XPHYTO THERAPEUTICS CORP.

ANNUAL INFORMATION FORM

For the Financial Year Ended December 31, 2019

Dated December 24, 2020

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INTRODUCTORY NOTES

Date of Information

All information contained in this Annual Information Form ("**AIF**") is current as of December 31, 2019 with subsequent events disclosed to December 24, 2020.

Currency and Exchange Rates

All dollar amounts herein are expressed in Canadian dollars unless otherwise indicated.

Forward-Looking Information

This AIF contains certain statements, which may constitute "forward-looking information" within the meaning of Canadian securities law requirements ("**forward-looking statements**"). These forward-looking statements are made as of the date of this AIF and XPhyto Therapeutics Corp. (the "**Company**") does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation. Forward-looking statements relate to future events or future performance and reflect Company management's expectations or beliefs regarding future events. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "plan", "predicts", "estimates", "forecasts", "pipeline", "intends", "anticipates" or "does not anticipate", or "believes" or "does not believe", or variations of such words and phrases or statements that certain actions, events or results "may", "will", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. In this document, certain forward-looking statements are identified by words including "may", "future", "expected", "intends" and "estimates". By their very nature, forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. The Company provides no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Certain forward-looking statements in this AIF include, but are not limited to the following:

- the Company's expectations regarding its expenses and operations and future revenue;
- the Company's anticipated cash needs and its needs for additional financing;
- the Company's intention to grow the business and its operations;
- the grant, right of use and impact of any licence or supplemental licence to conduct activities with narcotics, cannabis and psychedelic compounds or any amendments thereof;
- expectations with respect to the future growth of its products;
- the Company's competitive position and the regulatory environment in which the Company operates;
- the Company's expected business objectives for the next twelve months;

- the Company's ability to obtain additional funds through the sale of equity or debt commitments;
- the development of the University of Alberta laboratory and manufacturing facilities (as defined herein) and the respective costs and timing associated therewith; and
- the development of the Bunker facility (as defined herein) and the respective costs, timing, and economic viability associated therewith;

The above and other aspects of the Company's anticipated future operations are forward-looking in nature and, as a result, are subject to certain risks and uncertainties. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, undue reliance should not be placed on them as actual results may differ materially from the forward-looking statements. Such forward-looking statements are estimates reflecting the Company's best judgment based upon current information and involve a number of risks and uncertainties, and there can be no assurance that other factors will not affect the accuracy of such forward-looking statements. Such factors include but are not limited to the Company's ability to obtain the necessary financing and the general impact of financial market conditions, the demand for the Company's services, the success of the Company's current and future development efforts, changes in prices of required commodities, competition, government regulations and other risks as set out under "Risk Factors" below.

Use of Market and Industry Data

This AIF includes market and industry data that has been obtained from third party sources, including industry publications, as well as industry data prepared by the Company's management on the bases of its knowledge of and experience in the industry in which the Company operate (including management's estimates and assumptions relating to the industry based on that knowledge). Management's knowledge of the industry has been developed through its experience and lengthy participation in the industry. Management believes that its industry data is accurate and that its estimates and assumptions are reasonable, but there is no assurance as to the accuracy or completeness of this data. Third party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there is no assurance as to the accuracy or completeness of included information. Although management believes it to be reliable, the Company's management has not independently verified any of the data from third party sources referred to in this AIF or ascertained the underlying economic assumptions relied upon by such sources.

GLOSSARY OF TERMS

The following is a glossary of certain terms used in this AIF.

"**3a**"	means 3a-Diagnostics GmbH.
"**3a Screening Test Agreement**"	has the meaning ascribed thereto in "General Development of the Business – Three-Year History – 2020".
"**AIF**"	means this annual information form of the Company dated December 24, 2020 for the year ended December 31, 2019.
"**API**"	means active pharmaceutical ingredient.
"**Audit Committee**"	has the meaning ascribed thereto in "Audit Committee".
"**Audit Committee Charter**"	has the meaning ascribed thereto in "Audit Committee – Audit Committee Charter".
"**BCBCA**"	means the Business Corporations Act (British Columbia).
"**BfArM**"	means Bundesinstitut für Arzneimittel und Medizinprodukte, in English being the Federal Institute for Drugs and Medical Devices, an independent federal higher authority within the portfolio of the Federal Ministry of Health in Germany.
"**Board**" or "**Board of Directors**"	means the board of directors, or comparable corporate governing structure, of the Company.
"**BOPST**"	means Bundesopiumstelle.
"**BtMG**"	means Betäubungsmittelgesetz.
"**Bunker**"	means BUNKER Pflanzenextrakte GmbH, a wholly-owned subsidiary of the Company.
"**Bunker 88 Facility**"	means the facility which is the subject of a ten-year Commercial Rental Agreement between Bunker and Flughafen Memmigen GmbH, dated October 1, 2017.
"**Bunker Acquisition**"	has the meaning ascribed thereto in "General Development of the Business – Three-Year History – 2018".
"**Bunker Biopharma**"	means Bunker Biopharma GmbH, a wholly-owned subsidiary of Bunker registered at the Munich Commercial Register, Bavaria, Germany, previously named "SCUR-Alpha 998 GmbH" and purchased by Bunker on November 14, 2018 and renamed on November 26, 2018.
"**Bunker Milestone Shares"**	has the meaning ascribed thereto in "General Development of the Business – Three-Year History – 2018".

