ANNUAL INFORMATION FORM

FOR THE SUNNIVA INC. YEAR ENDED DECEMBER 31, 2017

Sunniva Inc.

DATED: December 21, 2018

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ANNUAL INFORMATION FORM

In this annual information form (this "**AIF**"), unless otherwise noted or the context indicates otherwise, the "**Company**", "**Sunniva**", "**we**", "**us**" and "**our**" refer to Sunniva Inc. and its subsidiaries and affiliates. All financial information in this AIF is prepared in Canadian dollars and using International Financial Reporting Standards as issued by the International Accounting Standards Board.

FORWARD LOOKING STATEMENTS

This AIF contains certain "forward-looking information" and "forward-looking statements" (collectively, "**forward-looking statements**") which are based upon the Company's current internal expectations, estimates, projections, assumptions and beliefs. Such statements can be identified by the use of forward-looking terminology such as "believe", "expect", "likely", "may", "will", "should", "intend", "anticipate", "potential", "proposed", "estimate" and other similar words, including negative and grammatical variations thereof, or statements that certain events or conditions "may" or "will" happen, or by discussions of strategy. Forward-looking statements include estimates, plans, expectations, opinions, forecasts, projections, targets, guidance, or other statements that are not statements of fact. Such forward-looking statements are made as of the date of this AIF. Forward-looking statements in this AIF include, but are not limited to, statements with respect to:

- the Company's expectations regarding its revenue, expenses, production, operations, costs, cash flows and future growth;
- expectations with respect to future production costs and capacity;
- the intention to grow the business and operations of the Company;
- the Company's ability to grow its market share in the Canadian medical cannabis market, following the Spin-Out (as defined below);
- the intention to spin out the Company's Canadian assets into 111 (as defined below) and apply to list the shares on the TSX Venture Exchange ("**TSX-V**") and the Company's ability to execute these plans as scheduled;
- expectations with respect to the approval, renewal and/or extension of the Company's licenses;
- the Company's anticipated cash needs and its needs for additional financing;
- expectations with respect to the future growth of its medical cannabis products, including delivery mechanisms;
- projections regarding the growth of the Canadian cannabis market;
- the Company's ability to successfully develop its distribution business relationship through LTYR Logistics, LLC ("**LTYR**");
- the competitive conditions of the industry and the competitive and business strategies of the Company;
- the Company's investments in the United States ("**United States**" or "**U.S.**"), the characterization and consequences of those investments under federal law, and the framework for the enforcement of medical cannabis and cannabis-related offenses in the United States;
- the Company's ability to successfully implement the Genetics Agreement (defined below) at the Sunniva California Campus;
- the grant and impact of any license or supplemental license to conduct activities with cannabis or any amendments thereof;

- statements related to the effect and consequences of certain regulatory initiatives and related announcements, and the impact thereof for shareholders, industry participants and other stakeholders;

- the Company's plans to lobby California state officials through third party lobbyists and ensure its licenses in Cathedral City are maintained in good order;

- the Company's intention to exploit opportunities for the production, processing, distribution and sale of cannabis products in the United States;

- the Company's belief that it will not trigger any of the federal enforcement priorities set forth in the (now rescinded) Cole Memo (as defined below) or under chapter 9-27.000 of the U.S. Attorney's Manual;

- the Company's expected business objectives for the next twelve months;

- the Company's ability to obtain additional funds through the sale of assets, equity or debt commitments;

- the Company's plans to develop the Sunniva Canada Campus (as defined below), the Sunniva California Campus (as defined below) and the Extraction Facility (as defined below), as planned or at all;

- the Company's shift in business strategy in Canada to focus on the higher margin direct to patient medicinal cannabis market;

- expectations with respect to securing financing for the Sunniva Canada Campus;

- the Company's dividend policy; and

- applicable laws, regulations and any amendments thereto.

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

A number of factors could cause actual events, performance or results to differ materially from what is projected in forward-looking statements. Although we believe that the assumptions underlying these statements are reasonable, they may prove to be incorrect, and we cannot assure that actual results will be consistent with these forward-looking statements. Given these risks, uncertainties and assumptions, investors should not place undue reliance on these forward-looking statements. Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors, including those listed under "*Risk Factors*", which include:

- the Company is a development stage company with little operating history, a history of losses and the Company cannot assure profitability;

- uncertainty about the Company's ability to continue as a going concern;

- there is no assurance that the Company will turn a profit or continue to generate revenues;

- the Company had negative cash flow for the financial year ended December 31, 2017 and the nine months ended September 30, 2018;

- the Company's actual financial position and results of operations may differ materially from the expectations of the Company's management;

- the Company expects to incur significant ongoing costs and obligations relating to its investment in infrastructure, growth, regulatory compliance and operations;

- there are factors which may prevent the Company from the realization of growth targets;

- there are factors which may prevent the Company from completing certain strategic initiatives;

- the Company is reliant on obtaining and maintaining cultivation licenses to produce cannabis products in Canada and the U.S.;

- if the Company fails to meet its contractual obligations under the Wholesale Agreement (as defined below), this may have a material adverse effect on the Company;

- the Company is subject to changes in Canadian laws regulations and guidelines which could adversely affect the Company's future business, financial condition and results of operations;

- the impact of the potential development of an adult-use cannabis market in Canada on the Company's future business, financial condition and results of operations is uncertain;

- the Company's business plan involves a number of intended strategic relationships. If these relationships do not materialize, the Company may be unable to sell its products;

- the Company may not be able to develop its products, which could prevent it from ever becoming profitable;

- the Company's officers and directors control a large percentage of the Company's issued and outstanding common shares ("**Common Shares**") and such officers and directors may have the ability to control matters affecting the Company and its business;

- the Company may not be able to effectively manage its growth and operations, which could materially and adversely affect its business;

- the Company may be unable to adequately protect its proprietary and intellectual property rights, particularly in the U.S.;

- the Company may be forced to litigate to defend its intellectual property rights, or to defend against claims by third parties against the Company relating to intellectual property rights;

- the Company may become subject to litigation, including for possible product liability claims, which may have a material adverse effect on the Company's reputation, business, results from operations and financial condition;

- the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates;

- the Company faces competition from other companies where it will conduct business that may have a higher capitalization, more experienced management or may be more mature as a business;

- if the Company is unable to attract and retain key personnel, it may not be able to compete effectively in the cannabis market;

- there is no assurance that the Company will obtain and retain any relevant licenses;
- failure to successfully integrate acquired businesses, its products and other assets into the Company, or if integrated, failure to further the Company's business strategy, may result in the Company's inability to realize any benefit from such acquisition;
- the size of the Company's target market is difficult to quantify, and investors will be reliant on their own estimates on the accuracy of market data;
- the Company's industry is experiencing rapid growth and consolidation that may cause the Company to lose key relationships and may intensify competition;
- the Company may continue to sell securities for cash to fund operations, capital expansion, mergers and acquisitions that will dilute the current shareholders;
- the Company may not have sufficient cash resources or be able to secure all necessary financing in time to begin, continue and complete the Sunniva Canada Campus on schedule;
- the Company currently has insurance coverage; however, because the Company operates within the cannabis industry, there are additional difficulties and complexities associated with such insurance coverage;
- the cultivation of cannabis includes risks inherent in an agricultural business including the risk of crop loss, sudden changes in environmental conditions, equipment failure, product recalls and others;
- the cultivation of cannabis involves a reliance on third party transportation which could result in supply delays, unreliability of delivery and other related risks;
- the Company may be subject to product recalls for product defects self-imposed or imposed by regulators;
- the Company is reliant on key inputs, such as water and utilities, and any interruption of these services could have a material adverse effect on the Company's finances and operation results;
- the expansion of the medical cannabis industry may require new clinical research into effective medical therapies, when such research has been restricted in the U.S. and is new to Canada;
- under California and Canadian regulations, a licensed producer of cannabis ("**LP**") has restrictions on the type and form of marketing it can undertake, which could materially impact sales performance;
- the Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims against the Company;
- the Company will be reliant on information technology systems and may be subject to damaging cyber-attacks;
- the Company may be subject to breaches of security at its facilities, or in respect of electronic documents and data storage, and may face risks related to breaches of applicable privacy laws;
- the Company's officers and directors may be engaged in a range of business activities resulting in conflicts of interest;
- in certain circumstances, the Company's reputation could be damaged;
- some of the Company's planned business activities, while believed to be compliant with applicable U.S. state and local law, are illegal under U.S. federal law;

- there is uncertainty of existing protection from U.S. federal prosecution;
- there is uncertainty surrounding the current U.S. Presidential Administration and their influence and policies in opposition to the cannabis industry as a whole;
- the Company is operating at a regulatory frontier. The cannabis industry is a new industry that may not succeed;
- the Company's business operations may come under additional scrutiny by governmental and non-governmental agencies;
- due to the classification of cannabis as a Schedule I controlled substance under the U.S. Controlled Substances Act ("**CSA**"), the property of the Company may be seized and the operations of the Company shut down;
- the Company may not be able to obtain all necessary municipal California licenses and permits or complete construction of its facilities in a timely manner, which could, among other things, delay or prevent the Company from becoming profitable;
- the Company is reliant on its cultivation licenses in Cathedral City to produce cannabis products in California and will be reliant on its ability to secure licenses in the State of California under MAUCRSA (as defined below) in the future;
- the Company's operations in the United States cannabis market may become the subject of heightened scrutiny;
- regulatory scrutiny of the Company's industry may negatively impact its ability to raise additional capital;
- there is no assurance of success or profitability under the new legal and regulatory structure in California;
- California legislation states that once the regulations promulgated by the Bureau of Cannabis Control (the "**Bureau**"), and any other California state agency that may become involved, are implemented, no person can engage in commercial cannabis-related activity without possessing both a state license and either a local permit, license or other authorization, or otherwise being in compliance with local law;
- there are fees associated with acquiring, and renewing, licenses. However, the specific amount of such fees has yet to be determined and may vary based on several factors;
- applicable legislation imposes state taxes on California's cannabis industry, and authorizes local jurisdictions to assess taxes and fees on such activities. There currently is no way to predict the tax regime that will apply when (and if) such legislation becomes effective;
- the Company may incur significant tax liabilities if the Internal Revenue Service ("**IRS**") continues to determine that certain expenses of cannabis businesses are not permitted to be deducted for tax purposes under section 280E of the Internal Revenue Code of 1986, as amended (the "**Tax Code**");
- state and local laws and regulations may heavily regulate brands and forms of cannabis products and there is no guarantee that the Company's proposed products and brands will be approved for sale and distribution in any state;
- the Company may have difficulty accessing the service of banks and processing credit card payments in the future, which may make it difficult for the Company to operate;
- the Company is reliant on third-party suppliers, manufacturers and contractors;
- due to the classification of cannabis as a Schedule I controlled substance under the CSA, banks and other financial institutions which service the cannabis industry are at risk of violating certain financial laws, including anti-money laundering statutes;

- any re-classification of cannabis or changes in U.S. controlled substance laws and regulations may affect the Company's business;

- some cannabidiol ("**CBD**") is classified as a Schedule I controlled substance in the U.S. The Drug Enforcement Agency ("**DEA**") recently published a final rule in the Federal Register creating a new drug code for "marihuana extracts";

- U.S. federal trademark and patent protection may not be available for the intellectual property of the Company due to the current classification of cannabis as a Schedule I controlled substance;

- the Company's contracts may not be legally enforceable in the United States;

- the Company may lack access to United States bankruptcy protections;

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

- the market price for Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control;

- the Company is subject to uncertainty regarding legal and regulatory status and changes;

- the Company does not anticipate paying cash dividends; and

- future sales of Common Shares by existing shareholders could reduce the market price of the Company's shares.

If any of these risks or other unknown risks or uncertainties materialize, or if assumptions underlying the forward-looking statements prove incorrect, actual results might vary materially from those anticipated in those forward-looking statements.

The purpose of forward-looking statements is to provide the reader with a description of management's expectations, and such forward-looking statements may not be appropriate for any other purpose. You should not place undue reliance on forward-looking statements contained in this AIF. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law. The forward-looking statements contained in this AIF are expressly qualified in their entirety by this cautionary statement.

CORPORATE STRUCTURE

The Company was incorporated pursuant to the *Canada Business Corporations Act* (the "**CBCA**") on August 11, 2014. The Company's articles of incorporation were amended on August 14, 2017 to change its name from Sunniva Holdings Corp. to Sunniva Inc. and to remove certain transfer restrictions with respect to the Common Shares. The Common Shares are listed on the Canadian Securities Exchange (the "**CSE**") under the symbol "SNN" and on the OTCQB Market under the symbol "SNNVF".

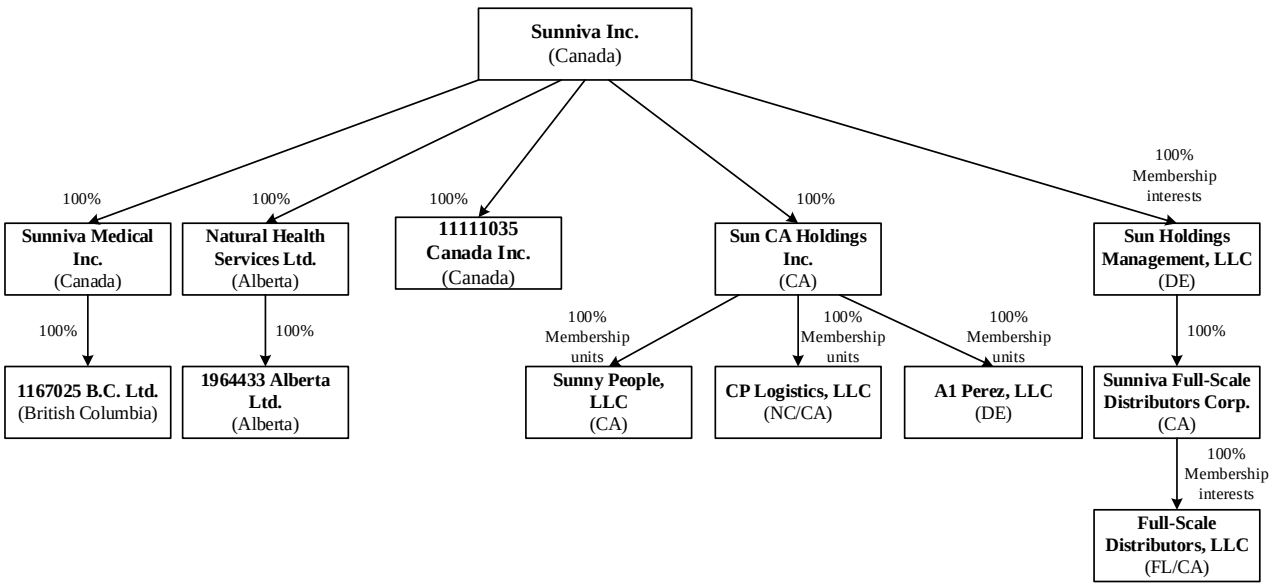
The Company's registered and records office is located at 1200 Waterfront Centre, 200 Burrard Street, PO Box 48600, Vancouver, British Columbia V7X 1T2. The Company's head office is located at 1110-400 Burrard Street, Vancouver, British Columbia V6C 3A6. The Company's corporate website is www.sunniva.com.

The Company has twelve wholly-owned subsidiaries. The Company has five wholly-owned Canadian subsidiaries: Sunniva Medical Inc. ("**SMI**"), Natural Health Services Ltd. ("**NHS**"), 1964433 Alberta Ltd. ("**196**"), 1167025 B.C. Ltd. ("**116**") and 11111035 Canada Inc. ("**111**"). The Company, SMI and 111 were incorporated under the CBCA. NHS and 196 were incorporated under the *Business Corporations Act* (Alberta). 116 was incorporated under the *Business Corporations Act* (British Columbia). The Company, SMI, 111 and 116 are headquartered in Vancouver, British Columbia. NHS and 196 are headquartered in Calgary, Alberta.

Additionally, the Company has seven wholly-owned United States subsidiaries: Sun Holdings Management, LLC (Delaware) ("**SHM**"), Full-Scale Distributors, LLC (Florida) ("**FSD**"), Sunniva Full-Scale Distributors Corporation (California) ("**SFSD**"), CP Logistics, LLC (North Carolina) ("**CPL**"), Sun CA Holdings, Inc. (California) ("**SCH**"), Sunny People, LLC (California) and A1 Perez, LLC (Delaware) ("**APL**").

The following chart illustrates, as of the date of this AIF, the Company's corporate structure, together with the place of incorporation/governing law of each principal wholly-owned subsidiary and the percentage of voting securities beneficially owned by the Company.

CORPORATE STRUCTURE



DESCRIPTION OF THE COMPANY'S BUSINESS

The Company, through its subsidiaries, is a vertically integrated cannabis company providing products and services in Canada and California.

On November 29, 2018, the Company announced a shift in business strategy in Canada from becoming a wholesaler of cannabis to a focus on the higher margin direct to patient medicinal cannabis market. SMI has defined a clear path to accelerate the licensing and production timelines at the Sunniva Canada Campus at Okanagan Falls, British Columbia (the "**Sunniva Canada Campus**"), by starting construction of a smaller modular phased approach. Future development plans will be achieved with the continuation of construction of the purpose-built greenhouse facilities. The Sunniva Canada Campus will produce pesticide-free products and will convert trim to extracted products such as cannabis oil. The oil can be used for drug delivery formats such as capsules, dissolvable strips, vaporization cartridges, tinctures and creams.

Under the Build to Suit Lease Agreement (as defined below), Sunniva Production Campus, LLC ("**SPCL**") is constructing a complex of state-of-the-art, purpose-built greenhouse facilities in Cathedral City, California which includes CPL's flagship onsite dispensary (the "**Sunniva California Campus**"). CPL also operates an extraction suite in Cathedral City, California for volatile and non-volatile extraction (the "**Extraction Facility**").

NHS owns and operates a network of seven clinics in Canada specializing in medical cannabis. NHS connects patients with LPs that sell safe and effective medical cannabis. NHS has in-house physicians and nurse practitioners specializing in the endocannabinoid system providing expert consultation, education, and recommendations for patients. NHS' proprietary technology infrastructure assists physicians, patients and LPs to comply with the rules of Health Canada.

FSD is an industry-leading provider of custom, private-label vaporizers through its brand, Vapor Connoisseur. The company currently serves the needs of over 80 top brands in the North American marketplace. Vapor Connoisseur is recognized for its high quality and innovative therapeutic delivery devices. Products are tailored to client needs, ensuring both safety and reliability.

Our Facilities

Sunniva California Campus

Through its subsidiary, CPL, the Company is developing the Sunniva California Campus, a complex of state-of-the-art, purpose-built greenhouse facilities in Cathedral City, California. Construction is nearing completion for Phase 1 of the Sunniva California Campus and is expected to be operational in Q1 2019. Total production capacity of Phase 1 is projected to be 50,000 kg per year of premium dried cannabis flower when fully ramped up. A total of 100,000 plants from the Oakland Facility (as defined below) are being prepared for staged onboarding for the initial planting cycle in Q1 2019. Automation will move the plants through their life cycle and when operating at full capacity, the Sunniva California Campus is expected to deliver a continuous daily harvest of approximately 210 kg of dried flower. The Company continues to work toward the completion of its California state licensing requirements for the Sunniva California Campus. The cultivation licenses are currently being processed and the remaining license applications are being prepared for submission to the state of California. The Company does not expect operational delays from these licensing requirements. The Sunniva California Campus will be a 489,000 sq. ft. state-of-the-art, purpose-built current good manufacturing practices ("**cGMP**") facility capable of producing 72,500 kg per year of dried cannabis flower at peak capacity once construction of Phase 2 is completed.

