



NEXTLEAF SOLUTIONS LTD.

Annual Information Form

for the year ended

September 30, 2020

November 15, 2021

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FORWARD-LOOKING STATEMENTS

Certain statements contained in this annual information form (“AIF”), and in certain documents incorporated by reference in this AIF, constitute “forward-looking information” and “forward-looking statements”. All statements other than statements of historical fact contained in this AIF and in documents incorporated by reference in this AIF, including, without limitation, those regarding the future financial position and results of operations, strategy, plans, objectives, goals, targets and future developments of Nextleaf Solutions Ltd. (“Nextleaf” or the “Company”) in the markets where the Company participates or is seeking to participate, and any statements preceded by, followed by or that include the words “believe”, “expect”, “aim”, “intend”, “plan”, “continue”, “will”, “may”, “would”, “anticipate”, “estimate”, “forecast”, “predict”, “project”, “seek”, “should” or similar expressions or the negative thereof, are forward-looking statements.

Forward-looking statements include, without limitation, the information concerning possible or assumed future results of operations of Nextleaf set out under “Description of the Business”, including statements regarding: the impact of COVID-19 on the Company’s business; the Company’s expectations regarding the market for cannabis concentrates; the Company’s expectations regarding legislation, regulations and licensing related to the import, export, processing and sale of cannabis products by the Company; the ability to enter and participate in international market opportunities; the ability to secure dried cannabis inventory through long-term supply contracts or otherwise; product diversification and future corporate development; anticipated results of research and development; production capacity expectations including discussions of plans or potential for expansion of capacity at existing or new facilities; expectations with respect to future expenditures and capital activities; and statements about expected use of proceeds from fundraising activities.

These statements are not historical facts but instead represent only the Company’s expectations, estimates and projections regarding future events. These statements are not guarantees of future performance and involve assumptions, risks and uncertainties that are difficult to predict. Therefore, actual results may differ materially from what is expressed, implied or forecasted in such forward-looking statements. Management provides forward-looking statements because it believes they provide useful information to readers when considering their investment objectives and cautions readers that the information may not be appropriate for other purposes. Consequently, all of the forward-looking statements made in this AIF and in documents incorporated by reference in this AIF are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company. These forward-looking statements are made as of the date of this AIF and the Company assumes no obligation to update or revise them to reflect subsequent information, events or circumstances or otherwise, except as required by law.

The forward-looking statements in this AIF and in documents incorporated by reference in this AIF are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future, including assumptions regarding business and operating strategies, and the Company’s ability to operate on a profitable basis.

Some of the risks which could affect future results and could cause results to differ materially from those expressed in the forward-looking statements contained herein include:

- regulatory compliance risks;
- change of cannabis laws, regulations and guidelines;
- regulatory risks and uncertainties related to psychedelics;

- limited operating history;
- reliance on licences and authorizations;
- lack of long-term client commitments;
- risks related to the COVID-19 pandemic;
- disruption of supply chain;
- client risks;
- realization of growth targets including expansion of facilities and operations;
- history of net losses;
- difficulty to forecast;
- rapid growth and consolidation of the industry;
- competition;
- development and commercialization of new products;
- inability to sustain pricing and inventory models;
- legal proceedings;
- product liability;
- product recall;
- reliance on a production facility;
- dependence on supply of cannabis and other key inputs;
- the publication of negative results of clinical trials;
- failure to comply with laws in all jurisdictions;
- marketing constraints;
- research and development;
- scheduled maintenance, unplanned repairs, equipment outages and logistical disruptions;
- risks as a result of international expansions;
- unfavourable publicity or consumer perception;
- social media;
- reliance on key executives and scientists;
- employee misconduct;
- business expansion and growth;
- success of quality control systems;
- reliance on key inputs;
- liability arising from fraudulent or illegal activity;
- operating risk and insurance coverage;
- costs of operating a public corporation;
- management of growth;
- conflicts of interest;
- cybersecurity and privacy risk;
- environmental and employee health and safety regulations risk;
- trade secrets;
- patent law reform;
- patent litigation and intellectual property;
- protection of intellectual property;
- third-party licenses;
- access to capital;
- estimates or judgments relating to critical accounting policies;
- risk of default under convertible notes;
- negative operating cash flow;
- market for the common shares;

- no history of payment of cash dividends;
- reporting issuer status;
- significant sales of common shares;
- volatile market price for the common shares; and
- tax issues related to the common shares.

In addition to the factors set out above and those identified in this AIF under “Risk Factors”, other factors not currently viewed as material could cause actual results to differ materially from those described in the forward-looking statements. Although Nextleaf has attempted to identify important risks and factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors and risks that cause actions, events or results not to be anticipated, estimated or intended. Accordingly, readers should not place any undue reliance on forward-looking statements.

The forward-looking statements in this AIF are based on numerous assumptions regarding the Company’s present and future business strategies and the environment in which the Company will operate in the future, including, without limitation, assumptions regarding business and operating strategies, and the Company’s ability to operate on a profitable basis. The Company does not undertake any obligation to update or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this report, except as may be required by law.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

This AIF has been prepared using a number of conventions, which a reader should consider when reading the information contained herein. Unless otherwise stated, the terms “Nextleaf”, “Company”, “we”, “us” and “our” is a reference to Nextleaf Solutions Ltd. itself, or to Nextleaf Solutions Ltd. and its consolidated subsidiaries, as the context requires.

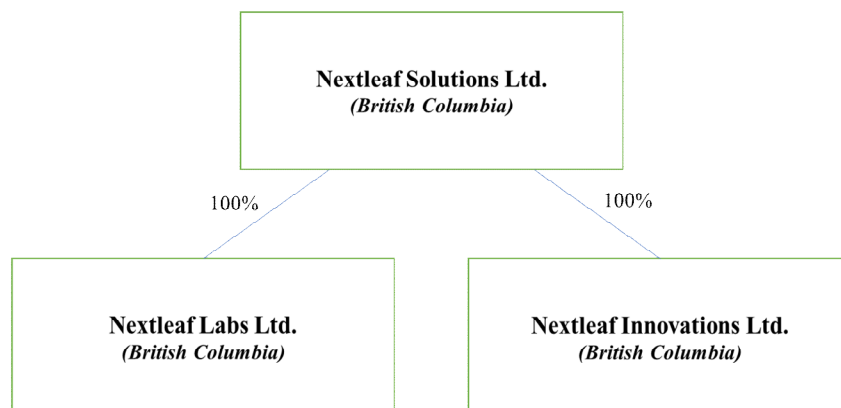
Unless otherwise noted or the context indicates otherwise, the terms “cannabis”, “CBD”, “client”, “licence” and “THC” have the meanings ascribed to such terms in the *Cannabis Act* (Canada) (the “**Cannabis Act**”) and the regulations published by the Federal Government of Canada under the Cannabis Act, including the *Cannabis Regulations* (the “**Cannabis Regulations**”) and the *Industrial Hemp Regulations* (“**IHR**”), each of which came into force on October 17, 2018.

Unless otherwise indicated, all dollar amounts in this AIF are expressed in Canadian dollars.

CORPORATE STRUCTURE

The Company was incorporated under the *Business Corporations Act* (British Columbia) (the “**BCBCA**”) on December 8, 2016 under the name “1099582 B.C. Ltd.”. The Company changed its name to “Legion Metals Corp.” on March 28, 2017 and to “Nextleaf Solutions Ltd.” on March 14, 2019 in connection with the Transaction (as defined below). The Company’s head office is located at #304 – 68 Water Street, Vancouver, British Columbia, V6B 1A4 and its registered and records office is located at #600 – 1090 West Georgia Street, Vancouver, British Columbia, V6E 3V7. The Company’s common shares are listed for trading on the Canadian Securities Exchange (the “**Exchange**”) under the trading symbol “OILS”, on the OTCQB Market in the United States under the symbol “OILFF”.

The following chart sets out all of the Company’s subsidiaries as at the date hereof, their jurisdictions of incorporation and the Company’s direct and indirect voting interest in each of these subsidiaries.



GENERAL DEVELOPMENT OF THE BUSINESS

Overview

Nextleaf is an innovative cannabis processor that owns one of the largest portfolios of U.S. patents for the extraction, purification, and delivery of cannabinoids. Through its wholly-owned subsidiary Nextleaf Labs Ltd. (“**Nextleaf Labs**”), a licenced processor, the Company is a low-cost producer of cannabis distillate and private label THC and CBD oils. Nextleaf’s automated closed-loop extraction plant in Metro Vancouver has a design capacity to process 600 kg of dried cannabis into oil per day. The Company has been issued 14 U.S. patents and over 90 patents globally. Nextleaf develops proprietary delivery technology through its Health Canada Cannabis Research Licence, including conducting sensory evaluation of cannabis via human testing. The Company’s proprietary Rapid emulsification technology by OILS™ powers differentiated edible cannabis products. Nextleaf is commercializing its issued and pending patents through licensing of intellectual property, providing extraction services, supplying cannabis oils to qualified Canadian and international business-to-business partners under their own brand, and selling products through provincial distribution boards for the adult-use market under the brand “Glacial Gold”.

On March 14, 2019, the Company acquired all of the issued and outstanding common shares of Nextleaf Innovations Ltd. (“**Nextleaf Innovations**”), a private British Columbia cannabis extraction technology company incorporated on October 6, 2015, by an acquisition and arrangement agreement by way of a plan of arrangement under the BCBCA (the “**Transaction**”). The Transaction constituted a reverse takeover of the Company by Nextleaf Solutions Ltd. (“**Nextleaf Privateco**”), being the Company prior to the Transaction, with Nextleaf Privateco as the reverse takeover acquirer and the Company as the reverse takeover acquiree, under applicable securities laws and for accounting purposes under international financial reporting standards (“**IFRS**”). On March 11, 2019, in connection with the Transaction, the Company consolidated its outstanding common shares on the basis of 3.5 old shares for each one (1) new

share. Following completion of the Transaction, the Company's common shares were listed for trading on the Exchange under the trading symbol "OILS".

Three Year History

Developments During the Financial Year Ended September 30, 2018

On October 31, 2017, Nextleaf Privateco issued 3,708,252 units pursuant to a private placement financing for gross proceeds of \$412,028. Each unit was comprised of one common share and one common share purchase warrant exercisable at a price of \$0.2222 per share until July 20, 2018.

On January 31, 2018 Nextleaf Privateco issued 8,275,144 common shares pursuant to a private placement financing for gross proceeds of \$1,153,300.

In February 2018, Nextleaf Innovations completed its pilot scale extraction system, a custom engineered mobile extraction lab. Nextleaf's pilot scale mobile extraction lab was designed to process dried biomass into cannabis oil at a client's licensed site, and allowed Nextleaf to validate its intellectual property.

On February 22, 2018, Nextleaf Privateco issued 150,000 common shares with an aggregate deemed value of \$27,000 for services provided by a consultant.

In March 2018, Nextleaf Privateco began developing a custom-engineered closed-loop extraction plant designed capacity to process 600kg per day of dried cannabis biomass into distilled oils. Nextleaf Privateco filed a number of design and process patents with the U.S. patent office.

On March 1, 2018, Nextleaf Privateco issued 2,500,000 common shares with an aggregate deemed value of \$450,000 for services provided by finders related to share issuances.

On March 1, 2018, Nextleaf Privateco issued 954,000 common shares on the exercise of broker warrants for gross proceeds \$148,389.

On June 10, 2018, Nextleaf Labs was incorporated to apply to Health Canada for a Dealer's License (now a Research Licence) and a Production Licence (now a Standard Processing Licence) under the *Access to Cannabis for Medical Purposes Regulations* ("ACMPR"). Nextleaf Labs was, at the time, a fully independent corporate entity which had licensed intellectual property and subleased production space from Nextleaf Privateco in exchange for 100% of the revenue generated by Nextleaf Labs pursuant to a license agreement and a sublease agreement, each dated as of July 26, 2018. Under the Nextleaf Labs License Agreement, Nextleaf Privateco had a priority right to negotiate the acquisition of any licences obtained by Nextleaf Labs.

On June 18, 2018, Nextleaf Privateco issued 66,960 common shares on the exercise of broker warrants for gross proceeds \$10,415.

On August 17, 2018, Nextleaf Privateco issued 7,417,798 common shares on the exercise of broker warrants for gross proceeds \$1,648,235.

On September 28, 2018, Nextleaf Privateco issued 8,104,643 common shares on the exercise of warrants for gross proceeds \$1,800,852.

Developments During the Financial Year Ended September 30, 2019

On November 29, 2018, the Company and Nextleaf Privateco entered into a binding and definitive acquisition and arrangement agreement, pursuant to which the parties agreed to complete the Transaction.

On March 14, 2019, in connection with the Transaction, Nextleaf Privateco completed a brokered and a non-brokered private placement of 14,285,714 units at a price of \$0.35 per unit for aggregate gross proceeds of \$5,000,000. The brokered portion of the concurrent offering was completed pursuant to an agency agreement among Nextleaf Privateco and Mackie Research Capital Corporation, as lead agent on behalf of a syndicate of agents. Each unit was comprised of one common share and one common share purchase warrant of Nextleaf Privateco exercisable to purchase one common share at a price of \$0.70 per share until March 14, 2021, subject to acceleration in certain circumstances. Upon completion of the Transaction, each common share of Nextleaf Privateco was exchanged for one common share of the Company and each common share purchase warrant of Nextleaf Privateco became exercisable for common shares of the Company.

On March 28, 2019, Nextleaf was issued a patent by the United States Patent and Trademark Office pertaining to its proprietary process of extraction, refinement and distillation of cannabinoids.

On May 15, 2019, the Company completed a private placement financing by issuing 10,400,000 units for gross proceeds of \$4,160,000. Each unit was comprised of one common share and one common share purchase warrant (each, a “**May Warrant**”) exercisable to purchase one share at a price of \$0.70 per share until May 15, 2021.

On June 24, 2019, the Company acquired a U.S. patent pending hydrocarbon extraction process and award-winning formulation for a cannabis concentrate known as “shatter”, pursuant to an asset purchase agreement. As consideration, Nextleaf issued 444,444 common shares at a deemed price of \$0.45 per share.

On July 24, 2019, the Company adopted a shareholder rights plan intended to provide the Company’s board of directors and long-term shareholders with adequate time to assess an unsolicited take-over bid for the Company, to provide the board with sufficient time to explore and develop alternatives for maximizing shareholder value if a take-over bid is made and to ensure that the shareholders of the Company are provided equal treatment under a take-over bid. The term of the plan is for three years, subject to re-approval by the shareholders of the Company in 2022.

On July 29, 2019, the common shares of the Company became quoted on the OTCQB Market in the United States under the symbol “OILFF”.

On September 3, 2019, the Company was granted a U.S. patent pertaining to the Company's proprietary technology for post-extraction processing of THC and CBD. The patent extended the Company’s existing patent portfolio to include methodology relating to the removal of fats and waxes from crude cannabis oil extracts in far less time, achieving more efficient throughput rates, and a highly desirable, impurity-free, refined distillate.

On September 6, 2019, Health Canada issued Nextleaf Labs a Standard Processing Licence under the Cannabis Act (replacing the Production Licence under the ACMPR).

On September 23, 2019, the Company entered into an agreement to acquire intellectual property pertaining to water-soluble cannabinoid formulations. Under the agreement, Nextleaf agreed to compensate the developer for the intellectual property upon each of two milestones being met. For the first milestone, which

has been met, Nextleaf paid the developer \$100,000 in cash and issued 196,078 common shares at a deemed price of \$0.51 per share for an aggregate value of \$100,000.

Developments During the Financial Year Ended September 30, 2020

On October 11, 2019, the Company entered into a share purchase agreement for the acquisition of Nextleaf Labs (the “**Nextleaf Labs Purchase Agreement**”). Pursuant to the Nextleaf Labs Purchase Agreement, on the closing date, being July 29, 2020, the Company issued 1,000,000 common shares (the “**Consideration Shares**”) at a deemed price of \$0.385 per common share for aggregate consideration of \$385,000. The Consideration Shares are subject to a pooling arrangement which restricts the ability of the holder to transfer or trade the shares, with 25% of the Consideration Shares having been released immediately upon completion of the acquisition, and the balance released in three equal tranches every six months thereafter.

On December 16, 2019 Nextleaf entered into a strategic agreement with a British Columbia-based cannabis processing equipment distribution company (the “**Licensee**”). The agreement permits the Licensee, on a non-exclusive basis, to commercialize and distribute certain intellectual property, specifically, three issued and pending patents related to post-extraction processing equipment developed by Nextleaf. Nextleaf will receive a royalty equal to 20% of the Licensee's gross revenue from all sources in exchange for, among other consideration, the licensed intellectual property.

On January 10, 2020, Health Canada issued Nextleaf Labs a Research Licence under the Cannabis Act (replacing the Dealer’s Licence). The licence allows Nextleaf Labs to conduct a number of research and development (“**R&D**”) activities, including stability trials on the Company’s nanoemulsified water soluble THC and CBD formulations.