"**Canaccord**"	means Canaccord Genuity Corp.
"**CEO**"	means Chief Executive Officer.
"**CFO**"	means Chief Financial Officer.
"**Common Shares**"	means the common shares in the capital of the Company.
"**company**"	means, unless specifically indicated otherwise, a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual.
"**Company**" or "**XPhyto**"	means XPhyto Therapeutics Corp., a corporation existing under the BCBCA, formerly named Cannabunker Development Corp.
"**CSE**" or "**Exchange**"	means the Canadian Securities Exchange.
"**Eisenreich Advisory Agreement**"	has the meaning ascribed thereto in "General Development of the Business – Three-Year History – 2020".
"**Facility**"	has the meaning ascribed thereto in "General Development of the Business – Three-Year History – 2018".
"**Faculty**"	means the Faculty of Pharmacy and Pharmaceutical Sciences at the UoA.
"**Finder's Warrants**"	means share purchase warrants exercisable to acquire Common Shares and issued to certain finders.
"**First TUM Collaboration Agreement**"	has the meaning ascribed thereto in "General Development of the Business – Three-Year History – 2019".
"**GMP**"	means Good Manufacturing Practice.
"**IFRS**"	means the International Financial Reporting Standards, which are the generally accepted accounting principles in Canada.
"**KCI**"	means Knox Communications Inc.
"**KCI Investor Relations Agreement**"	has the meaning ascribed thereto in "General Development of the Business – Three-Year History – 2020".
"**kg**"	means kilogram.
"**Listing Date**"	means the date that the Common Shares were listed on the CSE or another stock exchange recognized under provincial securities laws.
"**Loebenberg**"	means Dr. Raimar Loebenberg.
"**Loebenberg Consideration Shares"**	has the meaning ascribed thereto in "General Development of the Business – Three-Year History – 2018".

"**NI 51-102**"	means National Instrument 51-102 – Continuous Disclosure Obligations, of the Canadian Securities Administrators.
"**NI 52-110**"	means National Instrument 51-110 – Audit Committees, of the Canadian Securities Administrators.
"**ODF**"	means oral disintegrating film.
"**Oettinger**"	means OETTINGER Brauerei GmbH.
"**Oettinger Standstill Agreement**"	has the meaning ascribed thereto in "General Development of the Business – Three-Year History – 2020".
"**Options**"	means stock options to acquire Common Shares.
"**OTCQB**"	means the OTCQB Venture Market.
"**Payment Units**"	has the meaning ascribed thereto in "General Development of the Business – Three-Year History – 2019".
"**Person**"	means a company or individual.
"**PharmaCielo"**	means PharmaCielo Ltd.
"**PharmaCielo Supply Agreement**"	has the meaning ascribed thereto in "General Development of the Business – Three-Year History – 2020".
"**Schroeder Consulting Agreement**"	has the meaning ascribed thereto in "General Development of the Business – Three-Year History – 2019".
"**Second TUM Collaboration Agreement**"	has the meaning ascribed thereto in "General Development of the Business – Three-Year History – 2019".
"**SEDAR**"	means the System for Electronic Document Analysis and Retrieval maintained by the Canadian Securities Administrators.
"**Shareholders**"	means holders from time to time of Common Shares.
"**Special Warrant Offering**"	means the non-brokered private placement of the Company of 5,565,500 Special Warrants for gross proceeds of $2,226,200, resulting in the deemed exercise of Special Warrants for 5,565,500 Common Shares and 5,565,500 SW Warrants.
"**Special Warrants**"	means the special warrants issued by the Company at a price of $0.40 per Special Warrant, pursuant to the Special Warrant Offering.
"**Stock Option Plan**"	means the incentive stock option plan of the Company. See "Description of Capital Structure – Options".