Extraction Facility

The Extraction Facility, licensed for both volatile and non-volatile extraction processes, commenced operations in July 2018. The extraction team has been manufacturing and perfecting its extracted product lines and developing product formulations. The Company is currently stockpiling inventory in preparation for the launch of Sunniva-branded product lines in Q1 2019. The Extraction Facility has the ability to produce a multitude of products including vape oil-distillate, ultra-pure concentrates, live resin extract, shatter, capsules, tinctures, and edibles. The Extraction Facility adheres to cGMP standards and has the capacity to process over 10,000 lbs of cannabis biomass per month. The Company continues to source compliant third-party biomass and trim through existing relationships which will drive revenues in early 2019. Reliance on purchases of third-party biomass will be reduced as production from the Sunniva California Campus becomes available.

Sunniva Canada Campus

SMI is constructing the Sunniva Canada Campus, which broke ground in May 2018. The Company has defined a clear path to accelerate the licensing and production timelines through SMI at the Sunniva Canada Campus by starting construction of a smaller modular-phased approach that will require less than $1.5 million in cash capital expenditures. Full development of Phase 1 will consist of many pods that will have an aggregate production capacity of 5,000 kg of dried cannabis flower per year and will focus on products for the Canadian medicinal cannabis market. The acquisition of the first production modules will require initial capital of $1.5 million with additional production modules to be vendor-financed. The first harvest is expected in Q3 2019. Future development of the Sunniva Canada Campus will continue with the development of the large-scale cGMP designed greenhouse that was previously planned. Phase 2 (50,000 kg of dried cannabis flower plus 10,000 kg of trim per year) of the Sunniva Canada Campus will be 458,000 square feet and Phase 3 (50,000 kg of dried cannabis flower plus 10,000 kg of trim per year) will be 301,000 square feet. The cultivation pods from Phase 1 will be retired/removed after Phase 2 is operational. The Sunniva Canada Campus will produce pesticide-free products and will convert trim to extracted products such as cannabis oil. The oil will be used for drug delivery formats such as capsules, dissolvable strips, vaporization cartridges, tinctures and creams.

Specialized Skill and Knowledge

A number of aspects of the Company's business functions require specialized skills and knowledge. The Company has specialized skills and knowledge in the areas of cultivation of medical cannabis, processing (extraction) of cannabis oil, development and production of cannabis-based products, and sales and marketing. In particular, the Company's management team believes that they have staff and expertise which provide a unique skill set for the indoor cultivation of cannabis and extraction of cannabis oil in accordance with regulatory requirements, developed over years of practical experience.

The Company has an experienced growing team and quality assurance personnel focused on generating high quality products that meet and exceed regulatory requirements. The Company has also implemented strict regulatory compliance processes, a high level of quality assurance, and testing protocols to maintain quality controls over the products cultivated and extracted.

Management of the Company has specialized skill and knowledge in the production of cannabis-based products and has produced a variety of products for distribution in compliance with applicable regulatory requirements.

Competitive Conditions

The cannabis industry in which the Company operates in both Canada and California is, and is expected to continue to be, very competitive, and as such there is potential that the Company will face intense competition from other companies, some of which can be expected to have more financial resources and manufacturing and marketing experience than the Company. The Company's competitors may vary in size, from well capitalized businesses with substantial operations and revenues to smaller and earlier stage companies.

Intangible Properties

The Company has trademark applications in Canada and the United States for its business name, including "Sunniva" and "Natural Health Services" and associated logos and slogans. As part of its house of brands development in California, the Company will seek to obtain trademark protection for such brands as they are developed to the extent possible. In connection with the NHS business, the Company licenses the SPARK software platform to affiliate clinics and LPs who utilize the software. These licensing agreements contain standard intellectual property protections.

Cycles

The Company's business is not cyclical or seasonal.

Employees

As at December 31, 2017, the Company had a total of 101 full-time employees and 36 part-time employees. As at December 15, 2018, the Company had a total of 117 full-time employees, 10 part-time employees and 23 casual employees.

GENERAL DEVELOPMENT OF THE BUSINESS

Corporate Developments

Unwound Transaction

On January 7, 2016, the Company acquired 100% of the assets of two entities for aggregate consideration of $12,266,000 (comprising of $11,926,000 for the acquisition plus $340,000 in advances for expenses) in the form of $1,324,000 paid on behalf of the Company by a shareholder in 2015, $170,000 paid on behalf of the Company by two directors in 2015, $384,000 paid on behalf of the Company by a shareholder in 2016, $550,000 paid by the Company in 2016 and $9,838,000 paid by the issuance of 7,870,000 Common Shares (representing approximately 40% of the then outstanding Common Shares at a deemed price of $1.25) (the "**Unwound Transaction**").

The assets included intellectual property used for the development and manufacturing of vaporization devices and related products; inventory; manufacturing assets; and distribution contracts.

Prior to closing the Unwound Transaction, on December 16, 2015, the Company leased industrial premises at Goleta in the county of Santa Barbara, California, for the purposes of developing a device manufacturing and warehousing facility whereby the Company would utilize the acquired assets from the Unwound Transaction (the "**Goleta Facility Lease**"). The term of the lease commenced on March 1, 2016 and ends February 28, 2021. The Goleta Facility Lease is guaranteed by Dr. Anthony F. Holler, CEO of the Company. The property is currently unoccupied. The Company has entered into a lease termination agreement whereby the lessor agrees to terminate the Goleta Facility Lease if a new lessee is found for the premises, in exchange for the Company paying certain fees.

Subsequent to the closing of the Unwound Transaction, the Company determined there were misrepresentations related to the quality of inventory, manufacturing assets and intellectual property that had not been identified during the due diligence process. The Company further determined the cash compensation paid had a very low probability of recoverability. As a result, the Company unwound the Unwound Transaction in July 2016 and the Company returned the assets back to the vendors and returned the shares to treasury. The vendors retained the cash payments and those costs were expensed for accounting purposes. Legal costs of $62,000 associated with the Unwound Transaction were also expensed.

Acquisition of CP Logistics, LLC

On November 17, 2016, the Company entered into a membership interest purchase agreement to acquire 100% of the issued and outstanding membership units of CPL ("**CPL Units**") for a purchase price of USD$10 million. Consideration for the CPL Units was by payment of a USD$400,000 cash deposit, USD$2.6 million in cash on closing, USD$135,000 of closing reimbursements and the issuance of promissory notes totaling USD$7 million (the "**CPL Notes**"). On February 6, 2017, the Company made a partial repayment of the CPL Notes for USD$3.0 million.

The acquisition closed on December 15, 2016. At the time of closing, CPL held a manufacturing license for the production of cannabis oils and extracts at a leased property on Perez Road in Cathedral City, California, rights, title and interest in a purchase agreement for an additional 14.13 acres of land in one parcel at 69375 Ramon Road, and four transferable cultivation licenses.

On October 23, 2017, the Company repaid the remaining $5.1 million outstanding on the CPL Notes.

2016 Private Placement

During the 12 months ended December 31, 2016, the Company issued Common Shares by way of a non-brokered private placement totaling $19.9 million (the "**2016 Private Placement**") and settled shareholder loans and debt with the issuance of Common Shares totaling $3.0 million with share issuance costs of $1.2 million and $328,000 in finder's warrants.

Subsequently, the Company issued an additional 1,373,338 Common Shares in 2017, as part of the 2016 Private Placement, totaling $4.5 million.

Acquisition of Natural Health Services Ltd.

On February 8, 2017, the Company acquired all of the shares of NHS for total consideration of $22.5 million. Consideration was paid in the form of $1.5 million in cash, $18.75 million in Common Shares at USD$2.55 per Common Share (a total of 5,584,371 Common Shares at $3.36) and $2.25 million in the form of promissory notes (the "**NHS Notes**").

After the acquisition, NHS undertook to change its year-end to align with the Company to December 31 from June 30. During the year ended December 31, 2017, NHS acquired 196 and its software assets at an estimated fair value equal to the purchase price of $2.5 million.

On August 8, 2017, the Company repaid the NHS Notes.

Acquisition of Full-Scale Distributors, LLC

On February 10, 2017, the Company acquired 100% of the membership interests in FSD for total consideration of $6.5 million (USD$5 million) plus an additional amount of contingent consideration. The $6.5 million total consideration was paid $2.0 million in cash and $4.5 million in the form of a promissory note (the "**FSD Note**").

As at December 31, 2017, no additional contingent consideration payments had been made pursuant to the FSD acquisition.

On February 15, 2018, the Company repaid the FSD Note in cash of $2.8 million (USD$2.2 million), plus accrued interest, and the remaining portion through the issuance of Common Shares at the conversion price of USD$2.55 per Common Share.

On March 31, 2018, the Company determined that no additional contingent consideration was payable for the period ended December 31, 2017, in accordance with the terms of the agreement governing the FSD acquisition.

Acquisition of A1 Perez, LLC

On August 17, 2017, the Company, through its subsidiary SCH, entered into a membership interest purchase agreement to acquire 100% of the membership units of APL. The purchase closed on August 18, 2017, for total consideration of USD$1 million in the form of USD$450,000 in cash and USD$550,000 in secured promissory notes bearing interest at 0.5% interest per annum (the "**APL Notes**"). At the time of acquisition, APL held a sub-lease agreement for the Extraction Facility which is located approximately one mile away from the Sunniva California Campus and a manufacturing license for cannabis oils and extracts with a conditional use permit ("**CUP**") in place to commence tenant improvements.

On October 23, 2017, the Company repaid the APL Notes.

Initial Public Offering and Listing on the CSE and the OTC Markets

On June 27, 2017, August 9, 2017 and September 19, 2017 the Company closed tranches of its offering (the "**Special Warrant Offering**") of special warrants of the Company ("**Special Warrants**") for net proceeds of $6.2 million (before deducting the expenses of the Special Warrant Offering) for the issuance of 983,753 Special Warrants to subscribers pursuant to prospectus exemptions under applicable securities legislation and 11,112 corporate finance fee warrants ("**Corporate Finance Fee Special Warrants**"), each exercisable for one Common Share without payment of additional consideration, issued to certain agents. Pursuant to the terms of the special warrant certificates governing the Special

Warrants and Corporate Finance Fee Special Warrants, as the final receipt (the "**Final Receipt**") for the Company's prospectus was not issued by the applicable securities regulators on or prior to October 25, 2017, each Special Warrant and Corporate Finance Fee Special Warrant became exercisable for 1.1 Common Shares (the "**Penalty Exercise Ratio**") on October 28, 2017 (the "**Deemed Exercise Date**"). Prior to October 28, 2017, certain holders of Special Warrants agreed to an extension of the Deemed Exercise Date to the earlier of (i) December 15, 2017; and (ii) the fifth business day after the date on which the Final Receipt was issued by the applicable securities regulators. Additionally, certain agents received 59,596 broker special warrants ("**Broker Special Warrants**"), each of which were deemed to be exercised for one broker warrant ("**Broker Warrants**") at the Deemed Exercise Date. Each Broker Warrant is exercisable for one Common Share at an exercise price of $6.75.

On September 19, 2017, the Company closed a private placement pursuant to prospectus exemptions under applicable securities legislation for investors in the United States for net proceeds of $1.2 million for the issuance of 183,672 Common Shares.

On September 25, 2017, the Company filed its preliminary prospectus in the provinces of British Columbia, Alberta and Ontario to qualify the Common Shares issuable upon exercise of the Special Warrants. The Company also announced its application to list the Common Shares on the CSE.

On October 28, 2017, 897,500 Special Warrants and 11,112 Corporate Finance Fee Special Warrants were deemed to be exercised in accordance with the Penalty Exercise Ratio and were converted into 987,250 Common Shares and 12,223 Common Shares, respectively, and 59,596 Broker Special Warrants were deemed to be exercised and converted into 59,596 Broker Warrants.

On November 16, 2017, the Company received the Final Receipt.

On November 23, 2017, the remaining 86,253 Special Warrants were deemed to be exercised in accordance with the Penalty Exercise Ratio and were converted into 94,878 Common Shares.

On January 10, 2018, the Company began trading its Common Shares on the CSE under the symbol "SNN". On February 15, 2018 the Company began trading its Common Shares on the OTCQX Market, operated by OTC Markets Group, under the symbol "SNNVF".

Effective November 2018, the Company transitioned from the OTCQX Market to the OTCQB Market as a consequence of the decrease in the Common Share price on the OTCQX Market which resulted in the Company no longer meeting the qualification requirement that it relied on for the purposes of listing. The Company will continue to trade under the symbol "SNNVF" and this transition will have no effect on the reporting obligations of the Company in the United States.

Convertible Debenture Offering

In November and December 2017, the Company conducted a non-brokered private placement of 8% unsecured convertible debentures of the Company pursuant to prospectus exemptions under applicable securities legislation (the "**Convertible Debenture Financing**"), raising total gross proceeds of $12.13 million. The principal amount of the convertible debentures is convertible into Common Shares at a price of $4.60 per Common Share and has a maturity date of December 31, 2020.

Formation of Medical and Scientific Advisory Committee

The Company has formed a Medical and Scientific Advisory Committee ("**MSAC**") responsible for providing management and the board of directors of the Company (the "**Board**") with science-based guidance as it relates to medical cannabis. In particular, the MSAC provides guidance by:

- reviewing current available medical literature which addresses the safety and efficacy of medical cannabis in treating human disease;

- providing insight into mechanisms by which the Company may emerge and continue as a world leader in the medical cannabis industry;

- identifying areas in which evidence-based data is lacking, so that targeted research opportunities can be fostered with collaborating academic institutions;

- developing and maintaining relationships with collaborating academic institutions;

- from a patient and community safety standpoint, identifying obstacles and challenges that may interfere with the corporate mandate;

- developing strategies to help mitigate problems identified above;

- as required, providing the Company with guidance on issues of compliance, regulation and legislation within the medical cannabis industry; and

- addressing any matter that may result from the foregoing and any other matter as may reasonably be requested by the Board or management of the Company.

The MSAC currently consists of seven members, three of whom are independent of the Company and its subsidiaries and all of whom are experienced health professionals with significant experience in their area of expertise.

March 2018 Bought Deal Offering

On March 27, 2018, the Company completed a bought deal public offering for aggregate gross proceeds of $27.8 million (the "**March 2018 Offering**"). A total of 2,850,900 units and 50,000 warrants were sold at a price of $9.75 per unit and $0.02 per warrant. Each unit consisted of one Common Share and one-half of one warrant. Each whole warrant entitles the holder thereof to acquire one Common Share at an exercise price per Common Share of $12.50 until March 27, 2020.

October 2018 Bought Deal Offering

On October 12, 2018, the Company completed a bought deal public offering for aggregate gross proceeds of $23.0 million (the "**October 2018 Offering**"). A total of 4,370,000 units were sold at a price of $5.27 per unit. Each unit consisted of one Common Share and one-half of one warrant. Each whole warrant entitles the holder thereof to acquire one Common Share at an exercise price per Common Share of $6.85 until October 12, 2020.

Spin-Out Transaction

The Company intends to spin out its Canadian assets, including NHS and SMI, into 111 and apply to list the shares of 111 on the TSX-V in an effort to unlock the underlying value of the Company's assets on both sides of the border (the "**Spin-Out**"). An information circular is scheduled to be completed by the end of Q1 2019 with the Spin-Out completed by the end of the first half 2019. NHS currently has 105,000 registered patients and, along with the Sunniva Canada Campus, are expected to provide 111 with sufficient infrastructure to increase 111's market share within the medicinal cannabis market in Canada, which is expected to reach over two million patients over the next three years. Several conditions will require satisfaction before the Spin-Out can proceed including, but not limited to, Company shareholder approval, CSE approval and TSX-V approval, none of which can be assured.

Canadian Operations

SMI applied to Health Canada for a license to grow medical cannabis under the *Marihuana for Medical Purpose Regulations* ("**MMPR**") on May 28, 2014. Subsequent to the application, SMI responded to requests by Health Canada for further information with additional submissions on July 2, August 26, October 21, November 19 and December 17, 2014. It further replied to requests for information on February 20 and April 1, 2015 with a final submission on September 2, 2015.

On January 10, 2017, SMI entered into a Memorandum of Understanding (the "**Osoyoos MOU**") with Osoyoos Indian Band Development Corporation for the lease of 15 acres of land at Senkulmen Business Park located in Oliver, British

Columbia for a lease term of 49 to 99 years and a lease rate to be determined based on a third-party assessment at the time of commencement. The Osoyoos MOU also contemplated a notice period from Health Canada on or before April 1, 2017.

On May 31, 2017, the Company amended the Osoyoos MOU to increase the land base to 39.2 acres, extend due diligence on the site from July 10, 2017 to September 10, 2017 and extend the notice period from Health Canada to December 31, 2017. The due diligence period was subsequently extended to January 7, 2018 and the notice period from Health Canada was extended to March 1, 2018. The Osoyoos MOU was subsequently extended on March 7, 2018 and May 7, 2018. The Osoyoos MOU expired on June 6, 2018 and the Company determined not to proceed with the lease.

On February 20, 2018, the Company entered into a definitive wholesale agreement (the "**Wholesale Agreement**") with Canopy Growth Corporation ("**Canopy**") whereby the Company, through its wholly-owned subsidiary, SMI, has committed to sell Canopy 45,000 kg of premium quality cannabis annually over an initial two year period commencing in calendar Q1 2019. Pursuant to the Wholesale Agreement, the Company must receive the necessary cultivation licenses for the Sunniva Canada Campus from Health Canada (the "**Licensing Condition**"). If the Licensing Condition is not met by the end of January 2019, Canopy has the ability to terminate the Wholesale Agreement. As of the date of this AIF, it is very likely that the Company will not meet the Licensing Condition and the Company is in discussions with Canopy to extend the initial start date of the Wholesale Agreement to give the Company additional time to comply with the Licensing Condition.

Under the terms of the Wholesale Agreement, Canopy and the Company will share in the revenues as product is sold through Canopy's distribution network including its online marketplace, Tweed Main Street, and via provincial distribution channels. The revenue share will be based on the strain, sales channel and other relevant factors. The Wholesale Agreement is subject to SMI receiving its license from Health Canada, which is currently in the final review stage, and completing the Sunniva Canada Campus.

On May 25, 2018, SMI received the Confirmation of Readiness for a license under the *Access to Cannabis For Medical Purposes Regulation* (the "**ACMPR**") from Health Canada. This represents acceptance of the Company's detailed application with the next step being an inspection upon site readiness in order to commence cultivation.

On June 15, 2018, SMI acquired a 126-acre industrial zoned property for the Sunniva Canada Campus in Okanagan Falls, British Columbia for a purchase price of $7.0 million. The consideration for the acquisition was $3.5 million in cash and the balance through a one year vendor take-back mortgage financing arrangement.