On February 5, 2020, Nextleaf completed the acquisition of intellectual property pertaining to the nano delivery of cannabinoids, including the foundational processing methodology and two water soluble formulations. The initial agreement to acquire the intellectual property was announced on September 23, 2019. Ten years of R&D has resulted in a proprietary delivery system that has been adapted to cannabis, increasing bioavailability through nanoemulsification to deliver rapid onset of THC, CBD, and other cannabinoids. Nextleaf issued 937,500 common shares at a price of \$0.32 per share for the acquisition.

On March 31, 2020, the Company implemented an employee equity participation plan (the “**Plan**”), allowing non-executive employees of the Company to elect to receive common shares in lieu of a portion of their cash compensation. Through the program, the Company issued 244,444 common shares from April 1, 2020 to July 31, 2020, for an aggregate value of \$69,333.

On April 2, 2020, Nextleaf Labs entered into a cannabis extraction agreement with a well-known cannabis producer based in Ontario who operates a 10-acre greenhouse licensed for cannabis cultivation (the “**Ontario Client**”). The Ontario Client will provide cannabis biomass which Nextleaf Labs will process into refined and distilled THC and CBD oils using Nextleaf’s patented and proprietary extraction technology. The bulk distilled THC and CBD oils will be supplied to the wholesale market by Nextleaf Labs, with net proceeds of such sales expected to be shared by Nextleaf Labs and the Ontario Client. The initial term of the Agreement will end on the earlier of (a) 12 months, and (b) the date upon which 15 metric tons of biomass has been processed, and automatically renews thereafter for successive one year terms.

On April 13, 2020, Nextleaf Labs entered into an additional cannabis extraction agreement with an early pioneer in legal cannabis production in Atlantic Canada, and one of the strongest selling brands in the region (the “**Atlantic Canada Client**”). The Atlantic Canada Client will provide cannabis biomass which Nextleaf Labs will process into refined and distilled THC and CBD oils (the “**Finished Product**”) using the Company’s patented and proprietary extraction and purification platform. Nextleaf Labs will retain a

portion of the finished product, which will then be supplied to the wholesale market. The initial term of the agreement will end on the earlier of (a) 12 months, and (b) the date upon which 10 metric tons of biomass has been processed.

On May 28, 2020, the Company closed a non-brokered private placement of 10,200,738 units at a price of \$0.30 per unit for gross proceeds of \$3,060,221. Each unit was comprised of one common share and one common share purchase warrant, with each warrant exercisable at a price of \$0.50 per share until May 28, 2022, provided that if the common shares trade on the Exchange above \$0.70 per share for 10 consecutive trading days, then the expiry date of the warrants will be automatically accelerated to the date that is 30 days after the date the Company provides notice by press release to the holders of the warrants.

On July 6, 2020, Nextleaf Labs entered into a bulk supply agreement with a British Columbia-based multi-licensed cannabis producer focused on the distribution of adult-use cannabis products through provincial markets. Pursuant to the supply agreement, Nextleaf Labs has agreed to supply 50 kilograms of THC distillate to the purchaser.

On July 15, 2020, the Canadian Intellectual Property Office granted the Company a patent for the acetylation of delta 9-tetrahydrocannabinol.

On July 29, 2020, the Company completed the acquisition of Nextleaf Labs pursuant to the Nextleaf Labs Purchase Agreement.

Subsequent to Year End

On October 26, 2020, the Company announced that the United States Patent and Trademark Office had granted Nextleaf a patent for the formulation of a solventless extract.

On November 5, 2020, the Company announced that the United States Patent and Trademark Office had granted Nextleaf a second patent for the acetylation of cannabinoids.

On November 9, 2020, the Company announced that Nextleaf Labs had entered into a cannabis extraction agreement, with Natural MedCo Ltd. (“NMC”), a wholly-owned subsidiary of Eve & Co Incorporated, pursuant which NMC will provide cannabis biomass to be processed into distilled THC and CBD oils at Nextleaf’s closed-loop extraction plant in Metro Vancouver.

On November 26, 2020, the Company announced that it had entered into a cannabis extraction agreement with a licensed producer in Ontario, which is a premium white label flower producer.

On December 10, 2020, the Company issued 418,823 common shares with an aggregate fair value of \$71,200 (\$0.17 per share) to two non-executive employees and a consultant as compensation for services rendered.

On December 10, 2020, the Company issued 911,765 common shares with an aggregate fair value of \$155,000 (\$0.17 per share) to two consultants for settlement of previously rendered services.

On December 10, 2020, the Company granted 250,000 stock options to consultants. The options are exercisable at \$0.25 each for five years until December 10, 2025 and vest immediately.

On January 12, 2021, Nextleaf Labs received an amendment to its existing Research Licence from Health Canada to conduct controlled human administration trials for sensory evaluation of cannabis at its processing facility in Metro Vancouver.

On January 13, 2021, the Company granted 630,000 stock options to employees and consultants. The options are exercisable at \$0.35 each until January 13, 2026 and vest fully on October 1, 2021.

In January 2021, the Company issued 145,000 common shares on the exercise of stock options by an employee and certain consultants of the Company for proceeds of \$50,750.

On February 1, 2021, Nextleaf Labs entered into a hemp processing agreement Green Light Solutions, a British Columbia based company which develops high quality CBD products through its wholly-owned subsidiary, JOE's Hemp Shack Inc. ("**JOE's**"). Pursuant to the processing agreement, JOE's provides hemp biomass to be processed into CBD refined oil or distillate at the Company's processing facility. The pricing and value of the processing agreement is based upon the volume of distillate produced by Nextleaf Labs from JOE'S hemp biomass, and the extraction services are paid for in cash.

On February 16, 2021, the Company issued an aggregate of 383,428 common shares at a price of \$0.285 per share to consultants as compensation for services provided and also issued an aggregate of 560,000 stock options to non-executive employees. Each option is exercisable for five years at an exercise price of \$0.35 per share.

On March 23, 2021, the Company announced the implementation of a warrant incentive program (the "**Incentive Program**") designed to encourage exercise of the May Warrants. Pursuant to the Incentive Program, the Company amended the exercise price of the May Warrants from \$0.70 per share to \$0.265 per share and all May Warrants exercised prior to May 15, 2021 will receive one additional share purchase warrant (each, an "**Incentive Warrant**") for each May Warrant exercised. Each Incentive Warrant entitles the holder to purchase one additional Share at \$0.35 per Share until May 15, 2022, subject to acceleration. On May 13, 2021, the Company announced the extension of the Incentive Program until July 15, 2021, including an extension of the expiry date of Incentive Warrants to July 15, 2022.

On March 31, 2021, the Company closed a private placement with an institutional investor for aggregate gross proceeds of \$3,000,000. The financing was completed pursuant to the terms of securities purchase agreement dated March 31, 2021 (the "**Securities Purchase Agreement**") between the Company and the investor, which provided for the issuance of a senior secured convertible note in the principal amount of \$3,300,000 (the "**Note**") and a warrant to purchase up to 6,875,000 common shares at a price of \$0.288 per share for a period of 36 months from the date of issuance. As part of the fees related to the financing, the Company issued 250,000 common shares at a deemed price of \$0.24 per share.

In April 2021, the Company issued 45,283 common shares with an aggregate fair value of \$12,000 (\$0.265 per share) to an employee of the Company as a discretionary bonus.

In April and May 2021, the Company issued 916,750 common shares on the exercise of May Warrants, and issued an aggregate of 916,750 Incentive Warrants, pursuant to the Incentive Program for proceeds of \$242,939.

In May 2021, the Company issued 427,500 common shares with an aggregate fair value of \$105,000 (between \$0.24 and \$0.25 each) to two consultants for services rendered.

In May 2021, the Company issued 440,000 common shares on the acquisition of all rights associated with the use of the speciality concentrates and extracts brand, "Glacial Gold".

In June 2021, the Company announced that Nextleaf Labs had engaged CannDelta Inc. ("**CannDelta**") with respect to its application for a Health Canada Controlled Drugs and Substances Dealer's Licence (a

“**Dealer’s Licence**“). Upon application submission and approval from Health Canada, the Dealer’s Licence is expected to allow Nextleaf Labs to conduct a variety of activities relating to psilocybin and psilocin including R&D, IP development, production of base substance materials, laboratory analysis, as well as the sale and distribution of the substances to authorized individuals, including researchers and for its use in clinical trials.

In July 2021, the Company entered into a supply agreement with the BC Liquor Distribution Branch for the sale and distribution of branded consumer products in the province.

In August 2021, the Company (i) issued 25,000 common shares on the exercise of warrants, (ii) issued an aggregate of 25,000 Incentive Warrants pursuant to the Incentive Program for proceeds of \$6,250, (iii) issued 761,905 common shares with an aggregate fair value of \$160,000 (\$0.21 per share) to consultants for services rendered, and (iv) granted 790,000 stock options to non-executive independent directors and a non-executive employee of the Company, with each option exercisable at \$0.275 per share until August 5, 2026.

In September 2021, Nextleaf completed its initial consumer branded product launch of Glacial Gold vape cartridges and distilled bottled oils in completing its initial shipment of products to the British Columbia Liquor Distribution Branch.

In September 2021, the Company was authorized by the Saskatchewan Liquor and Gaming Authority to distribute its Glacial Gold branded products through the provincial wholesale and retail markets.

In October 2021, the Company entered into an agreement with Medicibis (Mendo), a Québec-based cannabis product distributor, for the sale and distribution of Glacial Gold branded products through Medicibis’ national medical platform.

In October 2021, the Company entered into an agreement with National Cannabis Distribution Inc., a wholly-owned subsidiary of Kiara Holdings Corp., for the sale and distribution of Glacial Gold branded products throughout Saskatchewan.

In November 2021, Nextleaf launched two new branded products under Glacial Gold: Distillate CBD 100 and Distilled CBD 200, both distilled bottle oil products. Upon announcement, Distillate CBD 200 contained the highest potency of CBD available in Canada in an ingestible oil format.

In November 2021, the Company announced that Nextleaf Labs had received acceptance of its application for a Dealer’s Licence, now formally under review by Health Canada.

Significant Acquisitions or Dispositions

The Company has not completed any significant acquisitions or dispositions during the financial year ended September 30, 2020 for which disclosure is required under Part 8 of National Instrument 51-102 – *Continuous Disclosure Obligations* (“**NI 51-102**”).

DESCRIPTION OF THE BUSINESS

Summary¹

Nextleaf is a global leader in cannabis innovation, as a processor that owns a global portfolio of patents for the extraction, purification, and delivery of cannabinoids. The Company utilizes its intellectual property (“IP”) to produce low-cost bulk cannabis distillate and private label THC and CBD oils, and provide toll processing services.

Nextleaf’s automated closed-loop extraction plant in Metro Vancouver has an annual design capacity to process 200,000 kg of dried cannabis and hemp into oil per day. Nextleaf, through its subsidiary Nextleaf Labs, holds Health Canada licences for standard processing and research, allowing for a number of licenced activities including sensory evaluation of cannabis via human testing. The Company also commercializes its portfolio of issued and pending patents through licensing of IP.

Nextleaf has engaged CannDelta with respect to its application for a Dealer’s Licence and has received acceptance of its application, now formally under review by Health Canada. Assuming approval from Health Canada, the Dealer’s Licence is expected to allow Nextleaf Labs to conduct a variety of activities relating to psilocybin and psilocin including R&D, IP development, production of base substance materials, laboratory analysis, as well as the sale and distribution of the substances to authorized individuals, including researchers and for its use in clinical trials.

Nextleaf is a leading third-party extraction company in Canada with an annual capacity of 200,000 kg of cannabis and hemp biomass at its 6,500 square foot automated, purpose-built facility in Coquitlam, British Columbia. Leveraging its extraction and product manufacturing capabilities, the Company produces cannabinoid based branded consumer products, which it supplies to white-label clients to be sold under their own brands, or directly to provinces and distributors under the Company’s brand “Glacial Gold”.

Production and Services

The Company leverages its proprietary technologies to differentiate its products and services, with the objective of creating more value for clients and pursuing continuous innovation to drive more cost efficiencies. Also, allowing for the efficient production of formulated branded finished products such as vape cartridges and distilled bottled oils – sold under the Glacial Gold brand, and customer brands.

Specifically, Nextleaf offers the following services:

1. Processing of cannabis and hemp biomass into refined oil;
2. Processing and distilling cannabis and hemp biomass into a variety of ready-for-market THC and CBD distillate;
3. Production of bulk cannabinoid ingredients such as Rapid Emulsion Technology by OILS™, for manufacturing of cannabinoid-based consumer products;
4. White-label manufacturing of cannabinoid-based consumer products; and
5. Licensing of non-core patents to cannabis and hemp processors.

¹ This section contains forward-looking information and is based on a number of risks and assumptions. See “Forward Looking Statements”.

Extraction

Nextleaf utilizes a proprietary automated chilled alcohol, closed-looped extraction and distillation system to produce high-purity refined oils and distillate focused on low-cost production by leveraging an ultra lean overhead approach. Nextleaf offers these services on a toll-processing basis.

Bulk Supply

Nextleaf offers bulk refined oil and distillate supply through its commercial partners program, leveraging large scale cultivators to supply Nextleaf with biomass to process in refined oil and distillate and sell to manufacturers of cannabinoid-based products.

Formulations and Ingredients

Nextleaf has a diverse IP portfolio that includes 90 issued patents globally for the extraction, purification, and delivery of cannabinoids.

The Company holds exclusive world rights to produce, market, package, sell and distribute Rapid Emulsion Technology by OILS™. Using Nextleaf's high purity distillate, alongside microscopic amounts of natural carrier oils and food-grade emulsifiers the unique droplet structure allows the final product to be tasteless, odorless, and achieve optical transparency through uniform and complete dispersion of the particle into liquid. Nextleaf is developing a powder format of Rapid Emulsion Technology by OILS™.

Nextleaf is continually innovating and developing proprietary technologies and intellectual property for the extraction, purification, and delivery of cannabinoids. The Company owns the patents for the process creating CBD-O-Acetate and THC-O-Acetate in Canada and United States. Nextleaf has commenced trials of a proprietary remediation process to solve the industry's prevalent pesticide drift challenge.

Manufacturing

The Company provides white-label manufacturing of ready-for-market oil and distillate based products, in addition to product development services. Currently, white-labelling services are offered for products such as vape cartridges, Rapid Emulsion Technology by OILS™, and bottled oils.

IP Licensing

Nextleaf commercializes its portfolio of issued and pending patents through strategic licensing of IP to qualified Canadian and international partners.

Branded Consumer Products

Nextleaf utilizes a portion of its distilled cannabis oil for the manufacturing of finished formulated products, which are sold both under the Glacial Gold brand, and customer brands through white label and contract manufacturing arrangements. Customers that hold their own licence may directly purchase the finished or partially finished products from the Company to manage the remaining portion of the manufacturing and/or supply chain themselves and the Company would typically receive a fee per unit shipped under that arrangement. The Company will aim to increase the breadth (product formats) and depth (SKUs per product format) of finished formulated product capabilities over time, with a focus on accretive SKUs.

Economic Dependence

The Company does not believe there is any contract upon which its business as a whole is substantially dependent.

Components

The Company requires the customers they have entered into manufacturing and toll-processing agreements with to provide input cannabis and hemp material for processing and potentially hardware. Shortages in the supply of this material may have an impact on the Company's ability to generate revenue.

The Company's business is dependent on a number of key inputs and their related costs including raw materials and supplies related to its extraction and white label manufacturing operations, as well as electricity, water and other utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the 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 Company does not cultivate cannabis or supply itself with cannabis leaves, flowers and trim. Currently, the Company acquires cannabis from third parties in amounts sufficient to operate its extraction business. The Company's business is also dependent on a number of non-cannabis related key inputs, including skilled labour, equipment, parts, solvents and other supplies. However, there can be no assurance that there will continue to be a supply of cannabis or other inputs available for the Company to purchase in order to operate or expand its oil extraction business. Additionally, the price of cannabis and other inputs may rise which would increase the Company's cost of goods. If the Company were unable to acquire the cannabis or other inputs required to operate or expand its oil extraction business or to do so on favourable terms, it could have a material adverse impact on the Company's business, financial condition and results of operations. If any of the Company's key suppliers fails to provide inputs meeting the Company's quality standards, it may need to source cannabis, equipment or other inputs from other suppliers, which may result in additional costs and delay in the delivery of its products and services to its clients. There is no assurance that the Company's suppliers will be able to supply and deliver the required materials to the Company in a timely manner or that the materials they supply to the Company will not be defective or substandard. Any delay in the delivery of materials, or any defect in the materials, supplied to the Company may materially and adversely affect or delay its production schedule and affect its product quality. If the Company cannot secure materials of similar quality and at reasonable prices from alternative suppliers in a timely manner, or at all, the Company may not be able to deliver its products to its clients on time with required quality. The Company's suppliers, service providers and distributors may elect, at any time, to breach or otherwise cease to participate in supply, service or distribution agreements, or other relationships, upon which the Company's operations rely. Loss of its suppliers, service providers or distributors would have a material adverse effect on the Company's business and operational results.