"**SW Warrants**"	means the common share purchase warrants of the Company issued upon exercise of the Special Warrants, entitling the holder to acquire one Common Share at a price of $1.20 per Common Share.
"**TUM**"	means the Technical University of Munich.
"**UoA**"	means the University of Alberta.
"**Vektor**"	means Vektor Pharma TF GmbH, a wholly-owned subsidiary of the Company.
"**Vektor Equipment Agreement**"	has the meaning ascribed thereto in "General Development of the Business – Three-Year History – 2019".
"**Vektor Purchase Agreement**"	has the meaning ascribed thereto in "General Development of the Business – Three-Year History – 2019".
"**Warrants**"	means share purchase warrants exercisable to acquire Common Shares.
"**XPhyto Labs**"	means "XPhyto Laboratories Inc.", the Company's wholly-owned Alberta subsidiary incorporated December 5, 2018.

CORPORATE STRUCTURE

Name, Address and Incorporation

The Company was incorporated under the BCBCA as "Cannabunker Development Corp." on December 12, 2017 and changed its name to "XPhyto Therapeutics Corp." on December 4, 2018.

On December 5, 2018 the Company incorporated "XPhyto Laboratories Inc." a wholly owned Alberta subsidiary and on December 13, 2018, the Company completed the Bunker Acquisition (as defined below), and, as a result, Bunker became a wholly-owned subsidiary of the Company.

On November 14, 2018, Bunker acquired a wholly owned German "shelf" company, "SCUR-Alpha 998 GmbH" for the purpose of specific operational use, renamed "Bunker Biopharma GmbH", on November 26, 2018.

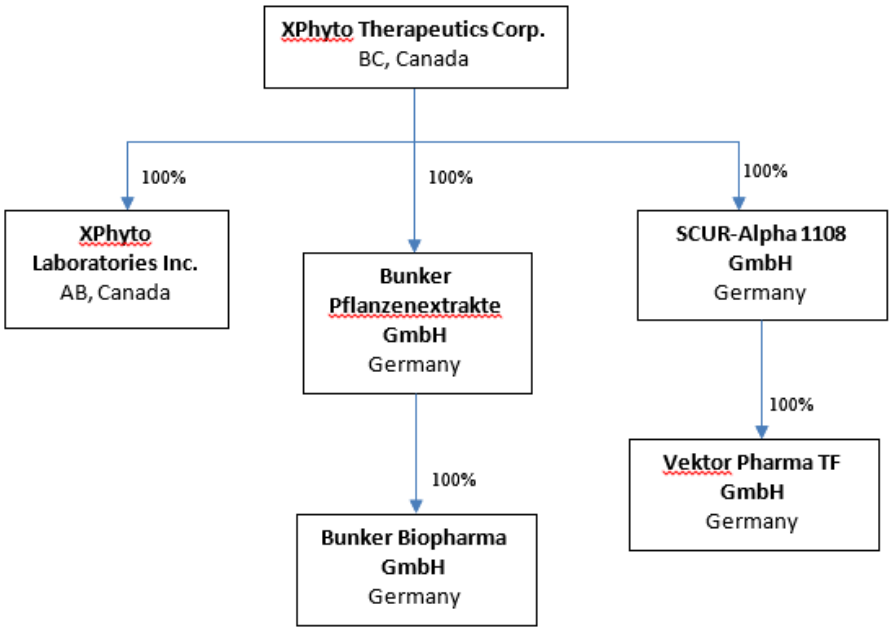
On August 26, 2019, the Company acquired a wholly owned German "shelf" company, "SCUR-Alpha 1108 GmbH" for the purpose of facilitating the September 13, 2019 acquisition of Vektor Pharma TF GmbH. Vektor Pharma TF GmbH is a wholly owned subsidiary of SCUR-Alpha 1108 GmbH.

The Company's head office is located at Suite 270-1820 Fir Street, Vancouver, British Columbia, Canada, V6J 3B1. The Company's registered and records office is located at Suite 1500 – 1055 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4N7.

The Company's Common Shares are listed on the CSE under the trading symbol "XPHY", on the OTCQB under the trading symbol "XPHYF" and on the FSE under the symbol "4XT". The Company is a reporting issuer in Canada in the Provinces of British Columbia, Alberta, Manitoba and Ontario.

Intercorporate Relationships

The Company has three direct wholly-owned subsidiaries: (i) XPhyto Laboratories Inc., (ii) BUNKER Pflanzenextrakte GmbH and (iii) SCUR-Alpha 1108 GmbH. Additionally, Bunker Bio-Pharma GmbH is a wholly-owned subsidiary of BUNKER Pflanzenextrakte GmbH and Vektor Pharma TF GmbH is a wholly-owned subsidiary of SCUR-Alpha 1109 GmbH.