Canadian Regulatory Landscape

The medical cannabis industry in Canada has changed considerably between 2014 and now. Prior to the Company's date of incorporation, the Government of Canada introduced the MMPR. Under the MMPR, LPs were initially licensed to sell dried cannabis only, and no other forms of cannabis, such as oils and extracts, were permitted. The Supreme Court of Canada judgment in *R v Smith* (2015 SCC 34) found this restriction to be contrary to the Canadian Charter of Rights and Freedoms (the "**Charter**") and struck down portions of the *Controlled Drugs and Substances Act* (Canada) ("**CDSA**") to the extent that these portions of the CDSA prevent a person with a medical authorization from possessing cannabis derivatives for medical purposes. While *R v Smith* was considered in the context of the previous *Marihuana Medical Access Regulations* ("**MMAR**") the exemption under the CDSA is equally applicable to the MMPR.

In response *to R v Smith*, Health Canada issued a class exemption under section 56 of the CDSA for LPs who met defined criteria and issued corresponding supplementary licenses for production and sale of cannabis oil to LPs who met the criteria. Health Canada released a statement with details to this effect on July 7, 2015. This Health Canada statement included requirements that essentially prevent production of cannabis oil suitable for vaporization or smoking. The only permitted dosage form for cannabis oil was a capsule or similar dosage form (sale of liquid oil in a container – *i.e.* no dosage form, is also permitted). The sale of foods or beverages infused with cannabis oil was not permitted under this Health Canada statement.

Following the hearing of the constitutional challenge to the MMPR, the Federal Court rendered its decision on February 24, 2016 in *R v Allard* (2016 FC 236). The Court repealed the MMPR as contrary to the plaintiff's Charter rights for unduly restricting access to medical cannabis. The repeal of the MMPR was suspended for six months to allow the Government of Canada to either amend the MMPR or issue new regulations. On August 24, 2016, the ACMPR came into force, replacing

the MMPR as the regulations governing Canada's medical cannabis program. Under the ACMPR, patients had three options for obtaining cannabis: they could continue to access quality-controlled cannabis by registering with a LP to purchase cannabis; they could register with Health Canada to produce a limited amount for their own medical purposes; or they could designate someone else to produce it for them with starting materials – plants and seeds – obtained from a LP.

Based on the Company's experience with NHS, the Company believes that less than 5% of patients initially attempt to grow their own cannabis and later decide to purchase from LPs due to the superior quality of product, dosing restrictions imposed by physicians and greater selection of strains. In general, NHS physicians prefer a reliable and consistent product that contains an appropriate mix of active ingredients suitable for each patient's unique requirements.

The ACMPR essentially combined the MMPR, the MMAR and the section 56 CDSA class exemptions relating to cannabis oil (including Health Canada's restrictions preventing smokable or vaporizable oil and preventing sale of infused foods or beverages) into one set of regulations. The ACMPR further set out the process for license applicants, such as the Company, to obtain LP status.

On April 13, 2017, the Government of Canada introduced Bill C-45 (the "**Cannabis Act**") to amend the CDSA, the *Criminal Code* (Canada), the *Narcotic Control Regulations* ("**NCR**") and other related legislation to legalize and regulate the use of cannabis for recreational purposes. The Cannabis Act received its first reading in the House of Commons on April 13, 2017, followed by a second reading on October 5, 2017 and was passed by the House of Commons on the third reading on November 27, 2017. The Cannabis Act received its first reading by the Senate on November 28, 2017 and its second reading on March 22, 2018.

On June 18, 2018, the Cannabis Act passed the Senate vote and subsequently received Royal Assent on June 21, 2018. The Cannabis Act, and related ancillary amendments to other legislation, came into effect on October 17, 2018.

Pursuant to the Cannabis Act, individuals over the age of 18 are able to purchase fresh cannabis, dried cannabis, cannabis oil, and cannabis plants or seeds and are allowed to legally possess up to 30 g of dried cannabis, or the equivalent amount in fresh cannabis or cannabis oil. The Cannabis Act also permits households to grow a maximum of four cannabis plants. This limit applies regardless of the number of adults that reside in the household. In addition, the Cannabis Act provides provincial and municipal governments the authority to prescribe regulations regarding retail and distribution, as well as the ability to alter some of the existing baseline requirements, such as increasing the minimum age for purchase and consumption.

On July 11, 2018, the Government of Canada published regulations in the Canada Gazette, Part II, to support the coming into force of the Cannabis Act, including the *Cannabis Regulations* ("**Cannabis Regulations**"), the new *Industrial Hemp Regulations* ("**IHR**", and together with the Cannabis Regulations, collectively, the "**Regulations**"), along with proposed amendments to the NCR and certain regulations under the *Food and Drugs Act*. The Regulations, among other things, outline the rules for the legal cultivation, processing, research, testing, distribution, sale, importation and exportation of cannabis and hemp in Canada, including the various classes of licenses that can be granted, and set standards for cannabis and hemp products that are available for legal sale as of October 17, 2018. Previously, medical cannabis was largely regulated by the ACMPR. The ACMPR and the current *Industrial Hemp Regulations* are no longer in force as of October 17, 2018 and have been supplanted by the Cannabis Act and the Regulations. Cannabis is no longer regulated under the CDSA and is regulated under the Cannabis Act.

Licenses, Permits and Authorizations

The Cannabis Regulations establish six classes of licenses:

- Cultivation licenses;
- Processing licenses;
- Analytical testing licenses;
- Sales for medical purposes licenses;
- Research licenses; and
- Cannabis drug licenses.

The Cannabis Regulations also create subclasses for cultivation licenses (standard cultivation, micro-cultivation and nursery) and processing licenses (standard processing and micro-processing). Different licenses and each sub-class therein, carry differing rules and requirements that are intended to be proportional to the public health and safety risks posed by each license category and each sub-class. Producers holding production and sales licenses under the ACMPR were transferred to similar licenses under the Cannabis Act.

Licenses issued pursuant to the Cannabis Regulations are valid for a period of no more than five years. The Cannabis Regulations permit cultivation license holders to conduct both outdoor and indoor cultivation of cannabis, however no licensed activities (except for destruction, antimicrobial treatment and distribution) can take place in a "dwelling-house".

The new IHR replaced the *Industrial Hemp Regulations* on October 17, 2018. The IHR define industrial hemp as cannabis plants whose leaves and flowering heads do not contain more than 0.3% Tetrahydrocannabinol ("**THC**"). The IHR permits the sale of hemp plants to licensed cannabis producers, and reduces licensing requirements.

Security Clearances

The Cannabis Act and Cannabis Regulations require several individuals to hold a valid security clearance, including directors, officers, and large shareholders of the licensee, including officers and directors of those companies who can exert direct control over the licensee, those who hold key positions, namely the Responsible Person in Charge, the Head of Security, the Master Grower and the Quality Assurance Person and anyone else specified by name by the Minister of Health (the "**Minister**"). Under the Cannabis Regulations, the Minister may refuse to grant security clearances to individuals with associations to organized crime or with past convictions for, or an association with, drug trafficking, corruption or violent offences. Individuals who have histories of nonviolent, lower-risk criminal activity (for example, simple possession of cannabis, or small-scale cultivation of cannabis plants) are not precluded from participating in the legal cannabis industry, and the grant of security clearance to such individuals is at the discretion of the Minister and such applications will be reviewed on a case-by-case basis.

Cannabis Tracking System

Under the Cannabis Act, the Minister is authorized to establish and maintain a national cannabis tracking system. The Cannabis Regulations set out a national cannabis tracking system to track cannabis throughout the supply chain to help prevent diversion of cannabis into, and out of, the illegal market. The Cannabis Act also provides the Minister with the authority to make a ministerial order requiring certain persons named in such order to report specific information about their authorized activities with cannabis, in the form and manner specified by the Minister.

Products

The Cannabis Regulations set out the requirements for the sale of cannabis products at the retail level and permit the sale of dried cannabis, cannabis oil, fresh cannabis, cannabis plants and cannabis seeds, including in such forms as "pre-rolled" and in capsules. The THC content and serving size of cannabis products is limited by the Cannabis Regulations. The sale of edibles containing cannabis and cannabis concentrates will not initially be permitted, however the Government of Canada anticipates that such products will be legalized within one year following the coming into force of the Cannabis Act.

Advertising and Promotion

The Cannabis Act prohibits the promotion of cannabis, cannabis accessories or services related to cannabis, including, but not limited to:

- by communicating information about its price or distribution;
- by doing so in a manner that there are reasonable grounds to believe could be appealing to young persons;
- by means of a testimonial or endorsement, however displayed or communicated;
- by means of the depiction of a person, character or animal, whether real or fictional; or
- by presenting it or any of its brand elements in a manner that associates it or the brand element with, or evokes a positive or negative emotion about or image of, a way of life such as one that includes glamour, recreation, excitement, vitality, risk or daring.

The Cannabis Act does provide exceptions to these prohibitions in limited circumstances, including when the promotion is by means of an informational or brand-preference promotion and as long as that promotion is displayed in a manner that it cannot be viewed by people under the age of 18.

Packaging and Labelling

The Cannabis Regulations set out requirements pertaining to the packaging and labelling of cannabis products. Cannabis package labels must include specific information, such as:

- product source information, including the class of cannabis and the name, phone number, and email of the cultivator;
- a mandatory health warning, rotating between Health Canada's list of standard health warnings;
- the Health Canada standardized cannabis symbol; and
- information specifying THC and CBD content.

A cannabis product's brand name may only be displayed once on the principal display panel, or if there are separate principal display panels for English and French, only once on each principal display panel. It can be in any font style and any size, so long as it is equal to or smaller than the health warning message. The font must not be in metallic or fluorescent colour. In addition to the brand name, only one other brand element can be displayed.

All-over packaging wraps must be clear, and the interior surface and exterior surface of any container in which a cannabis product is packaged cannot have any embossing, texture, foil, or cut outs. Additionally, packages must be child-resistant and tamper-proof.

Cannabis for Medical Purposes

The ACMPR was repealed when the Cannabis Act and the Regulations came into force on October 17, 2018. Part 14 of the Cannabis Regulations sets out the regime for medical cannabis following legalization, which remains substantively the same as existed under the ACMPR, with adjustments to create consistency with rules for non-medical use, improve patient access, and reduce the risk of abuse within the medical access system. Patients who have the authorization of their healthcare provider continue to have access to cannabis, either purchased directly from a LP, or by registering to produce a limited amount of cannabis for their own medical purposes, or designating someone to produce cannabis for them.

Provincial Regulatory Regimes

Provincial and territorial governments in Canada have made varying announcements on the proposed regulatory regimes for the distribution and sale of cannabis for recreational or "adult-use" purposes. For example, Québec, New Brunswick, Nova Scotia, Prince Edward Island and the Northwest Territories have adopted a public sector model for distribution, whereas Saskatchewan and Newfoundland & Labrador have opted for a private sector approach. Alberta, British Columbia, Ontario and Manitoba have announced plans to pursue a hybrid approach of public and private sale and distribution.

In connection with the new framework for regulating cannabis in Canada, the Government of Canada has introduced new penalties under the *Criminal Code* (Canada), including penalties for the illegal sale of cannabis, possession of cannabis over the prescribed limit, production of cannabis beyond personal cultivation limits, taking cannabis across the Canadian border, giving or selling cannabis to a youth and involving a youth to commit a cannabis-related offence.

Canadian Banking and Financial Services

As the cannabis industry expands in Canada, management of the Company expects cannabis-related businesses to increasingly seek banking and financial services from Canadian financial institutions. However, banks and financial institutions may consider cannabis-related businesses to be high-risk clients under the Canadian anti-money laundering regime. Accordingly, opening and maintaining accounts for cannabis-related businesses will require substantial resources and diligence on the part of financial institutions, especially in light of the obligation imposed on financial institutions under anti-money laundering legislation to engage in ongoing monitoring of clients and their activities.

US Operations

On November 28, 2016, the Company advanced approximately USD$1.3 million to CPL for the purchase of five acres of land in four parcels located at Ramon Road in Cathedral City, California.

On December 15, 2016, CPL submitted a modified plan to Cathedral City requesting additional development permits and licenses at the Ramon Road location. The amendment included a complete CUP package with environmental impact assessment, architectural renderings, engineering and other project details. It also included a request for a total of 17 cultivation and one combination cultivation and dispensary license.

On February 27, 2017, CPL received notice from Cathedral City accepting CPL's amended application for 17 cultivation licenses and one combination cultivation and dispensary license at the Ramon Road location. The letter also confirmed that CPL had received security clearance and could proceed toward receipt of its CUP.

CPL submitted revised plans on April 19, 2017 with additional information delivered on May 9, 2017 in support of its CUP application.

On May 25, 2017, Cathedral City responded with a letter outlining their comments and areas for improvement in the CUP submission. The Company resubmitted on June 13, 2017 and provided a final submission after further comments on June 30, 2017.

CPL issued a request for proposal ("**RFP**") on February 28, 2017 for the Ramon Road facilities with positive responses from multiple vendors. The Company engaged its greenhouse consultants on December 22, 2016 and, following multiple design and business requirements sessions, developed a cGMP greenhouse plan to submit for RFP.

On June 22, 2017, CPL was awarded the requested 17 cultivation licenses and one combination cultivation and dispensary license at Ramon Road. In addition, a review meeting was held on August 9, 2017 and permission was granted to advance to the final CUP hearing. The final CUP hearing was held on September 20, 2017 in which the CUP was unanimously approved. Following the CUP hearing, there was a 10-day appeal period, during which time citizens of Cathedral City could have appealed the grant. No appeals to the grant of the CUP were filed.

On June 23, 2017, the Company advanced $1.3 million by way of a non-refundable deposit for the extension of its option to purchase 14.1 acres of land adjacent to its holdings on Ramon Road. On June 27, 2017, the Company exercised its option to purchase an additional 14.1 acres adjacent to its land holdings on Ramon Road in Cathedral City, California. The land was purchased for an additional $5.0 million (total purchase price of $6.3 million) and increased the Company's land holdings in Cathedral City to 19.1 total acres. The Company, through CPL, entered into a purchase and sale agreement with SPCL to sell its land holdings on Ramon Road concurrently with entering into the Build to Suit Lease. The sale price for the land was USD$5,171,403.

CPL and its affiliates have received a total of 25 local licenses in Cathedral City, California in the following categories: sixteen (16) cultivation licenses, four (4) nursery licenses, two (2) processor licenses, one (1) distribution license, one (1) manufacturing license, and one (1) retail and delivery license. All of the licenses are for the Sunniva California Campus in Cathedral City, except for the manufacturing license for the Extraction Facility, also in Cathedral City, California due to zoning restrictions. CPL and its affiliates have applied for and received temporary state licenses for all of the cultivation operations at the Sunniva California Campus, some of which are still active and some of which have expired. CPL and its affiliates have also applied for annual state licenses for all cultivation licenses, all of which have been received by the California Department of Food and Agriculture's CalCannabis cultivation licensing division, and are being processed and considered currently. CPL has also applied for an annual state license for its manufacturing operations. Processor, nursery, distributor and retail and delivery state annual license applications are being prepared currently for submission to the state of California.

On October 20, 2017, the Company and CPL entered into a build to suit lease agreement for the development of the Sunniva California Campus with SPCL for approximately USD$8.7 million per year initially on a 15 year term with three five year extensions (the "**Build to Suit Lease**"). The Build to Suit Lease was contingent on the receipt of funding from the Barker Pacific Group, Inc.'s ("**Barker Pacific Group**") investors and bankers. Funding was received on March 5, 2018.

In early January 2018, APL received temporary licenses from the State of California Department of Public Health Manufactured Cannabis Safety Branch for the Extraction Facility. The licenses were subsequently re-issued to CPL in connection with the transfer of the leases of the Extraction Facility. The licenses authorize the holder to engage in commercial cannabis-related activity. The Extraction Facility became operational in July 2018. The Extraction Facility has the capacity to process 500lbs/day of bio mass.

CPL has secured extraction services agreements with a number of leading California brands for the Extraction Facility.

On October 12, 2018, the Company entered into an agreement with entities owned or controlled by Vinayak Shastry, the Company's President of U.S. Operations, whereby the Company funds the expenses associated with a licensed cannabis cultivation facility in Oakland, California (the "**Oakland Facility**") owned by these entities in exchange for access to cannabis genetic and propagating materials produced at that facility (the "**Genetics Agreement**"). The cannabis genetic and propagating materials will be used at the Sunniva California Campus. The expenses paid by the Company pursuant to the Genetics Agreement are approximately USD$75,000 per month, paid on a month-to-month basis.

On October 16, 2018, the Company signed a non-arm's length binding letter of intent with a related party, the Oakland Vision Project ("**Vision**") which was subsequently extended, to acquire all the issued and outstanding equity interests of the companies that comprise Vision. Vision is jointly owned by Vinayak Shastry. Vision operates the Oakland Facility and acquisition of the Oakland Facility would enable the Company to accelerate the launch of Sunniva-branded product lines in California and propagate the Sunniva California Campus with clean clones. Completion of the acquisition remains subject to a number of conditions including, among other things: the negotiation and execution of a definitive agreement between Sunniva and Vision, completion of due diligence and receipt of regulatory approvals, including approval of the CSE.

On November 26, 2018, the Company signed a binding letter of intent with LTYR a cannabis distribution company in California that is expected to become the Company's logistics and technology distribution platform to drive sales from the Sunniva California Campus and the Extraction Facility and the launch of Sunniva-branded products commencing Q1 2019. The principal members of LTYR will also perform key management and sales roles in California. LTYR will continue to generate revenues and expand its existing relationships with over 120 licensed dispensaries throughout California. Concurrently, CPL purchased a 4,200 sq. ft. warehouse in Long Beach, California that, once licensed and operational, will serve as an additional distribution hub for the Company and will expand the Company's distribution reach from the southern border to San Francisco. The City of Long Beach is a cannabis-friendly region and the warehouse is situated in an industrial district that has been zoned for cannabis business operations. Renovations and receipt of licensing requirements are expected to be completed in Q2 2019. Completion of the acquisition remains subject to a number of conditions including, among other things: the negotiation and execution of a definitive agreement between the Company and LTYR, completion of due diligence and receipt of regulatory approvals, including approval of the CSE.

U.S. Activities

The following table, dated as of September 30, 2018, presents a quantification of the Company's balance sheet and operating statement exposure to U.S. marijuana-related activities, compared with Canadian activities and U.S. non-marijuana-related activities.

000s	**Amount ($)**	**Canadian activities (%)**	**US marijuana-related activities (%)**	**US Non-marijuana-related activities (%)**
Cash	3,889	86	0	14
Accounts receivable	2,341	49	5	46
Inventory	1,352	4	69	27
Prepaids	1,619	28	61	11
Deposits	1,491	13	75	12
PP&E	49,112	52	47	1
Intangibles	22,902	29	62	9
Goodwill	17,639	82	0	18
Total assets	**100,345**	**53**	**42**	**5**

Accounts payable	10,782	61	27	12
Deferred revenue	236	0	16	84
Short term loans	3,492	100	0	0
Provisions	121	47	0	53
Convertible debenture	8,870	100	0	0
Warrant liability	1,098	100	0	0
Finance lease	11,270	0	100	0
Deferred income taxes	1,137	100	0	0
Total liabilities	**37,006**	**57**	**38**	**5**
Revenue	13,372	63	1	36
Gross margin	6,986	89	0	11
SG&A	25,512	78	6	16
Finance costs	1,267	99	0	1
Tax recovery	(120)	100	0	0

U.S. Regulatory Regime

The Cole Memo

On August 29, 2013, in response to the medical cannabis legalization initiatives in several states, the US Department of Justice ("**DOJ**") prepared and issued the *Cole Memo* as guidance to federal prosecutors concerning medical cannabis enforcement under the CSA (the "**Cole Memo**"). The DOJ identified the most significant threats posed by cannabis activity that federal law enforcement, including in the use of federal funds, should prioritize:

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

The Cole Memo explains that outside of the eight listed enforcement priorities, the federal government should rely upon state and local law enforcement to address cannabis activity through enforcement of each state's respective narcotics laws. In relevant part, the Cole Memo states the following:

"In jurisdictions that have enacted laws legalizing marijuana in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of marijuana in compliance with those laws and regulations is less likely to threaten the federal priorities set forth above . . . [a] robust system may affirmatively address those priorities by, for example, implementing effective measures to prevent diversion of marijuana outside of the regulated system, prohibiting access to marijuana by minors, replacing an illicit marijuana trade

with a tightly regulated market in which revenues are tracked . . . [i]n those circumstances, state and local law enforcement shall remain the primary means of addressing marijuana-related activity."