Licensing

The Company's production facility received a Standard Processing Licence from Health Canada on September 9, 2019. On January 22, 2020, Health Canada granted a Research Licence for the Company's production facility. Both licenses are held by Nextleaf Labs, a subsidiary of the Company. As announced by the Company on January 13, 2021, the Company received an amendment to its Research Licence, which allows for sensory evaluations and trials with humans.

The Company is required to remain in compliance with current and evolving Health Canada regulations and City of Coquitlam requirements to ensure it operates in compliance with licensing and regulatory

requirements for the duration of the licence period and subsequent thereto in order to remain ongoing licensing and renewal. The Company’s commercial operations and the ability to continue as a going concern are dependent on the Company acquiring the licence from Nextleaf Labs and remaining compliant.

Competitive Conditions

The Company competes with a range of different entities. The Company has two primary types of competition: (i) existing licensed cultivators and their ability to conduct extraction in-house; and (ii) other cannabis concentrate processors.

The industry within which the Company operates is intensely competitive in all its phases, and the Company faces competition from other companies, some of which can be expected to have more financial resources and retail, technical, formulation, research and marketing experience than the Company. Although the Company has access to capital, a management team with specialized skills and knowledge, and an IP portfolio that positions it well among its competitors, there can be no assurance that potential competitors of the Company, which may have greater financial, research, production, sales and marketing experience, and personnel and resources than the Company, are not currently developing, or will not in the future develop, products and strategies that are equally or more effective and/or economical as any products or strategies developed by the Company or which would otherwise render the Company’s business, products and strategies, as applicable, ineffective, or obsolete. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company. See “Risk Factors”.

As additional Cannabis Act licence holders continue to scale their businesses and produce greater volumes of cannabis concentrates, and as the market for finished goods requiring cannabis concentrates continues to roll out slowly, the Company believes the market for bulk extracts will likely continue to be characterized by structural oversupply until these supply and demand imbalances are corrected and sell through into consumer channels improves. We expect that the principal aspects of competition between the Company and its competitors will continue to be price and quality of extracted and refined products.

Intellectual Property

The Company owns and continually invests in an intellectual property portfolio of systems, methods, and apparatuses for the extraction and refinement of extracts from cannabis and hemp biomass, as well as technology pertaining to the delivery of cannabinoids. The Company’s patented technology and market-validated formulations aim to assist cultivators increase revenue and profitability through extraction and purification of biomass into colourless, tasteless, odourless cannabinoid distillate oil and differentiated delivery formats. The Company currently owns over 90 issued patents globally. Nextleaf seeks to commercialize its intellectual property through IP licensing to qualified Canadian and international business-to-business partners for use in producing products under their own brand. On December 16, 2019, the Company entered into a patent licensing agreement with a private British Columbia-based cannabis processing equipment distribution company for use of several of the Company’s non-core patents.

The following tables set forth the status for each patent and patent application applicable to the Company’s current and anticipated business activities:

Title	Jurisdiction of Filing	Status
Acetylation of cannabidiol	Canada	Issued
Acetylation of cannabidiol	United States	Issued

Title	Jurisdiction of Filing	Status
Acetylation of cannabigerol	United States	Issued
Acetylation of cannabinoids using sulfuric acid catalyst	United States	Issued
Acetylation of cannabinoids using sulfuric acid catalyst	PCT	Pending
Acetylation of cannabinol	United States	Pending
Cannabinoid extraction and distillation	Australia	Issued
Cannabinoid extraction and distillation	Canada	Issued
Cannabinoid extraction and distillation	Colombia	Issued
Cannabinoid extraction and distillation	Israel	Issued
Cannabinoid extraction and distillation	New Zealand	Issued
Cannabinoid extraction and distillation	United States	Issued
Cannabinoid extraction and distillation	South Africa	Issued
Cannabinoid extraction and distillation	Europe	Pending
Cannabinoid extraction process and system	Australia	Issued
Cannabinoid extraction process and system	Belgium	Issued
Cannabinoid extraction process and system	Canada	Issued
Cannabinoid extraction process and system	Switzerland	Issued
Cannabinoid extraction process and system	Colombia	Issued
Cannabinoid extraction process and system	Germany	Issued
Cannabinoid extraction process and system	France	Issued
Cannabinoid extraction process and system	Great Britain	Issued
Cannabinoid extraction process and system	Ireland	Issued
Cannabinoid extraction process and system	Israel	Issued
Cannabinoid extraction process and system	Italy	Issued
Cannabinoid extraction process and system	Liechtenstein	Issued
Cannabinoid extraction process and system	Mexico	Issued
Cannabinoid extraction process and system	New Zealand	Issued
Cannabinoid extraction process and system	United States	Issued

Title	Jurisdiction of Filing	Status
Cannabinoid extraction process and system	Jamaica	Pending
Cannabinoid extraction process and system	South Africa	Pending
Cannabinoid extraction process using brine	Australia	Issued
Cannabinoid extraction process using brine	Brazil	Issued
Cannabinoid extraction process using brine	Canada	Issued
Cannabinoid extraction process using brine	Chile	Issued
Cannabinoid extraction process using brine	Colombia	Issued
Cannabinoid extraction process using brine	Israel	Issued
Cannabinoid extraction process using brine	New Zealand	Issued
Cannabinoid extraction process using brine	United States	Issued
Cannabinoid extraction process using brine	South Africa	Issued
Cannabinoid extraction process using brine	Europe	Pending
Cannabinoid extraction process using brine	Mexico	Pending
Cannabinoid extraction process using brine	Peru	Pending
Cannabinoid extraction process using brine	Thailand	Pending
Cannabinoid extraction process using brine	Turkey	Pending
Cannabis trichome separation using a tumbler	United States	Issued
Cannabis trichome separation using a tumbler	Argentina	Pending
Cannabis trichome separation using a tumbler	Bolivia	Pending
Cannabis trichome separation using a tumbler	Paraguay	Pending
Cannabis trichome separation using a tumbler	Uruguay	Pending
Cannabis trichome separation using chilled water	Canada	Issued
Cannabis trichome separation using chilled water	United States	Issued
Cannabis trichome separation using chilled water	Argentina	Pending
Cannabis trichome separation using chilled water	Bolivia	Pending
Cannabis trichome separation using chilled water	PCT	Pending
Cannabis trichome separation using chilled water	Paraguay	Pending

Title	Jurisdiction of Filing	Status
Cannabis trichome separation using chilled water	Uruguay	Pending
Closed loop chilled solvent feed for cannabinoid extraction	Australia	Issued
Closed loop chilled solvent feed for cannabinoid extraction	Canada	Issued
Closed loop chilled solvent feed for cannabinoid extraction	Chile	Issued
Closed loop chilled solvent feed for cannabinoid extraction	Israel	Issued
Closed loop chilled solvent feed for cannabinoid extraction	Mexico	Issued
Closed loop chilled solvent feed for cannabinoid extraction	New Zealand	Issued
Closed loop chilled solvent feed for cannabinoid extraction	United States	Issued
Closed loop chilled solvent feed for cannabinoid extraction	South Africa	Issued
Closed loop chilled solvent feed for cannabinoid extraction	Colombia	Pending
Closed loop chilled solvent feed for cannabinoid extraction	Europe	Pending
Closed loop chilled solvent feed for cannabinoid extraction	Thailand	Pending
Closed-loop multi-stage chilled filter system	Austria	Issued
Closed-loop multi-stage chilled filter system	Australia	Issued
Closed-loop multi-stage chilled filter system	Belgium	Issued
Closed-loop multi-stage chilled filter system	Canada	Issued
Closed-loop multi-stage chilled filter system	Switzerland	Issued
Closed-loop multi-stage chilled filter system	Colombia	Issued
Closed-loop multi-stage chilled filter system	Czech	Issued
Closed-loop multi-stage chilled filter system	Germany	Issued
Closed-loop multi-stage chilled filter system	Denmark	Issued
Closed-loop multi-stage chilled filter system	France	Issued
Closed-loop multi-stage chilled filter system	Great Britain	Issued
Closed-loop multi-stage chilled filter system	Ireland	Issued
Closed-loop multi-stage chilled filter system	Italy	Issued
Closed-loop multi-stage chilled filter system	Cambodia	Issued
Closed-loop multi-stage chilled filter system	Liechtenstein	Issued

Title	Jurisdiction of Filing	Status
Closed-loop multi-stage chilled filter system	Luxembourg	Issued
Closed-loop multi-stage chilled filter system	Malta	Issued
Closed-loop multi-stage chilled filter system	Netherlands	Issued
Closed-loop multi-stage chilled filter system	Poland	Issued
Closed-loop multi-stage chilled filter system	Portugal	Issued
Closed-loop multi-stage chilled filter system	United States	Issued
Closed-loop multi-stage chilled filter system	Jamaica	Pending
Closed-loop multi-stage chilled filter system	Mexico	Pending
Elevated multi-stage chilled filter system	United States	Issued
Hemp straw ash as a supplementary cementitious material	United States	Issued
Hemp straw ash as a supplementary cementitious material	PCT	Pending
Method for acetylation of cannabinoids	Australia	Issued
Method for acetylation of cannabinoids	Belgium	Issued
Method for acetylation of cannabinoids	Canada	Issued
Method for acetylation of cannabinoids	Switzerland	Issued
Method for acetylation of cannabinoids	Germany	Issued
Method for acetylation of cannabinoids	Denmark	Issued
Method for acetylation of cannabinoids	France	Issued
Method for acetylation of cannabinoids	Great Britain	Issued
Method for acetylation of cannabinoids	Ireland	Issued
Method for acetylation of cannabinoids	Italy	Issued
Method for acetylation of cannabinoids	South Korea	Issued
Method for acetylation of cannabinoids	Liechtenstein	Issued
Method for acetylation of cannabinoids	Netherlands	Issued
Method for acetylation of cannabinoids	New Zealand	Issued
Method for acetylation of cannabinoids	United States	Issued
Method for acetylation of cannabinoids	PCT	Pending

Title	Jurisdiction of Filing	Status
Skid and frame set	United States	Issued
Skid, frame, and vessel set	United States	Issued
System for staged continuous cooled filtration	Australia	Issued
System for staged continuous cooled filtration	Switzerland	Issued
System for staged continuous cooled filtration	Germany	Issued
System for staged continuous cooled filtration	Europe	Issued
System for staged continuous cooled filtration	France	Issued
System for staged continuous cooled filtration	Great Britain	Issued
System for staged continuous cooled filtration	Israel	Issued
System for staged continuous cooled filtration	United States	Issued
System for staged continuous cooled filtration	South Africa	Issued
Treatment of spent cannabis biomass	United States	Pending
Treatment of spent cannabis biomass with activating agent	United States	Pending
Ultrasonic cannabinoid extraction using non-flammable co-solvent	United States	Issued

Cycles

With respect to the supply of inputs, the Company sources its cannabis and hemp biomass from greenhouse, indoor and outdoor cultivators throughout Canada. Although Company’s greenhouse and outdoor suppliers’ yields may vary seasonally, the Company does not expect the availability or price of its inputs to materially fluctuate on a seasonal or cyclical basis. As outdoor grown cannabis becomes more prominent within Canada, the Company may begin to see seasonality in the availability and price of cannabis. The demand for cannabis and its derivatives is not seasonal or cyclical.

Specialized Skill and Knowledge

The Company’s directors and officers possess a wide range of professional skills and experience relevant to pursuing and executing on the Company’s business strategy. Drawing on significant experience in various industries and sectors, the Company believes its management has a demonstrated track record of bringing together all of the key components for a successful Corporation, such as strong technical skills, expertise in planning and financial controls, ability to execute on business development opportunities, and capital markets expertise. The operational skills of the Company’s management include valuable knowledge managing a business in a regulated industry, identifying and developing innovative cannabis technology, backed by a diverse range of backgrounds in science, marketing, and business and finance.

By leveraging the strengths and experiences of its management team (i.e., individuals who possess a wealth of combined knowledge and experience necessary for the development of intellectual property for the

extraction, distillation and formulation of cannabinoids). The Company will continue to build out its team with specialists on an “as-needed” basis.

The Company’s current directors, officers and key executives have significant collective experience with high-growth businesses, quality and regulatory affairs, in addition to a track record of growing companies including aspects of commercial operations, securities and capital markets. Collectively, the Company believes that it has adequate access to the current and future skill sets required to grow and sustain its business.

Environmental Protection

The Company is committed to minimizing any environmental impact of its operations and operating its business in a way that will foster sustainable use of the world’s natural resources. The Company’s primary solvent used in its extraction processes is a proprietary formula of chilled high-grade alcohol, which is subject to various environmental protection requirements. Regardless, the Company does not expect any environmental protection requirements to have a material effect on the Company’s expected capital expenditures, profit or loss or competitive position.

Employees

As of the date of this AIF, the Company has approximately 26 full-time employees in Vancouver, British Columbia. In addition, the Company engages contractors and consultants to work on specific projects and for administrative, engineering, legal and other services as required.

Negative Operating Cash Flow

Since inception, the Company has had negative operating cash flow and incurred losses. The Company’s negative operating cash flow and losses may continue for the foreseeable future. The Company cannot predict when it will reach positive operating cash flow, if ever. Due to the expected continuation of negative operating cash flow, the Company will be reliant on future financings in order to meet its cash needs. There is no assurance that such future financings will be available on acceptable terms or at all. See “Risk Factors”.

REGULATORY OVERVIEW

The following summary addresses the primary Canadian federal and provincial laws and regulations associated with the production and distribution of legal cannabis, cannabis products and cannabis accessories. It does not address the laws and regulations of any other jurisdiction. The Company believes that, as of the date of this AIF, it is in compliance with all laws and regulations summarized below.

Background

On October 17, 2018, the Cannabis Act and the Cannabis Regulations came into force, legalizing the sale of cannabis for adult recreational use. Prior to the promulgation of the Cannabis Act and the Cannabis Regulations, only the sale of cannabis for medical purposes was legal, which was regulated by the ACMPR under the *Controlled Drugs and Substances Act* (“CDSA”). The Cannabis Act and the Cannabis Regulations replaced the CDSA and the ACMPR as the governing laws and regulations in respect of the production, processing, sale and distribution of cannabis for medical and adult recreational use.

The Cannabis Act provides a licensing and permitting scheme for the cultivation, processing, importation, exportation, testing, packaging, labelling, sending, delivery, transportation, sale, possession and disposal of cannabis for adult recreational use, implemented by the Cannabis Regulations. The Cannabis Act and the Cannabis Regulations maintain a separate regime for access to cannabis for medical purposes. Under

the Cannabis Act and the Cannabis Regulations, import and export permits will only be issued in respect of cannabis for medical or scientific purposes or in respect of industrial hemp and in accordance with the IHR. Import and export permits will not be issued in respect of cannabis for adult recreational use. Pursuant to the Cannabis Regulations, a holder of a license is authorized to export cannabis for medical or scientific purposes upon receipt of an export permit for each shipment of cannabis that is exported for medical purposes. Upon receipt of an import permit of the recipient jurisdiction for a specific export of products (the “**Import Permit**”), a company provides the Import Permit as part of its application for a shipment-specific export permit to be issued by Health Canada. This is an ongoing process that all license holders must comply with in order to export medical cannabis.

The Cannabis Regulations, among other things, set out regulations relating to the following matters: (1) licences, permits and authorizations; (2) security clearances and physical security measures; (3) good production practices; (4) cannabis products; (5) packaging and labelling; (6) cannabis for medical purposes; (7) drugs containing cannabis; (8) combination products and devices; (9) importation and exportation for medical or scientific purposes; (10) document retention; (11) reporting and disclosure, and (12) access to cannabis for medical purposes.

Licences, Permits and Authorizations

The Cannabis Regulations establish six classes of licences: cultivation licences; processing licences; analytical testing licences; sales for medical purposes licences; research licences; and cannabis drug licences. The Cannabis Regulations also create subclasses for cultivation licences (standard cultivation, micro- cultivation and nursery) and processing licences (standard processing and micro-processing). Different licences and each subclass therein carry differing rules and requirements that are intended to be proportional to the public health and safety risks posed by each licence category and subclass. The Cannabis Regulations provide that all licences issued under the Cannabis Act must include both the effective date and expiry date of the licence and may be renewed on or before the expiry date.

The IHR came into force on October 17, 2018. The IHR remained largely the same as they were under the CDSA but now they permit the sale of hemp plants to licensed cannabis producers, the use of additional parts of the hemp plant and licensing requirements were introduced in accordance with the low risk posed by industrial hemp. The IHR define “industrial hemp” as cannabis plants – or any part of the plant – in which the concentration of THC is 0.3% or less in the flowering heads and leaves.

Security Clearances and Physical Security Measures

Certain personnel including the responsible person, the head of security, the master grower, the quality assurance person (each as defined in the Cannabis Regulations), their designated alternates and any other individual identified by the Minister of Health (the “**Minister**”) must hold a valid security clearance issued by the Minister. Where the licensee is a corporation, certain other people associated with it, including its directors and officers as well as any shareholders and partners who do (or are in a position to) exercise control and directors and officers of those shareholders and partners must also hold a valid security clearance issued by 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. This was largely the approach in place under the ACMPR and other related regulations governing the licensed production of cannabis for medical purposes. Individuals who have histories of non-violent, 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.