Subsidiaries

The Company owns 100% of the issued and outstanding common shares of XPhyto Labs. XPhyto Labs was incorporated in the province of Alberta on December 5, 2018 with its head office located at 1500 – 701 West Georgia Street, Vancouver, British Columbia, V7Y 1C6. XPhyto Labs' registered office is located at 1500 – 1055 West Georgia Street, Vancouver, British Columbia, V6E 4N7.

The Company owns 100% of the issued and outstanding shares of Bunker which is a private limited liability company with a statutory seat in Buxheim, Germany. Bunker was registered at the Memmingen Commercial Register on December 16, 2015. The company's head office, principal address and registered and records office is Buxacher Str. 77, 87700 Memmingen, Germany. Bunker owns 100% of the issued and outstanding shares of Bunker Biopharma GmbH. Bunker Biopharma is a private limited liability company with a statutory seat in Munich, Germany. Bunker Biopharma was registered at the Munich Commercial Register on April 26, 2018. The company's head office, principal address and registered and records office is Buxacher Str. 77, 87700 Memmingen, Germany.

The Company owns 100% of the issued and outstanding shares of SCUR-Alpha 1108 GmbH which is a private liability company with a statutory seat in Munich, Germany. SCUR-Alpha 1108 GmbH was registered at the Munich Commercial Register on August 9, 2019. The Company's head office, principal address and registered and records office is Buxacher Str. 77, 87700 Memmingen, Germany.

The Company owns 100% of the issued and outstanding shares of Vektor, a private limited liability company with a statutory seat in Uttenweiler. Vektor was registered at the Ulm Commercial Register on January 12, 2010. The company's head office, principal address and registered and records office is Hauptstrasse 13, 88524 Uttenweiler, Germany.

GENERAL DEVELOPMENT OF THE BUSINESS

Three-Year History

2018

The Company entered into a Service Agreement Term Sheet dated May 30, 2018 with the Faculty of Pharmacy and Pharmaceutical Sciences (the "Faculty") of the University of Alberta (the "**UoA**"). Further to the Service Agreement Term Sheet, on September 28, 2018, the Company and the Board of Governors of the UoA executed a Commercial Analytical Lab Development and Services Agreement with respect to the co-development of a commercial grade analytical lab at the UoA for the purpose of testing cannabis and other plant-based medicines. The Company is responsible to fund the development and construction of the analytical testing facility originally budgeted at $695,000.

The Commercial Analytical Lab Development and Services Agreement contemplates that the parties will enter into a service agreement under which the UoA will provide analytical testing services to the Company and others. The service agreement will have an initial 5-year term and require the Company to pay the UoA for its costs to operate and maintain the facility. Any profit (net revenue) from service fees will first be applied to pay to the Company an amount equal to 125% of its capital expenditures and operating costs in developing and establishing the analytical testing facility. Once the 125% threshold has been achieved, the Company and the UoA will equally share in profits (net revenues) from service fees. The Company has paid substantially all expected development costs including equipment, training, and facility upgrades.

On August 20, 2018, the Company signed an exclusive dealing agreement (the "**Exclusive Dealing Agreement**") with Dr. Raimar Loebenberg ("**Loebenberg**") with respect to commercial operations under the licence issued pursuant to the Canadian Controlled Drugs and Substance Act held by Loebenberg and Loebenberg's cannabis related research and associated intellectual property. The Exclusive Dealing Agreement grants the Company an exclusive right to benefit from the exercise of Loebenberg's rights under the licence.

In consideration for the rights granted by Loebenberg to the Company, the Company issued 5,000,000 common shares (the "**Consideration Shares**") to a company controlled by Loebenberg with a value of $625,000. The Consideration Shares are subject to voluntary pooling (the "Loebenberg Escrow") for a period commencing on the effective date of the agreement and terminating on the date that is thirty-six months after the earlier of: (i) the date the Company's shares are listed for trading on the CSE, and (ii) the date that is six months after the effective date of the agreement. Since the Company's listing on the CSE, the Consideration Shares have been subject to mandatory escrow. The exclusivity period commences on the closing date of the agreement and expires on the earlier of (i) termination of the agreement, and (ii) the date that the last Consideration Shares are released from escrow. If the licence is terminated during the exclusivity period, any remaining escrowed Consideration Shares will be returned to the Company.