United States v. McIntosh

Under the U.S. Ninth Circuit's Holding in *United States v. McIntosh* (9th Cir. 2016) ("***McIntosh***"), the DOJ is prohibited from spending federal funds to prosecute individuals whose conduct is permitted by and complies with State medical cannabis laws.

In *McIntosh*, the defendants faced federal indictments under the CSA due to their involvement in medical cannabis cultivation, manufacturing and dispensing. The defendants challenged their indictments on the basis that such prosecution violated the Rohrabacher-Blumenauer Amendment, an omnibus appropriations bill enacted by Congress in December 2014 (the "**RBA**"), dictates the following:

"None of the funds made available in this Act to the Department of Justice may be used with respect to the States of . . . California, . . . to prevent such States from implementing their own State laws that authorize the use, distribution, possession, or cultivation of medical marijuana."

The Ninth Circuit, in deciding whether the prosecutions of the defendant violated the RBA, focused on the plain meaning of the specific text, specifically, "prevent such states from implementing their own State laws that authorize the use, distribution, possession, or cultivation of medical marijuana." The Ninth Court rejected the DOJ's argument that prosecuting private individuals does not prevent the medical cannabis "States from implementing their own [medical cannabis laws]." In an important and telling passage, the Court stated:

"By officially permitting certain conduct, state law provides for non-prosecution of individuals who engage in such conduct. If the federal government prosecutes such individuals, it has prevented the state from giving practical effect to its law providing for non-prosecution of individuals who engage in the permitted conduct."

Thus, the Ninth Circuit concluded that, at a minimum, the RBA prohibits the DOJ from spending federal funds for the prosecution of individuals who engaged in medical commercial cannabis activity permitted by the state's medical cannabis laws and fully complied with those medical cannabis laws.

While the Ninth Circuit's holding is limited in geographic scope, the Company's California operations fall under the jurisdiction of the Ninth Circuit, where the *McIntosh* case is legal precedent. The Company's planned operations comply with MAUCRSA (as defined below), pursuant to the ruling in *McIntosh*, the Company believes it can assert the ruling as a defense against any federal prosecution.

Extension of the RBA

In its *McIntosh* ruling, the Ninth Circuit recognized the temporal nature of the RBA. Because it is part of an omnibus bill and is a budget rider, it must be renewed by Congress each year to remain in effect. This makes its longevity a political issue. The Ninth Circuit did indicate that this temporary lack of funding could become a more permanent lack of funds if Congress continues to include the same rider in future appropriations bills.

On July 27, 2017, the Senate Appropriations Committee approved the rider by a voice vote, indicating that it was not controversial among the panel's members. The Senate Appropriations Committee includes 16 Republicans and rejected a recent personal plea by former Attorney General Jeff Sessions to let the amendment lapse.

The political atmosphere appears to favor the continuing extension of the RBA for future spending bills, though of course no assurance can be given in this regard. The RBA was renewed until December 8, 2017. Further, the Congressional Cannabis Caucus, a bipartisan coalition organized to promote reform in the legal cannabis industry, is advocating for the continual extension of the RBA. In April 2017, forty-four members of Congress signed a letter explicitly requesting that the RBA be included in all future spending bills. As one political commentator recently stated, the renewal of the RBA "demonstrates Congress' recognition that marijuana is legitimate medicine and demonstrates their continued deference to the . . . states . . . which have each determined that medical marijuana is a valid form of medical treatment," and that the

renewal is evidence of Congress' belief that states are capable of, and have demonstrated their capacity, to maintain well-regulated cannabis economies. There can be no certainty whatsoever that Congressional action will occur.

The Sessions Memo

On January 4, 2018, former Attorney General Jeff Sessions and the DOJ issued a Memorandum for all United States Attorneys entitled "Marijuana Enforcement" (the "**Sessions Memo**"). The effect of the Sessions Memo has been to rescind the guidance issued on August 29, 2013 relative to medical marijuana enforcement under the Cole Memo.

The Sessions Memo instructs federal prosecutors to disregard the previous Obama-era Cole Memo guidance, and instead follow "the well-established principles that govern all federal prosecutions . . . as reflected in chapter 9-27.000 of the U.S. Attorney's Manual." The Sessions Memo continues, stating, "[t]hese principles require federal prosecutors deciding which cases to prosecute to weigh all relevant considerations, including federal law enforcement priorities set by the Attorney General, the seriousness of the crime, the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes in the community."

The effect of the Cole Memo's rescission remains to be seen. Since 1980, when chapter 9-27.000 of the U.S. Attorney's Manual was originally promulgated, the United States has undergone a dramatic shift in both national and state-level marijuana policy. In 1980, there were zero (0) states in the U.S. with marijuana decriminalization or legalization statutes. Today, thirty (30) states and the District of Columbia have enacted medical marijuana legislation in some form, with additional states considering similar legalization measures. As a result, the manner in which the factors identified in chapter 9-27.000 of the U.S. Attorney's Manual (e.g. "seriousness of the crime," "deterrent effect of criminal prosecution," and cumulative impact . . . in the community") are considered and interpreted today as a matter of prosecutorial discretion, will likely be different than the way in which they were considered and interpreted in 1980.

On the same day of the Sessions Memo's release, numerous government officials, legislators and federal prosecutors in states with medical and recreational marijuana statutes announced their intention to continue the Cole Memo-era status quo despite the DOJ's decision to rescind it. The impact that this lack of uniformity between state and federal authorities could have on individual state cannabis markets and the businesses that operate within them is unclear and the enforcement of relevant federal laws is a significant risk.

The Company will continue to abide by the tenets of the Cole Memo indefinitely, and strictly comply with all of the federal priorities listed under the Cole Memo, despite the fact that it has been rescinded. The Company views compliance with these federal government principles as an absolute necessity for both the success of the Company as well as the emergence of a successful regulated marketplace in the United States. Further, management will continue to assess all considerations relevant to federal law enforcement priorities in this arena, and to monitor all related political and regulatory developments.

California Regulations

Through its passage of Senate Bill No. 94 in June 2017 ("**SB94**"), the repeal of the *Medical Cannabis Regulation and Safety Act* and the amendment of the *Adult Use of Marijuana Act*, California has consolidated two distinct laws into a single law known as the *Medicinal and Adult-Use Cannabis Regulation and Safety Act* ("**MAUCRSA**"). MAUCRSA consolidated three separate regulatory bodies (the Department of Food and Agriculture, the Department of Consumer Affairs, and the Department of Public Health) into a single regulatory system for both medicinal and adult use cannabis. As such, California has created a comprehensive regulatory framework that addresses the DOJ's priorities and governs commercial cannabis activity the same, regardless of whether it is medicinal or recreational cannabis activity.

SB94 imposes requirements to ensure medical cannabis products and revenues are not diverted to non-patients, minors, felons, and across state lines. It also requires a track-and-trace program from seed-to-sale to ensure illicit cannabis cannot enter the regulated marketplace. California's regulatory controls and system in the medical cannabis industry addresses the key federal enforcement priorities set forth in the Cole Memo, including preventing diversion to minors and across state lines, and preventing revenue streams to criminal enterprises.

Under the new regulations, the Company will be required to pursue a state license in California in addition to its licenses granted by Cathedral City.

The Company believes California state law enforcement (and regulatory agencies) will be respected as the primary enforcer of medical cannabis regulations despite the rescission of the Cole Memo. The Company operates within the framework of MAUCRSA and believes it should not trigger any one of the federal enforcement priorities enumerated under the Cole Memo or under chapter 9-27.000 of the U.S. Attorney's Manual.

The Company has retained U.S. legal counsel in order to monitor the California state regulatory regime and proactively advise management and the Board on ongoing regulatory matters.

RISK FACTORS

The risks and uncertainties described are not the only ones the Company faces. If any of the following risks, or any other risks and uncertainties that we have not yet identified or that we currently consider not to be material, actually occur or become material risks, the Company's business, prospects, financial condition, results of operations and cash flows could be materially and adversely affected.

The Company is subject to significant regulatory risks with respect to its operations in the United States. See "Risk Factors Specifically Related to the United States Regulatory System."

Risks Generally Related to the Company

The Company is a development stage company with little operating history, a history of losses and the Company cannot assure profitability.

The Company's business is comprised of several recently-acquired subsidiaries. As such, the Company recognized approximately $13.4 million of revenue and a net loss of approximately $18.0 million in the nine months ended September 30, 2018 based on limited operations. The Company has been incurring operating losses and cash flow deficits since the inception of such operations, as it attempts to create an infrastructure to capitalize on the opportunity for value creation that is emerging from the relaxing of state and local prohibitions on the cannabis industry in California and nationwide in Canada. The Company's lack of operating history, and the lack of historical pro-forma combined financial information for the Company and its acquired subsidiaries, makes it difficult for investors to evaluate the Company's prospects for success. Prospective investors should consider the risks and difficulties the Company might encounter, especially given the Company's lack of an operating history or historical pro-forma combined financial information, there is no assurance that the Company will be successful and the likelihood of success must be considered in light of its relatively early stage of operations.

As the Company has only just begun to generate revenue, it is extremely difficult to make accurate predictions and forecasts of its finances. This is compounded by the fact the Company intends to operate in the cannabis industry, which is rapidly transforming. There is no guarantee that the Company's products or services will be attractive to potential consumers.

Uncertainty about the Company's ability to continue as a going concern.

The Company is in the development stage and is currently seeking additional capital, mergers, acquisitions, joint ventures, partnerships and other business arrangements to expand its product offerings in the medical cannabis industry and grow its revenue. The Company's ability to continue as a going concern is dependent upon its ability in the future to grow its revenue and achieve profitable operations and, in the meantime, to obtain the necessary financing to meet its obligations and repay its liabilities when they become due. External financing, predominantly by the issuance of equity and debt, will be sought to finance the operations of the Company; however, there can be no certainty that such funds will be available at terms acceptable to the Company, or at all. These conditions indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

There is no assurance that the Company will turn a profit or continue to generate revenues.

There is no assurance as to whether the Company will be profitable, continue to generate revenues, or pay dividends. The Company has incurred and anticipates that it will continue to incur substantial expenses relating to the development and initial operations of its business.

The payment and amount of any future dividends will depend upon, among other things, the Company's results of operations, cash flow, financial condition, and operating and capital requirements. There is no assurance that future dividends will be paid, and, if dividends are paid, there is no assurance with respect to the amount of any such dividends.

In the event that any of the Company's investments, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such investments in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada.

The Company had negative cash flow for the financial year ended December 31, 2017 and the nine months ended September 30, 2018.

The Company had negative operating cash flow for the financial year ended December 31, 2017 and the nine months ended September 30, 2018. To the extent that the Company has negative operating cash flow in future periods, it may need to allocate a portion of its cash reserves to fund such negative cash flow. The Company may also be required to raise additional funds through the issuance of equity or debt securities. There can be no assurance that the Company will be able to generate a positive cash flow from its operations, that additional capital or other types of financing will be available when needed or that these financings will be on terms favourable to the Company.

The Company's actual financial position and results of operations may differ materially from the expectations of the Company's management.

The Company's actual financial position and results of operations may differ materially from management's expectations. The Company has experienced some changes in its operating plans and certain delays in the timing of its plans. As a result, the Company's revenue, net income and cash flow may differ materially from the Company's projected revenue, net income and cash flow. The process for estimating the Company's revenue, net income and cash flow requires the use of judgment in determining the appropriate assumptions and estimates. These estimates and assumptions may be revised as additional information becomes available and as additional analyses are performed. In addition, the assumptions used in planning may not prove to be accurate, and other factors may affect the Company's financial condition or results of operations.

The Company expects to incur significant ongoing costs and obligations related to its investment in infrastructure, growth, regulatory compliance and operations.

The Company expects to incur significant ongoing costs and obligations related to its investment in infrastructure and growth and for regulatory compliance, which could have a material adverse impact on the Company's results of operations, financial condition and cash flows. In addition, future changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company. The Company's efforts to grow its business may be costlier than expected, and the Company may not be able to increase its revenue enough to offset its higher operating expenses. We may incur significant losses in the future for a number of reasons, including the other risks described in this AIF, and unforeseen expenses, difficulties, complications and delays, and other unknown events. If we are unable to achieve and sustain profitability, the market price of the Common Shares may significantly decrease.

There are factors which may prevent the Company from the realization of growth targets.

The Company is currently in the expansion from early development stage. The Company's growth strategy contemplates advancing the Sunniva California Campus, the Extraction Facility and the Sunniva Canada Campus. There is a risk that these additional resources 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:

- 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;

- operational inefficiencies;

- 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 or storms.

In addition, the Company is reliant on the Genetics Agreement for the supply of cannabis genetic and propagating materials for the Sunniva California Campus. The termination of the Genetics Agreement would cause the Company to lose access to these materials, which could have a material adverse effect on the schedule and budget for the development and production at the Sunniva California Campus if another source for these materials is not readily available.

There are factors which may prevent the Company from completing certain strategic initiatives.

The Company is currently contemplating the Spin-Out to unlock the underlying value of the Company's assets. There is a risk that the Spin-Out will not be completed, as it can be adversely affected by a variety of factors, including, but not limited to, delays in obtaining, or conditions imposed by, regulatory approvals and third-party financing, for the Spin-Out. The failure to complete the Spin-Out could result in a material adverse effect on the business, results or operations and the financial condition of the Company.

The Company is reliant on obtaining and maintaining cultivation licenses to produce cannabis products in Canada.

The Company's ability to grow, store and sell medical marijuana and cannabis oil in Canada is dependent on securing the appropriate licenses with Health Canada. Failure to comply with the requirements of any license application or failure to obtain the appropriate licenses with Health Canada would have a material adverse impact on the future business, financial condition and operating results of the Company. There can be no guarantees that Health Canada will issue the required licenses.

If the Company fails to meet its contractual obligations under the Wholesale Agreement, this may have a material adverse effect on the Company.

The Company has entered into the Wholesale Agreement to sell cannabis produced at the Sunniva Canada Campus. If the Company fails to meet certain contractual obligations under the Wholesale Agreement, the Wholesale Agreement may be terminated. Such termination could result in a material adverse effect on the business, results or operations and the financial condition of the Company.

The Company is subject to changes in Canadian laws, regulations and guidelines which could adversely affect the Company's future business, financial condition and results of operations.

The Company's operations will be subject to various laws, regulations and guidelines relating to the manufacture, management, packaging/labelling, advertising, sale, transportation, storage and disposal of medical cannabis but also including laws and regulations relating to drugs, controlled substances, health and safety, the conduct of operations and the protection of the environment. Changes to such laws, regulations and guidelines due to matters beyond the control of the Company may cause adverse effects to its operations. The Company endeavours to comply with all relevant laws, regulations and guidelines. To the best of the Company's knowledge, the Company is in compliance or in the process of being assessed for compliance with all such laws, regulations and guidelines as described elsewhere in this AIF.

The Cannabis Act came into effect on October 17, 2018 and could materially and adversely affect the future business, financial condition and results of operations of the Company, as the legislation permits home cultivation, potentially easing barriers to entry into the Canadian recreational marijuana market and implements restrictions on advertising and branding. It is possible that such developments could significantly adversely affect the future business, financial condition and results of operations of the Company.

The impact of the potential development of an adult-use cannabis market in Canada on the Company's future business, financial condition and results of operations is uncertain.

The Cannabis Act allows individuals over the age of 18 to legally purchase, process and cultivate limited amounts of cannabis for adult use in Canada. As a result, individuals who currently rely upon the medical cannabis market to supply their medical cannabis and cannabis-based products may cease this reliance, and instead turn to the adult-use cannabis market to supply their cannabis and cannabis-based products.

Factors that will influence this decision include the price of medical cannabis products in relation to similar adult-use cannabis products, the amount of active ingredients in medical cannabis products in relation to similar adult-use cannabis products, the types of cannabis products available to adult users and limitations on access to adult-use cannabis products imposed by the regulations under the Cannabis Act and the legislation governing distribution of cannabis that is expected to be enacted by the individual provinces and territories of Canada. These factors will not be ascertainable until after the regulations under the Cannabis Act and the individual provincial and territorial legislation providing for the legalization of adult-use cannabis are implemented.

While existing holders of licenses relating to medical cannabis under the former ACMPR, including the Company, are automatically licensed under the Cannabis Act for these activities, other individuals and corporations are able to apply for such licenses. Moreover, in conjunction with the implementation of the Cannabis Act, the ACMPR regulation of cannabis for medical purposes is being reviewed. The effect on the Company's business, and the cannabis market in general, as a result of this review is uncertain.

The Company's business plan involves a number of strategic relationships. If these relationships do not materialize, the Company may be unable to sell its products.

The Company's business plan contemplates several strategic relationships that may not necessarily materialize in the course of the Company's business, particularly with respect to the Sunniva California Campus, the Extraction Facility and the Sunniva Canada Campus. These relationships are expected to be critical to the design and construction of the Sunniva California Campus, the Extraction Facility, the Sunniva Canada Campus and the development, manufacture, marketing and distribution of the Company's products. If these relationships are unsuccessful, or if the Company is unsuccessful in establishing them, the Company may be unable to effectively develop, manufacture, market and distribute its products in accordance with its business plan.

The Company may not be able to develop its products, which could prevent it from ever becoming profitable.

If the Company cannot successfully develop, manufacture and distribute its products, or if the Company experiences difficulties in the development process, such as capacity constraints, quality control problems or other disruptions, the Company may not be able to develop market-ready commercial products at acceptable costs, which would adversely affect the Company's ability to effectively enter the market. A failure by the Company to achieve a low-cost structure through economies of scale or improvements in cultivation and manufacturing processes would have a material adverse effect on the Company's commercialization plans and the Company's business, prospects, results of operations and financial condition.

The Company's officers and directors control a large percentage of the Company's issued and outstanding Common Shares and such officers and directors may have the ability to control matters affecting the Company and its business.

As at December 15, 2018, the executive officers and directors of the Company owned approximately 23.93% of the issued and outstanding Common Shares. The Company's shareholders nominate and elect the Board, which generally has the ability to control the acquisition or disposition of the Company's assets, and the future issuance of its Common Shares or

other securities. Accordingly, for any matters with respect to which a majority vote of the Common Shares may be required by law, the Company's directors and officers may have the ability to control such matters. Because the directors and officers control a substantial portion of such Common Shares, investors may find it difficult or impossible to replace the Company's directors if they disagree with the way the Company's business is being operated.