Security clearances issued under the ACMPR are considered to be security clearances for the purposes of the Cannabis Act and Cannabis Regulations.

Cannabis Tracking System

Under the Cannabis Act, the Minister is authorized to establish and maintain a national cannabis tracking system. The Cannabis Regulations provide the Minister with the authority to make a ministerial order that would require specified persons to report specific information about their authorized activities with cannabis, in the form and manner specified by the Minister.

The ministerial order regarding the Cannabis Tracking System (together with the licensing portal, collectively known as the “**Cannabis Tracking and Licensing System**”) was published in the Canada Gazette, Part II, on September 5, 2018 and came into effect on October 17, 2018 (the “**2018 Ministerial Order**”). The 2018 Ministerial Order was repealed and replaced by the new ministerial order, the Cannabis Tracking System Order, published in the Canada Gazette, Part II on June 26, 2019 and in force on October 17, 2019 in order to address the unique public health and public safety risks associated with the three new classes of cannabis, being edible cannabis, cannabis extracts and cannabis topicals (collectively, the “**New Classes of Cannabis**”) authorized by the Regulations Amending the Cannabis Regulations (New Classes of Cannabis) (the “**Amending Regulations**”) on October 17, 2019.

The purpose of this system is to enable the submission of licence applications, amendments and renewals through an online portal and track the flow of cannabis throughout the supply chain as a means of preventing the illegal inversion and diversion of cannabis into and out of the regulated system. Under the Cannabis Tracking and Licensing System, a holder of a licence for cultivation, licence for processing, or a licence for sale for medical purposes is required to submit monthly reports to Health Canada.

Cannabis Products

The Cannabis Act and Cannabis Regulations set out the requirements for cannabis products and permits the sale of dried cannabis, fresh cannabis, cannabis plants, cannabis plant seeds, edible cannabis, cannabis extracts and cannabis topicals. THC content in cannabis products intended for ingestion or nasal, vaginal or rectal administration is limited to no more than 10 mg TCH per discrete unit.

Prior to the passage of the Amending Regulations, the Cannabis Act only permitted the sale of dried cannabis, cannabis oil, fresh cannabis, cannabis plants and cannabis plant seeds. The Amending Regulations permit the production and sale of the New Classes of Cannabis. As is the case for dried or fresh cannabis and cannabis oil, a processing licence is required in order to produce edible cannabis, cannabis extracts and cannabis topicals, and to package and label these types of cannabis products for sale to consumers. Holders of processing licences issued prior to October 17, 2019 were required to amend their processing licence before they could begin manufacturing products belonging to New Classes of Cannabis. The Cannabis Regulations require the filing of a notice with Health Canada at least 60 days before releasing a new product to the market. As a result, December 16, 2019 was the earliest date that products in the New Classes of Cannabis could be made available for sale.

In addition, if a holder of a processing licence chooses to process edible cannabis and food products on the same site, then the production, packaging, labelling, and storage of cannabis and the production, packaging, and labelling of food products will need to be conducted in separate buildings. All cannabis production is required to occur in a separate building from any food production.

Packaging & Labeling

The Cannabis Regulations set out strict requirements pertaining to the packaging and labelling of cannabis products. These requirements are intended to promote informed consumer choice and allow for the safe handling and transportation of cannabis, while also reducing the appeal of cannabis to youth.

All cannabis products are required to be packaged in a manner that is tamper-proof and child-resistant in accordance with the Cannabis Regulations and in plain packaging. The Cannabis Regulations impose strict limits on the use of colours, graphics, and other special characteristics of packaging. Cannabis package

labels must include specific information, such as: (i) product source information, including the name, phone number and email of the licence holder; (ii) information about the product including class of cannabis, amount, brand name, lot number, storage conditions, packaging date, expiry date; (iii) a mandatory health warning, rotating between Health Canada's list of standard health warnings; (iv) a keep out of reach of children warning and the Health Canada standardized cannabis symbol; and (v) information specifying THC and CBD content.

Promotion

The Cannabis Act sets out restrictions regarding the promotion of cannabis products. Subject to a few exceptions, all promotions of cannabis products are prohibited unless authorized by the Cannabis Act. The restriction on promotion includes promotion by communicating information about price or distribution, in a manner that there are reasonable grounds to believe could be appealing to young persons, by means of a testimonial or endorsement, and by evoking positive or negative emotions about a way of life (e.g., glamour, recreation, excitement, vitality, risk, daring).

The Cannabis Act sets out certain limited exceptions to the general prohibition. These include: (i) promotion of price and availability is permitted at point of sale, (ii) informational or brand preference promotion distributed in accordance with the Cannabis Act, (iii) promotions to other license holders, and (iv) by inclusion of brand elements on certain things permitted by the Cannabis Act.

While the above restrictions also apply to the New Classes of Cannabis, the Amending Regulations also prohibit certain representations and associations on products, their packages and labels and associated promotional activity, including: certain flavours in cannabis extracts (e.g. confectionary, dessert, soft drink, and energy drink); health or cosmetic benefits unless registered as a health product; energy value and nutrient content representations that go beyond those permitted in the list of ingredients and in the cannabis-specific nutrition facts table; statements reasonably likely to create the impression the edible cannabis or accessory is intended to meet particular dietary requirements; and promotion that could reasonably associate the cannabis, the cannabis accessory or the service related to cannabis with an alcoholic beverage, a tobacco product or a vaping product.

Product Composition

The Cannabis Regulations place restrictions on product composition specific to each type of cannabis product including specific THC limits. Examples of product-specific restrictions include:

- **Edible cannabis:** must be shelf stable; only food and food additives will be allowed to be used as ingredients in edible cannabis and the use of food additives will need to be in accordance with the limits and purposes that are prescribed for foods; must not have caffeine added, however the use of ingredients containing naturally occurring caffeine will be permitted in edible cannabis products provided that the total amount of caffeine in each immediate container does not exceed 30 milligrams; must not contain alcohol in excess of 0.5% w/w; must not contain anything that would cause the sale of the edible cannabis, if it was a food regulated under the Food and Drugs Act, to be prohibited and must not be fortified with vitamins or mineral nutrients.
- **Cannabis extracts:** must not contain ingredients that are sugars, sweeteners or sweetening agents, nor any ingredient listed on Column 1 of Schedule 2 to the Tobacco and Vaping Products Act (which is a list of ingredients that are prohibited in vaping products) except if those ingredients and their levels are naturally occurring in an ingredient used to produce the extract.
- **Cannabis topicals:** must not contain anything that may cause injury to the health of the consumer when the product is used as intended or in a reasonably foreseeable way.

Health Products Containing Cannabis

Under the current regulatory framework, cannabis is not permitted for use in a natural health product or a non-prescription drug product, as phytocannabinoids are included as prescription drugs on the Human and Veterinary Prescription Drug List (“PDL”). Although, Health Canada has previously authorized prescription drug products containing cannabis, the agency maintains that there remains significant scientific uncertainty regarding the pharmacological actions, therapeutic effectiveness and safety of the majority of phytocannabinoids. The cannabis-based prescription drug products that have been authorized by Health Canada have been studied, authorized and used in specific conditions. While these authorized products have contributed to the global body of knowledge concerning the safety and efficacy of cannabis-based therapies, Health Canada has stated that the presence of scientific uncertainty and limited market experience gives rise to the need for a precautionary approach. Listing all phytocannabinoids on the PDL addresses this uncertainty by allowing healthcare practitioners to monitor and manage any unanticipated effects. Health Canada has launched a consultation on a potential market for cannabis health products that would not require practitioner oversight and is considering the development of a regulatory pathway for cannabis health products. In the meantime, all phytocannabinoids remain listed on the PDL until there is sufficient scientific evidence (e.g., as demonstrated through a submission to Health Canada) to change the prescription status of a particular phytocannabinoid when used in specific conditions.

Cannabis is also expressly prohibited for use in cosmetic products as it is included on Health Canada’s Cosmetic Ingredient Hotlist, List of Ingredients Prohibited for Use in Cosmetic Products.

Provincial and Territorial Regulatory Regimes

While the Cannabis Act provides for the regulation of the commercial production of cannabis for adult recreational purposes and related matters by the federal government, the Cannabis Act includes provisions stipulating that the provinces and territories of Canada have authority to regulate other aspects of adult recreational use cannabis (similar to what is currently the case for liquor and tobacco products), such as retail sale and distribution, minimum age requirements above that in place under the Cannabis Act, places where cannabis can be consumed, and a range of other matters. The governments of every Canadian province and territory have, to varying degrees, regulatory regimes for the distribution and sale of cannabis for adult recreational purposes within those jurisdictions. Each of these Canadian jurisdictions has established a minimum age of 19 years for cannabis use, except for Québec and Alberta, where the minimum age is 21 and 18, respectively.

Québec: In Québec, all recreational cannabis is managed and sold through outlets of the Société québécoise du cannabis, a subsidiary of the Société des alcools du Québec, and its online site.

Ontario: In Ontario, the distribution and online retail sale of recreational cannabis is conducted through the Ontario Cannabis Retail Corporation, under the oversight of the Alcohol and Gaming Commission of Ontario (the “AGCO”). Ontario also permits the sale of recreational cannabis through private brick-and-mortar retailers. Initially, Ontario employed a “phased” approach to retail licensing, setting a maximum cap of 25 licences available to be issued to allow operators to open for business beginning April 1, 2019. The Ontario government has now moved to open the market for private cannabis retail stores in Ontario. In addition to removing the cap on the number of private retail stores in Ontario, the previously mandated regional distribution limiting the number of retail stores permitted in each region was eliminated on March 2, 2020. Federally licensed producers may now own or control, directly or indirectly, up to 25% of a corporation holding a cannabis Retail Operator Licence (required to hold a Retail Store Authorization) in Ontario, an increase from the previous threshold of 9.9%. Until September, 2021 each retail operator (and its affiliates) may own a maximum of 30 cannabis stores, increasing 75 cannabis stores in September 2021.

British Columbia: In British Columbia, recreational cannabis is sold through both public and privately-operated stores, with the provincial Liquor Distribution Branch handling wholesale distribution.

Alberta: In Alberta, cannabis products are sold by private retailers that receive their products from a government-regulated distributor (the Alberta Gaming & Liquor Commission), similar to the distribution system currently in place for alcohol in the province. Only licensed retail outlets are permitted to sell cannabis with online sales run by the Alberta Gaming and Liquor Commission.

Saskatchewan: In Saskatchewan, recreational cannabis is sold by private retailers. The Saskatchewan Liquor and Gaming Authority (the “SLGA”) issues private retail store permits, with municipalities having the option of opting out of having a cannabis store if they choose. Saskatchewan is the only jurisdiction to allow for private distribution and wholesale (but regulated by the SLGA).

Manitoba: In Manitoba, cannabis distribution and wholesale is government-run by the Manitoba Liquor and Lotteries Corporation, with retail sale privately operated.

New Brunswick: In New Brunswick, distribution of recreational cannabis is government-run and recreational cannabis is sold in stores and online through Cannabis NB, a subsidiary of the New Brunswick Liquor Corporation (the “NBLC”). The NBLC also controls the distribution and wholesale of cannabis in the province. The New Brunswick government had issued a request for proposals relating to privatization of the Cannabis NB operations. This was placed on hold pending the provincial election which occurred in September, 2020 however it remains possible that retail sales will be privatized.

Nova Scotia: In Nova Scotia, the Nova Scotia Liquor Corporation (the “NSLC”) is responsible for the regulation of cannabis in the province, and recreational cannabis is only to be sold publicly through government-operated storefronts and online sales. There is no private licensing of retail. The NSLC also controls the distribution and wholesale of cannabis in the province.

Prince Edward Island: In Prince Edward Island sale of cannabis is government-run through PEI Cannabis with physical storefronts and online sales. There is no private licensing of retail. The PEI Cannabis Management Corporation is responsible for the distribution and wholesale of cannabis in the province.

Newfoundland and Labrador: In Newfoundland and Labrador, recreational cannabis is sold through licensed private retail stores, with its crown-owned liquor corporation, the Newfoundland and Labrador Liquor Corp. (the “NLC”), overseeing the wholesale and distribution to the private sellers. The NLC controls the possession, sale and delivery of cannabis, and sets prices. It is also the initial online retailer, although licences may later be issued to private interests.

Yukon: Recreational cannabis can be purchased through government-run online stores private retailers licensed by the Cannabis Licensing Board. The Yukon Liquor Corporation is responsible for the distribution and wholesale of cannabis in the territory while the Cannabis Licensing Board is the regulatory body in the Yukon.

Northwest Territories: The Northwest Territories relies on the N.W.T. Liquor and Cannabis Commission (NTLCC) to control the importation and distribution of cannabis, whether through NTLCC-approved retail outlets or online through the NTLCC. Communities in the Northwest Territories will be able to hold a plebiscite to prohibit cannabis sales in their communities, similar to options currently available to restrict alcohol in the Northwest Territories.

Nunavut: Nunavut permits the sale of cannabis through approved private retailers, including online. The Nunavut Liquor and Cannabis Commission is responsible for approving retailers as well as distribution and wholesale in the territory.

The Company is in compliance with the laws of every Canadian province and territory in which it operates, and is in compliance with the laws of the federal government of Canada, including, but not limited to, the regulatory framework under the Cannabis Act and the Cannabis Regulations. There are no current incidences of noncompliance, citations or notices of violation outstanding which may have an impact on the Company’s licenses, business activities or operations in any of the provinces or territories of Canada.

Notwithstanding the foregoing, like all businesses the Company may from time to time experience incidences of non-compliance with applicable rules and regulations in the provinces and territories in which the Company operates, either with respect to the provincial regulation of the sale and distribution of recreational cannabis, or the regulatory framework under the Cannabis Act and the Cannabis Regulations, and such non-compliance may have an impact on the Company's licenses, business activities or operations in applicable province or territory. However, the Company takes steps to minimize, disclose and remedy all incidences of non-compliance which may have an impact on the Company's licenses, business activities or operations.

Restrictions on Business Activities Outside of Canada

The Company does not engage in or intend to engage in any U.S. "marijuana-related activities" as defined in Canadian Securities Administrators Staff Notice 51-352 (Revised) *Issuers with US Marijuana-Related Activities*.

Psychedelics

In Canada, the federal government is responsible for regulating, among other things, the approval, import, sale, and marketing of drugs such as psilocybin and other psychedelic substances, whether natural or novel. The provincial/territorial level of government has authority over the delivery of health care services, including regulating health facilities, administering health insurance plans such as the Ontario Health Insurance Plan, distributing prescription drugs within the province, and regulating health professionals such as doctors, psychologists, psychotherapists and nurse practitioners. Regulation is generally overseen by various colleges formed for that purpose, such as the College of Physicians and Surgeons of Ontario. Health Canada has not approved psilocybin as a drug for any indication.

Certain psychoactive compounds, such as psilocybin, are considered controlled substances under Schedule III of the CDSA. In order to conduct any scientific research, including pre-clinical and clinical trials, using psychoactive compounds listed as controlled substances under the CDSA, an exemption under Section 56 of the CDSA ("**Section 56 Exemption**") is required. This exemption allows the holder to possess and use the controlled substance without being subject to the restrictions set out in the CDSA. The Company has not applied for a Section 56 Exemption from Health Canada.

The possession, sale or distribution of controlled substances is prohibited unless specifically permitted by the government. A party can apply for a Dealer's Licence under the Food and Drug Regulations (Part J). In order to qualify as a licensed dealer, a party must meet all regulatory requirements mandated by the regulations including having compliant facilities, compliant materials and staff that meet the qualifications under the regulations of a senior person in charge and a qualified person in charge. Assuming compliance with all relevant laws (CDSA, Food and Drug Regulations) and subject to any restrictions placed on the licence by Health Canada, an entity with a Dealer's Licence may produce, assemble, sell, provide, transport, send, deliver, import or export a restricted drug (as listed in Part J in the Food and Drugs Regulations – which includes psilocybin and psilocin) (see s. J.01.009 (1) of the Food and Drug Regulations).

The Company has engaged CannDelta with respect to its application for a Dealer's Licence and has received acceptance of its application, now formally under review by Health Canada. Assuming application submission and approval from Health Canada, the Dealer's Licence is expected to allow Nextleaf Labs to conduct a variety of activities relating to psilocybin and psilocin including R&D, IP development, production of base substance materials, laboratory analysis, as well as the sale and distribution of the substances to authorized individuals, including researchers and for its use in clinical trials. None of these activities will be conducted prior to receipt of applicable legal or regulatory approval.

The Company makes no medical, treatment or health benefit claims about the Company’s proposed products. Health Canada has not evaluated claims regarding psilocybin, psychedelic tryptamines, tryptamine derivatives or other psychedelic compounds or nutraceutical products. The efficacy of such products have not been confirmed by approved research. There is no assurance that the use of psilocybin, psychedelic tryptamines, tryptamine derivatives or other psychedelic compounds or nutraceuticals can diagnose, treat, cure or prevent any disease or condition. Vigorous scientific research and clinical trials are needed. Any references to quality, consistency, efficacy and safety of potential products do not imply that the Company verified such in clinical trials or that the Company will complete such trials. If the Company cannot obtain the approvals or research necessary to commercialize its business, it may have a material adverse effect on the Company’s performance and operations.

