20 of the 60 cell lines screened showed growth inhibition of at least 50% when exposed to Cepharanthine levels previously determined to be well tolerated in a human clinical population. Additionally, there were several instances in which Cepharanthine displayed growth inhibition which was comparable or superior to current gold standard treatments, including colorectal, liver and skin cancers. More notably, results of the current study demonstrated that esophageal cancer was the most highly responsive of all 60 cancers examined.

Management has already begun the next phase of studies where Cepharanthine will be tested in combination with standard of care chemo on the 20 cell lines that delivered positive results in the previous study. The goal will be to identify cancers where there is a synergy to combining Cepharanthine and chemo, beyond results seen by Cepharanthine or chemo on their own. While designed to provide guidance as to which cancer is most optimally responsive to Cepharanthine, such combo studies often provide important guidance related to clinical applicability and potential opportunities for the Company related to the generation of new intellectual property. The studies will test each cancer cell three times. Once with Cepharanthine alone, once with the standard of care chemo and once with both Cepharanthine and chemo combined.

Management is most excited about the results from the esophageal cancer cell lines for three reasons. Firstly, because the Company has ODD to Cepharanthine for esophageal cancer and it is Pharmadrug's current primary oncological focus. Secondly, because the results from the first tests had the strongest response from esophageal cancer. Lastly, the current deficiency in the treatment of esophageal cancer stems from the cancer's ability to build a resistance to chemo. A significant response from combining Cepharanthine with chemo could result in a game changing potential to treat the cancer. The Company anticipates the results from this phase of tests in September.

Following the results of the current study, the Company will initiate animal models using human cancer cell lines grown in mice to be treated with its patented enteric-coated PD-001. Based on forthcoming results, the Company will select two or three cancers along with esophageal cancer. Management anticipates beginning the trials in November. Results from the mouse models should begin to arrive in December 2021 or January 2022.

On a separate front, the Company has initiated preparation of a Pre-Investigational New Drug Application ("**Pre-IND**") for its patented enteric-coated formulation of Cepharanthine (PD-001) as an oral antiviral pill to treat mild-moderate COVID-19. Cepharanthine may work to lessen the effects of coronavirus infection. Cell, animal, and human studies have long reported the immunomodulatory and anti-inflammatory properties of Cepharanthine. Cepharanthine has previously been shown to suppress cytokine production and the expression of cyclooxygenase; both of which are crucial to viral replication and inflammatory response. A 2019 study examined the effects of Cepharanthine on human lung cells infected with the coronavirus HCoV-OC43. Following pre-treatment with Cepharanthine, lung cells showed no virus-induced death. These findings were attributed to the ability of Cepharanthine to inhibit viral RNA replication, block expression of viral proteins, and suppress production of proinflammatory molecules, thus preventing a deleterious exacerbation of cytokine response to the viral infection. Several third party validated library screens of approved and investigational drugs have identified Cepharanthine as a forerunner drug candidate in the treatment of COVID-19 based on the superior antiviral properties it holds. Cepharanthine has been shown to be highly effective at blocking cell death following exposure to multiple different coronaviruses, including COVID-19. As such, it is believed that the Company's novel formulation of Cepharanthine, PD-001 would be an ideal candidate to evaluate as a potential treatment for mild to moderate COVID-19.

Sequel to the submission of the Pre-IND during the third week of September 2021, the Company was granted a Pre-IND meeting with the FDA for the clinical development of its patented enteric-coated formulation of Cepharanthine, an oral antiviral pill as a potential treatment for mild-moderate COVID-19. The Company submitted a briefing package to the FDA, Office of Infectious Diseases, Center for Drug Evaluation and Research for Cepharanthine and awaits further feedback on its proposed path toward human clinical development. The pre-IND meeting is a critical step in the US regulatory approval process that is meant to develop mutual understanding and agreement between the FDA and the Company regarding content required to assess manufacturing, toxicology, pre-clinical studies, clinical trials design, and rationale to support subsequent human clinical trials. The Company anticipates a written response to its pre-IND briefing package by late-November 2021.

As part of its pharmaceutical psychedelic research efforts, Sairiyo is also actively engaged in conducting research on DMT. The Company is collaborating with top-tier academic psychedelic teams on foundational DMT research to be able to build internal intelligence as a method to establishing its explicit commercial strategy. The first such relationship was announced in March 2021 with the funding of a foundational study at The University of Michigan ("**UoM**") on the role of naturally occurring DMT in the brain. The study will examine the potential role of DMT in normal, diseased, and altered states of consciousness in a newly created animal model, with the objective to develop novel therapeutic strategies of DMT for clinical unmet medical needs currently not addressed by DMT. Additionally, the Company has also initiated a relationship with John Hopkins

University ("**JHU**") to conduct an FDA clinical trial to evaluate the effects of DMT on healthy humans. Establishing such crucial relationships and networks will allow the Company to generate greater intelligence on DMT and provides a potential pathway to new intellectual property.

Internal research efforts on DMT have focused on developing unique formulations while investigating DMT's role and potential in the human body outside of neuro psychiatric functions and conditions. DMT has been shown to have anti-oxidative and anti-inflammatory properties. On April 28, 2021, the Company announced that the FDA had granted Sairiyo ODD for prevention of ischemia-reperfusion injury ("**IRI**") in patients undergoing solid organ transplantation, which includes the liver, kidney, heart, and lungs. The FDA ODD granted was broader than the Company's original application for kidney transplantation, recognizing the pernicious consequences of IRI in all solid organ transplantation.

Before filing an IND application with the FDA to evaluate DMT in human clinical trials, the Company will advance its overall DMT strategy on three separate initiatives. Firstly, Pharmadrug is already at work evaluating specific DMT formulations aimed at superior delivery and improved efficacy. Secondly, management will contemplate additional pre-clinical research in inflammatory and oxidative stress-induced complications, including organ transplants, to better understand the role DMT plays in the field. Lastly, the Company will broaden its scope to evaluate other rare indications that potentially could benefit from DMT.

The Company felt there was a more immediate opportunity to focus on DMT's potential for conditions in the eye, namely glaucoma. The rationale behind this is management's view that a potential successful psychedelic strategy requires the combination of a unique indication, unique formulation, and a unique delivery technology.

Tryptamines, such as DMT for eye diseases represent the right opportunity to fulfill the objectives of identifying a unique indication, unique formulation, and a unique delivery technology. Management capitalized on its Chief Scientific Officer's many years of experience in targeting receptor pathways combined with existing literature to develop the concept. Essentially, glaucoma causes pathological increases in intraocular pressure ("**IOP**") that can cause progressive and irreversible vision loss. Many remedies are available in the form of topical drops. None of the treatments are completely successful due in part to side effects, lack of compliance and the increase in IOP overnight when drops are not administered. Previous research has shown that elevated IOP can be reduced though activation of serotonin receptors, but attractive drug candidates and methods of delivery remain to be developed. More specifically, tryptamine family members (of which DMT is one) have been shown to reduce IOP by activating 5HT-1a and 5HT-2a receptors in regions of the eye know to regulate fluid dynamics/pressure. The Company is currently evaluating novel formulations of DMT (as well as undisclosed analogues) that can address elevated IOP. Once these studies are complete, the Company will elect the optimal candidate to be incorporated into a controlled release device for the treatment of glaucoma.

Pharmadrug formed a collaboration with the Terasaki Institute for Biomedical Innovation (the **"Terasaki Institute"**). The Terasaki Institute is a world leading biotechnology institute which develops medical devices and cutting-edge protocols for a variety of diagnostic, monitoring and treatment applications. Their research platforms include work in biomaterials, cellular and tissue engineering, wearable biosensors, and organs-on-a-chip, with specific expertise in novel polymer development. The goal of the collaboration is to develop an ocular medical device that can continuously and slowly release a reformulated DMT or DMT analogue to reduce IOP. Pharmadrug will contribute the chemical formulations and the Terasaki Institute will use its in-house technology to select and develop an effective delivery mechanism. During the first stage of the collaboration, Terasaki scientists will use human, primary cell-based studies to identify the most potent candidate tryptamine. Follow up studies will leverage specific expertise in biomaterial engineering to produce a controlled release ophthalmic medical device. Finally, the drug-impregnated, controlled release product will be evaluated in a generally accepted non-human primate model of glaucoma.

GENERAL DEVELOPMENT OF THE BUSINESS

Recent Updates

On January 12, 2021, the Company announced that it had entered a binding letter of intent dated January 11, 2021, to acquire the issued and outstanding shares of Sairiyo. On January 25, 2021, the Company announced that it entered into a definitive agreement regarding the acquisition of Sairiyo. Pursuant to the definitive agreement, Pharmadrug would acquire all the issued and outstanding shares of Sairiyo in consideration for the issuance of an aggregate of 75,000,000 units of Pharmadrug ("**Sairiyo Units**"). Each Sairiyo Unit is comprised of one common share of Pharmadrug and one common share purchase warrant (a "**Sairiyo Warrant**") of Pharmadrug. Each Sairiyo Warrant entitles the holder thereof to acquire one common share in the capital of Pharmadrug at any time on or before the August 2, 2022, at an exercise price of $0.10 per share. The Company subsequently announced that it had completed the acquisition of Sairiyo on February 2, 2021.