The Company may not be able to effectively manage its growth and operations, which could materially and adversely affect its business.

The Company has grown by acquisition. If the Company implements its business plan as intended, it may in the future experience rapid growth and development in a relatively short period of time. The management of this growth will require, among other things, continued development of the Company's financial and management controls and management information systems, stringent control of costs, the ability to attract and retain qualified management personnel and the training of new personnel. The Company intends to utilize outsourced resources, and hire additional personnel, to manage its expected growth and expansion. Failure to successfully manage its possible growth and development could have a material adverse effect on the Company's business and the value of the Common Shares.

The Company may be unable to adequately protect its proprietary and intellectual property rights, particularly in the U.S.

The Company's ability to compete may depend on the superiority, uniqueness and value of any intellectual property and technology that it may develop. To the extent the Company is able to do so, to protect any proprietary rights of the Company, the Company intends to rely on a combination of patent, trademark, copyright and trade secret laws, confidentiality agreements with its employees and third parties, and protective contractual provisions. Despite these efforts, any of the following occurrences may reduce the value of any of the Company's intellectual property:

- the market for the Company's products and services may depend to a significant extent upon the goodwill associated with its trademarks and trade names, and its ability to register its intellectual property under U.S. federal and state law is impaired by the illegality of cannabis under U.S. federal law;

- patents in the cannabis industry involve complex legal and scientific questions and patent protection may not be available for some or any products;

- the Company's applications for trademarks and copyrights relating to its business may not be granted and, if granted, may be challenged or invalidated;

- issued patents, trademarks and registered copyrights may not provide the Company with competitive advantages;

- the Company's efforts to protect its intellectual property rights may not be effective in preventing misappropriation of any its products or intellectual property;

- the Company's efforts may not prevent the development and design by others of products similar to or competitive with, or superior to those the Company develops;

- another party may obtain a blocking patent and the Company would need to either obtain a license or design around the patent in order to continue to offer the contested feature or service in its products; or

- the expiration of patent or other intellectual property protections for any assets owned by the Company could result in significant competition, potentially at any time and without notice, resulting in a significant reduction in sales. The effect of the loss of these protections on the Company and its financial results will depend, among other things, upon the nature of the market and the position of the Company's products in the market from time to time, the growth of the market, the complexities and economics of manufacturing a competitive product and regulatory approval requirements but the impact could be material and adverse.

The Company may be forced to litigate to defend its intellectual property rights, or to defend against claims by third parties against the Company relating to intellectual property rights.

The Company may be forced to litigate to enforce or defend its intellectual property rights, to protect its trade secrets or to determine the validity and scope of other parties' proprietary rights. Any such litigation could be very costly and could distract its management from focusing on operating the Company's business. The existence and/or outcome of any such litigation could harm the Company's business. Further, because the content of much of the Company's intellectual property concerns cannabis and other activities that are not legal in some state jurisdictions or under federal law, the Company may face additional difficulties in defending its intellectual property rights.

The Company may become subject to litigation, including for possible product liability claims, which may have a material adverse effect on the Company's reputation, business, results from operations, and financial condition.

The Company may be named as a defendant in a lawsuit or regulatory action. The Company may also incur uninsured losses for liabilities which arise in the ordinary course of business, or which are unforeseen, including, but not limited to, employment liability and business loss claims. Any such losses could have a material adverse effect on the Company's business, results of operations, sales, cash flow or financial condition.

Further, the administration of medical substances to humans can result in product liability claims by consumers. Product liability claims can be expensive, difficult to defend and may result in large judgments or settlements against the Company. The Company may not be able to obtain or maintain adequate insurance or other protection against potential liabilities arising from product sales. Product liability claims could also result in negative perception of the Company's products or other reputational damage which could have a material adverse effect on the Company's business, results of operations, sales, cash flow or financial condition.

The Company's operations are subject to environmental regulation in the various jurisdictions in which it operates.

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

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

Failure to comply with applicable environmental laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The Company may be required to compensate those suffering loss or damage due to its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

The Company faces competition from other companies where it will conduct business that may have higher capitalization, more experienced management or may be more mature as a business.

An increase in the companies competing in this industry could limit the ability of the Company to expand its operations. Current and new competitors may be better capitalized, have a longer operating history, have more expertise and may be able to develop higher quality equipment or products, at the same or a lower cost. The Company cannot provide assurances that it will be able to compete successfully against current and future competitors. Competitive pressures faced by the Company could have a material adverse effect on its business, operating results and financial condition. In addition, despite Canadian federal and state-level legalization of marijuana, illicit or "black-market" operations remain abundant and present substantial competition to the Company. In particular, illicit operations, despite being largely clandestine, are not required

to comply with the extensive regulations that the Company must comply with to conduct business, and accordingly may have significantly lower costs of operation.

If the Company is unable to attract and retain key personnel, it may not be able to compete effectively in the cannabis market.

The Company's success has depended and continues to depend upon its ability to attract and retain key management, including the Company's CEO, technical experts and sales personnel. The Company will attempt to enhance its management and technical expertise by continuing to recruit qualified individuals who possess desired skills and experience in certain targeted areas. The Company's inability to retain employees and attract and retain sufficient additional employees or engineering and technical support resources could have a material adverse effect on the Company's business, results of operations, sales, cash flow or financial condition. Shortages in qualified personnel or the loss of key personnel could adversely affect the financial condition of the Company, results of operations of the business and could limit the Company's ability to develop and market its cannabis-related products. The loss of any of the Company's senior management or key employees could materially adversely affect the Company's ability to execute its business plan and strategy, and the Company may not be able to find adequate replacements on a timely basis, or at all. The Company does not maintain key person life insurance policies on any of its employees.

There is no assurance that the Company will obtain and retain any relevant licenses.

State licenses in the U.S. are subject to ongoing compliance and reporting requirements. Failure by the Company to comply with the requirements of licenses or any failure to maintain licenses would have a material adverse impact on the business, financial condition and operating results of the Company. Should any state in which the Company considers a license important not grant, extend or renew such license or should it renew such license on different terms, or should it decide to grant more than the anticipated number of licenses, the business, financial condition and results of the operation of the Company could be materially adversely affected.

Further, the Company's ability to grow, store and sell cannabis in Canada is dependent on the ability of the Company to obtain a license to do so from Health Canada. The Company does not currently hold a license from Health Canada and there can be no assurance that the Company will receive such a license in a timely manner, or at all. The licenses, once issued, are subject to ongoing compliance and reporting requirements. Failure to comply with the requirements would have a material adverse impact on the business, financial condition and operating results of the Company.

Failure to successfully integrate acquired businesses, their products and other assets into the Company, or if integrated, failure to further the Company's business strategy, may result in the Company's inability to realize any benefit from such acquisitions.

The Company has grown by acquiring businesses, including its NHS medical clinics, CPL and its intended cultivation, processing and dispensary business, and FSD's vaporization device business. The consummation and integration of any acquired business, product or other assets into the Company may be complex and time-consuming and, if such businesses and assets are not successfully integrated, the Company may not achieve the anticipated benefits, cost-savings or growth opportunities. Furthermore, these acquisitions and other arrangements, even if successfully integrated, may fail to further the Company's business strategy as anticipated, expose the Company to increased competition or other challenges with respect to the Company's products or geographic markets, and expose the Company to additional liabilities associated with an acquired business, technology or other asset or arrangement.

When the Company acquires cannabis businesses, it may obtain the rights to applications for licenses as well as licenses; however, the procurement of such applications for licenses and licenses generally will be subject to governmental and regulatory approval. There are no guarantees that the Company will successfully consummate such acquisitions, and even if the Company consummates such acquisitions, the procurement of applications for licenses may never result in the grant of a license by any state or local governmental or regulatory agency and the transfer of any rights to licenses may never be approved by the applicable state and/or local governmental or regulatory agency.

The size of the Company's target market is difficult to quantify and investors will be reliant on their own estimates on the accuracy of market data.

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

The Company's industry is experiencing rapid growth and consolidation that may cause the Company to lose key relationships and may intensify competition.

The cannabis industry is undergoing rapid growth and substantial change, which has resulted in an increase in competitors, consolidation and formation of strategic relationships. Acquisitions or other consolidating transactions could harm the Company in a number of ways, including by losing strategic partners if they are acquired by or enter into relationships with a competitor, losing customers, revenue and market share, or forcing the Company to expend greater resources to meet new or additional competitive threats, all of which could harm the Company's operating results. As competitors enter the market and become increasingly sophisticated, competition in the Company's industry may intensify and place downward pressure on retail prices for its products and services, which could negatively impact its profitability.

The Company may continue to sell securities for cash to fund operations, capital expansion, mergers and acquisitions that will dilute the current shareholders.

There is no guarantee that the Company will be able to achieve its business objectives. The continued development of the Company will require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of current business objectives or the Company going out of business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company.

If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Common Shares. The Company's articles permit the issuance of an unlimited number of Common Shares, and shareholders will have no pre-emptive rights in connection with such further issuance. The directors of the Company have discretion to determine the price and the terms of issue of further issuances. Moreover, additional Common Shares will be issued by the Company on the exercise of options under the Company's stock option plan and upon the exercise of outstanding warrants. In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other companies. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. The Company may require additional financing to fund its operations to the point where it is generating positive cash flows. Negative cash flow may restrict the Company's ability to pursue its business objectives.

The Company may not have sufficient cash resources or be able to secure all necessary financing in time to begin, continue and complete the Sunniva Canada Campus on schedule.

The Company may need to raise additional funds through public or private debt and equity financings in order to construct the Sunniva Canada Campus. While several provincial credit unions have provided credit facilities to LPs, Schedule I chartered banks in Canada have been reluctant to advance credit facilities and term debt to LPs, and therefore, there is more limited availability to raise capital through debt financing. Any capital raised through debt financing would require the Company to make periodic interest payments and may impose restrictive covenants on the conduct of the Company's business.

There is no assurance that debt or equity financing will be available on terms favourable to the Company, or at all. A failure to obtain necessary funding may prevent the Company from constructing the Sunniva Canada Campus on the proposed schedule.

The Company currently has insurance coverage; however, because the Company operates within the cannabis industry, there are additional difficulties and complexities associated with such insurance coverage.

The Company believes that it and its subsidiaries currently have insurance coverage with respect to workers' compensation, general liability, directors' and officers' insurance, fire and other similar policies customarily obtained for businesses to the extent commercially appropriate; however, because the Company is engaged in and operates within the cannabis industry, there are exclusions and additional difficulties and complexities associated with such insurance coverage that could cause the Company to suffer uninsured losses, which could adversely affect the Company's business, results of operations, and profitability. There is no assurance that the Company will be able to fully utilize such insurance coverage, if necessary.

The cultivation of cannabis includes risks inherent in an agricultural business including the risk of crop loss, sudden changes in environmental conditions, equipment failure, product recalls and others.

The Company's future business involves the growing of cannabis, an agricultural product. Such business will be subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. Although the Company expects that any such growing will be completed indoors under climate-controlled conditions, there can be no assurance that natural elements will not have a material adverse effect on any such future production.

The cultivation of cannabis involves a reliance on third party transportation which could result in supply delays, unreliability of delivery and other related risks.

In order for customers of the Company to receive their product, the Company will rely on third party transportation services. This can cause logistical problems with and delays in patients obtaining their orders and cannot be directly controlled by the Company. Any delay by third party transportation services may adversely affect the Company's financial performance.

Moreover, security of the product during transportation to and from the Company's facilities is critical due to the nature of the product. A breach of security during transport could have material adverse effects on the Company's business, financials and prospects. Any such breach could impact the Company's future ability to continue operating under its licenses or the prospect of renewing its licenses.

The Company may be subject to product recalls for product defects self-imposed or imposed by regulators.

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure. If any of the Company's products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the 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 significant brands were subject to recall, the image of that brand and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

The Company is reliant on key inputs, such as water and utilities, and any interruption of these services could have a material adverse effect on the Company's finances and operation results.

The Company's business is dependent on a number of key inputs and their related costs including raw materials and supplies related to its growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Company. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of the Company.

The expansion of the medical cannabis industry may require new clinical research into effective medical therapies, when such research has been restricted in the U.S. and is new to Canada.

Research in Canada, the U.S. and internationally regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis or isolated cannabinoids (such as CBD and THC) remains in its early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids (such as CBD and THC). Although the Company believes that there are articles, reports and studies that support its beliefs regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding, and perceptions relating to, cannabis. Given these risks, uncertainties and assumptions, investors should not place undue reliance on such articles and reports. Future research studies and clinical trials may draw opposing conclusions to those stated in this AIF or reach negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to medical cannabis, which could have a material adverse effect on the demand for the Company's products with the potential to lead to a material adverse effect on the Company's business, financial condition and results of operations.

Under California and Canadian regulations, a LP of cannabis has restrictions on the type and form of marketing it can undertake, which could materially impact sales performance.

The development of the Company's future business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by Health Canada or U.S. regulatory authorities. The regulatory environment in Canada limits the Company's ability to compete for market share in a manner similar to other industries. The regulatory environment in California may in the future also restrict the type and form of marketing which could limit the Company's ability to compete for market share. 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 sales and operating results could be adversely affected.

The Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims against the Company.

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

The Company will be reliant on information technology systems and may be subject to damaging cyber-attacks.

The Company has entered into agreements with third parties for hardware, software, telecommunications and other information technology ("**IT**") services in connection with its operations. The Company's operations depend, in part, on how well it and its suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations.

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

The Company may be subject to breaches of security at its facilities, or in respect of electronic documents and data storage and may face risks related to breaches of applicable privacy laws.

Given the nature of the Company's product and its lack of legal availability outside of channels approved by the Government of Canada, as well as the concentration of inventory in its facilities, despite meeting or exceeding Health Canada's security requirements, there remains a risk of shrinkage as well as theft. A security breach at one of the Company's facilities could expose the Company to additional liability and to potentially costly litigation, increase expenses relating to the resolution and future prevention of these breaches and may deter potential patients from choosing the Company's products.

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

In addition, there are a number of federal and provincial laws protecting the confidentiality of certain patient health information, including patient records, and restricting the use and disclosure of that protected information. In particular, the privacy rules protect medical records and other personal health information by limiting the use and disclosure of health information to the minimum level reasonably necessary to accomplish the intended purpose. If the Company was found to be in violation of the privacy or security rules or other laws protecting the confidentiality of patient health information, it could be subject to sanctions and civil or criminal penalties, which could increase its liabilities, harm its reputation and have a material adverse effect on the business, results of operations and financial condition of the Company. The Company is also subject to U.S. privacy and security laws and if the Company was found to be in violation of applicable U.S. privacy or security laws it could have a material adverse effect on the business, results of operations and financial condition of the Company.

The Company's officers and directors may be engaged in a range of business activities resulting in conflicts of interest.

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

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

In certain circumstances, the Company's reputation could be damaged.

Damage to the Company's reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views regarding the Company and its activities, whether true or not. Although the Company believes that it operates in a manner that is respectful to all stakeholders and that it takes care in protecting its image and reputation, the Company does not ultimately have direct control over how it is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Company's overall ability to advance its projects, thereby having a material adverse impact on financial performance, financial condition, cash flows and growth prospects.

Risk Factors Specifically Related to the United States Regulatory System

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

Although certain states and territories of the U.S. authorize medical or recreational cannabis production and distribution by licensed or registered entities, under U.S. federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal and any such acts are criminal acts under federal law under any and all circumstances under the CSA. An investor's contribution to and involvement in such activities may result in federal civil and/or criminal prosecution, including forfeiture of his, her or its entire investment.

Since the possession and use of cannabis and any related drug paraphernalia is illegal under U.S. federal law, the Company may be deemed to be aiding and abetting illegal activities through the contracts it has entered into and the products that it intends to provide. The Company intends to manufacture, distribute and sell medical cannabis. As a result, U.S. law enforcement authorities, in their attempt to regulate the illegal use of cannabis and any related drug paraphernalia, may seek to bring an action or actions against the Company, including, but not limited, a claim regarding the Company's possession, use and sale of cannabis, and aiding and abetting another's criminal activities. The Federal aiding and abetting statute provides that anyone who "commits an offense against the United States or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal." As a result of such an action, the Company may be forced to cease operations and its investors could lose their entire investment. Such an action would have a material negative effect on the Company's business and operations. The enforcement of relevant U.S. federal laws is a significant risk.

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

Until September 2018, the DOJ was prohibited from expending any funds for the prosecution of medical cannabis businesses operating in compliance with state and local laws pursuant to the Rohrabacher-Leahy Amendment, ("**RLA**"). If the RLA or an equivalent thereof is not successfully amended to the next or any subsequent federal omnibus spending bill, the protection afforded thereby to U.S. medical cannabis businesses would lapse, and such businesses would be more at risk to prosecution under federal law. There is a possibility that all amendments may be banned from federal omnibus spending bills, and if this occurs and the substantive provisions of the RLA are not included in the base federal omnibus spending bill or other law, these protections would lapse. The Company regularly monitors the regulatory activities of Congress. Fully 62% of the combined House of Representatives and the Senate represent states with medical marijuana laws enacted or in process.

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

There is significant uncertainty surrounding the policies of President Donald Trump and the Trump Administration or the policies of any future Presidential Administration about recreational and medical cannabis.

On January 4, 2018, Former Attorney General Jeff Sessions and the DOJ issued the Sessions Memo. The effect of the Sessions Memo has been to rescind the guidance issued on August 29, 2013 relative to medical marijuana enforcement under the Cole Memo. The effect of the Cole Memo's rescission remains to be seen. On the same day of the Sessions Memo's release, numerous government officials, legislators and federal prosecutors in states with medical and recreational marijuana statutes announced their intention to continue the Cole-Memo-era status quo despite the DOJ's decision to rescind it. The impact that this lack of uniformity between state and federal authorities could have on individual state cannabis markets and the businesses that operate within them is unclear and the enforcement of relevant federal laws is a significant risk.

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

The Company is operating at a regulatory frontier. The cannabis industry is a new industry that may not succeed.

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

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

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

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

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

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

The Company may not be able to obtain all necessary municipal California licenses and permits or complete construction of its facilities in a timely manner, which could, among other things, delay or prevent the Company from becoming profitable.

Construction of the Sunniva California Campus is subject to obtaining all necessary building permits, local business licenses and other necessary local approvals, including approval of individuals associated with the Company's management in connection with cultivation, marijuana manufacturing and dispensary licenses already held by CPL, a subsidiary of the Company. There can be no certainty such other permits and approvals will be granted, or, if granted, will be granted within the proposed timeframe or on terms expected by the Company. If such permits and approvals are not obtained within the proposed timeframe, the Company may not realize its expected benefits and could suffer adverse consequences, including loss of investor confidence and other material adverse effects on the Company's business.

The Company is reliant on its cultivation licenses in Cathedral City to produce cannabis products in California and will be reliant on its ability to secure licenses in the State of California under MAUCRSA in the future.

The Company's ability to grow, store and sell medical marijuana and cannabis oil in California is dependent on maintaining its licenses with Cathedral City and in securing its license with the State of California in the future. Failure to comply with the requirements of the regulators overseeing MAUCRSA would have a material adverse impact on the future business, financial condition and operating results of the Company. There can be no guarantees the State of California will issue the license.