BUSINESS OBJECTIVES AND MILESTONES

Business Objectives of the Company

Key elements of the Company’s growth strategy include: (i) entering into additional cannabis processing service and bulk supply agreements; (ii) scaling production at the Company’s processing facility; and (iii) entering into additional intellectual property licensing agreements.

Significant Events or Milestones of the Company

The listing statement of the Company dated March 18, 2019 (the “**Listing Statement**”), which is available on SEDAR at www.sedar.com, identified certain business milestones of the Company, which are reproduced below. As of the date hereof, the Company provided the status of these milestones, the actual or revised estimated costs and the revised date of expected completion thereof, if applicable. Further, the Company has included additional objectives and milestones that have been identified since the date of the Listing Statement.

The following are “forward-looking statements” and as such, there is no guarantee that such milestones will be achieved on the timelines indicated or at all. Forward-looking statements are based on management’s current expectations and are subject to a number of risks, uncertainties, and assumptions. See “Forward-Looking Statements” and “Risk Factors”.

Milestone⁽¹⁾	Actual / Estimated Cost	Actual / Estimated Timeframe for Completion	Status
Complete construction of the Company’s centralized processing facility in Coquitlam, B.C. including the purchase and installation of equipment, lighting, ventilation, security system and vault. ⁽²⁾	\$3,260,000	2020 fiscal year.	Completed.
Secure a Health Canada Research Licence. ⁽²⁾	\$50,000	2020 fiscal year.	Completed.
Purchase and set-up extraction and processing equipment at centralized processing facility. ⁽²⁾	\$4,140,000	2020 fiscal year.	Completed.
Secure a Health Canada Standard Processing Licence for production of cannabis oil and sale of cannabis oil to other Health Canada licenced companies. ⁽²⁾	\$235,000	2020 fiscal year.	Completed.

Milestone⁽¹⁾	Actual / Estimated Cost	Actual / Estimated Timeframe for Completion	Status
Secure an Authorization to Distribute Licence from Health Canada to permit Nextleaf to complete sales to other Cannabis Act licensed producers. ⁽²⁾	\$25,000	2020 fiscal year.	Completed.
Enter into additional cannabis processing service and bulk supply agreements. ⁽³⁾	\$500,000	2021 fiscal year.	Ongoing.
Enter into additional intellectual property licensing agreements. ⁽³⁾	\$200,000	2021 fiscal year.	Ongoing.
Scale existing extraction and processing utilization at centralized processing facility. ⁽³⁾	\$200,000	2021 fiscal year.	Ongoing.
Secure a Health Canada oil sales amendment to permit Nextleaf to complete distribution directly to provinces under our client brands. ⁽³⁾	\$50,000	Quarter ended June 30, 2021.	Completed.
Secure and fulfill purchase order from the province of British Columbia for cannabis products and completed initial cannabis product delivery. ⁽³⁾	\$500,000	Quarter ended September 30, 2021.	Completed.
Complete provincial registration for the distribution of cannabis products in Alberta, Ontario, Saskatchewan, Nova Scotia, New Brunswick and Newfoundland and Labrador. ⁽³⁾	\$250,000	2022 fiscal year.	Ongoing
Procurement and delivery of cannabis products to various provincial markets nationally.	\$1,000,000	2022 fiscal year.	Ongoing.
Secure strategic commercial partner for distribution of recreational cannabis products in the province of Quebec. ⁽³⁾	\$50,000	Quarter ended December 31, 2021.	Ongoing.
Secure Dealer's Licence to permit activities relating to psilocybin and psilocin ⁽³⁾	\$40,000	2022 fiscal year.	Ongoing.

Notes:

- (1) There may be circumstances where for sound business reasons the Company determines to not proceed with a milestone.
- (2) Disclosed in the Listing Statement.
- (3) Additional objective/milestone identified subsequent to the filing of the Listing Statement.

Other than as described in this AIF, to the knowledge of management, there are no other particular significant events or milestones that must occur for the Company's initial business objectives to be accomplished. However, there is no guarantee that the Company will meet its business objectives or milestones described above within the specific time periods, within the estimated costs or at all. The

Company may, for sound business reasons, reallocate its time or capital resources, or both, differently than as described above. The material factors or assumptions used to develop the estimated costs disclosed above are included in the “Forward-Looking Statements” section above. The actual amount that the Company spends in connection with each of the intended milestones will depend on a number of factors, including those listed in “Risk Factors” in this AIF.

DIVIDEND RECORD AND POLICY

The Company has never declared nor paid dividends on the common shares. Currently, the Company intends to retain its future earnings, if any, to fund the development and growth of its business, and the Company does not anticipate declaring or paying any dividends on the common shares in the near future, although it reserves the right to pay dividends if and when it is determined to be advisable by the Company’s board of directors. As a result, shareholders will have to rely on capital appreciation, if any, to earn a return on investment in the common shares in the foreseeable future.

DESCRIPTION OF CAPITAL STRUCTURE

Share Capital

The Company is authorized to issue an unlimited number of common shares of which 125,318,208 common shares are issued and outstanding as of the date of this AIF. The holders of common shares are entitled to dividends as and when declared by the board of directors of the Company, to receive notice of and one vote per common share at meetings of the shareholders of the Company and, upon liquidation, to share equally in such assets of the Company as are distributable to the holders of common shares. There are no pre-emptive, redemption, retraction, purchase or conversion rights attaching to the common shares.

MARKET FOR SECURITIES

Trading Price and Volume

The Company’s common shares are listed for trading on the Exchange under the trading symbol “OILS”. The following table sets forth, for the periods indicated, the reported high and low prices and monthly trading volumes of the common shares on the Exchange during the Company’s most recently completed financial year ended September 30, 2020:

Calendar Period	High	Low	Trading Volume
2019			
October	0.46	0.33	6,500,262
November	0.37	0.26	5,441,488
December	0.43	0.27	3,790,698
2020			
January	0.45	0.31	4,942,104
February	0.35	0.23	4,631,357
March	0.30	0.14	7,457,446
April	0.37	0.16	6,687,289

Calendar Period	High	Low	Trading Volume
May	0.34	0.25	8,091,153
June	0.34	0.25	4,287,817
July	0.33	0.25	3,505,804
August	0.28	0.17	6,980,549
September	0.28	0.19	4,048,639

Prior Sales

During the year ended September 30, 2020 the following securities of the Company, which are not listed or quoted on a marketplace, were issued:

Date of Issuance	Type of Security	Number of Securities	Exercise Price (CDN)	Expiry Date
May 21, 2020	Warrant	6,666,667	0.50	May 21, 2022
May 21, 2020	Broker warrant	66,933	0.30	May 21, 2022
May 28, 2020	Warrant	250,000	0.40	November 28, 2021
May 28, 2020	Warrant	3,534,071	0.50	May 28, 2022
May 28, 2020	Broker warrant	128,874	0.30	May 28, 2022

ESCROWED SECURITIES AND SECURITIES SUBJECT TO RESTRICTION ON TRANSFER

The following tables detail the number of common shares that are, to the Company's knowledge, held in escrow, as of the date of this AIF (the "Escrowed Securities"):

Designation of Class	Number of Securities held in Escrow	Percentage of Class
Common Shares	5,367,655 ⁽¹⁾⁽²⁾⁽³⁾	4.3% ⁽⁴⁾

Notes:

- (1) 2,448,501 of the common shares are held by "Related Persons" of the Company and are subject to a three year escrow with releases as set out in National Policy 46-201 pursuant to an escrow agreement dated March 14, 2019 (the "Nextleaf Escrow Agreement"). 2,448,501 of the common shares subject to escrow will be released on each March 21, 2022, or at any time prior thereto with the consent of the applicable regulatory authorities.
- (2) 3,169,159 of the common shares are held by certain shareholders of the Company who voluntarily entered into an escrow agreement dated March 14, 2019 (the "Nextleaf Three Year Voluntary Escrow Agreement") and agreed to make their shares subject to a three year escrow with releases as set out in National Policy 46-201. 3,169,159 of the common shares subject to escrow will be released on March 21, 2022, or at any time prior thereto with the consent of the Company.
- (3) 250,000 of the common shares represent the Consideration Shares remaining in escrow. 250,000 of the Consideration Shares will be released on January 29, 2022.
- (4) Calculated based on 125,318,208 common shares issued and outstanding as at the date hereof, on an undiluted basis.

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets out, for each of the Company's directors and executive officers, the person's name, province or state and country of residence, position with the Company, principal occupation during the last

five years, and the date on which the person became a director or executive officer. The Company's directors are elected annually and, unless re-elected, will retire from office at the end of the next annual general meeting of shareholders.

Name, Place of Residence and Position with the Company	Present Principal Occupation and Positions Held During the Last Five Years	Director Since	Number of Common Shares Beneficially Owned, Controlled or Directed
<p>Paul Pedersen Director, Chief Executive Officer and President⁽¹⁾</p> <p>Vancouver, British Columbia</p>	<p>President and Chief Executive Officer of the Company since March 14, 2019; Chief Executive Officer of Nextleaf Innovations Ltd. since January 2017; President and CEO, Rheingold Exploration Corp. from July 2010 to June 2017; President of Greywood Partners Ltd., a private consulting company, since November 2013.</p>	<p>March 14, 2019</p>	<p>7,796,824⁽²⁾</p>
<p>Charles Ackerman Director, Chief Financial Officer and Corporate Secretary</p> <p>Halifax, Nova Scotia</p>	<p>Chief Financial Officer of the Company since March 14, 2019, Chief Financial Officer of Nextleaf Innovations Ltd. since May 2018; Chief Financial Officer of Radial Research Corp. since March 2018; President and CEO of Novillo Capital Limited, a consulting company, since September 2017; Manager of Mergers and Acquisitions at Iona Resources Holdings Limited, an investment company, from August 2015 to September 2017; accountant at Grant Thornton LLP from January 2015 to August 2015.</p>	<p>March 14, 2019</p>	<p>1,078,900</p>
<p>Ryan Ko Chief Technology Officer</p> <p>Vancouver, British Columbia</p>	<p>Chief Technical Officer of the Company since September 2018, and 15 years of operational experience in the medical cannabis industry from the management of large-scale MMAR licensed production facilities.</p>	<p>N/A</p>	<p>9,327,811⁽³⁾</p>
<p>Fred Bonner Director⁽¹⁾</p> <p>Halifax, Nova Scotia</p>	<p>Director of the Company since March 2019; Chief Geologist of the Company (named "Legion Metals Corp.", prior to completion of the reverse takeover transaction) from March 2017 to March 2019; Chief Geologist of Myriad Metals Corp., a mineral exploration company, since March 2019; director of International Battery Metals Ltd. (formerly Rheingold Exploration Corp.) from July 2011 to August 2018; independent consultant through Eduterra Consulting since February 2015; founder and director XT Energy Group Inc. (Canada).</p>	<p>March 14, 2019</p>	<p>73,214</p>

Name, Place of Residence and Position with the Company	Present Principal Occupation and Positions Held During the Last Five Years	Director Since	Number of Common Shares Beneficially Owned, Controlled or Directed
Tim Gillis Director ⁽¹⁾ Halifax, NS	Executive business consultant since early 2019; From July 2010 to February 2019, served multiple positions with STI Technologies Limited including CFO and VP of Operations and CEO; from March 2006 to March 2010 service as the Director of Finance of Stantec Inc. (formerly Jacques Whitford).	July 8, 2019	282,000
Sherry Boodram Director Toronto, Ontario	Co-founder and Chief Executive Officer of CannDelta Inc., a regulatory and scientific cannabis consulting company, from May 2017 to present, Director/Vice President/President, Brand Institute Inc., from May 2017 to August 2018 Senior Regulatory Compliance and Enforcement Officer, Health Canada, from October 2015 to May 2017.	October 16, 2019	Nil

Notes:

- (1) Member of the Company’s audit committee.
- (2) Of which (i) 7,443,324 common shares are held directly, and (ii) 353,500 are held by Greywood Partners Ltd., a corporation wholly-owned by Paul Pedersen.
- (3) Of which (i) 5,723,645 common shares are held directly, (ii) 2,249,999 common shares are held by 1174011 B.C. Ltd., a corporation wholly-owned by Ryan Ko, and (iii) 1,354,167 common shares are held by Living the Dream Holdings Ltd., a corporation controlled by Ryan Ko.

Shareholdings

As of the date hereof, the Company’s directors and executive officers as a group beneficially owned, or controlled or directed, directly or indirectly 18,558,749 common shares, representing approximately 14.8% of the issued and outstanding common shares.

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

No director or executive officer of the Company is, as at the date of this AIF, or has been within the last ten years, a director, chief executive officer or chief financial officer of any Corporation (including the Company) that:

- (a) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant Corporation access to any exemption under securities legislation, and which in all cases was in effect for a period of more than 30 consecutive days (an “**Order**”), which Order was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer of such Corporation; or

- (b) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer of such Corporation.

No director or executive officer of the Company or any shareholder holding a sufficient number of common shares to affect materially the control of the Company:

- (a) is, as at the date of this AIF, or has been within the last ten years, a director or executive officer of any Corporation (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;
- (b) has, within the last ten years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his assets;
- (c) 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
- (d) has been subject to any penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision regarding the Company.

The foregoing information, not being within the knowledge of the Company, has been furnished by the respective directors and executive officers.

CONFLICTS OF INTEREST

To the best of the Company's knowledge, other than as disclosed herein, there are no known existing or potential material conflicts of interest between the Company and any directors or officers of the Company, except that certain of the directors and officers serve as directors, officers, promoters and members of management of other public companies and therefore it is possible that a conflict may arise between their duties as a director or officer of the Company and their duties as a director, officer, promoter or member of management of such other companies.

The directors and officers of the Company are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosures by directors of conflicts of interest and the Company will rely upon such laws in respect of any directors and officers conflicts of interest or in respect of any breaches of duty by any of its directors or officers. All such conflicts will be disclosed by such directors or officers in accordance with the *Business Corporations Act* (British Columbia) and they will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

RISK FACTORS

The Company is subject to various business, financial and operational risks that could materially adversely affect the Company's future business, operations and financial condition and could cause such future business, operations and financial condition to differ materially from the forward-looking statements and information contained in this AIF. The risks and uncertainties described herein are not the only ones the Company faces. Additional risks and uncertainties, including those that the Company does not know about now or that it currently deems immaterial, may also adversely affect the Company's business.

BUSINESS RISKS

Regulatory Compliance Risks

Achievement of the Company's business objectives is contingent, in part, upon compliance with various laws governing the production and distribution of cannabis oil and products, taxes, labour standards and occupational health, toxic substances, land use, water use, and other matters.

Although the operations of the Company are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail the Company's ability to produce cannabis oil and related products. Amendments to current laws and regulations governing the distribution, transportation and/or production of cannabis oil or related products, or more stringent implementation thereof, could have a substantial adverse impact on the Company.

The Company will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The Company may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. In addition, changes in regulations, more vigorous enforcement thereof, or other unanticipated events could require extensive changes to 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.

Change of Cannabis Laws, Regulations and Compliance Policies

Cannabis laws, regulations and compliance policies, including internal financial institution policies related to cannabis issuers, are dynamic and subject to evolving interpretations, which could require the Company to incur substantial costs associated with compliance or alter certain aspects of its business plan. It is also possible that laws, regulations or policies may be enacted in the future that will be directly applicable to certain aspects of the Company's businesses. The Company cannot predict the nature of any future laws, regulations, interpretations or applications, nor can it determine what effect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on the Company's business. Compliance with any such legislation may have a material adverse effect on the Company's business, financial condition and results of operations.

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

Regulatory Risks and Uncertainties Regarding Psychedelics

In Canada, certain psychedelic drugs, including psilocybin, are classified as Schedule III drugs under the CDSA and as such, medical and recreational use is illegal under Canadian federal laws. There is no guarantee that psychedelic drugs or psychedelic inspired drugs will ever be approved as medicines in any jurisdiction in which the Company operates. All activities involving such substances by or on behalf of the Company will be conducted in accordance with applicable federal, provincial, state and local laws. Further, all facilities engaged with such substances by or on behalf of the Company will do so under licenses and permits issued by appropriate federal, provincial and local governmental agencies.

While the Company is engaged in programs using psychedelic inspired compounds, the Company will not have any direct or indirect involvement with the illegal selling, production or distribution of any substances in the jurisdictions in which it operates and does not intend to have any such involvement. However, the laws and regulations generally applicable to the industry in which the Company will be involved in may change in ways currently unforeseen. Any amendment to or replacement of existing laws or regulations, including the classification or re-classification of the substances the Company is developing or working with, which are matters beyond the Company's control, may cause the Company's business, financial condition, results of operations and prospects to be adversely affected or may cause the Company to incur significant costs in complying with such changes or it may be unable to comply therewith. A violation of any applicable laws and regulations of the jurisdictions in which the Company operates or may operate in the future could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings initiated by either government entities in the jurisdictions in which the Company operates, or private citizens or criminal charges.