Loebenberg is entitled to revenue-based bonus payments from the sale of certain products developed by Loebenberg alone or jointly with the Company. If the Company generates at least $10,000,000 in revenues annually from the products, Loebenberg is entitled to receive a bonus of $200,000. If the Company generates at least $5,000,000 in revenues annually from the products, Loebenberg is entitled to receive a bonus of $200,000, which is payable, at the election of the Company, either in cash or common shares at the current market price. The Company can terminate the bonus entitlements by paying Loebenberg $1,000,000 per each bonus entitlement. Canaccord Genuity Corp. ("**Canaccord**") provided the Company with certain corporate advisory services with respect to the intangible assets. In consideration, the Company issued to Canaccord 500,000 common shares on September 4, 2018.

On October 22, 2018, the Company entered into a share exchange agreement to acquire all the issued and outstanding shares of Bunker Pflanzenextrakte GmbH ("**Bunker**") in exchange for 7,500,000 Common Shares. In addition, the Company reserved for issuance an aggregate of 2,500,000 Common Shares in the Company (the "**Milestone Shares**"). In the event that Bunker either (i) is granted a cultivation licence(s) within 24 months or (ii) generates EUR 2,500,000 gross revenue in an 18-month period within 36 months after the date of the agreement, the Company will issue the Milestone Shares to Bunker shareholders. The Company closed the share exchange agreement on December 13, 2018 and issued the 7,500,000 shares at a value of $3,000,000 to Bunker shareholders. The 7,500,000 shares are subject to escrow and will be released in tranches over 36 months on the earlier of (i) the date the Common Shares were listed on the CSE and (ii) 6 months after the effective date of the agreement. For 36 months after closing, should any Bunker shareholder wish to sell any Common Shares, the Company has the right of first refusal to purchase the shares. The Company also advanced funds to Bunker prior to closing and incurred costs relating to the transaction totaling $1,286,722.

Canaccord provided the Company with certain corporate advisory services as part of the acquisition of Bunker. As consideration, the Company issued 750,000 common shares at a value of $300,000 and 250,000 share purchase warrants, exercisable at $0.125 per share for a period of two years from date of listing on the CSE to Canaccord.

On December 7, 2018, the Company entered into a Product Manufacturing Agreement with the Governors of the UoA for the production of extracted and isolated cannabis-derived compounds including acid and non-acid cannabinoids, such as THC, CBD, THCA and CBDA (the "**UoA Products**"). The UoA, as an independent contractor agreed to manufacture the UoA Products for a period of five years commencing on

January 1, 2019, with automatic successive renewal terms of five years each. The UoA Products are produced under the direction of Loebenberg. The payment for the UoA Products is an estimated annual fee of $140,000.

2019

In August 2019, the Company entered into a 2-year exclusive European consultancy agreement with Stephen Schroeder, a leading international cannabis expert (the "**Schroeder Consulting Agreement**"). Mr. Schroeder's initial mandate is the design, renovation, and commissioning of XPhyto's state-of-the-art hydroponics and extraction facility pursuant to the Company's German cannabis cultivation and extraction licence first announced on July 24, 2019. As consideration the Company will pay USD $20,000 per month to Mr. Schroeder in addition to stock based compensation in the form of Options and Common Shares to vest and be issued, respectively, over a two year period, as follows: (i) 600,000 Options, each of which is exercisable into one Common Share for a period of five years at an exercise price of $1.25 per Common Share, of which 120,000 will vest immediately and 120,000 will vest every six months thereafter; and (ii) 700,000 Common Shares, of which 220,000 will be issued immediately and 120,000 will be issued every six months thereafter.

In August 2019, the Company's wholly owned subsidiary, Bunker, entered into an exclusive cannabis research and development agreement with the department of biochemistry at TUM (the "**First TUM Collaboration Agreement**") Pursuant to the agreement, initial research will focus on the identification and assessment of novel research and development approaches to utilize the cannabis plant and its derivatives, including cannabinoids, terpenes, terpenoids, polyphenols, and flavones. Promising targets will be advanced through pilot studies and pending preliminary success, pursued via separate joint research projects on a case-by-case basis for potential commercialization.