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

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

Regulatory scrutiny of the Company's industry may negatively impact its ability to raise additional capital.

The Company's business activities rely on newly established and/or developing laws and regulations in multiple jurisdictions, including in California. These laws and regulations are rapidly evolving and subject to change with minimal notice. Regulatory changes may adversely affect the Company's profitability or cause it to cease operations entirely. The cannabis industry may come under the scrutiny or further scrutiny by the FDA, the Commission, the DOJ, the Financial Industry Regulatory Authority or other federal, California or other applicable state or non-governmental regulatory authorities or self-regulatory organizations that supervise or regulate the production, distribution, sale or use of cannabis for medical or non-medical purposes in the U.S. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any proposals will become law. The regulatory uncertainty surrounding the Company's industry may adversely affect the business and operations of the Company, including without limitation, the costs to remain compliant with applicable laws and the impairment of its ability to raise additional capital, create a public trading market in the U.S. for securities of the Company or to find a suitable acquirer, which could reduce, delay or eliminate any return on investment in the Company.

There is no assurance of success or profitability under the new legal and regulatory structure in California.

There are no assurances that the Company will be granted any licenses in the State of California or that its licenses granted by Cathedral City will be grandfathered into the new regulatory structure. The Company has not determined the extent to which the provisions of MAUCRSA will impact the Company, its business and its current and future operations. While California has legalized the sale of cannabis for medical use outside of cooperatives or collectives and the sale of cannabis for non-medical and for-profit business activities, the regulations relating to how cannabis businesses will be required to operate in the future in California are uncertain. Accordingly, there is no way to currently anticipate what the legal climate surrounding the Company's anticipated business plan will be at any point in the future and there is no assurance that the Company will operate profitably or generate revenues or profits that will permit the payment of dividends on or any increase in the value of the Common Shares.

California legislation states that once the regulations promulgated by the Bureau and any other California state agency that may become involved, are implemented, no person can engage in commercial cannabis-related activity without possessing both a state license and either a local permit, license or other authorization, or otherwise being in compliance with local law.

The process associated with acquiring a state license in California may become onerous and there are no assurances that the Company will be granted any state licenses at all. Previously, all applicants for a state license were required to show proof of compliance with local laws; however, pursuant to MAUCRSA, applicants may show prior compliance with local law prior to state licensure, but the burden has shifted to the city or county to alert the state within sixty (60) business days if such applicant is not in compliance with local laws. Although the Company believes it is currently, and will continue to be, in compliance with applicable state and local laws, there is no assurance that any city or county will not alert the state of any issues regarding the Company's compliance. Further, because there are different licenses for different types of commercial cannabis-related activities, even if the Company is granted one or more licenses, there are no assurances that it will be granted all the licenses it will need to implement the Company's business plan. The Company is planning to engage in lobbying local and California state officials to ensure that it has adequate representation in support of a future state license grant.

There are fees associated with acquiring, and renewing, licenses. However, the specific amount of such fees has yet to be determined and may vary based on several factors.

There are no assurances that, when the applicable time comes, the Company will have the capital necessary to acquire (or continue to renew) the licenses necessary to carry out its business plan. Given the necessity of such licenses, failure to possess the necessary licenses (regardless of the reason) would have a material impact on the financial condition of the Company.

Applicable legislation imposes state taxes on California's cannabis industry, and authorizes local jurisdictions to assess taxes and fees on such activities. There currently is no way to predict the tax regime that will apply when (and if) such legislation becomes effective.

MAUCRSA imposes an excise tax to be paid by the end-consumer and the dispensary; and a cultivation tax to be paid by cultivators on all harvested cannabis that enters the commercial market, in addition to any sales and use tax at the state and local level. The tax regime that is applicable to the Company's business, regardless of where the Company is in its development, will have a direct impact on its operations and profitability and, in extreme cases, may make pursuing the Company's expected business plan a futile endeavor. The Company is aware of and planning for the proposed tax structure imposed under MAUCRSA as part of its development plans in California.

The Company may incur significant tax liabilities if the IRS continues to determine that certain expenses of cannabis businesses are not permitted tax deductions under section 280E of the Tax Code.

Section 280E of the Tax Code prohibits businesses from deducting certain expenses associated with trafficking controlled substances (including cannabis) which are prohibited by federal law. The IRS has invoked Section 280E in tax audits against various cannabis businesses in the U.S. that are authorized under state laws, seeking substantial sums in tax liabilities, interest and penalties resulting from under payment of taxes due to the lack of deductibility of otherwise ordinary business

expenses, the deduction of which is prohibited by Section 280E. Although the IRS issued a clarification allowing the deduction of certain expenses that can be categorized as cost of goods sold, the scope of such items is interpreted very narrowly and include the cost of seeds, plants and labor related to cultivation, while the bulk of operating costs and general administrative costs are not permitted to be deducted. While there are currently several pending cases before various administrative and federal courts challenging these restrictions, there is no guarantee that these courts will issue an interpretation of Section 280E favorable to cannabis businesses. The Company's current financial plans include federal tax payable on gross profit rather than is typical in other jurisdictions on earnings before tax.

State and local laws and regulations may heavily regulate brands and forms of cannabis products and there is no guarantee that the Company's proposed products and brands will be approved for sale and distribution in any state.

States generally only allow the manufacture, sale and distribution of cannabis products that are grown in that state and may require advance approval of such products. Certain states and local jurisdictions have promulgated certain requirements for approved cannabis products based on the form of the product and the concentration of the various cannabinoids in the product. While the Company intends to follow the guidelines and regulations of each applicable state and local jurisdiction in preparing products for sale and distribution, there is no guarantee that such products will be approved to the extent necessary. If the products are approved, there is a risk that any state or local jurisdiction may revoke its approval for such products based on changes in laws or regulations or based on its discretion or otherwise. Following guidance under the now rescinded Cole Memo, the Company is not planning on the export of cannabis products beyond California. In the event the Company expands into other U.S. jurisdictions, it plans to undertake no cross-border commerce between states until the federal regulatory environment permits such commerce to occur.

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

In February 2014, the Financial Crimes Enforcement Network ("**FinCEN**") bureau of the U.S. Treasury Department issued guidance (which is not law) with respect to financial institutions providing banking services to cannabis business, including burdensome due diligence expectations and reporting requirements. This guidance does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the DOJ, FinCEN or other federal regulators. Thus, most banks and other financial institutions do not appear to be comfortable providing banking services to cannabis-related businesses, or relying on this guidance, which can be amended or revoked at any time by the Trump Administration. In addition to the foregoing, banks may refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis-related businesses. As a result, the Company may have limited or no access to banking or other financial services in the U.S., and may have to operate the Company's U.S. business on an all-cash basis. The inability or limitation in the Company's ability to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments, may make it difficult for the Company to operate and conduct its business as planned. The Company is actively pursuing alternatives that ensure its operations will continue to be compliant with the FinCEN guidance and existing disclosures around cash management and reporting to the IRS once it moves from development into production.

The Company is reliant on third-party suppliers, manufacturers and contractors.

The Company intends to maintain a full supply chain for the provision of products and services to the medical cannabis industry and construct and operate the Extraction Facility, the Sunniva California Campus and the Sunniva Canada Campus. Due to the uncertain regulatory landscape for regulating cannabis in Canada and the United States, the Company's third-party suppliers, manufacturers and contractors may elect, at any time, to decline or withdraw services necessary for the Company's operations. Loss of these suppliers, manufacturers and contractors may have a material adverse effect on the Company's business and operational results.

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

Because the manufacture, distribution, and dispensation of cannabis remains illegal under the CSA, banks and other financial institutions providing services to cannabis-related businesses risk violation of federal anti-money laundering statutes (18 U.S.C. §§ 1956 and 1957), the unlicensed money-remitter statute (18 U.S.C. § 1960) and the *U.S. Bank Secrecy*

Act. These statutes can impose criminal liability for engaging in certain financial and monetary transactions with the proceeds of a "specified unlawful activity" such as distributing controlled substances which are illegal under federal law, including cannabis, and for failing to identify or report financial transactions that involve the proceeds of cannabis-related violations of the CSA. The Company may also be exposed to the foregoing risks.

Any re-classification of cannabis or changes in U.S. controlled substance laws and regulations may affect the Company's business.

If cannabis and/or CBD is re-categorized as a Schedule II or lower controlled substance, the ability to conduct research on the medical benefits of cannabis would most likely be simpler and more accessible; however, if cannabis is re-categorized as a Schedule II or other controlled substance, the resulting re-classification would result in the requirement for FDA approval if medical claims are made for the Company's products such as medical cannabis. As a result, the manufacture, importation, exportation, domestic distribution, storage, sale and use of such products may be subject to a significant degree of regulation by the DEA. In that case, the Company may be required to be registered (licensed) to perform these activities and have the security, control, recordkeeping, reporting and inventory mechanisms required by the DEA to prevent drug loss and diversion. Obtaining the necessary registrations may result in delay of the manufacturing or distribution of the Company's anticipated products. The DEA conducts periodic inspections of certain registered establishments that handle controlled substances. Failure to maintain compliance could have a material adverse effect on the Company's business, financial condition and results of operations. The DEA may seek civil penalties, refuse to renew necessary registrations, or initiate proceedings to restrict, suspend or revoke those registrations. In certain circumstances, violations could lead to criminal proceedings. Furthermore, if the FDA, DEA, or any other regulatory authority determines that the Company's products may have potential for abuse, it may require the Company to generate more clinical or other data than the Company currently anticipates establishing whether or to what extent the substance has an abuse potential, which could increase the cost and/or delay the launch of that product. The Company is planning to construct cGMP-compliance facilities in both Canada and California which meet or exceed most regulatory requirements.

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

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

U.S. federal trademark and patent protection may not be available for the intellectual property of the Company due to the current classification of cannabis as a Schedule I controlled substance.

As long as cannabis remains illegal under U.S. federal law as a Schedule I controlled substance pursuant to the CSA, the benefit of certain federal laws and protections which may be available to most businesses, such as federal trademark and patent protection regarding the intellectual property of a business, may not be available to the Company. As a result, the Company's intellectual property may never be adequately or sufficiently protected against the use or misappropriation by third-parties. In addition, since the regulatory framework of the cannabis industry is in a constant state of flux, the Company can provide no assurance that it will ever obtain any protection of its intellectual property, whether on a federal, state or local level.

The Company's contracts may not be legally enforceable in the United States.

Because the Company's contracts involve cannabis and other activities that are not legal under U.S. federal law and in some jurisdictions, the Company may face difficulties in enforcing its contracts in U.S. federal and certain state courts.

The Company may lack access to United States bankruptcy protections.

Because cannabis is a Schedule I substance under the CSA, many courts have denied cannabis businesses federal bankruptcy protections, making it difficult for lenders to be made whole on their investments in the cannabis industry in the event of a

bankruptcy. If the Company were to experience a bankruptcy, there is no guarantee that United States federal bankruptcy protections would be available to the Company, which would have a material adverse effect.

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

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

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

Company directors, officers or employees traveling from Canada to the United States for the benefit of the Company may encounter enhanced scrutiny by United States immigration authorities that may result in the employee not being permitted to enter the United States for a specified period of time. If this happens to Company directors, officers or employees, then this may reduce our ability to manage our business effectively in the United States. The Company has retained counsel and has policies in place to deal with any immigration-related issues as they may arise.

Risks Related to the Company's Securities

The market price for Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control.

The market price for Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control, including the following:

- actual or anticipated fluctuations in the Company's quarterly results of operations;
- recommendations by securities research analysts;
- changes in the economic performance or market valuations of companies in the industry in which the Company operates;
- addition or departure of the Company's executive officers and other key personnel;
- release or expiration of lock-up or other transfer restrictions on outstanding Common Shares;
- sales or perceived sales of additional Common Shares;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or the Company's competitors;
- fluctuations to the costs of vital production materials and services;

- changes in global financial markets and global economies and general market conditions, such as interest rates and pharmaceutical product price volatility;

- operating and share price performance of other companies that investors deem comparable to the Company or from a lack of market comparable companies;

- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Company's industry or target markets; and

- regulatory changes in the industry.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Common Shares may decline even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which might 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 affected and the trading price of the Common Shares might be materially adversely affected.

The Company is subject to uncertainty regarding legal and regulatory status and changes.

Achievement of the Company's Canadian and U.S. business objectives is also contingent, in part, upon compliance with other regulatory requirements enacted by governmental authorities and obtaining other required regulatory approvals. The regulatory regime applicable to the cannabis business in Canada and the U.S. is currently undergoing significant proposed changes and the Company cannot predict the impact of the regime on its business once the structure of the regime is finalized. Similarly, the Company cannot predict the timeline required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failing to obtain, required regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the business, results of operations and financial condition of the Company. The Company will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions on the Company's operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

The Company does not anticipate paying cash dividends.

The Company's current policy is to retain earnings to finance the development and enhancement of the Company's products and to otherwise reinvest in the Company. Therefore, we do not anticipate paying cash dividends on the Common Shares in the foreseeable future. The Company's dividend policy will be reviewed from time to time by the Board in the context of the Company's earnings, financial condition and other relevant factors. Until the time that we do pay dividends, which we might never do, the Company's shareholders will not be able to receive a return on their Common Shares unless they sell them.

Future sales of Common Shares by existing shareholders could reduce the market price of the Company's shares.

Sales of a substantial number of Common Shares in the public market could occur at any time. These sales, or the market perception that the holders of a large number of Common Shares intend to sell Common Shares, could reduce the market price of the Common Shares. Additional Common Shares may be available for sale into the public market, subject to applicable securities laws, which could reduce the market price for Common Shares. Holders of options will have an immediate income inclusion for tax purposes when they exercise their options (that is, tax is not deferred until they sell the underlying Common Shares). As a result, these holders may need to sell Common Shares purchased on the exercise of options in the same year that they exercise their options. This might result in a greater number of Common Shares being sold in the public market, and fewer long-term holds of Common Shares by the Company's management and employees.

DIVIDENDS AND DISTRIBUTIONS

As of the date of this AIF, The Company has not declared dividends and has no current intention to declare dividends on the Common Shares in the foreseeable future. Any decision to pay dividends on the Common Shares in the future will be at the discretion of the Board and will depend on, among other things, the Company's results of operations, current and anticipated cash requirements and surplus, financial condition, any future contractual restrictions and financing agreement covenants, solvency tests imposed by corporate law and other factors that the Board may deem relevant.

DESCRIPTION OF CAPITAL STRUCTURE

The authorized capital of the Company consists of an unlimited number of Common Shares. As of December 15, 2018, there were 36,646,831 Common Shares outstanding.

Holders of Common Shares are entitled to receive notice of, attend and vote at meetings of the shareholders (other than meetings at which only holders of another class or series of shares are entitled to vote separately as a class or series). Each Common Share carries the right to one vote. The holders of Common Shares are entitled to receive any dividends if and when declared by the Company in respect of the Common Shares, subject to the rights, privileges, restrictions and conditions attaching to any other class or series of shares ranking in priority to the Common Shares with respect of the payment of dividends. In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, holders of Common Shares are also entitled to receive, on a *pro rata* basis, the remaining property and assets of the Company available for distribution after payment of all of its liabilities and subject to the rights of the holders of any other class of shares ranking in priority to the Common Shares. The Common Shares do not have pre-emptive rights, conversion rights or exchange rights and are not subject to redemption, retraction, purchase for cancellation or surrender provisions. There are no sinking or purchase fund provisions, no provisions permitting or restricting the issuance of additional securities or any other material restrictions, and there are no provisions which are capable of requiring a security holder to contribute additional capital.

Provisions as to the modification, amendment or variation of the rights attached to the Common Shares are contained in the Company's bylaws and the CBCA. Generally speaking, substantive changes to the authorized share structure require the approval of the Company's shareholders by special resolution (at least two-thirds of the votes cast).

MARKET FOR SECURITIES

The outstanding Common Shares are traded on the CSE under the trading symbol "SNN". The following table sets forth the reported intraday high and low prices and monthly trading volumes of the Common Shares since the Common Shares began trading on the CSE.

Period	High Trading Price	Low Trading Price	Volume
January 10 – 31, 2018[(1)]	$17.93	$7.40	9,288,935
February 2018	$13.94	$9.29	4,072,276
March 2018	$11.37	$8.90	3,183,361
April 2018	$9.50	$7.61	2,531,789
May 2018	$9.26	$7.53	1,809,499
June 2018	$8.94	$7.63	2,094,014
July 2018	$8.35	$5.40	1,998,070
August 2018	$7.54	$4.72	3,172,466
September 2018	$6.84	$5.30	3,068,232
October 2018	$5.70	$4.31	4,402,720
November 2018	$5.66	$3.90	2,186,220
December 1 – 20, 2018	$4.09	$2.97	1,892,541

(1) The Common Shares began trading on the CSE on January 10, 2018.

PRIOR SALES

The following tables summarizes the issuances of securities convertible or exchangeable into Common Shares, for the period January 1, 2017 to December 15, 2018.

Stock Options

Date of Issuance	Description of Security	Price per Security	Number of Securities
April 13, 2017	Stock Options	$3.40	2,650,000
June 15, 2017	Stock Options	$3.40	100,000
July 4, 2017	Stock Options	$6.75	100,000
July 31, 2017	Stock Options	$6.75	50,000
August 14, 2017	Stock Options	$6.75	120,000
August 25, 2017	Stock Options	$6.75	50,000
September 11, 2017	Stock Options	$6.75	50,000
October 23, 2017	Stock Options	$6.75	400,000
December 8, 2017	Stock Options	$6.75	175,000
January 3, 2018	Stock Options	$6.75	650,000
June 6, 2018	Stock Options	$8.11	250,000
June 27, 2018	Stock Options	$7.81	309,500
September 4, 2018	Stock Options	$6.73	150,000
December 5, 2018	Stock Options	$3.30	989,500

Warrants

Date of Issuance	Description of Security	Price per Security	Number of Securities
February 7, 2017	Warrants [(1)]	$3.40	14,525
February 8, 2017	Warrants [(1)]	$3.40	3,850
June 22, 2017	Warrants [(2)]	$3.40	100,000
October 23, 2017	Warrants [(3)]	$4.60	1,091,259
October 28, 2017	Warrants [(4)]	$6.75	59,596
March 27, 2018	Warrants [(5)]	$12.50	1,475,450
October 12, 2018	Warrants [(6)]	$6.85	2,185,000

(1) Issued as a finder's fee to certain agents under the 2016 Private Placement.

(2) Issued to Bloom Burton Securities Inc. as compensation for financial advisory services.

(3) Issued to Matrix BPG Holdings, LLC, a related party to Barker Pacific Group, in connection with the purchase of the Ramon Road property by SPCL.

(4) On October 28, 2017, the Broker Special Warrants were deemed to be exercised and converted into 59,596 Broker Warrants.

(5) Issued pursuant to the March 2018 Offering.

(6) Issued pursuant to the October 2018 Offering.

Compensation Options

Date of Issuance	Description of Security	Price per Security	Number of Securities
March 27, 2018	Compensation Options [(1)]	$9.75	171,054
October 12, 2018	Compensation Options [(2)]	$5.27	262,200

(1) Issued to certain agents in connection with the March 2018 Offering.
(2) Issued to certain agents in connection with the October 2018 Offering.