The failure to obtain or loss of the necessary licenses and permits for Schedule III drugs could have an adverse effect on the Company's operations.

The psychedelic drug industry is a fairly new industry and the Company cannot predict the impact of the ever-evolving compliance regime in respect of this industry. Similarly, the Company cannot predict the time required to secure all appropriate regulatory approvals for future products, or the extent of testing and documentation that may, from time to time, be required by governmental authorities. The impact of compliance regimes, any delays in obtaining, or failure to obtain regulatory approvals may significantly delay or impact the development of markets, its business and products, and sales initiatives and could have a material adverse effect on the business, financial condition and operating results of the Company.

The success of the Company's business is dependent on the reform of controlled substances laws pertaining to psilocybin. If controlled substances laws are not favourably reformed in Canada, the commercial opportunity that the Company is pursuing may be highly limited.

The Company makes no medical, treatment or health benefit claims about the Company's proposed products. Health Canada has not evaluated claims regarding psilocybin, psilocybin analogues, or other psychedelic compounds. The efficacy of such products have not been confirmed by approved research. There is no assurance that the use of psilocybin, psilocybin analogues, or other psychedelic compounds can diagnose, treat, cure or prevent any disease or condition. Vigorous scientific research and clinical trials are needed. Any references to quality, consistency, efficacy and safety of potential products do not imply that the Company verified such in clinical trials or that the Company will complete such trials. If the Company cannot obtain the approvals or research necessary to commercialize its business, it may have a material adverse effect on the Company's performance and operations.

Limited Operating History

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

Reliance on Licences and Authorizations

The operations of the Company require it to obtain licences for the production, packaging and distribution of cannabis related products, and in some cases, renewals of existing licences from, and the issuance of import, export and other permits by certain national authorities in Canada. The Company believes that it currently holds all necessary licences and permits to carry on the activities that it is currently conducting under applicable laws and regulations, and also believes that it is complying in all material respects with the terms of such licences and permits. In addition, the Company will apply for, as the need arises, all necessary licences and permits to carry on the activities it expects to conduct in the future. However, the ability of the Company to obtain, sustain or renew any such licences and permits on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable authorities or other governmental agencies. Any loss of interest in any such required licence or permit, or the failure of any governmental authority to issue or renew such licences or permits upon acceptable terms, would have a material adverse impact upon the Company.

Risks Related to the COVID-19 Pandemic²

Global or national health concerns, including the outbreak of pandemic or contagious diseases, such as the recent COVID-19 (coronavirus), may adversely affect the Company. The Company's business, operations and financial condition could be materially adversely affected by the outbreak of epidemics or pandemics or other health crises. In December 2019, COVID-19 was reported to have surfaced in Wuhan, China. On January 30, 2020, the WHO declared the outbreak a global health emergency and on March 11, 2020, the WHO expanded its classification of COVID-19 to a worldwide pandemic and federal, state, provincial and municipal governments in North America and Australia have enacted measures to combat the spread of COVID-19.

The Company expects to experience some short to medium term negative impacts from the COVID-19 outbreak; however, the extent of such impacts is currently unquantifiable, but may be significant. Such impacts include, with respect to its operations, its suppliers' operations and its customers' operations, forced closures, mandated social distancing, isolation and/or quarantines, impacts of declared states of emergency, public health emergency and similar declarations and could include other increased government regulations, reduced sales, and potential supply and staff shortages, all of which are expected to negatively impact the business, financial condition and results of operations of the Company and thus may impact the ability of the Company to satisfy its obligations to its lenders and other parties, which may in turn may adversely

² This section contains forward-looking information and is based on a number of risks and assumptions, including those described under "Assumptions and Expectations". See "Forward-Looking Statements".

impact, among other things, the ability the Company to access debt or equity capital on acceptable terms or at all.

The risks to the Company of such public health crises also include risks to employee health and safety and a slowdown or temporary suspension of operations in the Company's facilities. Should an employee or visitor in any of the Company's facilities be infected with a serious illness that has the potential to spread rapidly, this could place the Company's workforce at risk. The 2020 outbreak of COVID-19 is one example of such an illness. The Company takes every precaution to strictly follow industrial hygiene and occupational health guidelines and applicable healthy authority recommendations.

Such public health crises can result in volatility and disruptions in supply and demand, global supply chains and financial markets, as well as declining trade and market sentiment and reduced mobility of people, all of which could affect commodity prices, interest rates, credit ratings, credit risk, inflation and, as a result, demand for our end customers' products and our operating results.

Disruption of Supply Chain

Conditions or events including, but not limited to, those listed below could disrupt the Company's, and other industry participant's, supply chains, interrupt operations, increase operating expenses, and thereby result in loss of sales, delayed performance of contractual obligations or require additional expenditures to be incurred: (i) extraordinary weather conditions or natural disasters such as hurricanes, tornadoes, floods, fires, extreme heat, earthquakes, etc.; (ii) a local, regional, national or international outbreak of a contagious disease, including the COVID-19 coronavirus, Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome, H1N1 influenza virus, avian flu, or any other similar illness could result in a general or acute decline in economic activity (see also, "Risks Related to the COVID-19 Pandemic"); (iii) political instability, social and labour unrest, war or terrorism; or (iv) interruptions in the availability of basic commercial and social services and infrastructure including power and water shortages, and shipping and freight forwarding services including via air, sea, rail and road. The extent to which COVID-19 or any other contagious disease impacts the Company's results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of this or any other outbreak and the actions to contain those outbreaks or treat its impact, among others.

Client Risks

The Company is subject to the credit risk and willingness to pay of its clients, and its profitability and cash flow are dependent on receipt of timely payments from clients. Any delay in payment by the Company's clients may have an adverse effect on the Company's profitability, working capital and cash flow. There is no assurance that the Company will be able to collect all or any of its trade receivables in a timely matter. If any of the Company's clients face unexpected situations such as financial difficulties, or regulatory or other inquiries, the Company may not be able to receive full or any payment of the uncollected sums or enforce any judgment debts against such clients, and the Company's business, results of operations and financial condition could be materially and adversely affected.

The Company's success depends in part on its ability to anticipate and offer products and services that appeal to the changing needs and preferences of clients in the various markets the Company serves. Developing new products and services requires high levels of innovation, and the development process is often lengthy and costly. If management is not able to anticipate, identify, develop and market products and services that respond to changes in client preferences, demand for products, and services could decline. Further, the demand for the Company's bulk products is ultimately dependent upon the Company's customers being able to effectively commercialize finished products utilizing such bulk inputs, and any

inability to sell-through the product will limit additional purchases of bulk products from the Company and thereby could materially and negatively impact the operations and financial condition of the Company.

The Company may also be exposed to a reputational risk with respect to its business-to-business clients. If the Company's clients are subject to negative publicity, the Company's goodwill, business and operations may be indirectly and negatively impacted.

Realization of Growth Targets Including Expansion of Facilities and Operations

The Company is currently in the early development stage. The Company's growth strategy contemplates, among other things, scaling the existing extraction and processing utilization at its centralized processing facility. 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;
- plant design errors;
- environmental pollution;
- non-performance by third party contractors;
- increases in materials or labour costs;
- construction performance falling below expected levels of output or efficiency;
- breakdown, aging or failure of equipment or processes;
- contractor or operator errors;
- labour disputes, disruptions or declines in productivity;
- inability to attract sufficient numbers of qualified workers;
- disruption in the supply of energy and utilities; and
- major incidents and/or catastrophic events such as pandemics, fires, floods, droughts, explosions, earthquakes or storms.

As a result, there is a risk that the Company may not have product or sufficient product available for shipment to meet the anticipated demand or to meet future demand when it arises.

History of Net Losses

The Company has incurred losses in recent periods. The Company may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, the Company may continue to increase operating expenses as it implements initiatives to continue to grow its business. If the Company's revenues do not increase to offset potential increases in costs, and operating expenses or the Company is not able to reduce expenses in a timely manner, the Company will not be profitable.

Difficulty to Forecast

The Company must rely largely on its own market research to forecast costs and sales as detailed forecasts are not generally obtainable from other sources at this early stage of the Canadian and global cannabis industries. A failure in the supply of its inventory or the demand for its products to materialize as a result of competition, supply/demand imbalances, regulatory or technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company.

Rapid Growth and Consolidation of the Industry

The cannabis industry is undergoing rapid growth and substantial change, which has resulted in an increase in competitors, consolidation and formation of strategic relationships. Such 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 products and services, which could negatively impact profitability.

Competition

The Company's Canadian adult-use business faces enhanced competition from other individuals and corporations who are licensed under the Cannabis Act to participate in the adult-use cannabis industry. The Cannabis Act has established a licensing regime for the production, testing, packaging, labeling, delivery, transportation, distribution, sale, possession and disposal of cannabis for adult use. While, pursuant to transitional provisions in the Cannabis Regulations, existing holders of licences relating to medical cannabis under the former ACMPR have, subject to satisfying certain requirements, automatically been deemed licenced under the Cannabis Act for corresponding activities, other individuals and corporations are now able to apply for such licences.

Subject to certain restrictions set out in the Cannabis Act, the Cannabis Act allows adults to cultivate, propagate, harvest and distribute up to four cannabis plants per household, provided that each plant meets certain requirements. If the Company is unable to effectively compete with other suppliers to the adult-use cannabis market, or a significant number of individuals take advantage of the ability to cultivate and use their own cannabis, the Company's success in the adult-use business may be limited and may not fulfill the expectations of management.

The Company will also face competition from existing entities licensed under the Cannabis Act. Certain of these competitors have significantly greater financial, production, marketing, research and development and technical and human resources than the Company does. As a result, the Company's competitors may be more successful in gaining market penetration and market share. The Company's commercial opportunity in the adult-use market could be reduced or eliminated if its competitors produce and commercialize products for the adult-use market that, among other things, are safer, more effective, more convenient or less expensive than the products that it may produce, have greater sales, marketing and distribution support than the Company's products, enjoy enhanced timing of market introduction and perceived effectiveness advantages over the Company's products and receive more favorable publicity than the Company's products. If the Company's adult-use products do not achieve an adequate level of acceptance by the adult-use market, it may not generate sufficient revenue from these products, and its adult-use business may not become profitable.

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

The Company also faces competition from illegal cannabis dispensaries that are selling cannabis to individuals, despite not having a valid licence under the Cannabis Regulations.

In addition, the legal landscape for medical and recreational cannabis is rapidly changing internationally. An increasing number of jurisdictions globally are passing legislation allowing for the production and distribution of medical and/or recreational cannabis in some form or another. Entry into the cannabis market by international competitors might lower the demand for the Company's products on a global scale.

Developing and Commercializing New Products

Cannabis 2.0, regulations, which came into effect on October 17, 2019, permit Licensed Producers to develop new cannabis form factors, including CBD and THC-infused drinks, edibles and non-flower products, such as vapes. We have and will continue to develop strategic partnerships to participate in these new product market opportunities with partners who can provide complementary product development and support capabilities. Strategic initiatives around new products involve significant investment of management time and resources in order to successfully execute and maintain, for novel products that may not generate sufficient market demand. Additionally, there can be no guarantee that such new product offerings, even if successfully developed, will have unit economics that generate an appropriate return on investment. The development of new products could result in diversions of management attention, a strain on existing financial and other resources or a lack of product demand for our newly developed form factors, any of which could have a material adverse effect on our business, results of operations and financial condition.

Inability to Sustain Pricing and Inventory Models

Increasing supply of dried cannabis flower inputs may result in a decrease in price of such flowers available for extract, resulting in an increase in supply of and decrease in price for cannabis extracts. Even though on a regular basis, management reviews the amount of cannabis flower and extract inventory on hand, and its cost profile and marketability, and estimates the time required to manufacture and sell such inventory, write-down of inventory may still be required if the Company is unable to maintain sufficient inventory turnover in the face of falling market prices for dried flowers and cannabis extracts. Any such write-down of inventory could have a material adverse effect on the Company's business, financial condition, and results of operations.

Significant price fluctuations or shortages in the cost of materials may increase the Company's cost of goods sold and cause its results of operations and financial condition to suffer. If the Company is unable to secure materials at a reasonable price, it may have to alter or discontinue selling some of its products or attempt to pass along the cost to its clients, any of which could adversely affect its results of operations and financial condition.

Legal Proceedings

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

the Company's financial results. In addition, one long-term contract is subject to ongoing litigation, as the counterparty has not fulfilled its contractual obligations for committed amounts.

Product Liability

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

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure. If any of 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 the Company is subject to recall, the reputation of 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 regulatory agencies, requiring further management attention, potential loss of applicable licences and potential legal fees and other expenses.

Reliance on Production Facility

Disruption of operations at the Company's facility located in Coquitlam could adversely affect inventory supplies and the Company's ability to meet delivery deadlines. The Company's revenue is dependent on the uninterrupted operation of its production facility. The Company's production is subject to operational risks beyond its control including fire, breakdown, failure or substandard performance of its equipment and machinery, power shortage, labour disruption, natural disasters and any interruption in its operations as a result of any failure to comply with all applicable laws and regulations in the jurisdictions where our production facilities are located. Frequent or prolonged occurrence of any of the aforesaid events may have a material adverse effect on the Company's business, financial condition and results of operation. If there is any damage to the Company's production facilities, it may not be able to alleviate the impact of such

damage in a timely and proper manner or at all. Any breakdown or malfunction of any of the Company's information technology systems and equipment could cause a material disruption of its operations. Adverse changes or developments affecting either of the Company's facilities could have a material and adverse effect on the Company's business, financial condition and prospects.

Dependence on Supply of Cannabis and Other Key Inputs

The Company does not cultivate cannabis or supply itself with cannabis leaves, flowers and trim. Currently, the Company acquires cannabis from third parties in amounts sufficient to operate its business. The Company's business is also dependent on a number of non-cannabis related key inputs, including skilled labour, equipment, parts, solvents, non-cannabis consumables (such as bottles, cartons and packaging) and other supplies, as well as electricity, water and other local utilities.

However, there can be no assurance that there will continue to be a supply of cannabis or other inputs available for the Company to purchase in order to operate or expand its cannabis extraction business. Additionally, the price of cannabis and other inputs may rise which would increase the Company's cost of goods. If the Company were unable to acquire the cannabis or other inputs required to operate or expand its oil extraction business or to do so on favourable terms, it could have a material adverse impact on the Company's business, financial condition and results of operations.

If any of the Company's key suppliers fails to provide inputs meeting the Company's quality standards, it may need to source cannabis, equipment or other inputs from other suppliers, which may result in additional costs and delay in the delivery of its products and services to its clients. There is no assurance that the Company's suppliers will be able to supply and deliver the required materials to the Company in a timely manner or that the materials they supply to the Company will not be defective or substandard. Any delay in the delivery of materials, or any defect in the materials, supplied to the Company may materially and adversely affect or delay its production schedule and affect its product quality. If the Company cannot secure materials of similar quality and at reasonable prices from alternative suppliers in a timely manner, or at all, the Company may not be able to deliver its products to its clients on time with required quality. The Company's suppliers, service providers and distributors may elect, at any time, to breach or otherwise cease to participate in supply, service or distribution agreements, or other relationships, upon which the Company's operations rely. Loss of its suppliers, service providers or distributors would have a material adverse effect on the Company's business and operational results.

The Publication of Negative Results of Clinical Trials

From time to time, studies or clinical trials on various aspects of cannabinoid-based products, are conducted by academic researchers, government agencies and others. The publication of negative results of studies or clinical trials related to cannabinoid-based products could adversely affect the Company's sales and the reputation of its products. In the event of the publication of negative results of studies or clinical trials, related to the Company's products, an active ingredient in its products, or the therapeutic areas in which its products compete, this could have a materially adverse effect on our business, financial condition and results of operations.

Failure to Comply with Laws in all Jurisdictions

The laws, regulations and guidelines generally applicable to the cannabis industry domestically and internationally may change in ways currently unforeseen. The Company's operations are subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage, sale, health and safety and disposal of cannabis, including the Cannabis Act. Health Canada inspectors routinely assess the Company's facility against Cannabis Act regulations and provide the Company with follow-up

reports noting observed deficiencies. The Company is continuously reviewing and enhancing its operational procedures and facilities, both proactively, and in response to, routine inspections. The Company follows all regulatory requirements in response to inspections in a timely manner. The Company currently incurs, and will continue to incur, ongoing costs and obligations related to regulatory compliance. A failure on the Company's part to comply with regulations may result in additional costs for corrective measures, and/or 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 Company's business, results of operations and financial condition.

Marketing Constraints

The development of the Company and its client's businesses may be hindered by applicable restrictions on sales and marketing activities imposed by Health Canada and applicable regulatory authorities in other jurisdictions in which it may operate. The regulatory environment in Canada limits the Company and its client's ability to compete for market share in a manner similar to other industries. If the Company or its clients are unable to effectively market their 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.