On February 4, 2021, the Company announced that it entered into a supply agreement dated January 4, 2021 with a Canadian-based multi-national cannabis company for EuGMP certified medical cannabis. Pursuant to this agreement, the Company's licensed German distributor, Pharmadrug Production, will purchase branded medical cannabis from the supplier's German subsidiary. Pharmadrug Production has already received regulatory approval to distribute the cannabis and the product has been added to their license. The flower will be imported into Germany by the global supplier and sold under the supplier's medical cannabis brand.

On February 5, 2021, the Company announced the grant of stock options to directors, officers, and consultants to purchase 5,200,000 common shares of the Company, exercisable at $0.085 per share at any time on or before February 4, 2026.

On February 8, 2021, the Company announced the appointment of Dr. Steven A. Barker, Ph.D. to its newly-formed scientific advisory board for psychedelic pharmaceuticals to lead the research and development initiatives of N, N- DMT for mental health, neurological and inflammatory disorders.

On February 11, 2021, the Company announced that it filed an application with the FDA to receive ODD for DMT in the treatment of acute ischemic stroke patients presenting for emergency medical assistance within 3-hours of symptom onset.

On February 25, 2021, the Company announced that it had expanded its psychedelic pharmaceutical program with the filing of an application with the FDA to receive ODD for DMT in the prevention of ischemia reperfusion injury in patients undergoing kidney transplantation.

On March 4, 2021, the Company announced the appointment of gastric cancer expert, Dr. Yelena Y. Janjigian, MD, to Sairiyo's newly formed scientific and clinical advisory board for Cepharanthine in the treatment of esophageal cancer.

On March 9, 2021, Pharmadrug announced the appointment of Moshe Rogosnitzky to Sairiyo's scientific and clinical advisory board for Cepharanthine as a potential treatment for cancer, neurological, inflammatory, and infectious diseases.

On March 16, 2021, the Company announced that it had entered into a sponsored research agreement with the UoM under the direction of Dr. Jimo Borjigin as Principal Investigator, to evaluate DMT's potential role in normal, diseased, and altered states of consciousness in a newly created animal model, with the objective to develop novel therapeutic strategies of DMT for clinical unmet medical needs currently not addressed by DMT.

On April 20, 2021, the Company announced that it had entered into an agreement with Southwest Research

Institute® ("**SwRI®**"), to initiate non-clinical and clinical manufacturing of Cepharanthine for the Company's rare cancer and infectious diseases programs.

On April 28, 2021, Sairiyo was granted ODD to DMI for prevention of IRI in patients undergoing solid organ transplantation, which includes the liver, kidney, heart, and lung. The FDA ODD granted is broader than the Company's original application for kidney transplantation, recognizing the pernicious consequences of IRI in all solid organ transplantation.

On May 6, 2021, the Company announced that it has entered into a service agreement with a contract research organization ("**CRO**") with expertise in preclinical oncology model development and drug testing, to evaluate the Company's patented enteric-coated formulation of PD-001 in a broad panel of human cancers.

On May 13, 2021, the Company entered into an employment agreement with Dr. Paul Van Slyke and appointed him as Chief Scientific Officer (the "**CSO**"). Mr. Van Slyke previously served as CSO of Sairiyo and is an entrepreneur-scientist with 18 granted and filed patents. Having completed his PhD at the University of Toronto, Department of Medical Biophysics, Mr. Van Slyke will exercise a multidisciplinary approach to developing market ready solutions to foundational biological questions. As part of the employment agreement, and pursuant to the terms and conditions of the Company's stock option plan, the Company's board of directors (the **"Board"**) approved the grant of 2,000,000 stock options to Paul. The options expire five years from the date of grant and are exercisable at a price of $0.09 per common share.

On May 14, 2021, the Company announced that it has entered into a supply agreement with an emerging Eurozone cannabis extractor for medical grade THC oil to be sold under Pharmadrug's own brand. The Company expects to receive product and begin selling in Germany by September of 2021.

On May 17, 2021, the Company announced that its Super Smart division has launched a Slim Winkel branded online retail platform in the U.S., focusing on functional mushrooms. The website was launched with a domain name of slimwinkel.com.

On June 7, 2021, the Company announced that the Slim Winkel branded online retail platform was also launched in the Netherlands. The website will also service other parts of Europe, but without the access to psilocybin truffles.

On June 22, 2021, the Company announced that it has initiated preparation of a Pre-IND for its patented enteric-coated formulation of PD-001.

On July 14, 2021, the Company announced interim positive results from its ongoing preclinical study evaluating the Company's patented enteric-coated formulation of PD-001 in a broad panel of human cancers conducted by a respected CRO with deep expertise in preclinical oncology model development and drug testing.

On July 14, 2021, the Company acquired the remaining 20% interest of Pharmadrug Production.

On July 23, 2021, the Company changed its ticker symbol to "PHRX", to provide greater visibility with respect to the Company's long-term strategy, and to continue adding value to the shareholders by developing and commercializing naturally derived medicines.

On July 28, 2021, the Company announced the result of the completion its preclinical cancer study which evaluated Cepharanthine-2HCl, the active pharmaceutical ingredient in PD-001, which validated Cepharanthine's potential in treating different types of cancer, including esophageal, colorectal, liver and skin.

On August 5, 2021, the Company announced that it had entered into a sponsored research agreement with the Terasaki Institute to develop a novel ocular drug delivery platform that aims to deliver psychedelic and tryptamine-based pharmaceuticals.

On August 25, 2021, the Company announced that it has entered into a clinical trial agreement with the JHU to conduct a clinical study comparing acute and enduring psychological and neural effects of DMT and an undisclosed, potently active comparator molecule. The principal investigator, Dr. Frederick S. Barrett, PhD, Associate Professor of Psychiatry and Behavioral Sciences, will be supported by co-investigators Dr. Sandeep Nayak and Dr. Roland Griffiths; all from the JHU Center for Psychedelic and Consciousness Research.

On August 30, 2021, the Company announced the appointment of David Kideckel to the Board. Pursuant to the terms and conditions of the Company's stock option plan, Pharmadrug's Board approved the grant of 750,000 stock options to David Kideckel. The options expire five years from the date of grant and are exercisable at a price of $0.06 per common share.

On September 23, 2021, the Company announced the launch of its own premium blend of functional mushrooms, MycoWe**l** Infinite. This product will initially debut for sale in the U.S. before also being made available through Super Smart's eCommerce platform in Europe.

On September 28, 2021, the Company announced that it had been granted a pre-IND meeting with the FDA for the clinical development of its patented enteric-coated formulation of PD-001, an oral antiviral pill as a potential treatment for mild-moderate COVID-19.

Fiscal Year 2020

On February 7, 2020, the Company secured a private loan of $250,000 from an arm's length party in connection with the 2019 Letter of Intent ("**LOI**") (defined below) entered on December 24, 2019. The secured loan carried an interest rate of 9% per annum accruing every 90 days, payable on maturity with such interest increasing to 15% per annum from the date of the occurrence of an event of default. The Private Loan is secured by: (i) GSAs from the Company and its material subsidiaries, (ii) a pledge of shares by the Company of its interest in Pharmadrug Production, and (iii) guarantees from the Company's material subsidiaries. On May 21, 2020, the parties mutually terminated the LOI**.**

On April 28, 2020, the Company announced that it intends to rely on the temporary blanket relief for market participants from certain regulatory filings published by Canadian securities regulators on March 23, 2020, as a result of the COVID-19 pandemic. Accordingly, the Company filed its audited consolidated financial statements and MD&A for the year ended December 31, 2019, in accordance with the Ontario Securities Commission Instrument 51-502 Temporary Exemption from Certain Corporate Finance Requirements and similar relief provided by the British Columbia Securities Commission and the Alberta Securities Commission.

On May 15, 2020, David Posner resigned as a director and as the Chairman of Pharmadrug. Daniel Cohen, the Chief Executive Officer ("**CEO**") of the Company was elected as director and assumed the role of Chairman. He will hold office until an appointment subject to the provisions of the Company's by-laws.

On May 20, 2020, the Company announced that it had entered a non-binding LOI with Interrobang, doing business as Super Smart, an early-stage retail company focused on consolidating the fragmented smartshop market in the Netherlands. Smartshops are retail establishments that specialize in the sale of psychoactive substances including psychedelic truffles, the hardened masses of mycelium that grow underground, across the Netherlands. Super Smart will seek to acquire smartshops and deploy disciplined business expertise, retail best practices and consistent branding across multiple locations to capture market share and improve margins

in this rapidly growing segment.

On May 21, 2020, Howard Brass resigned as the Chief Operating Officer ("**COO**") of Pharmadrug.

On May 25, 2020 (and as amended on June 12, 2020) the Company entered into a definitive agreement (the "**Amalgamation Agreement**") with Super Smart, pursuant to which Pharmadrug acquired all of the issued and outstanding shares of Super Smart, effected by way of a three-cornered amalgamation between Pharmadrug, Super Smart and a wholly-owned subsidiary of Pharmadrug (the "**Super Smart Transaction**"). Following completion of the Super Smart Transaction, Super Smart became a wholly-owned subsidiary of Pharmadrug. Pursuant to the terms of the Amalgamation Agreement, security of Super Smart (including common shares, warrants, and finder's warrants) was exchanged for one equivalent security in the capital of Pharmadrug. The Super Smart Transaction closed on June 15, 2020.