Convertible Notes

Date of Issuance	Description of Security	Price per Security	Principal Amount
November 3, 2017	Convertible Notes [(1)]	$4.60	$2,950,059.40
November 14, 2017	Convertible Notes [(1)]	$4.60	$5,724,541.87
December 29, 2017	Convertible Notes [(1)]	$4.60	$3,460,040.00

(1) Issued pursuant to the Convertible Debenture Financing.

Special Warrants

Date of Issuance	Description of Security	Price per Security	Number of Securities
June 27, 2017	Special Warrants [(1)]	$6.75	866,900
June 27, 2017	Corporate Finance Fee Special Warrants [(2)]	$6.75	11,112
August 9, 2017	Special Warrants [(1)]	$6.75	57,853
September 19, 2017	Special Warrants [(1)]	$6.75	59,000

(1) On October 28, 2017 and November 23, 2017, 897,500 Special Warrants and 86,253 Special Warrants, respectively, were deemed to be exercised into 987,250 Common Shares and 94,878 Common Shares, respectively.

(2) On October 28, 2017, the 11,112 Corporate Finance Fee Special warrants were deemed to be exercised into 12,223 Common Shares.

Broker Special Warrants

Date of Issuance	Description of Security	Price per Security	Number of Securities
June 27, 2017	Broker Special Warrants [(1)]	$6.75	51,683
August 9, 2017	Broker Special Warrants [(1)]	$6.75	3,783
September 19, 2017	Broker Special Warrants [(1)]	$6.75	4,130

(1) Issued to the certain agents and registrants comprising the selling group in connection with the Special Warrant Offering. The Broker Warrants issued on exercise or deemed exercise of the Broker Special Warrants have an exercise price of $6.75 per Common Share. On October 28, 2017, the Broker Special Warrants were deemed to be exercised and converted into 59,596 Broker Warrants.

ESCROWED SECURITIES

As at December 31, 2017, no securities of the Company were subject to escrow as the Common Shares were not yet listed on the CSE.

As at December 15, 2018, the securities of the Company subject to escrow are shown in the following table:

Designation of Class	Total Number of securities held in escrow or that are subject to a contractual restriction on transfer [(1)]	Percentage of Class at the date of AIF
Common Shares	6,705,296	18.30%
Options	850,000	16.22%

(1) Held in escrow pursuant to an Escrow Agreement among the Company, Odyssey Trust Company ("**Odyssey**") and certain securityholders of the Company (the "**Escrow Agreement**").

Pursuant to the Escrow Agreement, the following automatic timed releases will apply to the securities listed in the table above:

Date of Automatic Timed Release	Amount of Escrowed Securities Released
January 10, 2019	1/5 of the remaining escrow securities
July 10, 2019	1/4 of the remaining escrow securities
January 10, 2020	1/3 of the remaining escrow securities
July 10, 2020	1/2 of the remaining escrow securities
January 10, 2021	The remaining escrow securities

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets out, for each of our directors and executive officers, the person's name, age, province or state and country of residence, position with us, principal occupation and, if a director, the date on which the person became a director. Our directors are expected to hold office until our next annual general meeting of shareholders. Our directors are elected annually and, unless re-elected, retire from office at the end of the next annual general meeting of shareholders. As a group, the directors and executive officers beneficially own, or control or direct, directly or indirectly, a total of 8,769,102 Common Shares, representing 23.93% of the Common Shares outstanding as at December 15, 2018.

Name Province/State Country of Residence	Age	Position with the Company	Director/Officer Since	Principal Occupation
Dr. Anthony F. Holler Vancouver, British Columbia, Canada	67	Chief Executive Officer, Chairman of the Board and Director	August 11, 2014	Dr. Holler has been President of Poplar Grove Winery since 2007 and is the Chairman of CRH Medical Corp. ("**CRH**"). Dr. Holler was one of the founders of ID Biomedical Corporation ("**ID Biomedical**") and held a number of executive positions with ID Biomedical, including Chief Executive Officer and Director. Dr. Holler resigned from ID Biomedical upon the completion of ID Biomedical's acquisition by GlaxoSmithKline, Inc. ("**GSK**"). Prior to founding ID

				Biomedical, Dr. Holler served as an emergency physician at University Hospital at the University of British Columbia.
Leith Pedersen Kelowna, British Columbia, Canada	46	President, Chief Strategy Officer and Director	August 11, 2014	Mr. Pedersen was an Investment Advisor at Canaccord Wealth Management (2012-2014), former owner and Chief Executive Officer of Vida Wealth Management Bahamas (2008-2011) and former Partner and Director at an independent brokerage firm in Calgary, Alberta that managed capital in excess of $3 billion for high net worth clients.
Ian Webb[(1)(2)(3)(5)] Vancouver, British Columbia, Canada	67	Director	August 11, 2014	Mr. Webb has been retired since December 31, 2010. Prior to that, he was a partner of the law firm of Borden Ladner Gervais LLP. His practice focused on corporate and securities law with an emphasis on the legal requirements of public companies.
Norm Mayr[(1)(2)(3)(4)] Vancouver, British Columbia, Canada	64	Director	July 27, 2017	Mr. Mayr has been retired since October 2016. Prior to that he was an Audit Partner having spent 38 years in public practice with KPMG.
Michael Barker Los Angeles, California, USA	74	Director	July 27, 2017	Mr. Barker is the CEO and founder of Barker Pacific Group, a real estate development company based in Los Angeles operating for more than 30 years.
Luke Stanton Los Angeles, California, USA	38	Director	July 27, 2017	Mr. Stanton is the Founder, Executive Chairman and an attorney at law at Frontera (a cannabis business specialty law firm) operating since 2015. He is also a Partner with Skytree Capital Partners, LLC ("**Skytree Capital Partners**"). Prior to founding Frontera, he studied law at Pepperdine School of Law from 2010 through 2013.
Todd R. Patrick[(1)(2)(3)(6)] Marina del Ray, California, USA	56	Lead Director	July 27, 2017	Mr. Patrick is the President and CEO of C3J Therapeutics, Inc. ("**C3J**"), a biotechnology company where he has served since 2010.
Duncan Gordon Calgary, Alberta, Canada	54	Chief Operating Officer	November 14, 2016	Chief Operating Officer of the Company since 2016. Previously, Mr. Gordon was Production Manager for Shanahan's Limited Partnership (2015-2016) and Chief Supply Officer for Kudu Industries Inc. for 12 years.
David Negus Vancouver, British Columbia, Canada	51	Chief Financial Officer	January 3, 2018	Prior to joining the Company, Mr. Negus was the CFO of Luvo, Inc. ("**Luvo**"), a food company, where he was responsible for finance, supply chain operations, information technology, human resources and investor

				relations. Prior to Luvo, Mr. Negus was Vice President, Corporate Controller at lululemon, a clothing retail company. Mr. Negus holds a CPA, CA designation.
Benjamin Rootman Calgary, Alberta, Canada	40	General Counsel and Corporate Secretary	August 14, 2017	Prior to joining the Company, from 2012-2017 Mr. Rootman held various senior legal roles within the Walton Group of Companies, a real estate investment group, including the role of General Counsel and Corporate Secretary and Vice President, Law and Chief Compliance Officer. Prior thereto, Mr. Rootman worked as a Corporate Securities Lawyer with Burstall Winger Zammit LLP.
Vinayak Shastry California, United States	40	President and Chief Executive Officer of SCH		Prior to joining the Company, Mr. Shastry was an executive with Foundation Partners, a California based real estate development company. Prior to Foundation Partners, Mr. Shastry served as the CFO of IDEA Solutions, a softwar services company headquartered in San Jose, California with over 1,200 employees globally. Earlier in his career, Mr. Shastry worked in private equity and investment banking at TPG Capital and Morgan Stanley. Mr. Shastry earned a B.S. in Electrical Engineering and Computer Science.
Kevin Wilkerson Colorado, United States	59	Chief Operating Officer of SCH		Former CEO of LTYR, a California cannabis distribution company, which is anticipated to be acquired by the Company in December 2018. Mr. Wilkerson is an experienced entrepreneur having started and sold several successful companies. Mr. Wilkerson is a retired US Army Colonel who served 24 years. He lead the first conventional troops into northern Afghanistan in 2001 and was awarded the Bronze Star in 2002. Former CEO and Founder of Vail Business Associates a business brokerage and middle market intermediary firm in Georgia.

(1) Member of the Audit Committee.
(2) Member of the Corporate Governance and Nominating Committee (the "**CGNC**").
(3) Member of the Compensation Committee (the "**CC**").
(4) Chair of the Audit Committee.
(5) Chair of the CGNC.
(6) Chair of the CC.

Former Officers and Directors

During the period January 1, 2017 through December 15, 2018, changes to the Company's directors and officers not detailed above were as follows:

- Daniel Vass served as a director of the Company from February 8, 2017 to December 8, 2018 and the President of NHS from September 9, 2015 to December 8, 2018.
- Ronald Michael Steele served as Chief Financial Officer of the Company from May 13, 2017 to January 3, 2018 and Executive Vice President Finance of the Company from February 13, 2017 to January 3, 2018.
- Jim Defer served as Chief Financial Officer of the Company from December 3, 2015 to June 29, 2017.
- Hugh Ruthven served as Chief Marketing Officer of the Company from June 6, 2017 to October 31, 2017.

Biographies

The following are brief profiles of our executive officers and directors, including a description of each individual's principal occupation within the past five years.

Dr. Anthony F. Holler, Chief Executive Officer, Chairman of the Board and Director

Dr. Anthony (Tony) F. Holler is a co-founder of the Company. Prior to this, Dr. Holler was the former CEO and founder of ID Biomedical which was acquired by GSK in 2005 for $1.7 billion and the former Chairman of Corriente Resources Inc. which was sold for approximately $700 million to CRCC-Tongguan Investment Co. Dr. Holler is the current Chairman of CRH which is a public company trading on the Toronto Stock Exchange (the "**TSX**") and the New York Stock Exchange. Dr. Holler invests and takes an active role in every company and his expertise includes strategic planning, mergers and acquisitions and financing with a focus on increasing shareholder value.

Leith Pedersen, President, Chief Strategy Officer and Director

Mr. Leith Pedersen is a co-founder of the Company. Prior to this, Mr. Pedersen was the former owner and CEO of Vida Wealth Management Bahamas, a former Investment Advisor at Canaccord Wealth Management and a former Partner and Director at an independent brokerage firm in Calgary, Alberta that managed capital in excess of $3 billion for high net worth clients. Mr. Pedersen's expertise is corporate strategy, financing and sourcing potential mergers and acquisitions.

Ian Webb, Director

Mr. Ian Webb is a former Director of ID Biomedical, a Director of CRH and a former senior corporate law partner of Borden Ladner Gervais LLP, one of Canada's largest law firms. Mr. Webb's practice encompassed mergers and acquisitions, corporate and securities law with an emphasis on the legal requirements of public companies and their boards of directors. He also serves as the Chair of the CGNC and as a member of the Audit Committee of CRH.

Norm Mayr, Director

Mr. Norm Mayr is a recently retired (October 2016) Audit Partner having spent 38 years in public practice with KPMG. Most recently, he was the Risk Management and Business Unit Professional Practice Partner for KPMG's Greater Vancouver Area practice for 18 years. In this role, Mr. Mayr was responsible for managing risk in the audit practice, and regularly consulted with engagement teams dealing with complex financial reporting, accounting, audit and securities issues in their clients. During his career, Mr. Mayr has had extensive experience in the mining, forestry, technology, retail and industrial markets sectors. He has served as lead engagement partner and engagement quality review partner on many of the KPMG's largest clients in these industries, including multinational reporting issuers. Mr. Mayr has lectured extensively on financial reporting matters. He was a founding member of the CICA Accounting Standards Board, and a member of the Canadian Advisory Group to the International Accounting Standards Committee. In May 2018, Mr. Mayr completed a 10 year term as Chair of the Investigation Committee for the Chartered Professional Accountants of British Columbia.

Michael Barker, Director

Since founding Barker Pacific Group in 1983, Mr. Michael Barker has directed the development of over $2.5 billion in commercial projects. He and his team focus on the acquisition, development, and management of residential and commercial projects in major markets. Over the past 43 years (since 1973), Mr. Barker has overseen the development of major projects in such cities as Los Angeles, San Francisco and the Bay Area, San Diego, San Jose, Phoenix, Houston, Miami, and Fort Lauderdale. Before starting Barker Pacific Group in 1983, Mr. Barker was an officer at Hines Interests, where he headed up development of over four million square feet of office space in Tulsa, Houston, and San Antonio. He also co-founded the asset management firm, First Houston Trust Company, in 1970. From 1968 to 1970, he served as a lending officer in the Energy Department of Citibank, New York. Mr. Barker is a former member of the board of Pepperdine University and currently serves as Chairman of the Board for the John Tracy Clinic, which serves hearing-impaired children. Mr. Barker is an active member of the Urban Land Institute and Lambda Alpha International. Mr. Barker holds an MBA from the University of Texas at Austin and a BBA from Abilene Christian University.

Luke Stanton, Director

Mr. Luke Stanton is the Founder and Executive Chairman of Frontera, a cannabis business specialty law firm. Mr. Stanton has expanded the Frontera network to include accounting, business advisory, entertainment and government affairs entities. Frontera has worked on projects in more than a dozen state markets across the country. Mr. Stanton is also a Partner at Skytree Capital Partners, a Nevada-based private equity firm focused on the legal cannabis space, particularly as it relates to the industry's insurance needs. Mr. Stanton brings his industry expertise to Skytree Capital Partners to focus on identifying businesses and business opportunities in the legal cannabis landscape. Mr. Stanton received his BA in Political Science from the University of Notre Dame before attending Pepperdine University's School of Law, as well as Pepperdine's Straus Institute for Dispute Resolution, earning his Juris Doctorate and Master's Degree in the same three years. Mr. Stanton has been featured in Financial Times Magazine, the National Marijuana News, mg Magazine, Cannabis Industry Journal, MJINews, LEFAIR Magazine and Merry Jane, and has made speaking appearances at numerous cannabis and investment conferences, summits and events across the country.

Todd R. Patrick, Lead Director

Mr. Todd R. Patrick is the President and CEO of C3J, a Los Angeles-based biotechnology company focused on diseases of the human microbiome. Mr. Patrick has raised $125 million in equity capital for C3J. Prior to joining C3J, Todd served as President and COO of ID Biomedical after the company elected in 1998 to exit its core diagnostic business to focus exclusively on vaccines. Mr. Patrick was the first employee of ID Biomedical's vaccine business (ID Vaccine) in 1994. In September 2005, GSK purchased ID Biomedical for approximately $1.7 billion. Before ID Vaccine, in 1989, Mr. Patrick was appointed the first ever Director of the Office of Intellectual Property Administration at UCLA. Mr. Patrick is a member of the board of C3J, CRH, Vaxent Vaccines, LLC and the Foster Foundation. He holds a BA in economics and is a member of the Governance and Nominating Committee and Audit Committee of CRH.

Duncan Gordon, Chief Operating Officer

Mr. Duncan Gordon has over 25 years of experience as a manufacturing and supply chain expert, leading teams responsible for large scale projects with a focus on engineering, continuous improvement, procurement, logistics, production and distribution. Mr. Gordon was also the former head of manufacturing and supply chain management at Kudu Industries which was privately sold in 2015.

David Negus, Chief Financial Officer

Mr. David Negus is the Chief Financial Officer of the Company and is accountable for the administrative, financial and risk management operations of the Company. Mr. Negus most recently served as the CFO of Luvo, Inc. ("**Luvo**"). At Luvo, he was responsible for finance, supply chain operations, information technology, human resources and investor relations. Prior to his role at Luvo, Mr. Negus was Vice President, Corporate Controller at lululemon. In his role at lululemon, Mr. Negus led the finance team through their initial public offering and was responsible for their global financial reporting, accounting, tax, and treasury functions. As part of the lululemon leadership team, he played an integral role in the

development and build out of a finance team that supported the business from a private company to a multi-billion dollar international organization. Mr. Negus holds a CPA, CA designation.

Benjamin Rootman, General Counsel and Corporate Secretary

Mr. Benjamin Rootman is the General Counsel and Corporate Secretary for the Company. He is responsible for managing all aspects of the Company's legal, compliance and regulatory functions and acts as corporate secretary to the Board of Directors. Prior thereto, he was Vice President, Legal, Compliance and Regulatory Affairs of the Company from August 14, 2017 to December 5, 2018. Before joining the Company, he was General Counsel and Corporate Secretary of Walton International Group Inc. ("**WIGI**") from January 2017 to August 2017. Prior thereto, he held the role Chief Compliance Officer and Vice President, Law for Walton Capital Management Inc. ("**WCMI**"), a registered exempt market dealer, from July 2014 to January 2017 and the role of Legal Counsel for WIGI from July 2012 to July 2014. Before joining the Walton Group of Companies, he was an associate at Burstall Winger Zammit LLP, focusing on corporate and securities law.

Vinayak Shastry, President and Chief Executive Officer of SCH

Mr. Vinayak Shastry is the President and Chief Executive Officer of SCH, the Company's main United States operating subsidiary. Mr. Shastry is responsible for the overall management and direction of the Company's California operations. Mr. Shastry has been employed as a consultant to the Company in California since October 2017. Prior to working with the Company, Mr. Shastry was an executive with Foundation Partners, a California based real estate development company. Prior to Foundation Partners, Mr. Shastry served as the Chief Financial Officer of IDEA Solutions, a software services company headquartered in San Jose, California with over 1,200 employees globally. IDEA Solutions was acquired in 2014 by Xoriant. Earlier in his career, Mr. Shastry worked in private equity and investment banking at TPG Capital and Morgan Stanley, respectively. Mr. Shastry earned a BS in Electrical Engineering and Computer Science.

Kevin Wilkerson, Chief Operating Officer of SCH

Mr. Wilkerson is the Chief Operating Officer of SCH, the Company's main United States operating subsidiary. Mr. Wilkerson is the former CEO of LTYR, a California cannabis distribution company, which is anticipated to be acquired by the Company in December 2018. Mr. Wilkinson is an experienced entrepreneur having started and sold several successful companies. Prior to that, Mr. Wilkinson was a US Army Colonel who served 24 years. He lead the first conventional troops into northern Afghanistan in 2001 and was awarded the Bronze Star in 2002. He is also the former CEO and Founder of Vail Business Associates, a business brokerage and middle market intermediary firm in Georgia.

Cease Trade Orders or Bankruptcies

To the best of the knowledge of the Company, other than as disclosed below, none of the directors or executive officers of the Company, nor any shareholder holding a sufficient number of securities to affect materially the control of the Company, is, as at the date of this AIF, or has been within the 10 years before the date of this AIF, (a) a director, chief executive officer or chief financial officer of any company that was subject to an order that was issued while the existing or proposed 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 existing or proposed 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, or (c) a director or executive officer of any 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. For the purposes of this paragraph, "order" means a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case, that was in effect for a period of more than 30 consecutive days.

Dr. Holler and Mr. Patrick, both directors of the Company, are former directors of Inviro Medical Inc. ("**Inviro**"). Inviro is a company incorporated under the laws of Canada which owns certain intangible assets including goodwill and customer relationships, and all of the issued and outstanding shares of Inviro Medical Devices, Inc. The US Subsidiary owns inventory manufactured in accordance with licenses issued by the Department of Health of the Government of Canada and the FDA.