Research & Development

Rapidly changing markets, technology, emerging industry and regulatory standards and frequent introduction of new products characterize the Company's business environment. The introduction of new products embodying new technologies and regulatory developments may render the Company's equipment obsolete and its products and services less competitive or less marketable. The process of developing the Company's products and services is complex and requires significant continuing costs, development efforts and third-party commitments. The Company's failure to develop new products and services could adversely affect the business, financial condition and operating results of the Company. The Company may be unable to anticipate changes in its potential client requirements that could make the Company's existing products and services obsolete. The Company's success will depend, in part, on its ability to continue to enhance its product and service offerings so as to address the increasing sophistication and varied needs of the market, and respond to technological and regulatory changes and emerging industry standards and practices on a timely and cost-effective basis.

Scheduled Maintenance, Unplanned Repairs, Equipment Outages and Logistical Disruptions

The Company's manufacturing processes are dependent upon certain critical pieces of equipment, which, on occasion, will be out of service due to routine scheduled maintenance or as a result of equipment failures. If replacement of certain critical parts is needed to address the equipment maintenance or failure, such critical parts may not be on hand and could take months to receive. The Company currently has a plan in place to address certain of these issues, however, no assurance can be given that all critical spare parts will be readily available. Such interruptions in the Company's production capabilities could result in fluctuations in its sales and income. No assurance can be given that other significant shutdowns will not occur in the future or that such a shutdown will not have a material adverse effect on the Company's business, financial condition, or results of operations or cash flows.

It is also possible that operations may be disrupted due to other unforeseen circumstances such as power outages, explosions, fires, floods, accidents and severe weather conditions. To the extent that lost production could not be compensated for at unaffected facilities and depending on the length of the outage, the Company's sales and unit production costs could be adversely affected. The Company is also exposed

to similar risks involving major clients and suppliers such as force majeure events of raw materials suppliers that can occur. Delivery of products to clients could be affected by logistical disruptions, such as shortages of barges, rail cars or trucks, or unavailability of rail lines, highways or bodies of water.

Risks as a Result of International Expansions

The Company may in the future expand into other geographic areas, which could increase its operational, regulatory, compliance, reputational and foreign exchange rate risks. The failure of its operating infrastructure to support such expansion could result in operational failures and regulatory fines or sanctions. Future international expansion could require the Company to incur a number of up-front expenses, including those associated with obtaining regulatory approvals, as well as additional ongoing expenses, including those associated with infrastructure, staff and regulatory compliance. The Company may not be able to successfully identify suitable acquisition, joint venture and expansion opportunities or integrate such operations successfully with its existing operations.

In addition, the Company may face new or unexpected risks or significantly increase its exposure to one or more existing risk factors, including economic instability, changes in laws and regulations, and the effects of competition. These factors may limit the Company's ability to successfully expand its operations into other jurisdictions and may have a material adverse effect on its business, financial condition and results of operations.

Unfavourable Publicity or Consumer Perception

The Company believes the cannabis and psychedelic pharmaceutical industries are highly dependent upon consumer perception regarding the safety, efficacy and quality of cannabis products. Consumer perception of the Company's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis or psychedelics. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the cannabis industry or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's products and services and the business, results of operations, financial condition and cash flows of the Company. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for the Company's cannabis or psychedelic products, and the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis or psychedelic products in general, or the Company's services specifically or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products legally, appropriately or as directed.

Social Media

There has been a recent marked increase in the use of social media platforms and similar channels that provide individuals with access to a broad audience of consumers and other interested persons. The availability and impact of information on social media platforms is virtually immediate and many social media platforms publish user-generated content without filters or independent verification as to the accuracy of the content posted. Information posted about the Company may be adverse to the Company's

interests or may be inaccurate, each of which may harm the Company's business, financial condition and results of operations.

Reliance on Key Executives and Scientists

The loss of key members of the Company's staff, could harm the Company. The Company does not have employment agreements with all members of its staff, although such employment agreements do not guarantee their retention. The Company also depends on its scientific and clinical collaborators and advisors, all of whom have outside commitments that may limit their availability to the Company. In addition, the Company believes that its future success will depend in large part upon its ability to attract and retain highly skilled scientific, managerial, manufacturing and regulatory personnel, particularly as the Company expands its activities. The Company faces significant competition for these types of personnel from other companies, research and academic institutions, government entities and other organizations. The Company cannot predict its success in hiring or retaining the personnel it requires for continued growth. The loss of the services of any of the Company's executive officers or other key personnel could potentially harm its business, operating results or financial condition.

Employee Misconduct

The Company is exposed to the risk of employee fraud or other misconduct. Misconduct by employees could include failures to comply with Health Canada regulations, provide accurate information to Health Canada, comply with manufacturing standards the Company has established, comply with federal and provincial healthcare fraud and abuse laws and regulations, report financial information or data accurately or disclose unauthorized activities to the Company. In particular, sales, marketing and business arrangements in the healthcare industry are subject to extensive laws and regulations intended to prevent fraud, kickbacks, self-dealing, and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, sales commission, customer incentive programs and other business arrangements. Employee misconduct could also involve the improper use of information obtained in the course of clinical trials, which could result in regulatory sanctions and serious harm to the Company's reputation. If any such actions are instituted against the Company, and the Company is not successful in defending itself or asserting its rights, those actions could have a substantial impact on the Company's business and results of operations, including the imposition of substantial fines or other sanctions.

Business Expansion and Growth

The Company may in the future seek to expand its pipeline and capabilities by acquiring one or more companies or businesses, or entering into collaborations. Acquisitions, collaborations and in-licenses involve numerous risks, including, but not limited to substantial cash expenditures, technology development risks, potentially dilutive issuances of equity securities, incurrence of debt and contingent liabilities, some of which may be difficult or impossible to identify at the time of acquisition, difficulties in assimilating the operations of the acquired companies, entering markets in which the Company has limited or no direct experience, and potential loss of the Company's key employees or key employees of the acquired companies or businesses.

The Company has experience in making acquisitions and entering collaborations; however, the Company cannot provide assurance that any acquisition, collaboration or in-license will result in short-term or long-term benefits to it. The Company may incorrectly judge the value or worth of an acquired company or business. In addition, the Company's future success would depend in part on its ability to manage the rapid growth associated with some of these acquisitions, collaborations and in-licenses. The Company cannot provide assurance that it would be able to successfully combine its business with that of acquired businesses

or manage a collaboration., the development or expansion of the Company's business may require a substantial capital investment by the Company.

Success of Quality Control Systems

The quality and safety of the Company's products are critical to the success of its business and operations. As such, it is imperative that the Company's quality control systems operate effectively and successfully. Quality control systems can be negatively impacted by the design of the quality control systems, the quality of training programs and adherence by employees to quality control guidelines. Any significant failure or deterioration of such quality control systems could have a material adverse effect on the Company's business and operating results.

Reliance on Key Inputs

The Company's business is expected to be dependent on a number of key inputs and their related costs including raw materials and supplies. 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. Examples of potential risks include, but are not limited to, the risk that crops may become diseased or victim to insects or other pests and contamination, or subject to extreme weather conditions such as excess rainfall, freezing temperature, or drought, all of which could result in low crop yields, decreased availability of cannabis, and higher acquisition prices. 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.

Liability Arising from Fraudulent or Illegal Activity

The Company is exposed to the risk that its employees, independent contractors, consultants, service providers and licensors may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional undertakings of unauthorized activities, or reckless or negligent undertakings of authorized activities, in each case on the Company's behalf or in its service that violate (i) various laws and regulations, including healthcare laws and regulations, (ii) laws that require the true, complete and accurate reporting of financial information or data, (iii) the terms of the Company's agreements with third parties. Such misconduct could expose the Company to, among other things, class actions and other litigation, increased regulatory inspections and related sanctions, and lost sales and revenue or reputational damage.

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. Such misconduct may result in legal action, significant fines or other sanctions and could result in loss of any regulatory license held by the Company at such time. The Company may be subject to security breaches at its facilities or in respect of electronic document or data storage, which could lead to breaches of applicable privacy laws and associated sanctions or civil or criminal penalties; events, including those beyond the control of the Company, may damage its operations. In addition, these events may negatively affect customers' demand for the Company's products. Such events include, but are not limited to, non-performance by third party contractors; increases in materials or labour costs; breakdown or failure of equipment; failure of quality control processes; contractor or operator errors; and major incidents and/or catastrophic events such as fires, explosions, earthquakes or storms. As a result, there is a risk that the Company may not have the capacity to meet customer demand or to meet future demand when it arises. Failure to comply with health and safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on the Company's manufacturing operations.

Operating Risk and Insurance Coverage

The Company does not have adequate insurance to protect its assets, operations and employees. While the Company may, in the future obtain insurance coverage to address all material risks to which it is exposed and is adequate and customary in its proposed state of operations, such insurance will be subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Company is expected to be exposed. In addition, no assurance can be given that such insurance will be adequate to cover the Company's liabilities or will be generally available in the future, or if available, that premiums will be commercially justifiable. If the Company were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Company were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

Costs of Operating as Public Corporation

As a public Corporation, the Company will incur significant legal, accounting and other expenses. As a public Corporation, the Company is subject to various securities rules and regulations, which impose various requirements on the Company, including the requirement to establish and maintain effective disclosure and financial controls and corporate governance practices. The Company's management and other personnel need to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations will increase the Company's legal and financial compliance costs and make some activities more time-consuming and costly.

Management of Growth

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

Conflicts of Interest

The Company may be subject to various potential conflicts of interest because of the fact that some of its officers and directors may be engaged in a range of business activities. 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 outside 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, and 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, in the event that 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.

Cybersecurity and Privacy Risk

The Company's information systems and any third-party service providers and vendors are vulnerable to an increasing threat of continually evolving cybersecurity risks. These risks may take the form of malware, computer viruses, cyber threats, extortion, employee error, malfeasance, system errors or other types of risks, and may occur from inside or outside of the respective organizations. Cybersecurity risk is increasingly difficult to identify and quantify and cannot be fully mitigated because of the rapid evolving nature of the threats, targets and consequences. Additionally, unauthorized parties may attempt to gain access to these systems through fraud or other means of deceiving third-party service providers, employees or vendors. The Company's operations depend, in part, on how well networks, equipment, IT systems and software are protected against damage from a number of threats. These 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. However, if the Company is unable or delayed in maintaining, upgrading or replacing IT systems and software, the risk of a cybersecurity incident could materially increase. Any of these and other events could result in information system failures, delays and/or increases 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 may collect and store certain personal information about customers and are responsible for protecting such information from privacy breaches. A privacy breach may occur through procedural or process failure, information technology malfunction, or deliberate unauthorized intrusions. In addition, theft of data is an ongoing risk whether perpetrated via employee collusion or negligence or through deliberate cyber-attack. Any such privacy breach or theft could have a material adverse effect on the Company's business, financial condition and results of operations.

In addition, there are a number of 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 under the *Personal Information Protection and Electronics Documents Act* (Canada) ("**PIPEDA**") and where applicable, provincial legislation governing personal health information, protect medical records and other personal health information by limited their use and disclosure of health information to the minimum level reasonably necessary to accomplish the intended purpose. If the Company were found to be in violation of the privacy or security rules under PIPEDA or other laws protecting the confidentiality of medical patients health information, the Company 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 Company's business, financial condition and results of operations.

Environmental and Employee Health and Safety Regulations Risk

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

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

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

RISKS RELATED TO INTELLECTUAL PROPERTY

Trade Secrets

The Company seeks to protect its proprietary technology in part by entering into confidentiality agreements and, if applicable, material transfer agreements, collaborative research agreements, consulting agreements or other similar agreements with its collaborators, advisors, employees and consultants prior to beginning research or disclosing proprietary information. These agreements typically restrict the ability of the Company's collaborators, advisors, employees and consultants to publish data potentially relating to its trade secrets. Its academic and clinical collaborators typically have rights to publish data, provided that the Company is notified in advance and may delay publication for a specified time in order to secure any intellectual property rights arising from the collaboration. In other cases, publication rights are controlled exclusively by the Company, although in some cases the Company may share these rights with other parties. The Company may also conduct joint research and development programs which may require it to share trade secrets under the terms of research and development collaboration or similar agreements. Despite the Company's efforts to protect its trade secrets, the Company's competitors may discover its trade secrets, either through breach of these agreements, independent development or publication of information. A competitor's discovery of the Company's trade secrets may impair its competitive position and could have a material adverse effect on its business and financial condition.

Patent Law Reform

The Company's success is heavily dependent on intellectual property rights, particularly patents. Obtaining and enforcing patents is a technologically and legally complex process, and obtaining and enforcing patents is costly, time consuming and inherently uncertain. Recent patent reform legislation could increase the uncertainties and costs surrounding the prosecution of the Company's and its licensors' or collaborators'

patent applications and the enforcement or defense of the Company or its licensors' or collaborators' issued patents.

Patent Litigation and Intellectual Property

As disclosed under *Description of the Business - Intellectual Property*, the Company has been issued a number of patents, and filed a number of provisional patent applications but even if regular patent applications are filed claiming priority to one or more of the provisional patent applications, there can be no assurance that any or all of these patent applications will issue into a valid patent. Such failure to issue could have a material adverse effect on the Company. In the event that a patent issued to the Company is challenged, any of Corporation's patents may be invalidated. The Company could also become involved in interference or impeachment proceedings in connection with one or more of its patents or patent applications to determine priority of invention.

Patent litigation is widespread and the Company cannot predict how this will affect its business. If the Company becomes involved in any litigation, interference, impeachment or other administrative proceedings, it will likely incur substantial expenses and the efforts of its technical and management personnel will be significantly diverted. The Company cannot make any assurances that it will have the financial or other resources necessary to enforce or defend a patent infringement or proprietary rights violation action. Moreover, if the Company's products infringe patents, trademarks or proprietary rights of others, it could, in certain circumstances, become liable for substantial damages, which also could have a material adverse effect on the business of the Company, its financial condition and results of operation. Patent litigation is less likely during development as many jurisdictions contain exemptions from patent infringement for the purpose of obtaining regulatory approval of a product. Where there is any sharing of patent rights either through co-ownership or different licensed "fields of use", one owner's actions could lead to the invalidity of the entire patent. If the Company is unable to avoid infringing the patent rights of others, the Company may be required to seek a license, defend an infringement action or challenge the validity of the patents in court. Such results could have a material adverse effect on the Company. Regardless of the outcome, patent litigation is costly and time consuming. In some cases, the Company may not have sufficient resources to bring these actions to a successful conclusion, and, even if the Company is successful in these proceedings, it may incur substantial costs and divert management time and attention in pursuing these proceedings, which could have a material adverse effect on the Company.

Any infringement or misappropriation of the Company's intellectual property could damage its value and limit its ability to compete. In addition, the Company's ability to enforce and protect its intellectual property rights may be limited in certain countries outside the U.S., which could make it easier for competitors to capture market position in such countries by utilizing technologies that are similar to those developed or licensed by the Company. Competitors may also harm the Company's sales by designing products that mirror the capabilities of its products or technology without infringing on its intellectual property rights. If the Company does not obtain sufficient protection for its intellectual property, or if it is unable to effectively enforce its intellectual property rights, its competitiveness could be impaired, which would limit its growth and future revenue. The Company may also find it necessary to bring infringement or other actions against third parties to seek to protect its intellectual property rights. Litigation of this nature, even if successful, is often expensive and time-consuming to prosecute and there can be no assurance that the Company will have the financial or other resources to enforce its rights or be able to enforce its rights or prevent other parties from developing similar technology or designing around its intellectual property.

The Company is not aware of any infringement by it of any person's or entity's intellectual property rights. In the event that products sold by the Company are deemed to infringe upon the patents or proprietary rights of others, the Company could be required to modify its products or obtain a license for the manufacture and/or sale of such products or cease selling such products. In such event, there can be no assurance that

the Company would be able to do so in a timely manner, upon acceptable terms and conditions, or at all, and the failure to do any of the foregoing could have a material adverse effect upon the Company's business. If the Company's products or proposed products are deemed to infringe or likely to infringe upon the patents or proprietary rights of others, the Company could be subject to injunctive relief and, under certain circumstances, become liable for damages, which could also have a material adverse effect on the Company's business and its financial condition.

Protection of Intellectual Property

The Company will be able to protect its intellectual property from unauthorized use by third parties only to the extent that the Company's proprietary technologies, key products and any future products are covered by valid and enforceable intellectual property rights including patents or are effectively maintained as trade secrets and provided the Company has the funds to enforce its rights, if necessary.

Third-Party Licenses

To the extent that valid third-party patent rights cover the Company's products or services, the Company or its strategic collaborators would be required to seek licenses from the holders of these patents in order to manufacture, use or sell these products and services and payments under them would reduce the Company's profits from these products and services. The Company is currently unable to predict the extent to which it may wish or be required to acquire rights under such patents, the availability and cost of acquiring such rights and whether a license to such patents will be available on acceptable terms or at all. There may be patents in the U.S. or in foreign countries or patents issued in the future that are unavailable to license on acceptable terms. The Company's inability to obtain such licenses may hinder or eliminate its ability to manufacture and market its products.