On May 25, 2020, the Company issued a non-interest bearing unsecured promissory note to Interrobang for $80,000. The unsecured promissory note was due and payable on August 25, 2020.

On June 2, 2020, the Company appointed Terry Booth as the Chairman of its advisory board focusing on the psychedelic business. In connection to the appointment, the Company granted Mr. Booth 5,000,000 stock options which are exercisable for $0.11 per common share for a term of five years ("**Terry Options**").

On June 8, 2020, Pharmadrug announced that it made an application to the Ontario Securities Commission to approve a temporary management cease trade order under National Policy 12-203 - *Management Cease Trade Orders*, which, if granted, will prohibit trading in securities of the Company by its CEO, CFO and certain other insiders of the Company, whether direct or indirect, so long as Its audited financial statements for the year ended, December 31, 2019, the management's discussion and analysis and the related CEO and CFO certification relating to the 2019 and financial statements remain outstanding.

On June 10, 2020, the Company announced that it had received conditional approval from the Canadian Securities Exchange (the **"CSE"**) to grant the Terry Options.

On June 19, 2020, the Company announced that Michael Forbes was appointed to the Board. He replaced Jim Frazier, who stepped down to pursue other ventures.

On June 29, 2020, Pharmadrug announced that it would be relying on the temporary blanket relief provided by the Canadian Securities Administrators to postpone filing of its executive compensation disclosure required under applicable securities laws until such time until such time as it is filed and delivered to shareholders as part of the Company's management information circular relating to its 2020 annual meeting of shareholders.

On July 15, 2020, the Company announced that it had entered into a share exchange agreement with Red Light Holland Corp. ("**RLH**"), an Ontario-based corporation positioning itself to engage in the production, growth, and sale of a premium brand of magic truffles to the legal, recreational market in the Netherlands. Under the terms of the agreement, the Company issued 9,333,333 units to RLH at a price of $0.075 per Pharmadrug Unit, and RLH issue 4,242,424 units to the Company.

On July 17, 2020, the Company completed a restructuring (the "**Restructuring**") on certain of its outstanding indebtedness. Under the terms of the Restructuring, (i) the $400,000 principal amount of October 2018 Debentures, plus accrued interest of $66,411, and (ii) $400,000 principal amount of the promissory notes owing to the CEO (the "**Outstanding Notes**") and an arm's length third-party plus accrued interest of $139,209, were exchanged for an aggregate of $1,005,620 principal amount of 12% convertible debentures (the "**Replacement Debentures**") maturing on July 17, 2023. The Replacement Debentures are convertible into units (each a "**2020**

Debenture Unit") at the holder's option at a deemed price of $0.05 per 2020 Debenture Unit. Each 2020 Debenture Unit is comprised of one common share and one-half (1/2) of a warrant exercisable into one common share at $0.07 per share at any time on or before July 17, 2023.

The remaining $200,000 owing due to the former COO plus accrued interest of $69,604 pursuant to the Outstanding Notes, along with other total obligations of $452,250, including amounts of $62,150 and $77,950 owed to the CEO and the former Chairman, respectively, were exchanged for Units at a deemed price of $0.05 per Unit. Each Unit was comprised of one common share and one-half (1/2) of a warrant exercisable into one common share at $0.07 per share at any time on or before July 17, 2023.

On July 22, 2020, the Company announced that it has entered into a supply agreement with Natural MedCo Ltd., a Canadian Licensed Producer of medical cannabis and a wholly-owned subsidiary of Eve & Co Incorporated for bulk and finished EuGMP medical cannabis.

On August 11, 2020, the Company announced that Super Smart had entered into a definitive agreement to acquire a retail establishment specializing in the sale of psychedelic products located in the Town of Tiel, in central Netherlands (the "**Smart Shop Transaction**"). The Smart Shop Transaction closed on September 21, 2020.

On August 31, 2020, the Company granted 3,000,000 options to the CEO at an exercise price of $0.05, expiring on August 31, 2025. The options vested immediately on grant. The Company also granted 5,500,000 options to its other officers and directors under the same terms and expiry, of which these options vest in one-third increments after six months, 12 months and 18 months until fully vested.

On September 1, 2020, Pharmadrug announced that it entered into employment agreements with Daniel Cohen (as the Company's Chairman and CEO) and Harry Resin (President of Super Smart). The Company also granted incentive options to its Board and officers and issued share-based compensation to 7725434 Canada Inc. (a holding company controlled by Daniel Cohen), and Howard Brass, the Company's former chief operating officer, to settle unpaid amounts owing under previous consulting agreements.

Also on September 1, 2020, the Company announced that the Board approved the grant of 8,500,000 stock options to its Board, Daniel Cohen, Harry Resin and Keith Li (CFO of Pharmadrug). The options expire five years from the date of grant and are exercisable at a price of $0.05 per common share. 3,000,000 of the options vest immediately and 5,500,000 of the options vests in one third increments after 6 months, 12 months and 18 months until fully vested. Further, the Company announced that in order to settle amounts owing under management consulting agreements with 7725434 Canada Inc. and Mr. Brass, Pharmadrug issued 1,300,000 common shares to 7725434 Canada Inc. and 500,000 common shares to Mr. Brass. The options, shares issuable on exercise of the options and the shares issued in connection with the debt settlements are subject to a hold period (which expired on January 1, 2021).

On September 28, 2020, the Company announced that Interrobang reached a distribution agreement with RLH for RLH's iMicrodose Packs. RLH had also agreed to build and setup an iMicrodose Media Information Centre in Super Smart's Tiel location, expected to be ready before the end of 2020. However, this has not yet been completed as a result of the impact of COVID-19.

On October 1, 2020, Super Smart took effective control of its first smart shop. This smart shop is located in the Town of Tiel, a municipality in central Netherlands, and will serve as an initial platform for Super Smart to build out and refine its new smart shop vision and a springboard to launch its brand and develop its operations.

On October 13, 2020, the Company announced that Interrobang had commenced work with Essential Good

LLC ("**Essential Good**") to develop its Slim Winkel brand and to establish an online retail platform to focus on functional mushrooms and other legal medical plants. Essential Good will also sell psilocybin truffles within the Netherlands.

On November 30, 2020, the Company announced that Interrobang would launch its new Slim Winkle brand. Pharmadrug further announced that its work with Essential Good expects to open its new online retail store in the 2021. The Company also announced that it narrowed its search for an Amsterdam location where Super Smart plans to build a major flagship superstore for its new retail concept.

The total revenue earned by the Company from shipments of cannabis products to pharmacies for the financial year was $683,671.

Fiscal Year 2019

On March 26, 2019, Alain Dobkin was appointed to the Board of the Company, as Chris Carl resigned as Director, President and Corporate Secretary. Mr. Dobkin has over 20 years of experiences, notably in investment banking, strategic mergers and acquisitions, and global equity and debt capital from both public and private markets. On the same day, Keith Li, the CFO of the Company, was also appointed as Corporate Secretary of Pharmadrug.

On April 17, 2019, the Company entered into a share exchange agreement (the "**Share Exchange Agreement**") with FSD Pharma Inc. ("**FSD**"), a licensed producer under the *Cannabis Act* (Canada), whereby among other things, FSD issued $3 million of FSD Class B Subordinate Voting Shares (the "**FSD Shares**") to the Company in exchange (the "**Share Exchange**") for $3 million of Pharmadrug common shares ("**Pharmadrug Shares**").

On April 30, 2019, the Company, through its wholly-owned subsidiary Green Global Properties Inc., entered into a definitive purchase and sale agreement (the "**Purchase Sale Agreement**") with Empower Healthcare Assets Inc. ("**Empower**"), a wholly-owned subsidiary of Empower Clinics Inc., pursuant to which Empower acquired Pharmadrug's 30% interest in the Sun Valley Clinics for USD $125,000.

On June 3, 2019, Al Quong was appointed to the Board and as the Chairman of the Audit Committee, as Joel Freudman resigned as Director on May 16, 2019 in order to focus on his other business ventures. Mr. Quong has over 25 years of operational and advisory experience in various capacities and industries.

On September 19, 2019, the Company announced a multi-year supply agreement (the "**My Green Fields Supply Agreement**") with Israel-based My Green Fields Ltd. ("**My Green Fields**"), a nursery and cultivation license holder located in Northern Israel, that has nearly completed the buildout of one of Israel's only indoor facilities. Under the Supply Agreement, Pharmadrug will have access to dry flower and oil and extracts, where the medical cannabis product will be sold under Pharmadrug Production's own 'Cannabion' brand. As My Green Fields' grower facility is being built to EuGMP standards, the Company will assist My Green Fields in meeting EuGMP standards, German regulatory approvals, and registration requirements.

On October 21, 2019, the Company rebranded its name to Pharmadrug Inc., to better reflect the vision, strategy, and operations of the business.