On August 26, 2019, the Company entered into a definitive share purchase agreement to acquire all the issued and outstanding shares of Vektor (the "**Vektor Purchase Agreement**"). As consideration the Company issued the following on closing: (i) 350,000 € cash; (ii) 200,000 Common Shares; (iii) 400,000 € units in the capital of the Company at $1.00 per unit (the "**Payment Units**"), with each such Payment Unit consisting of one Common Share and one Common Share purchase warrant. The Common Shares issued are subject to a three-year escrow matrix. Each warrant is exercisable into one Common Share at an exercise price of $1.00 per Common Share for a period of three years from closing. In connection with the acquisition of Vektor, the Company also issued a $293,532 convertible debenture with a maturity date that is six months from closing bearing an annual interest rate of 2.5%. The principal amount of the debenture is convertible into Payment Units at the option of the holder at any time prior to the maturity date. Each Common Share purchase warrant is exercisable into one Common Share at an exercise price of $1.00 per Common Share for a period of three years from the conversion date. The Company closed the share purchase agreement and acquired Vektor on September 13, 2019.

Separate from the Vektor business combination, on September 13, 2019 the Company also entered into an equipment purchase agreement with Vektor Pharma Ltd., an affiliated company of Vektor to purchase certain equipment (the "**Vektor Equipment Agreement**"). As consideration, the Company issued a convertible debenture in the amount of $220,149 with a maturity date that is twelve months from closing bearing an annual interest rate of 2.5%. The principal amount of the debenture is fixed at $220,149 and is convertible into Payment Units at the option of the holder, at any time prior to the maturity date. Each Common Share purchase warrant is exercisable into one Common Share at an exercise price of $1.00 per share for a period of three years from the conversion date.

In connection with the Vektor Agreement, a consulting fee of 200,000 Common Shares was paid to an arms-length consultant on closing.

In September 2019, the Company entered into a 3-year Managing Director agreement. The agreement provides for an annual salary of 162,000 €, paid in equal monthly installments.

In September 2019, the Company's wholly owned subsidiary, Bunker, entered into an exclusive cannabis research and development agreement with the chair of brewing and beverage technology at the TUM School of Life Sciences Weinhenstephan (the "**Second TUM Collaboration Agreement**"). Pursuant to the Second TUM Collaboration Agreement, initial research will focus on the identification and development of new research approaches targeting potential commercial applications for the use and inclusion of cannabis plants, parts thereof, or derived ingredients, active ingredients and flavours for the production of beverages, food and dietary supplements. Preliminary testing will include analysis of the chemical-physical suitability of the cannabis derived materials for use in various food and beverages. Specific cannabis applications with prospective commercial viability will be pursued via separate joint research projects on a case-by-case basis.

In November 2019, the Company announced that it had signed a term sheet with a major cannabis grower and supplier for exclusive distribution of EU GMP flower, extracts, isolates, and crystallites in Germany. The supplier is a major international grower and extractor in the process of EU GMP certification of its facilities and with scalable production in excess of 100,000 hectares which includes, indoor medical-grade hydroponic high-THC flower and outdoor high and low-THC cannabis strains for extraction purposes. The Company and the cannabis grower and supplier are working towards executing a definitive agreement.

2020

On January 13, 2020, the Company signed a three-year definitive supply, import and distribution agreement with PharmaCielo Ltd. ("**PharmaCielo**"), a leading supplier of naturally grown and processed medicinal-grade cannabis oil extracts (the "**PharmaCielo Supply Agreement**"). Pursuant to the PharmaCielo Supply Agreement and subject to all necessary regulatory approvals, XPhyto plans to commence the commercial import of cannabis oils and isolates in Q1 2021 with a three year minimum sales target of approximately 30,000 kg for a full range of extracted products, including 99% pure CBD and THC isolates, broad spectrum CBD oils, and full spectrum THC oils. Import and commercial sales of extracts in Germany are expected to commence in Q1 2021. Pursuant to the PharmaCielo Supply Agreement, the Company closed a subscription receipt whereby PharmaCielo agreed to purchase $500,000 of convertible debentures units of the Company. The convertible debentures were issued on January 31, 2020 as part of the private placement described below under "Financings". The Company also issued to PharmaCielo an additional 500,000 share purchase warrants exercisable into Common Shares at a price of $2.00 per Common Share for a period of two years.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time. The COVID-19 pandemic added some logistical pressure with respect to managing global operations and created minor delays in scheduling of pilot studies in Europe for transdermal and oral drug delivery products and with respect to analytical testing, research and development programs at the University of Alberta; however, the Company does not expect any further delays in 2021.

On March 25, 2020, the Company announced it had entered into an exclusive infectious disease advisory agreement with Prof. Dr. Wolfgang Eisenreich (the "**Eisenreich Advisory Agreement**").