On October 29, 2010, Inviro declared that it was no longer a going concern and on or about that time Inviro ceased to carry on business and all of its directors and officers, including Dr. Holler and Mr. Patrick, resigned. On February 10, 2011, the Supreme Court of British Columbia issued an order appointing Alvarez & Marsal Canada Inc. (the "**Receiver**") as receiver and receiver and manager of all of the assets, undertakings and properties of Inviro. Pursuant to a further order pronounced by the Supreme Court of British Columbia on February 24, 2012, certain distributions to certain debenture holders of Inviro were authorized. The receivership process became complete in or around March 2013. On April 9, 2013, the Supreme Court of British Columbia issued an order discharging the Receiver.

Mr. Rootman, General Counsel and Corporate Secretary of the Company, was Chief Compliance Officer and Vice President, Law for WCMI from July 2014 to January 2017 and the General Counsel and Corporate Secretary for WIGI from January 2017 to August 2017. On April 28, 2017, WIGI and WCMI, among other Walton Group of Companies entities (collectively, the "**Walton CCAA Entities**") voluntarily filed and obtained creditor protection under the Companies' Creditors Arrangement Act ("**CCAA**") pursuant to an Initial Order granted by the Court of Queen's Bench of Alberta. The Initial Order authorized the Walton CCAA Entities to begin a court-supervised restructuring and provides for a broad stay of proceedings against the Walton CCAA Entities in order to provide the opportunity to finalize and present a CCAA plan to creditors for approval. As of the date of this AIF, the CCAA proceedings are still in progress with respect to WCMI and a number of other Walton CCAA Entities, but WIGI has emerged from the CCAA proceedings as a result of the implementation of a Joint Plan of Compromise and Arrangement of WIGI and twelve other Walton CCAA Entities, which Joint Plan was approved by the required majorities of WIGI's creditors on March 27, 2018, sanctioned by the Court on March 28, 2018, and implemented on April 1, 2018. Several other Walton CCAA Entities have also emerged as a result of the implementation of other Plans of Compromise and Arrangement.

On August 13, 1998, Mr. Barker, a director of the Company, filed a Chapter 11 petition under the United States Bankruptcy Code in the United States Bankruptcy Court of the Central District of California in order to pursue a plan of reorganization (the "**Reorganization Plan**"). On June 30, 1999, the court entered an order confirming the Reorganization Plan.

Penalties or Sanctions

Other than as disclosed below, to the best of the knowledge of the Company, no director or executive officer of the Company or shareholder holding sufficient securities of the Company to affect materially the control of the Company has:

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

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

On July 15, 2011, Mr. Shastry, President and Chief Executive Officer of SCH, who was then known as Vinayak Gowrish, was found liable for violating Section 10(b) of the Securities Exchange Act of 1934 and Rule 10B-5 promulgated thereunder in a civil action brought by the Commission. As a result of the finding, Mr. Shastry was ordered to pay disgorgement of USD$12,000 and a civil penalty in the amount of USD$100,000. In connection therewith, on December 29, 2011 Mr. Shastry entered into a settlement agreement with the Commission under the Investment Advisers Act of 1940 whereby the Commission ordered that Mr. Shastry be barred from association with any broker, dealer, investment adviser, municipal securities dealer, or transfer agent in the United States.

Conflicts of Interest

Except as disclosed below under the heading "*Interest of Management and Others in Material Transactions*", to the best of our knowledge, there are no known existing or potential conflicts of interest among us and our directors, officers or other members of management as a result of their outside business interests except that certain of our directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to us and their duties as a director or officer of such other companies.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares is Odyssey in Calgary, Alberta.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only contracts entered into by the Company since the beginning of the last financial year, or before the beginning of the last financial year that are still in effect, which may be regarded as material, are as follows:

1. Warrant Indenture between the Company and Odyssey dated October 12, 2018 regarding the appointment of Odyssey as warrant agent for the warrants issued under the October 2018 Offering.
2. Warrant Indenture between the Company and Odyssey dated March 27, 2018 regarding the appointment of Odyssey as warrant agent for the warrants issued under the March 2018 Offering.
3. Wholesale Agreement between the Company and Canopy dated February 20, 2018.
4. Build to Suit Lease between SPCL and CPL dated October 20, 2017 for the property at 69375 Ramon Road, Cathedral City, California 92234.
5. Agency Agreement among the Company, Canaccord Genuity Corp. and Beacon Securities Limited dated June 27, 2017 pertaining to services rendered by Canaccord Genuity Corp. and Beacon Securities Limited in connection with the Special Warrant Offering.
6. Membership Interest Purchase Agreement among Edward Wong, the sole member of FSD and SFSD dated February 10, 2017.
7. Share Purchase Agreement among NHS and the shareholders of NHS and the Company dated February 8, 2017.
8. Membership Interest Purchase Agreement among Jim Kunevicius and Edlin Kim, the Members of CPL and the Company dated November 17, 2016.

Copies of the material contracts set out above will be available under the Company's profile on SEDAR at http://www.sedar.com.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Company and its subsidiaries may from time to time be involved in legal proceedings of a nature considered normal to its business. During the most recently completed financial year, the Company is not and was not a party to, and its property is not and was not the subject of, any legal proceedings and no such proceedings are known by the Company to be contemplated.

There have been no: (i) penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority during the most recently completed financial year; (ii) penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision; and (iii) settlement agreements the Company entered into before a court relating to securities legislation or with a securities regulatory authority during the most recently completed financial year.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed below, to the best of our knowledge, there are no known existing or potential conflicts of interest among us and our directors, officers or other members of management as a result of their outside business interests except that certain of our directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to us and their duties as a director or officer of such other companies.

The Company entered into the Goleta Facility Lease. Dr. Anthony F. Holler, Chairman and CEO, has guaranteed the Goleta Facility Lease on behalf of the Company with an estimated liability as at September 30, 2018 of $1.3 million.

Michael Barker, a director of the Company, has a material interest in the Barker Pacific Group, which is a related party to SPCL, which entered into the Build to Suit Lease for the Sunniva California Campus. The base rent under the Build to Suit Lease is based on the budget for the Sunniva California Campus (currently estimated at USD$54 million) and is calculated

based on 17.2% of the project costs as determined under the terms of the Build to Suit Lease. The Build to Suit Lease is for an initial 15 year term with three five year extensions. Mr. Barker's interest in the transaction is expected to be approximately 10%.

The Company has entered into the Genetics Agreement with entities owned or controlled by Vinayak Shastry, the Company's President of U.S. Operations. The expenses paid by the Company pursuant to the Genetics Agreement are approximately USD$75,000 per month, paid on a month-to-month basis. Mr. Shastry's interest in the Genetics Agreement is approximately 50%.

The Company has signed a non-arm's length binding letter of intent with Vision to acquire all the issued and outstanding equity interests of the companies that comprise Vision. Vision is jointly owned by Vinayak Shastry. If the transaction with Vision is completed, Mr. Shastry's interest in the transaction is approximately 50%.

The Company has entered into a binding letter of intent with LTYR, a cannabis distribution company in California that is expected to become the Company's logistics and technology distribution platform to drive sales from the Company's large-scale cannabis production and manufacturing facilities and the launch of Sunniva-branded products commencing Q1 2019. Kevin Wilkerson, the Chief Operating Officer of SCH is the former CEO of LTYR. Mr. Wilkerson's interest in the letter of intent with LTYR is approximately 33%.

Luke Stanton, a director of the Company, is the Founder and Executive Chairman of Frontera Law Group, which provides legal services to the Company's US subsidiaries and as such has an interest in transactions considered or conducted by the Company. In addition, Mr. Stanton is also a Partner of Skytree Capital Partners, a shareholder of the Company. Mr. Stanton has been separately retained by the Company as a consultant to conduct business development and government relations services on behalf of the Company in the United States. Mr. Stanton is responsible for state licensing efforts and licensing applications.

AUDIT COMMITTEE

The Audit Committee consists of three (3) directors, all of whom are independent. They are also all financially literate in accordance with National Instrument 52-110 *Audit Committees* ("**NI 52-110**"). The members of the Audit Committee are Norm Mayr (Chair), Ian Webb and Todd R. Patrick.

For the purposes of NI 52-110, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the issuer's financial statements. All members of the Audit Committee have experience reviewing financial statements and dealing with related accounting and auditing issues. The education and experience of each member of the Audit Committee relevant to the performance of his duties as a member of the Audit Committee can be found under the heading "*Directors and Executive Officers - Biographies*".

The Board has adopted a written mandate for the Audit Committee (the "**Audit Committee Mandate**"). The Audit Committee Mandate states that the Audit Committee is to assist the Board in fulfilling its financial oversight obligations, including the responsibility: (1) to review the integrity of the consolidated financial statements of the Corporation; (2) to appoint, determine funding for and oversee the external auditor and review their qualifications and independence; (3) reviewing the performance of the external auditor; (4) reviewing the timely compliance by the Company with all legal and regulatory requirements for audit and related financial functions; (5) reviewing and approving financial information contained in public filings of the Company; (6) reviewing earnings announcements of the Company; (7) reviewing the Company's systems of and compliance with internal financial controls; (8) reviewing the Company's auditing, accounting and financial reporting processes; (9) dealing with all complaints regarding accounting, internal accounting controls and auditing matters; and (10) dealing with any issues that result from the reviews set forth above. A copy of the Audit Committee Mandate is attached as Schedule A to this AIF.

Under its mandate, the Audit Committee is required to pre-approve all audit and non-audit services to be performed by the external auditors in relation to us, together with approval of the engagement letter for all non-audit services and estimated

fees thereof. The pre-approval process for non-audit services will also involve a consideration of the potential impact of such services on the independence of the external auditors.

In 2017, the Company undertook its first audit and was billed the following fees by its external auditor, KPMG LLP:

	Year ended December 31, 2016
Audit Fees [1]	$160,500
Audit Related Fees [2]	$0
Tax Fees [3]	$0
All Other Fees [4]	$0
All Fees Paid [5]	**$160,500**

(1) Fees for audit services.
(2) Fees for assurance and related services not included in audit services above.
(3) Fees for tax compliance, tax advice and tax planning.
(4) All other fees not included above.
(5) All audit fees for the year ended December 31, 2016, the year ended December 31, 2015 and for the period from the date of incorporation to December 31, 2014 were accrued in December 31, 2016.

Following the Company's Annual General Meeting held on July 27, 2017, KPMG resigned as auditor to the Company. Subsequently, the Board appointed MNP LLP, Chartered Professional Accountants ("**MNP**") to act as the Company's auditor.

In 2017, the Company was billed the following fees by its external auditor, MNP:

	Year ended December 31, 2017
Audit Fees [1]	$120,000
Audit Related Fees [2]	$55,000
Tax Fees [3]	$7,500
All Other Fees [4]	$60,008
All Fees Paid	**$242,508**

(1) Fees for audit services.
(2) Fees for assurance and related services not included in audit services above.
(3) Fees for tax compliance, tax advice and tax planning.
(4) Fees related to the Special Warrant Offering and an internal controls engagement.

INTERESTS OF EXPERTS

MNP is the independent auditor of the Company. MNP has informed us that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Alberta.

ADDITIONAL INFORMATION

Additional financial information is also provided in the Company's audited financial statements and related management discussion and analysis for the fiscal year ended December 31, 2017.

Additional information relating to Sunniva can be found on SEDAR at www.sedar.com.

SCHEDULE A

AUDIT COMMITTEE MANDATE

A. PURPOSE

The audit committee (the "**Audit Committee**") of Sunniva Inc. (the "**Corporation**") is responsible for ensuring accounting integrity and solvency. The Audit Committee is also responsible for ensuring the appropriateness of insurance and investment of liquid funds. The Audit Committee will assist the board of directors of the Corporation (the "**Board**") in fulfilling its oversight responsibilities by:

- reviewing the integrity of the consolidated financial statements of the Corporation;
- appointing (subject to shareholder ratification if required), determining funding for, and overseeing the external auditor and reviewing the external auditor's qualifications and independence;
- reviewing the performance of the Corporation's external auditors;
- reviewing the timely compliance by the Corporation with all legal and regulatory requirements for audit and related financial functions of the Corporation;
- reviewing, and if applicable, approving, financial information contained in public filings of the Corporation prior to filing;
- reviewing earnings announcements of the Corporation prior to release to the public;
- reviewing the Corporation's systems of and compliance with internal financial controls;
- reviewing the Corporation's auditing, accounting and financial reporting processes;
- dealing with all complaints regarding accounting, internal accounting controls and auditing matters; and
- dealing with any issues that result from the reviews set forth above.

In performing its functions, the Audit Committee must comply with the requirements of applicable rules and laws, including National Instrument 52-110 *Audit Committees* ("**NI 52-110**") and applicable exchange policies. Nothing herein is intended to expand, or shall result in the expansion of, applicable standards of liability under Canadian law for directors of a corporation.

B. MEMBERSHIP

1. The Audit Committee will have a minimum of three members.

2. The members of Audit Committee must include that number of independent individuals as is prescribed by applicable securities laws, regulations and policies. "Independent" shall have the meaning, given to it in NI 52-110, as may be amended from time to time.

3. At the time of his or her appointment to the Audit Committee, each member of the Audit Committee shall be financially literate. "Financial literacy" shall be determined by the Board in the exercise of its business judgment, and shall include the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

4. Appointments and replacements to the Audit Committee will be made by the Board and will be reviewed on an annual basis. The Board will provide for continuity of membership, while at the same time allowing fresh perspectives to be added. The Board may remove the members of the Committee, with or without cause.

5. The Chair of the Audit Committee will be appointed by the Board.

C. MEETINGS

1. The Audit Committee may meet, in person, telephonically or electronically, as many times per year as necessary to carry out its responsibilities, but must meet at least once every quarter. No business may be transacted at a meeting unless a quorum of the Audit Committee is present. Two members of the Audit Committee shall constitute a quorum.

2. The Audit Committee shall maintain minutes or other forms of records of the meetings and activities of the Audit Committee in sufficient detail to convey the substance of all discussions held, and shall report to the Board, within a reasonable time period, the proceedings of the Audit Committee and any recommendations made by the Audit Committee.

3. Meetings of the Audit Committee will be held at the request of any member of the Audit Committee or at the request of the Corporation's external auditors. The Corporation's external auditor is entitled to receive notice of every meeting of the Audit Committee and to attend and be heard at every meeting, at the expense of the Corporation and, if so requested by a member of the Audit Committee, shall attend every meeting of the committee held during the term of office of the auditor.

4. The Audit Committee may invite to a meeting any officers or employees of the Corporation, legal counsel, advisors and other persons whose attendance it considers necessary or desirable in order to carry out its responsibilities. Provision will be made to meet privately with external auditors.

D. FINANCIAL REVIEW

1. The Audit Committee will review the Corporation's financial statements, management discussion and analysis ("**MD&A**") and the related press releases before such documents are presented to the Board or disclosed publicly, as the case may be.

2. The Audit Committee will review the interim financial statements of the Corporation, the related MD&A, and the press release thereon. If advisable, the Audit Committee shall approve, on behalf of the Board, the interim financial statements and related MD&A for public disclosure.

3. The Audit Committee will review the annual audited financial statements of the Corporation, the auditor's report thereon, the related MD&A, and the press release thereon. If advisable, the Audit Committee shall approve and recommend for Board approval the annual financial statements and related MD&A.

4. The Audit Committee will review other financial information and financial documents that require the approval of the Board. These will include statements in prospectuses and other offering memoranda, news release containing financial information, or other documents including financial outlooks or future oriented financial information and statements required by regulatory authorities. After completing its review, if advisable, the Audit Committee shall approve and recommend for Board approval such financial information.

5. The Audit Committee will issue any necessary reports required of the Audit Committee to be included in the Corporation's annual proxy materials.

6. The Audit Committee will review and discuss with management and the external auditor any major issue as to the adequacy and effectiveness of internal controls over the accounting and financial reporting systems of the Corporation, either directly, or through the external auditors or other advisors and obtain and review a report from the external auditor, at least annually, regarding the same; and the Audit Committee will review and discuss with management and the external auditor any special steps adopted in light of material internal control deficiencies and the adequacy of disclosures about changes in internal controls over financial reporting.

7. The Audit Committee will review, with the external auditors, the results of the external audit and any changes in accounting practices or policies, or in the financial statements as a result thereof. In addition, the Audit Committee

will review any accruals, provisions, or estimates that have a significant effect upon the financial statements, as well as other sensitive matters such as disclosure of related party transactions.

8. The Audit Committee will discuss with management and the external auditor any correspondence with regulators or governmental agencies and any published reports that raise material issues regarding the Corporation's financial statements or accounting policies.

E. AUDITORS

1. The Audit Committee is responsible for overseeing the work of the external auditor and will communicate directly with the external auditors as required. The external auditor of the Corporation must report directly to the Audit Committee.

2. The Audit Committee will be responsible for resolving disagreements between the auditors and the Company's management.

3. The Audit Committee shall review and, if advisable, select and recommend for Board approval the external auditors to be nominated and the compensation of such external auditor. The Audit Committee shall have ultimate authority to approve all audit engagement terms and fees.

4. The Audit Committee will evaluate the qualifications, performance and independence of the external auditor and the senior audit partners having primary responsibility for the audit, including considering whether the auditor's quality controls are adequate.

5. The Audit Committee will receive from the external auditor a formal written statement delineating all relationships between the external auditor and the Corporation and will actively engage in a dialogue with the external auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the external auditors.

6. The Audit Committee must pre-approve all non-audit services to be provided to the Corporation or its subsidiaries by the external auditor. Notwithstanding the foregoing, the Audit Committee: (a) may delegate to one or more independent members the authority to pre-approve any non-audit service to be provided by the external auditor, to the extent permitted by applicable law, provided that any pre-approvals granted pursuant to such delegation will be reported to the full Audit Committee at its next scheduled meeting; and (b) establish policies and procedures, from time to time, pre-approving certain non-audit services to be provided by the external auditor, provided (i) such pre-approval policies and procedures are detailed as to the particular service, (ii) the Audit Committee is informed of each non-audit service, and (iii) the procedures do not include delegation of the Audit Committee's responsibilities to management.

7. The Audit Committee will review and approve the Corporation's hiring policies regarding partners, employees, former partners and former employees of the present and former external auditor of the Corporation.

8. The Audit Committee has the authority, to the extent it deems necessary or appropriate, to retain independent counsel and any other advisors. The Corporation will provide appropriate funding, as determined by the Audit Committee, for payment of compensation to the external auditor for the purpose of rendering or issuing an audit report or performing other audit, review or attest services and to any advisors employed by the Audit Committee.

F. MISCELLANEOUS

1. The Audit Committee will establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters and for the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

2. The Audit Committee will review the policies and practices of the Corporation regarding the regular examination of officers' expenses and perquisites, including the use of the assets of the Corporation.

3. The Audit Committee will ensure and periodically assess that policies and procedures to maintain the integrity of the Corporation's public disclosure of financial information extracted or derived from its financial statements are in place and are effective.

4. The Corporation must provide appropriate funding, as determined by the Audit Committee, for payment of ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.

5. The Audit Committee will review and, if advisable, approve all related party transactions.

6. The Audit Committee will review and reassess the adequacy of this mandate as it deems appropriate.

Approved by the Board effective August 15, 2017