On October 31, 2019, the Company announced a multi-year supply agreement (the "**Canada House Supply Agreement**") between Pharmadrug Production and Canada House Wellness Group Inc. ("**Canada House**"). Under the Canada House Supply Agreement, all medical cannabis will be sold through the 'Cannabion' brand.

On November 19, 2019, Nikolai Vassev was appointed to the Board. Mr. Vassev has strong pedigree in public

markets and is a psychedelics industry pioneer. He replaced Alain Dobkin, who resigned due to a conflict of interest after having accepted a senior position at an international investment bank in Israel.

On December 24, 2019, the Company entered into a non-binding letter of intent LOI in connection with a potential business combination transaction between the Company and an arm's length third party. On May 21, 2020, the parties had mutually terminated the non-binding LOI.

The total revenue earned by the Company from shipments of cannabis products to pharmacies for the financial year was $610,576.

Specialized Skill and Knowledge

The Company is internally managed by a team of seasoned senior professionals dedicated to Pharmadrug's strategic objectives on a non-conflicted basis. As a fully integrated owner and operator, the Company is supported by internal capabilities across all disciplines, including acquisitions, financing and capital markets, audit/regulatory affairs, marketing/branding and human resources. Pharmadrug further benefits from an in-house management team dedicated to its strategic objectives, while operating under an efficient and scalable cost structure.

Employees

Pharmadrug has nine employees as of September 29, 2021.

RISK FACTORS

The Company faces exposure to risk factors and uncertainties relating to its business that could significantly negatively impact its operations and financial results. Additional risks and uncertainties not presently known to Pharmadrug or currently deemed immaterial by Pharmadrug may also impair the Company's operations. If any such risks actually occur, shareholders of the Company could lose all or part of their investment and the business, financial condition, liquidity, results of operations and prospects of the Company could also be materially adversely affected and the ability of the Company to implement its growth plans could be adversely affected.

The following is a summary of risks that could be applicable to the business of the Company:

Market risk

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of the financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity and commodity prices. The Company is exposed to market risk in trading its investments and unfavorable market conditions could result in dispositions of investments at less than favorable prices.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities.

Interest Rate Fluctuation Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's convertible debentures have fixed interest rates.

Unexpected Costs or Liabilities Related to Acquisitions

A risk associated with acquisitions is that there may be an undisclosed or unknown liability relating to the acquired businesses, and Pharmadrug may not be indemnified of some or all of these liabilities. Following an acquisition, the Company may discover that it has acquired undisclosed liabilities, which may be material. The due diligence procedures performed by Pharmadrug's management are designed to address this risk. Pharmadrug performs what it believes to be an appropriate level of investigation in connection with its acquisition of properties and seeks through contract to help ensure that risks lie with the appropriate party

Limited operating history in cannabis industry

The Company, with a limited operating history in the cannabis industry, is in the early-stage of development and must be considered as a start-up company. As such, the Company is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenue. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations. The Company also has no history of earnings.

Because the Company has a limited operating history in an emerging area of business, investors should consider and evaluate its operating prospects in light of the risks and uncertainties frequently encountered by early-stage companies in rapidly evolving markets. These risks may include:

- risks that it may not have sufficient capital to achieve its growth strategy.
- risks that it may not develop its product and service offerings in a manner that enables it to be profitable and meet its patients' or customers' requirements.
- risks that its growth strategy may not be successful.
- risks that fluctuations in its operating results will be significant relative to its revenues; and
- risks relating to an evolving legal and regulatory regime for cannabis that varies significantly by jurisdiction.

The Company's future growth will depend substantially on its ability to address these and the other risks described in this section. If it does not successfully address these risks, its business may be significantly harmed.

Immediate need for additional financing

The capital raised by the Company to date is insufficient to meet its presently anticipated working capital requirements and capital expenditure commitments for the near future. The Company needs to raise significant additional funds sooner to support its international growth strategy, develop new or enhanced services and products, respond to competitive pressures, acquire, or invest in complementary or competitive cannabis-related businesses or technologies, or take advantage of unanticipated opportunities. The Company cannot be sure that additional financing will be available on acceptable terms or at all. Furthermore, any debt financing, if available, may involve restrictive covenants, which may limit Pharmadrug's operating flexibility with respect to business matters. As additional funds are raised through the issuance of equity securities, the percentage ownership of existing shareholders will be reduced; such shareholders may experience additional

dilution in net book value; and such equity securities may have rights, preferences, or privileges senior to those of its existing shareholders. If adequate funds are not available on acceptable terms or at all, the Company may be unable to develop or enhance its services and products, take advantage of future opportunities, repay debt obligations as they become due, or respond to competitive pressures, any of which could have a material adverse effect on its business, prospects, financial condition, and results of operations.

Volatile financial and economic conditions

Current financial and economic conditions remain extremely volatile. Access to public and private capital and financing continues to be negatively impacted by many factors, particularly in the cannabis sector. Such factors may impact the Company's ability to obtain financing in the future on favorable terms or obtain any financing at all. Additionally, global conditions may cause a long-term decrease in asset values. If such volatility and market turmoil continue, the Company's operations and financial condition could be adversely impacted.

Non-compliance with cannabis laws and regulations

Non-compliance with federal, provincial, or state laws and regulations, or the expansion of current or enactment of new laws or regulations, could adversely affect the Company's business in Germany, Netherlands, the U.S., and elsewhere it operates or invests. Achievement of the Company's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the carrying on of business of Pharmadrug. The Company cannot predict the time required to secure all appropriate regulatory approvals for its business or other businesses in which the Company invests, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company.

There can be no assurances the federal government of the German, Dutch and American jurisdictions will not seek to enforce applicable cannabis or other laws against Pharmadrug. The consequences of such enforcement would likely be materially detrimental to the Company and the businesses in which the Company invests and could result in the forfeiture or seizure of all or substantially all of the Company's assets. Further, the Company's third-party service providers could suspend or withdraw services as a result of non-compliance with federal, state or local laws and regulations regarding cannabis.

It is also important to note that local, city, state and provincial ordinances may strictly limit and/or restrict disbursement of marijuana in a manner that will make it extremely difficult or impossible to transact business that is necessary for the continued operation of the marijuana industry.

Regulatory approvals and permits

The Company is and may be required to obtain and maintain certain permits, licenses, and approvals in the jurisdictions in which it operates. There can be no assurance that the Company will be able to obtain and/or maintain the necessary permits, licenses, and approvals. Any regulatory authority with jurisdiction could also impose certain restrictions on the Company's ability to operate in the relevant jurisdiction. Any material delay or failure to receive these items, or onerous regulatory restrictions would delay and/or inhibit the Company's ability to conduct its business and would adversely affect the Company's business, financial condition, and results of operations.

Environmental and employee health and safety regulations

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

Pharmadrug GmBH

Management highlights several possible risks related to the Pharmadrug Acquisition. To begin, Germany is a country to which management has not operated in before. While the Company has sufficient resources on the ground and management will spend adequate time on site to help grow the business, Pharmadrug Production is located on a different continent. In addition, the Company is in the early stages of the medical cannabis industry in Germany. There are other associated risks such as a lack of demand, changes to the regulatory environment, competitive factors, the ability for Pharmadrug Production to import product into the country, the eventual production of medical cannabis domestically, amongst others.

Risks associated with increasing competition

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

The Company expects to face additional competition from new entrants. If the number of legal users of marijuana increases in Germany, and/or other jurisdictions where the Company currently operates or plans to operate, the demand for cannabis-related products will increase and the Company expects that competition will become more intense, as current, and future competitors begin to offer an increasing number of diversified products.

To remain competitive, the Company will require a continued high level of investment in acquisitions and investments, research and development, and marketing. The Company may not have sufficient resources to maintain such activities on a competitive basis which could adversely affect the business, financial condition, and results of operations the Company.

The success of new and existing products and services is uncertain

The Company expects to commit significant resources and capital to develop and market existing and new products, services and enhancements. These products and services are relatively untested, and the Company cannot provide any assurance that it will achieve market acceptance for these products and services, or other new products and services that it may offer in the future. Moreover, these and other new products and services may face significant competition with new and existing competitors. In addition, new products, services and enhancements may pose a variety of technical challenges and require the Company to attract additional

qualified employees. The failure to successfully develop and market these new products, services or enhancements could seriously harm the Company's business, financial condition and results of operations. Moreover, if the Company fails to accurately project demand for our new or existing products, it may encounter problems of overproduction or underproduction which would materially and adversely affect its business, financial condition and results of operations, as well as damage our reputation and brand.

New well-capitalized entrants may develop large-scale operations

Currently, the marijuana industry generally is comprised of individuals and small to medium-sized entities, however, the risk exists that large conglomerates and companies who also recognize the potential for financial success through investment in this industry could strategically purchase or assume control of larger or a larger number of dispensaries and cultivation and production facilities, which trend is now being observed by the Company. These potential competitors may have longer operating histories, significantly greater financial, technological, engineering, manufacturing, marketing and distribution resources, and be larger and better capitalized. Larger competitors could establish price setting and cost controls which would effectively "price out" many of the individuals and small to medium-sized entities who currently make up the bulk of the participants in the varied businesses operating within and in support of the medical and adult-use marijuana industry. While the approach in most state laws and regulations seemingly deters this type of takeover, this industry remains nascent and as indicated above this trend is being observed, so what the landscape will be in the future remains largely unknown.