On April 20, 2020, the Company announced that it had signed a development, technology purchase and licence agreement with 3a-Diagnostics GmbH ("**3a**") for the development and commercialization of an oral

screening test for the detection of infectious diseases (the "**3a Screening Test Agreement**"). The Company has committed to fund EUR 250,000 in stages through to October 2020 and up to an additional EUR 1,073,000 based on certain development milestones. The Company also issued 50,000 Common Shares on signing and will issue 200,000 Common Shares based on certain development milestones and 250,000 common shares upon achieving EUR 25,000,000 in gross sales within 24 months. 3a will retain a 5% royalty on net sales of all products sold by the XPhyto.

In May 2020, the Company signed a standstill agreement and letter of intent with the renowned German brewery OETTINGER Brauerei GmbH ("**Oettinger**") for cooperation in the field of development, production, and distribution of new cannabis-infused beverages and products (the "**Oettinger Standstill Agreement**"). XPhyto and Oettinger have agreed to pursue the signing of an exclusive definitive agreement in due course, specifically for creating new cannabis-related beverages and products.

On June 8, 2020, the Company announced that Vektor has finalized the formula for its novel transdermal delivery system for the neurologic drug Rotigotine. On August 25, 2020, the Company announced that Vektor has completed process implementation for the manufacture of its Rotigotine patches. With process implementation complete, clinical sample manufacturing and analytical work will commence in Vektor's EU GMP laboratory and manufacturing facility based in Baden-Württemberg, Germany. Human bioavailability studies in Europe are scheduled for Q1 2021 with results expected in Q1 2021.

On July 1, 2020, the Company announced that it had entered into an investor relations consulting agreement with Knox Communications Inc. ("**KCI**") to carry out marketing and investor communication activities for the Company (the "**KCI Investor Relations Agreement**"). Pursuant to the KCI Investor Relations Agreement, which is effective as of July 1, 2020 for a term of 12 months, the Company has granted KCI Options to purchase 100,000 Common Shares at a price of $2.50 per share for a period of one year.

On July 6, 2020, the Company announced successful validation of its working prototype to concurrently detect the COVID-19 virus and viruses in the broader coronavirus family (including SARS-CoV and MERS-CoV). On August 10, 2020, the Company announced commercial milestones targeting European regulatory approval in Q1 2021. On September 8, 2020, the Company announced that 3a has taken possession of COVID-19 RNA isolated from live viable virus for its second round of proof-of-concept prototype testing and that results of this evaluation process are expected within 30 days. The Company announced that pending successful evaluation results it will proceed to advanced prototype production and usability testing; however, procurement of suitable viral genome samples for validation studies has been challenging. Samples shipped from the United States for the purpose of validation testing were highly fragmented and therefore not suitable for evaluation. 3a continues to evaluate and pursue its options to procure suitable viral samples.

On August 14, 2020, the Company announced that its Common Shares have commenced trading on the OTCQB Venture Market ("**OTCQB**") under the stock symbol "XPHYF".

On September 22, 2020, the Company announced an update on its oral disintegrating film ("**ODF**") delivery programs. The Company is developing ODF dosage forms for CBD and THC based on Vektor's ODF platform. The dosage forms are designed to increase active pharmaceutical ingredient ("**API**") bioavailability using Vektor's rapid release technology. Increased product efficacy and patient convenience is expected through anticipated faster onset of drug action, more predictable therapeutic activity and ease of use. In addition, research organizations will have an opportunity to work with a reliable and reproducible dosage form to study THC and CBD activity and develop innovative treatment regimes. Cannabinoid ODF dosage forms are also expected to yield reduced costs per daily prescription versus oil-based systems due to the use of significantly less API per daily dosage. Initial dissolution data for XPhyto's sublingual CBD product, first announced December 6, 2019, indicates an at least 5-fold increase in API bioavailability over

oil-based delivery methods. A European human bioavailability study for its sublingual CBD product is planned for Q1 2021, with results expected in Q2 2021. Further to its current CBD ODF and THC ODF development programs, the Company has identified a 1:1 CBD/THC ODF product for the treatment of MS induced spasticity as a prospective candidate for future development. Additional cannabis ODF products are being investigated as potential future development initiatives. XPhyto is reviewing these opportunities with respect to R&D timelines and capacity, cost of development and market opportunities.

On November 3, 2020, the Company announced that its German subsidiary, Vektor had signed a research agreement with a leading German university for the exclusive development of a proprietary biotechnology process for the industrial manufacture of psilocybin as a certified API. The Company has identified a number of psychedelic compounds that are emerging as strong potential candidates for the treatment of mental health related medical indications such as depression, anxiety, addiction, anorexia and post-traumatic stress disorder. The US Food and Drug Administration has twice designated psilocybin (4-phosphoryloxy-N,N-dimethyltryptamine) a "breakthrough therapy" for the treatment of severe and treatment-resistant depression due to its potential to provide a major improvement over currently available therapeutics for an unmet medical need. XPhyto is currently focused on securing industrial scale production of psychedelic APIs and the standardization of drug formulations for the delivery of such APIs. The biotechnology production development program commenced in October 2020 with completion expected in September 2021. The Company will provide an update on the psilocybin production program with milestones and timelines.