Further, if the Company obtains third-party licenses but fails to pay annual maintenance fees, development and sales milestones, or it is determined that the Company does not use commercially reasonable efforts to commercialize licensed products, the Company could lose its licenses which could have a material adverse effect on its business and financial condition.

FINANCIAL AND ACCOUNTING RISKS

Access to Capital

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

Estimates or Judgments Relating to Critical Accounting Policies

The preparation of financial statements in conformity with International Financial Reporting Standards, or IFRS, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The Company bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, as provided in the notes accompanying its financial statements, the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenue and expenses that are not readily apparent

from other sources. The Company's operating results may be adversely affected if the assumptions change or if actual circumstances differ from those in the assumptions, which could cause the Company's operating results to fall below the expectations of securities analysts and investors, resulting in a decline in the share price of the Company. Significant assumptions and estimates used in preparing the financial statements include those related to the credit quality of accounts receivable, share based warrant and option payments, as well as revenue and cost recognition and useful life of assets.

Risk of Default under the Convertible Notes

As at the date of this AIF, the Company has approximately \$3.3 million outstanding under the Note. The Note has an 18 month term and is convertible at the option of the holder at price of \$0.288 per share, subject to adjustments in certain circumstances. Upon an event of default under the Note, which is not cured or waived, the holder of the Note may require the Company to redeem all or any portion of the Note. If the Company is required to redeem the Note, in whole or in part, there can be no assurance that the assets of the Company would be sufficient to repay the redemption amount within the time required by the Note.

Negative Operating Cash Flow

The Company has negative cash flow from operating activities and has historically incurred net losses. There is no assurance that sufficient revenues will be generated in the near future. To the extent that the Company has negative operating cash flows in future periods, it may need to deploy a portion of its existing working capital to fund such negative cash flows. The Company will be required to raise additional funds through the issuance of additional equity securities or through loan financing. There is no assurance that additional capital or other types of financing will be available if needed or that these financings will be on terms at least as favourable to the Company as those previously obtained, or at all. The Company's ability to successfully raise additional capital and maintain liquidity may be impaired by factors outside of its control, such as a shift in consumer attitudes towards certain therapeutic methods or a downturn in the economy.

Any inclusion in the Company's financial statements of a going concern opinion may negatively impact the Company's ability to raise future financing and achieve future revenue. The threat of the Company's ability to continue as a going concern will be removed only when, in the opinion of the Company's auditor, the Company's revenues have reached a level that is able to sustain its business operations. If the Company is unable to obtain additional financing from outside sources and eventually generate enough revenues, the Company may be forced to sell a portion or all of the Company's assets, or curtail or discontinue the Company's operations. If any of these events happen, you could lose all or part of your investment. The Company's financial statements do not include any adjustments to the Company's recorded assets or liabilities that might be necessary if the Company becomes unable to continue as a going concern.

RISKS RELATED TO THE COMMON SHARES

Market for the Common Shares

There can be no assurance that an active trading market for the common shares will be sustained. The Company cannot predict the prices at which the common shares will trade. Fluctuations in the market price of the common shares could cause an investor to lose all or part of its investment in common shares. Factors that could cause fluctuations in the trading price of the common shares include: (i) announcements of new offerings, products, services or technologies; commercial relationships, acquisitions or other events by the Company or its competitors; (ii) price and volume fluctuations in the overall stock market from time to time; (iii) significant volatility in the market price and trading volume of agriculture companies; (iv) fluctuations in the trading volume of the common shares or the size of the Company's public float; (v)

actual or anticipated changes or fluctuations in the Company's results of operations; (vi) whether the Company's results of operations meet the expectations of securities analysts or investors; (vii) actual or anticipated changes in the expectations of investors or securities analysts; (viii) litigation involving the Company, its industry, or both; (ix) regulatory developments in the Canada, Australia and foreign countries; (x) general economic conditions and trends; (xi) major catastrophic events; (xii) escrow releases, sales of large blocks of the common shares; (xiii) departures of key employees or members of management; or (xiv) an adverse impact on the Company from any of the other risks cited herein or not yet known to the Company.

No History of Payment of Cash Dividends

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

Reporting Issuer Status

As a reporting issuer, the Company is subject to reporting requirements under applicable securities law and Exchange policies. Compliance with these requirements result in legal and financial compliance costs, make some activities more difficult, time consuming or costly and increase demand on existing systems and resources. Among other things, the Company is required to file annual, quarterly and current reports with respect to its business and results of operations and maintain effective disclosure controls and procedures and internal controls over financial reporting. In order to maintain and, if required, improve disclosure controls and procedures and internal controls over financial reporting to meet this standard, significant resources and management oversight is required. As a result, management's attention may be diverted from other business concerns, which could harm the Company's business and results of operations. The Company may need to hire additional employees to comply with these requirements in the future, which would increase its costs and expenses. Management of the Company believes that being a reporting issuer makes it more expensive to maintain director and officer liability insurance. This factor could also make it more difficult for the Company to retain qualified directors and executive officers.

Significant Sales of Common Shares

Although common shares held by existing shareholders of common shares are freely tradable under applicable securities legislation, certain common shares held by the Company's directors, executive officers, Control Persons and certain other securityholders of the Company are subject to escrow and seed share resale restrictions pursuant to the policies of the Exchange. Sales of a substantial number of the common shares in the public market after the expiry of such restrictions or the perception that these sales could occur, which could adversely affect the market price of the Common shares and may make it more difficult for investors to sell common shares at a favourable time and price.

Volatile Market Price for the Common Shares

The securities market in Canada has recently experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It may be anticipated that any market for the common shares will be subject to market trends generally,

notwithstanding any potential success of the Company. The value of the common shares distributed hereunder will be affected by such volatility.

The volatility of the common shares may affect the ability of holders to sell the common shares at an advantageous price or at all. Market price fluctuations in the common shares may be adversely affected by a variety of factors relating to the Company's business, including fluctuations in the Company's operating and financial results, such results failing to meet the expectations of securities analysts or investors and downward revisions in securities analysis' estimates in connection therewith, sales of additional common shares, governmental regulatory action, adverse change in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the Company or its competitors, along with a variety of additional factors, including, without limitation, those set forth under the heading "Forward-Looking Statements". In addition, the market price for securities on stock markets, including the Exchange is subject to significant price and trading fluctuations. These fluctuations have resulted in volatility in the market prices of securities that often has been unrelated or disproportionate to changes in operating performance. These broad market fluctuations may materially adversely affect the market price of the Company.

Additionally, the value of the common shares is subject to market value fluctuations based upon factors that influence the Company's operations, such as legislative or regulatory developments, competition, technological change and changes in interest rates or foreign exchange rates. There can be no assurance that the market price of the common shares will not experience significant fluctuations in the future, including fluctuations that are unrelated to the Company's performance.

Tax Issues

There may be income tax consequences in relation to the common shares, which will vary according to circumstances. Independent advice from tax and legal advisers should be obtained.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

To the knowledge of the directors and officers of the Company, there are no legal proceedings material to the Company to which the Company or its subsidiaries, are or were a party to, or of which any of their respective property is or was the subject matter of, during the financial year ended September 30, 2020, nor are any such proceedings known to be contemplated.

To the knowledge of the directors and officers of the Company, no penalties or sanctions have been imposed against the Company or its subsidiaries by a court or by a regulatory authority during the financial year ended September 30, 2020, no penalties or sanctions have been imposed against the Company by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision in respect of the Company, and no settlement agreements have been entered into by the Company before a court relating to securities legislation or with a securities regulatory authority during the Company's financial year.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

None of the directors or executive officers of the Company, or persons or companies that beneficially own, or control or direct, directly or indirectly, more than 10% of the outstanding Common shares, or any associate or affiliate of any of the foregoing, has any material interest, direct or indirect, in any transactions in which the Company has participated since October 1, 2017, which has materially affected or is reasonably expected to materially affect the Company.

AUDITOR, TRANSFER AGENT AND REGISTRAR

Odyssey Trust Corporation, at its Vancouver, British Columbia office acts as the Company's transfer agent and registrar and Davidson & Company, at its Vancouver, British Columbia office acts as the Company's auditor.

MATERIAL CONTRACTS

The Company is party to the following material contracts:

- (a) Securities Purchase Agreement;
- (b) Nextleaf Labs Purchase Agreement;
- (c) Standard Processing Licence;
- (d) Research Licence;
- (e) Nextleaf Escrow Agreement;
- (f) Nextleaf Three Year Voluntary Escrow Agreement; and
- (g) Lease dated March 15, 2018.

INTERESTS OF EXPERTS

No person or corporation whose profession or business gives authority to a statement made by the person or corporation and who is named as having prepared or certified a part of this AIF or as having prepared or certified a report or valuation described or included in this AIF holds any beneficial interest, direct or indirect, in any securities or property of the Company or of an associate or affiliate of the Company and no such person is expected to be elected, appointed or employed as a director, senior officer or employee of the Company or of an associate or affiliate of the Company and no such person is a promoter of the Company or an associate or affiliate of the Company. Davidson & Company is independent of the Company in accordance with the rules of professional conduct of the Institute of Chartered Professional Accountants of British Columbia.

AUDIT COMMITTEE

Audit Committee's Charter

The charter (the "**Charter**") of the Company's Audit Committee is reproduced as Exhibit "A".

Composition of Audit Committee

As at the date of this Circular, the Audit Committee is composed of Paul Pedersen, Fred Bonner and Tim Gillis, each of whom is a director of the Company.

Fred Bonner and Tim Gillis are "independent" as such term is defined in National Instrument 52-110 – *Audit Committees* ("**NI 52-110**"). Paul Pedersen is not considered independent as he is an executive officer of the Company. The Company is of the opinion that all three members of the Audit Committee are "financially literate" as such term is defined in NI 52-110.

The Audit Committee is responsible for reviewing the Company's financial reporting procedures, internal controls and the performance of the financial management and external auditor of the Company. The Audit Committee also reviews the annual and interim financial statements and makes recommendations to the Board.

As the Company is a "venture issuer" (as defined in NI 52-110) it is relying on the exemptions provided to it under section 6.1 of NI 52-110 with respect to the composition of the Audit Committee and with respect to Audit Committee reporting obligations.

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as described in the charter of the Audit Committee under the heading "Responsibilities". At no time since the commencement of the Company's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the board of directors.

All the members of the Audit Committee have the education and/or practical experience required to understand and evaluate financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements.

Relevant Education and Experience

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

Paul Pedersen

Mr. Pedersen holds a MBA in Finance from the Eli Broad Graduate School of Management at Michigan State University, where he served as a Fellow at the Center for Venture Capital Private Equity and Entrepreneurial Finance, and a Bachelors of Commerce Degree from the Sobey School of Business at Saint Mary's University. Mr. Pedersen has served as an officer and director of several reporting issuers, and in such capacities he has been responsible to review and approve their quarterly and annual financial statements.

Fred Bonner

Mr. Bonner received an Honours Geology from St. Mary's University in Halifax and Masters' Degrees in Applied Science and Urban and Rural Planning from Dalhousie University, Halifax. He is a professional geologist, a Fellow of Geoscientists Canada and a Fellow of the Society of Economic Geologists. Mr. Bonner has served as an officer and director of several reporting issuers, and in such capacities he has been responsible to review and approve their quarterly and annual financial statements.

Tim Gillis

Mr. Gillis most recently led STI Technologies Limited (“STI”), a leading healthcare technology Corporation which connects physicians, patients, pharmacy and pharma with a variety of intelligent reimbursement solutions that empower choice amongst healthcare professionals and patients, ultimately improving patient outcomes. As Chief Executive Officer, Mr. Gillis navigated STI through a period of hypergrowth which culminated in a sale to IQVIA (NYSE: IQV). Mr. Gillis has previously held senior positions with Stantec Inc. (TSX: STN) and Clarke Inc. (TSX: CKI) and throughout his career has completed over \$345MM in strategic transactions. Mr. Gillis holds a Bachelor of Commerce degree from Dalhousie University with distinction, a Chartered Professional Accountant designation and is a member of the Institute of Chartered Professional Accountants of Nova Scotia.

Audit Committee Oversight

At no time since the commencement of the Company’s most recently completed financial year have any recommendations by the Audit Committee respecting the nomination and/or compensation of the Company’s external auditors not been adopted by the board of directors.

Reliance on Certain Exemptions

At no time since the commencement of the Company’s most recently completed financial year has the Company relied on exemptions in relation to “*De Minimis Non-audit Services*” or any exemption provided by Part 8 of NI 52-110.

Pre-Approval Policies and Procedures

Pursuant to the terms of the Audit Committee Charter, the Audit Committee shall pre-approve all non-audit services to be provided to the Company or its subsidiary entities by the Company’s external auditor.

External Auditor Service Fees (By Category)

Financial Year Ending	Audit Fees	Audit Related Fees	Tax Fees	All Other Fees
September 30, 2020	\$30,000	Nil	Nil	Nil
September 30, 2019	\$45,000	Nil	Nil	Nil

ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.com.

Additional information relating to the Company, including directors’ and officers’ remuneration and indebtedness, principal holders of the Company’s securities and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Company’s management information circular for the most recent annual meeting of shareholders.

Additional financial information is provided in the Company’s consolidated financial statements and MD&A for the year ended September 30, 2020.

EXHIBIT “A”
AUDIT COMMITTEE CHARTER

(Implemented pursuant to National Instrument 52-110 *Audit Committees*)

General

The primary function of the Audit Committee is to assist the Board of Directors of Nextleaf (the “Board”) in fulfilling its oversight responsibilities by reviewing the financial information to be provided to the shareholders and others, the systems of internal controls and management information systems established by management and Nextleaf’s external audit process and monitoring compliance with Nextleaf’s legal and regulatory requirements with respect to its financial statements.

The Audit Committee is accountable to the Board. In the course of fulfilling its specific responsibilities hereunder, the Audit Committee is expected to maintain an open communication between Nextleaf’s external auditors and the Board.

The responsibilities of a member of the Audit Committee are in addition to such member’s duties as a member of the Board.

The Audit Committee does not plan or perform audits or warrant the accuracy or completeness of Nextleaf’s financial statements or financial disclosure or compliance with generally accepted accounting procedures as these are the responsibility of management and the external auditors.

Relationship with External Auditors

The external auditor is required to report directly to the Audit Committee. Opportunities shall be afforded periodically to the external auditor and to members of senior management to meet separately with the Audit Committee.

Composition of Audit Committee

The Committee membership shall satisfy the laws governing Nextleaf and the independence, financial literacy and experience requirements under securities law, stock exchange and any other regulatory requirements as are applicable to Nextleaf.

Responsibilities

1. The Audit Committee shall be responsible for making the following recommendations to the Board:
 - (a) the external auditor to be nominated for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for Nextleaf; and
 - (b) the compensation of the external auditor.
2. The Audit Committee shall be directly responsible for overseeing the work of the external auditor, including the resolution of disagreements between management and the external auditor regarding financial reporting. This responsibility shall include:
 - (a) reviewing with management and the external auditor any proposed changes in major accounting policies, the presentation and impact of significant risks and uncertainties, and key estimates and judgments of management that may be material to financial reporting;

- (b) questioning management and the external auditor regarding significant financial reporting issues discussed during the fiscal period and the method of resolution;
 - (c) reviewing audited annual financial statements, in conjunction with the report of the external auditor;
 - (d) reviewing any problems experienced by the external auditor in performing the audit, including any restrictions imposed by management or significant accounting issues on which there was a disagreement with management; and
 - (e) reviewing the evaluation of internal controls by the external auditor, together with management's response.
3. The Audit Committee shall review interim unaudited financial statements before release to the public.
 4. The Audit Committee shall review all public disclosures of audited or unaudited financial information before release, including any prospectus, annual report, annual information form, and management's discussion and analysis.
 5. The Audit Committee shall review the appointments of the chief financial officer and any other key financial executives involved in the financial reporting process, as applicable.
 6. Except as exempted by securities regulatory policies, the Audit Committee shall pre-approve all non-audit services to be provided to Nextleaf or its subsidiary entities by the external auditor.
 7. The Audit Committee shall ensure that adequate procedures are in place for the review of Nextleaf's public disclosure of financial information extracted or derived from Nextleaf's financial statements, and shall periodically assess the adequacy of those procedures.
 8. The Audit Committee shall establish procedures for:
 - (a) the receipt, retention and treatment of complaints received by Nextleaf regarding accounting, internal accounting controls, or auditing matters; and
 - (b) the confidential, anonymous submission by employees of Nextleaf of concerns regarding questionable accounting or auditing matters.
 9. The Audit Committee shall periodically review and approve Nextleaf's hiring policies, if any, regarding partners, employees and former partners and employees of the present and former external auditor of Nextleaf.
 10. Meetings of the Audit Committee shall be scheduled to take place at regular intervals and, in any event, not less frequently than quarterly.

Authority

The Audit Committee shall have the authority to:

1. to engage independent counsel and other advisors as it determines necessary to carry out its duties;
2. to set and pay the compensation for any advisors employed by the Audit Committee; and
3. to communicate directly with the external auditors.