The Company's proposed business plan is subject to all business risks associated with new business enterprises, including the absence of any significant operating history upon which to evaluate an investment. The likelihood of the Company's success must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with the formation of a new business, the development of new strategy and the competitive environment in which the Company operates. It is possible that the Company will incur losses in the future. There is no guarantee that the Company will be profitable.

No assurance of commercial success

The successful commercialization of the Company's products will depend on many factors, including, the Company's ability to establish and maintain working partnerships with industry participants in order to market its products, the Company's ability to supply a sufficient amount of its products to meet market demand, and the number of competitors within each jurisdiction within which the Company may from time to time be engaged. There can be no assurance that the Company or its industry partners will be successful in their respective efforts to develop and implement, or assist in developing and implementing, a commercialization strategy for the Company's products.

Factors which may prevent realization of growth targets

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

- delays in obtaining, or conditions imposed by, regulatory approvals.
- facility design errors.
- environmental pollution.
- non-performance by third party contractors.
- increases in materials or labour costs.
- construction performance falling below expected levels of output or efficiency.

- breakdown, aging or failure of equipment or processes.
- contractor or operator errors.
- labour disputes, disruptions or declines in productivity.
- inability to attract sufficient numbers of qualified workers.
- disruption in the supply of energy and utilities; and
- major incidents and/or catastrophic events such as fires, explosions, earthquakes or storms.

Constraints on marketing products

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

Risks inherent in an agricultural business

The Company's business involves the growing of cannabis, an agricultural product. Cannabis cultivation has the risks inherent in any agricultural business, including the risk of crop loss, sudden changes in environmental conditions, equipment failure, product recalls and others.

Given the proximity with which commercially farmed cannabis plants are farmed, pest, disease, and crop failures can spread quickly between plants causing material losses. As with any plant crop, quality finished product requires that plants be provided with the correct quantities of clean water, clean air, sunshine, and nutrients, all within a controlled environment. In addition to crop failure due to pest and disease, crop failure can result from sabotage, natural disaster, and human error. Failure of the plant to survive, pass testing requirements or meet industry standards could result in unsaleable finished product. Given the complex series of variables required to produce top quality cannabis, no assurances can be given that production levels will meet estimates or that product will pass required testing or be of a quality that is competitive in the market. Failure to produce marketable cannabis product could have a material adverse financial impact on the Company.

Reliance on management and advisory board

The Company will need to expand and effectively manage its managerial, operational, financial, development and other resources in order to successfully pursue its development and commercialization efforts of its products. The success of the Company is currently dependent on the performance of its management team, which also relies on advice and guidance of certain members of the Board and Advisory Board, not all of whom are or will be bound by formal contractual employment agreements.

The Company's success depends on its continued ability to attract, retain, and motivate highly qualified people. The loss of the services of these persons would have a material adverse effect on the Company's business and prospects in the short term and could delay or prevent the commercialization of its products, and the business may be harmed as a result. The Company may not be able to attract or retain qualified management and scientific personnel in the future due to the intense competition for qualified personnel with extensive management experience in such fields as pharmaceutical regulations, finance, manufacturing, marketing, law, and investment. If the Company is not able to attract and retain the necessary personnel to accomplish its business objectives, the achievement of its development objectives, its ability to raise additional capital and its

ability to implement its business strategy may be significantly reduced and could have a material adverse effect on the Company and its prospects.

Reliance on third-party service providers

Third party service providers to the Company may withdraw or suspend their service to the Company under threat of prosecution. In jurisdictions where the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia may be illegal, and any such acts are criminal acts under local, city, state and provincial law, companies that provide goods and/or services to companies engaged in cannabis-related activities may, under threat of federal civil and/or criminal prosecution, suspend or withdraw their services. Any suspension of service and inability to procure goods or services from an alternative source, even on a temporary basis, that causes interruptions in the Company's operations could have a material and adverse effect on the Company's business.

Insurance and uninsured risks

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

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

The Company may be underinsured and there may be difficulties with acquiring and maintaining insurance coverage in the cannabis industry may reduce the capability of insurance to serve as a reliable and effective risk management tool. Cannabis specific insurance is still a small and specialized market. Consequently, insurance is often unattainable as it is not offered, or it is prohibitively expensive given the scarcity of actuarial data, small number of market participants, which both reduce the ability to share risk across entities. Consequently, many of the risks we face as a Company are uninsured or uninsurable, and we self-insure. Consequently, the Company will be vulnerable to low probability high impact events. If one such event, were to occur it could result in material adverse effects to the financial condition of the Company.

Dependence on suppliers and skilled labor

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

financial results of the Company.

Management of growth

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

No dividends

The Company has no earnings or dividend record and does not anticipate paying any dividends on the Company's shares in the foreseeable future.

Foreign currency exchange rates

Exchange rate fluctuations may adversely affect the Company's financial position and results. It is anticipated that a significant portion of the Company's business will be conducted in Euro (**"EUR"**) and United States Dollars (**"USD"**). The Company's financial results are reported in Canadian Dollars (**"CAD"**) and costs are incurred primarily in EUR and in USD in its PACs. The depreciation of the CAD against the EUR and USD could increase the actual capital and operating costs of the Company and materially adversely affect the results presented in the Company's consolidated financial statements.

The market price of securities is volatile and may not accurately reflect the long-term value of the Company.

Securities markets have a high level of price and volume volatility, and the market price of securities of many companies – including Pharmadrug – has experienced substantial volatility in the past. This volatility may affect the ability of holders of common shares to sell their securities at an advantageous price. Market price fluctuations in the common shares may be due to the Company's operating or financial results failing to meet expectations of investors in any period, adverse changes in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the Company or its competitors, along with a variety of additional factors. These broad market fluctuations may adversely affect the market price of Pharmadrug's common shares.

Financial markets have historically at times experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of Pharmadrug's shares may decline even if the Company's business performance, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause prolonged decreases in investment values which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted, and the trading price of the shares may be materially adversely affected.

Limited market for securities

There can be no assurance that an active and liquid market for the Company's common shares, warrants and/or convertible debentures will develop or be maintained, and an investor may find it difficult to resell such securities.

Enforcement of proprietary rights

The Company may be unable to adequately protect or enforce its proprietary rights. Its continuing success will likely depend, in part, on its ability to protect internally developed or acquired, intellectual property and maintain the proprietary nature of its technology through a combination of licenses and other intellectual property arrangements, without infringing the proprietary rights of third parties. The Company cannot prove assurance that its intellectual property owned by the Company will be held valid at the foreign government level if challenged, or that other parties will not claim rights in or ownership of its proprietary rights.

Infringement or misappropriation claims

The Company may be exposed to infringement or misappropriation claims by third parties, which, if determined adversely to the resulting issuer, could subject the Company to significant liabilities and other costs. The Company's success may likely depend on its ability to use and develop new extraction technologies, recipes, know-how and new strains of marijuana without infringing the intellectual property rights of third parties. The Company cannot assure that third parties will not assert intellectual property claims against it. The Company is subject to additional risks if entities licensing to it intellectual property does not have adequate rights in any such licensed materials. If third parties assert copyright or patent infringement or violation of other intellectual property rights against the Company, it will be required to defend itself in litigation or administrative proceedings, which can be both costly and time consuming and may significantly divert the efforts and resources of management personnel. An adverse determination in any such litigation or proceedings to which the Company may become a party could subject it to significant liability to third parties, require it to seek licenses from third parties, to pay ongoing royalties or subject the Company to injunctions prohibiting the development and operation of its applications.

Unfavourable publicity or consumer perception

Management of the Company believes the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the marijuana produced.

Consumer perception of the Company's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research or findings, regulatory investigations, litigation, media attention or other publicity will be favorable to the marijuana market or any product, or consistent with earlier publicity. Future research reports, findings, regulatory investigations, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or other publicity could have a material adverse effect on the demand of the Company's products and the business, results of operations, financial condition and cash flows of the Company. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have such a material adverse effect on the Company, the demand for the Company's products, and the business, results of operations, financial condition and cash flows of the Company.

Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis in general, or the Company's products specifically, or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consumer such products appropriately or as directed.

A negative shift in the public's perception of cannabis, including vaping or other forms of cannabis administration, in the E.U., or any other applicable jurisdiction could cause State jurisdictions to abandon initiatives or proposals to legalize medical and/or adult-use cannabis, thereby limiting the number of new jurisdictions into which the Company could expand. Recent medical alerts by health agencies on vaping related illness and other issues directly related to cannabis consumption could potentially create an inability to fully implement the Company's expansion strategy and may have a material adverse effect on the Company's business, results of operations or prospects.

Internal controls

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

Product liability

As a distributor of products designed to be ingested by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of marijuana involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of marijuana alone or in combination with other medications or substances could occur. As a manufacturer, distributor and retailer of adult-use and medical marijuana, or in its role as an investor in or service provider to an entity that is a manufacturer, distributor and/or retailer of adult-use or medical marijuana, the Company may be subject to various product liability claims, including, among others, that the marijuana product caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the business, results of operations, financial condition or prospects of the Company.

There can be no assurances that the Company will be able to 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 maintain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company's potential products or otherwise have a material adverse effect on the business, results of operations, financial condition or prospects of the Company.

Product recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. Such recalls cause unexpected expenses of the recall and any legal proceedings that might arise in connection with

the recall. This can cause loss of a significant amount of sales. In addition, a product recall may require significant management attention. Although the Company has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Company's products were subject to recall, the image of that product and the Company could be harmed. Additionally, product recalls can lead to increased scrutiny of operations by applicable regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Liability for activity of employees, contractors and consultants

The Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims or regulatory enforcement actions against the Company. The cannabis industry is under strict scrutiny. Failure to comply with relevant laws could result in fines, suspension of licenses and civil or criminal action being taken against the Company. Consequently, the Company is subject certain risks, including the risk that employees, contractors and consultants may inadvertently fail to follow the law or purposefully neglect to follow the law, either of which could result in material adverse effects to the financial condition of the Company.

Ability to obtain and retain licenses and permits

The Company may not be able to obtain and/or retain all necessary licenses and permits in Germany, and throughout the Eurozone, which could, among other things, delay or prevent the Company from becoming profitable. The Company's business is reliant on the issuance of required licenses. Failure to acquire necessary licenses required to operate new business expansion could have a material adverse effect on its financial condition. Due to the nature of licensing, which is at the discretion of local governments, it is outside of the Company's control and therefore ability to ensure that the Company will receive the licenses it seeks.

Difficult to forecast demand

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

Disruption of business

Conditions or events including, but not limited to, those listed below could disrupt the Company's operations, increase operating expenses, resulting in delayed performance of contractual obligations or require additional expenditures to be incurred: (i) extraordinary weather conditions or natural disasters such as hurricanes, tornadoes, floods, fires, extreme heat, earthquakes, etc.; (ii) a local, regional, national or international outbreak of a contagious disease, including the COVID-19 coronavirus, MERS, Severe Acute Respiratory Syndrome, H1N1 influenza virus, avian flu, or any other similar illness could result in a general or acute decline in economic activity (see also, "Public Health Crises, including COVID-19"); (iii) political instability, social and labour unrest, war or terrorism; or (iv) interruptions in the availability of basic commercial and social services and infrastructure including power and water shortages, and shipping and freight forwarding services including via air, sea, rail and road.

Public health crises

The Company's business, operations and financial condition could be materially adversely affected by the outbreak of epidemics or pandemics or other health crises beyond our control, including the current outbreak of COVID-19. On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a global health emergency. Many governments have likewise declared that the COVID-19 outbreak in their jurisdictions constitutes an emergency. Reactions to the spread of COVID-19 have led to, among other things, significant restrictions on travel, business closures, quarantines, and a general reduction in consumer activity. While these effects are expected to be temporary, the duration of the business disruptions and related financial impact cannot be reasonably estimated at this time.

Such public health crises can result in volatility and disruptions in the supply and demand for various products and services, global supply chains and financial markets, as well as declining trade and market sentiment and reduced mobility of people, all of which could affect interest rates, credit ratings, credit risk and inflation. The risks to the Company of such public health crises also include risks to employee health and safety and a slowdown or temporary suspension of operations in geographic locations impacted by an outbreak. At this point, the extent to which COVID-19 may impact the Company is uncertain; however, it is possible that COVID-19 may have a material adverse effect on the Company's business, results of operations and financial condition.

DESCRIPTION OF CAPITAL STRUCTURE

The Company is authorized to issue an unlimited number of common shares, without nominal or par value. The holders of the Company's common shares are entitled to dividends as and when declared by the Board of directors of the Company, to one vote per share at meetings of shareholders of the Company and, upon liquidation, to receive such assets of the Company as are distributable to the holders of the common shares. All the issued and outstanding common shares are fully paid and non-assessable.

As at September 29, 2021, the Company had 340,816,383 common shares outstanding, 110,422,328 warrants outstanding, and 22,400,000 options outstanding. The exercise prices for the outstanding warrants are between $0.05 and $0.13 and they expire between August 2, 2022 and July 16, 2024. The exercise prices for outstanding options are between $0.05 and $0.31 and they expire between September 24, 2021 and August 30, 2026.

ESCROWED SECURITIES

There were no securities in escrow as of December 31, 2020 and as at the date of this AIF.

DIVIDENDS AND DISTRIBUTIONS

The Company has never declared dividends on its common shares and currently plans to reinvest all its future earnings to finance the growth of its business. As a result, the Company does not intend to pay dividends in the foreseeable future. Any future determination to pay dividends will be at the discretion of the Board and will depend on the Company's financial condition, operating results, and capital requirements as well as on any other factors that the board of directors may deem relevant. Other than the generally applicable corporate law provisions respecting the declaration and payment of dividends, there are no constraints or restrictions that could prevent the Company from paying dividends.

DIRECTORS AND OFFICERS

Name, Occupation and Security Holdings

Pharmadrug's Board currently consists of seven directors. The directors are elected annually. The following table states the names of the current directors and executive officers, all other positions and offices with the Company now held by them, their principal occupations or employments during the past five years, the period or periods of service as directors and/or executive officers of the Company.

Name, Residence and Position(s) with the Company	Director Since	Principal Occupation, Business or Employment for the Past Five Years	Number and Percentage of Common Shares Owned[(1)]
DANIEL COHEN Ontario, Canada *Chief Executive Officer (CEO)*	August 16, 2018	Mr. Cohen has nearly 20 years of experience in the capital markets and most previously served as a partner and head of institutional equity sales at Beacon Securities. Prior to that, he held roles in the institutional equity sales, investment banking and equity research at Wellington West Capital Markets, RBC Capital Markets and HSBC Securities. He holds an MBA in Finance from McGill University and is a CFA Charterholder.	6,692,090 (1.96%)
KEITH LI Ontario, Canada *Chief Financial Officer (CFO) and Corporate Secretary*	December 11, 2017	Mr. Li is a finance professional with over 10 years of corporate accounting and audit experience. He specializes in providing management advisory services, accounting services, and regulatory compliance services to companies in several industries. Mr. Li has worked with several companies in the cannabis industry and has an in-depth understanding of financial reporting matters that affect companies in highly regulated industries.	150,000 (0.04%)
PAUL VAN SLYKE Ontario, Canada *Chief Scientific Officer (CSO)*	May 12, 2021	Mr. Van Slyke previously served as CSO of Sairiyo Therapeutics on a consultancy basis. He is an entrepreneur-scientist with 18 granted and filed patents, and most recently co-founder and former CSO of Vasomune, a clinical stage Canadian biotech Company. Mr. Van Slyke has a vast experience in preclinical and IND-enabling activities. He completed his PhD at the University of Toronto, Department of Medical Biophysics.	0(0%)
HARRY RESIN California, U.S.A. *Chief Operating Officer*	September 1, 2020	Mr. Resin has worked in the cannabis industry for over seventeen years. He first served as a supply chain consultant to the coffee-shop industry in Amsterdam and then as a founding member of an original Amsterdam seed Company. He has also	1,000,000 (0.29%)

		served as a staff writer for High Times and also wrote for numerous cannabis publications including Cannabis Now, Skunk and a Medical Cannabis Journal.	
AL QUONG[2 Chair) (3 Chair)] Ontario, Canada *Director*	June 3, 2019	Mr. Quong is an experienced finance professional, with more than 25 years of operational and advisory experience in various capacities and industries. He is currently CFO for the Fovere Group of Companies, a boutique private equity firm which specializes in investments and financing within the real estate, natural & organic food, and renewable energy sectors.	0(0%)
MICHAEL FORBES British Columbia, Canada *Director*	June 19, 2020	Mr. Forbes has created and operated a chain of pharmacies throughout BC and Alberta over the course of 16 years. He has built over a dozen medical clinics, including 3 methadone clinics, and provides over 500 jobs. His Company, Forbes Group, operates a diverse group of businesses and real estate across Western Canada including Salt Spring Island Ales, Casino Royale Rentals, Bubble Soccer, Forbes Pharmacy, and Clarity Cannabis.	0(0%)
NIKOLAI VASSEV British Columbia, Canada *Director*	November 19, 2019	Mr. Vassev has strong pedigree in public markets and is a psychedelics industry pioneer. He is the founder and CEO of Mindleap Health, the world's first telemedicine platform focussed on psychedelic treatments.	0(0%)
PAUL MCCLORY[(2)] Ontario, Canada *Director*	December 20, 2016	Mr. McClory is an international businessman who has spent much of his career developing new technologies to market take-off. He has worked with companies in Europe, North America, and Africa. Currently he is involved in the development of a private United Kingdom company, a leader in the industrial uses of Ultrasonics, to produce the world's first "green" antimicrobial textiles for use in medical facilities.	0(0%)
ROBERT SCHWARTZ[(2) (3)] Ontario, Canada Director	December 20, 2016	Mr. Schwartz is the principal and founder of Wa-Lin Trading from 2002 to present. He is a serial entrepreneur whose expertise for over 15 years lies in manufacturing, global supply, and distribution chain management. His background in financial services is related to micro and small cap companies (life science and logistics) leading expansion and M&A.	0(0%)

DAVID KIDECKEL Ontario, Canada *Director*	August 30, 2021	Mr. Kideckel has nearly 20 years of combined industry and capital markets experience, most recently serving as Managing Director, Senior Institutional Equity Research Analyst at ATB Capital Markets. His industry experience spans several senior healthcare & biotechnology executive roles including at Johnson & Johnson Inc. and Alexion Pharmaceuticals (acquired by AstraZeneca). He has a PhD in neuroscience from the University of Toronto.	0(0%)

(1) Information has been furnished by the respective nominees individually.
(2) Member of the Audit Committee.
(3) Member of the Compensation Committee

As of the date hereof, the directors and executive officers of the Company, as a group, own, or control or direct, directly, or indirectly, 7,842,090 common shares, which represents approximately 2.3% of the total common shares outstanding.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

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

a) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or

b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer. For the purposes of this portion of the AIF, "order" means (a) a cease trade order, (b) an order similar to a cease trade order, or (c) 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.

Keith Li was a CFO of Beleave Inc., a CSE-listed company, from April 13, 2020, to April 17, 2020, which has been subject to a cease trade order issued by the Ontario Securities Commission on April 17, 2020, for failure to file certain continuous disclosure materials as required by Ontario securities law, as the previously filed financial statements were incomplete and omitted various required disclosures. The cease trade order expired on May 2, 2020, and the securities of Beleave Inc. were reinstated for trading on the CSE on May 4, 2020.

Keith Li has been a CFO of BitRush Corp. since December 19, 2018, which has been subject to a cease trade order issued by the Ontario Securities Commission since December 2, 2016. The Ontario Securities Commission issued a partial revocation order on April 29, 2019, in respect of the cease trade order, pursuant to which BitRush Corp. was permitted to undertake a private placement and complete certain other securities issuances. The cease trade order was revoked on May 21, 2021.

To the knowledge of the Company, no director or executive officer of the Company nor any shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

a) is, at the date of this AIF, or has been within 10 years before the date of this AIF, a director or executive officer of any company (including the Company) 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, nor

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

To the knowledge of the Company, no director or executive officer of the Company nor any shareholder holding a sufficient number of securities of the Company to materially affect its control, has been subject to:

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

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

Conflicts of Interest

Certain directors and officers of the Company are engaged in and will continue to engage in activities outside the Company, and as a result, certain directors and officers of the Company may become subject to conflicts of interest. The OBCA provides that if a director or officer has an interest in a material contract or proposed material contract or agreement, the director or officer shall disclose in writing to the corporation or request to have entered in the minutes of meetings of directors the nature and extent of his or her interest. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the OBCA. As at the date hereof, the Company is not aware of any existing or potential material conflicts of interest between the Company and a director or officer of the Company.

PROMOTERS

Daniel Cohen is the promoter of the Company. The following table sets out the number and percentage of each class of securities of the Company beneficially owned, directly or indirectly, or over which control is exercised by the promoters of the Company.

Name of Promoter and Position with the Company	**Number and Percentage of Voting Securities Owned, Directly or Indirectly, or Over Which Control is Exercised**
DANIEL COHEN, CEO	6,692,090 (1.96%)

The following table sets out the nature and amount of anything of value, including money, contracts, options or rights of any kind received or to be received by the promoters directly or indirectly from the Company or a subsidiary of the Company, and the nature and amount of any assets, services or other consideration received or to be received by the Company or a subsidiary of the Company in return.

Name of Promoter and Position with the Company	Salary ($)	Other Compensation ($)	Value of Unexercised Stock Options ($)
DANIEL COHEN, CEO	80,000(1)	172,726(2)	25,710(3)
TOTAL	80,000	172,726	25,710

Notes:

(1) Salary relates to the total of gross monthly compensation for the 2021 year to date.
(2) Other compensation relates to share based compensation expense for the 2021 year to date.
(3) This relates to value of stock option vested not yet exercised

LEGAL PROCEEDINGS

On August 20, 2019, THoR Beteiligungen GmbH (**"THoR"**) incorrectly transferred an amount of €6,804 to Pharmadrug GmBH's business account and subsequently demanded its repayment. On October 22, 2019, Pharmadrug GmbH declared that the Company would offset this amount against a counterclaim against THoR, which subsequently issued a notice of assignment, according to which the claim had been assigned to Pharmadrug International GmbH (**"Pharmadrug International"**) on September 27, 2019. Pharmadrug International has since filed a claim for repayment of a mismatch transfer against Pharmadrug GmbH for the same amount.

On February 21, 2020, Thor Investments GmbH (**"Thor Investments"**) filed a lawsuit with Pharmadrug GmbH for a repayment of a loan in the amount of €34,222 plus interest. The loan with Thor Investments dates back to March 2019.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No director of the Company, executive officer of the Company, or person or company that beneficially owns, or controls or directs more than 10% of any class or series of voting securities of the Company, or any associate or affiliate of any of the foregoing persons, has or has had any material interest in any transaction within the last three years, or during the current year, that has materially affected or is reasonably expected to materially affect the Company or any of its subsidiaries.

AUDIT COMMITTEE

Audit Committee Charter

The Charter of the Audit Committee is attached to this AIF as Appendix A.

Composition of the Audit Committee

The Company's Audit Committee is made up of the following directors: Al Quong, Robert Schwartz and Paul McClory. All the Audit Committee members are "financially literate", as defined in NI 52-110, as all have the industry experience necessary to understand and analyse financial statements of the Company, as well as the understanding of internal controls and procedures necessary for financial reporting.

The Audit Committee is responsible for review of both interim and annual financial statements for the Company. For the purposes of performing their duties, the members of the Audit Committee have the right, at all times, to inspect all the books and financial records of the Company and any subsidiaries and to discuss with

management and the external auditors of the Company any accounts, records and matters relating to the financial statements of the Company. The Audit Committee members meet periodically with management and annually with the external auditors.

Relevant Education and Experience

The following sets out the education and experience of each Audit Committee member that is relevant to the performance of his responsibilities as an Audit Committee member and that provides each member with: (i) an understanding of the accounting principles used by the Company to prepare its financial statements; (ii) the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and provisions; (iii) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising one or more individuals engaged in such activities; and (iv) an understanding of internal controls and procedures for financial reporting:

- Mr. Quong is an experienced finance professional, with more than 25 years of operational and advisory experience in various capacities and industries. He is currently CFO for the Fovere Group of Companies, a boutique private equity firm which specializes in investments and financing within the real estate, natural & organic food, and renewable energy sectors. Previously, he has held several senior finance roles, including but not limited to CFO for early-stage cannabis public companies Nutritional High International Inc., The Tinley Beverage Company Inc. and Assurance Senior Manager at KPMG Calgary. Mr. Quong is a Chartered Professional Accountant, Chartered Accountant and Certified Public Accountant (Illinois), and holds a Bachelor of Commerce degree from the University of Saskatchewan, and a Graduate Diploma in Forensic & Investigative Accounting from the University of Toronto Mississauga.

- Mr. Schwartz is and has been the CEO of Wa-Lin Trading since 2002, an international aftermarket automotive parts manufacturer and distribution company. Mr. Schwartz's expertise lies in manufacturing, global distribution, and corporate restructuring. Mr. Schwartz holds a Bachelor of Arts degree from York University.

- Mr. McClory is an international businessman who has spent much of his career developing new technologies to market take-off. He has worked with companies in Europe, North America, and Africa. Currently he is involved in the development of a private United Kingdom company, a leader in the industrial uses of Ultrasonics, to produce the world's first "green" antimicrobial textiles for use in medical facilities.

Reliance on Certain Exemptions

During the most recently completed fiscal year, the Company has relied on the exemption contained in section 2.4 of National Instrument 52-110 – Audit Committees ("NI 52-110") and did not rely on the exemption section 8 of NI 52-110. Section 2.4 provides an exemption from the requirement that the audit committee must pre-approve all non-audit services to be provided by the auditor, where the total amount of fees related to the non-audit services are not expected to exceed 5% of the total fees payable to the auditor in the fiscal year in which the non-audit services were provided, the Company did not recognize the services as non-audit services at the time of engagement, and the services are promptly brought to the attention of the audit committee and approved prior to the completion of the audit by the audit committee. Section 8 permits a company to apply to a securities regulatory authority for an exemption from the requirements of NI 52-110, in whole or in part.

Pre-approval Policies and Procedures

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services which are set forth in the Audit Committee Charter.

External Auditor Service Fees

The aggregate fees billed by the Company's external auditor in the last two fiscal years, by category, are as follows:

Fiscal Year Ended	Audit Fees[1]	Audit Related Fees[2]	Tax Fees[3]	Other Fees[4]
December 31, 2020	145,587	-	-	-
December 31, 2019	170,509	-	6,408	-

(1) "Audit Fees" are fees billed by the Company's external auditor for services provided in auditing the Company's annual financial statements for the subject year.
(2) "Audit Related Fees" aggregate fees billed in each of the last two fiscal years for assurance and related services by the issuer's external auditor that are reasonably related to the performance of the audit or review of the issuer's financial statements and are not reported under Audit Fees.
(3) "Tax Fees" are fees billed by the auditor for professional services rendered for tax compliance, tax advice and tax planning.
(4) "Other Fees" are fees billed by the auditor for products and services not included in the foregoing categories.

MARKET FOR SECURITIES

The common shares of the Company are listed for trading on the CSE under the trading symbol "PHRX" and on the Pink Open Market in the U.S. under the symbol "LMLLF". The following chart sets out the reported high and low prices and the volume of trading of the common shares of Pharmadrug on the CSE for the periods indicated:

Period	High ($)	Low ($)	Volume
2020			
January	0.03	0.02	2,954,590
February	0.03	0.02	1,162,901
March	0.03	0.015	1,887,905
April	0.05	0.01	18,560,389
May	0.15	0.025	57,711,755
June	0.125	0.04	88,730,008
July	0.055	0.035	44,120,041
August	0.05	0.03	31,375,035
September	0.04	0.025	19,872,623
October	0.035	0.02	7,712,596
November	0.045	0.02	36,871,819
December	0.145	0.03	321,399,456

Prior Sales

For the fiscal year ended December 31, 2020, with respect to each class of securities of the Company that is outstanding as of the date of this AIF and not listed or quoted on a marketplace, the Company issued the following securities:

Date of Issue	Security	Number of Securities Issued/Outstanding	Exercise Price Per Security ($)	Aggregate Value ($)
September 24, 2018	Options	300,000	0.31	93,000
January 17, 2019	Options	350,000	0.235	82,250
May 24, 2019	Options	100,000	0.22	22,000
May 28, 2019	Options	600,000	0.22	132,000
May 31, 2020	Options	5,500,000	0.11	605,000
August 31, 2020	Options	8,500,000	0.05	425,000
December 8, 2020	Options	1,000,000	0.06	60,000
January 10, 2019	Warrants	5,869,159	0.25	1,467,290
April 17, 2019	Warrants	813,743	0.22	179,023
May 9, 2019	Warrants	12,280,910	0.28	3,438,655
June 15, 2020	Warrants	21,891,560	0.05	1,094,578
June 19, 2020	Warrants	250,000	0.05	12,500
June 24, 2020	Warrants	1,680,000	0.05	84,000
July 2, 2020	Warrants	50,000	0.05	2,500
July 16, 2020	Warrants	3,600,000	0.08	288,000
July 16, 2020	Warrants	8,400,000	0.13	1,092,000
July 17, 2020	Warrants	7,218,545	0.05	360,927
December 8, 2020	Warrants	200,000	0.05	10,000
December 14, 2020	Warrants	1,350,000	0.05	67,500
December 17, 2020	Warrants	950,000	0.05	47,500
December 18, 2020	Warrants	1,348,023	0.05	67,401
December 21, 2020	Warrants	2,400,000	0.05	120,000
December 30, 2020	Warrants	192,000	0.05	9,600

TRANSFER AGENT AND REGISTRAR

The Company's transfer agent and registrar is Capital Transfer Agency, 390 Bay Street, Suite 920, Toronto, Ontario, M5H 2Y2.

MATERIAL CONTRACTS

on July 21, 2020, the Company entered into a supply agreement (the "**NMC Supply Agreement**") with Natural MedCo Ltd., a Canadian Licensed Producer of medical cannabis and a wholly-owned subsidiary of Eve & Co Incorporated, for bulk and finished EuGMP medical cannabis. Pursuant to the NMC Supply

Agreement, the Company is required to purchase and import into Germany between 250 to 500 kg of cannabis flower on a bulk basis. The NMC Supply Agreement shall remain in force and effect for a period of three years and will automatically renew for additional successive two-year terms.

On January 4, 2021, the Company entered into a supply agreement with a Canadian-based multinational cannabis Company for EuGMP certified medical cannabis. The supply is already registered and approved for sale in the German market. Pursuant to the supply agreement, Pharmadrug Production will purchase branded medical cannabis from the supplier's German subsidiary. Pharmadrug Production has already received regulatory approval to distribute the cannabis and the product has been added to their license. The flower will be imported into Germany by the global supplier and sold under the supplier's medical cannabis brand.

On May 14, 2021, the Company entered into a supply agreement with an emerging Eurozone cannabis extractor for medical grade THC oil to be sold under Pharmadrug's own brand.

INTEREST OF EXPERTS

The consolidated financial statements of the Company for the year ended December 31, 2020 have been audited by MNP LLP. As at December 31, 2020, MNP LLP has advised the Company that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

ADDITIONAL INFORMATION

Additional information relating to Pharmadrug may be found on SEDAR at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans is contained in the Company's annual audited financial statements for the year ended December 31, 2020 available on SEDAR at www.sedar.com. Additional information is provided in the Company's MD&A for the financial year ended December 31, 2020 available on SEDAR at www.sedar.com.

APPENDIX A

Purpose of the Committee

The primary function of the audit committee (the "Committee") is to assist the Board of Directors (the "Board") in fulfilling its financial oversight responsibilities by reviewing the financial reports and other financial information provided by the Company to regulatory authorities and shareholders, the Company's systems of internal controls regarding finance and accounting, and the Company's auditing, accounting and financial reporting processes. Consistent with this function, the Committee will encourage continuous improvement of, and should foster adherence to, the Company's policies, procedures and practices at all levels. The Committee's primary duties and responsibilities are to:

- serve as an independent and objective party to monitor the Company's financial reporting and internal control systems and review the Company's financial statements;
- review and appraise the performance of the Company's external auditors; and
- provide an open avenue of communication among the Company's auditors, financial and senior management and the Board of Directors.

The Committee shall be comprised of three directors as determined by the Board, the majority of whom shall be free from any relationship that, in the opinion of the Board, would reasonably interfere with the exercise of his or her independent judgment as a member of the Committee. All members of the Committee must be financially literate (having the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can presumably be expected to be raised by the Company's financial statements).

The members of the Committee shall be appointed by the Board at its first meeting following the annual shareholders' meeting.

The Committee shall meet at least four times annually, or more frequently as circumstances dictate. As part of its job to foster open communication, the Committee will meet at least annually with management and the external auditors in separate sessions.

Authority and Responsibilities

To fulfill its responsibilities and duties, the Committee shall:

(a) Review and update this Charter annually.

(b) Review the Company's financial statements, MD&A and any annual and interim earnings, press releases before the Company publicly discloses this information and any reports or other financial information (including quarterly financial statements), which are submitted to any governmental body, or to the public, including any certification, report, opinion, or review rendered by the external auditors.

(c) Confirm that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements.

External Auditors

(a) Review annually, the performance of the external auditors who shall be ultimately accountable to the Board and the Committee as representatives of the shareholders of the Company.

(b) Obtain annually, a formal written statement of the external auditors setting forth all relationships between the external auditors and the Company.

(c) Review and discuss with the external auditors any disclosed relationships or services that may impact the objectivity and independence of the external auditors.

(d) Take, or recommend that the full Board, take appropriate action to oversee the independence of the external auditors.

(e) Recommend to the Board the selection and compensation and, where applicable, the replacement of the external auditors nominated annually for shareholder approval.

(f) At each meeting, consult with the external auditors, without the presence of management, about the quality of the Company's accounting principles, internal controls and the completeness and accuracy of the Company's financial statements.

(g) Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Company.

(h) Review with management and the external auditors the audit plan for the year-end financial statements and intended template for such statements.

(i) Review and pre-approve all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Company's external auditors. The pre-approval requirement is waived with respect to the provision of non-audit services if:

    (i) the aggregate amount of all such non-audit services provided to the Company constitutes not more than five percent of the total amount of fees paid by the Company to its external auditors during the fiscal year in which the non-audit services are provided;

    (ii) such services were not recognized by the Company at the time of the engagement to be non-audit services; and

    (iii) such services are promptly brought to the attention of the Committee by the Company and approved prior to the completion of the audit by the Committee or by one or more members of the Committee who are members of the Board to whom authority to grant such approvals has been delegated by the Committee. Provided the pre-approval of the non-audit services is presented to the Committee's first scheduled meeting following such approval, such authority may be delegated by the Committee to one or more independent members of the Committee.

Financial Reporting Processes

(a) In consultation with the external auditors, review with management the integrity of the Company's financial reporting process, both internal and external.

(b) Consider the external auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting.

(c) Consider and approve, if appropriate, changes to the Company's auditing and accounting principles and practices as suggested by the external auditors and management.

(d) Review significant judgments made by management in the preparation of the financial statements and the view of the external auditors as to appropriateness of such judgments.

(e) Following completion of the annual audit, review separately with management and the external auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.

(f) Review any significant disagreement among management and the external auditors in connection with the preparation of the financial statements.

(g) Review with the external auditors and management the extent to which changes and improvements in financial or accounting practices have been implemented.

(h) Review any complaints or concerns about any questionable accounting, internal accounting controls or auditing matters.

(i) Review certification process.

(j) Establish a procedure for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

Other

Review any related-party transactions.