On November 9, 2020, the Company announced that it had expanded its Exclusive Dealing Agreement with Prof. Dr. Raimar Loebenberg to incorporate a number of psychedelic compounds, pre-cursor molecules and metabolites, including but not limited to:

- psilocybin (O-phosphoryl-4-hydroxy-N,N-dimethyltryptamine);
- mescaline (3,4,5-trimethoxyphenethylamine);
- LSD (lysergic acid diethylamide); MDMA (3,4-methylenedioxymethamphetamine); and
- DMT (N,N-dimethyltryptamine).

The exclusivity rights under the expanded Exclusive Dealing Agreement do not include psychedelic-related work carried out by Loebenberg prior to the agreement. Pursuant to the expanded agreement and in collaboration with UoA, the Company intends to pursue a research and development program for the industrial manufacture of psychedelic APIs, in addition to certain high-value cannabinoid APIs. The programs are intended to produce GMP and EU GMP certified API for commercial sale.

Bunker – Germany

On October 1, 2017, Bunker entered into a commercial rental agreement with Flughafen Memmingen GmbH to lease Bunker 88 (the "Bunker 88 Facility") for a period of ten years. Both parties have the option of renewing the agreement for one year at a time after the ten year period has expired.

Built in 1984, the Bunker 88 Facility is a former avionics station and nuclear bunker used by the German Bundeswehr Tornado fighter bomber squadron. The Bunker 88 Facility is located in Memmingerberg, Bavaria, on a historic Luftwaffe air force base that dates back to 1935. In 2004, the airport was released by the German government for civilian use and is now an operating commercial airport, Allgäu Airport (Munich West).

Constructed with radiation-proof doors, thick concrete double walls, back-up power, air filtration, and a dedicated internal water well, the Bunker 88 Facility was designed for self-sufficient survival for up to two weeks in the event of a nuclear disaster. Approximately 30 military staff operated the avionics station until it was put on care and maintenance in the eighties.

The first stage of renovations to the Bunker 88 Facility include upgrades to the electrical systems, fire protection systems, security systems, lighting, plumbing, painting, floor or ceiling coverings, cleaning, and minor landscaping. The estimated total cost of the first stage of renovations is $900,000. The first stage of renovations will be necessary to finalize any and all Cannabis-related licences in Germany; however, it is not necessary to carry out the renovation until preliminary approval has been received for a given licence. Due to uncertainty in the global cannabis industry, particularly with respect to pricing and government insurance reimbursement schemes in Germany, the Company is reviewing the economic viability of the Bunker project and has not yet committed to the first stage of renovations.

Financings

During 2018, the Company completed a private placement in January 2018 and issued 17,340,000 units at $0.125 per unit for gross proceeds of $2,167,500. Each unit consisted of one Common Share and one-half share purchase warrant, with each whole warrant exercisable into one additional Common Share at a price of $0.70 per share for a period of two years from date of listing on the CSE.

The Company also closed another private placement in May 2018 whereby the Company issued 5,762,000 units at $0.125 per unit for gross proceeds of $720,250. Each unit consisted of one Common Share and one-half share purchase warrant, with each whole warrant exercisable into one additional Common Share at a price of $0.70 per share for a period of two years from date of listing on the CSE.

The Company completed a third private placement in July 2018 whereby the Company issued 1,250,000 units at $0.125 per unit for gross proceeds of $156,250. Each unit consisted of one Common Share and one-half share purchase warrant, with each whole warrant exercisable into one additional Common Share at a price of $0.70 per share for a period of two years from date of listing on the CSE.

The Company completed a fourth private placement in November 2018 whereby the Company issued 862,000 units at $0.125 per unit for gross proceeds of $107,750. Each unit consisted of one Common Share and one-half share purchase warrant, with each whole warrant exercisable into one additional Common Share at a price of $0.70 for a period of two years from date of listing on the CSE.

The Company completed a Special Warrant Offering in December 2018 whereby the Company issued 4,445,500 Special Warrants at $0.40 per Special Warrant for gross proceeds of $1,778,200. Each Special Warrant was to automatically convert, for no additional consideration, into one Common Share and one share purchase warrant on the earlier of (i) the third business day after final prospectus receipt, and (ii) 4 months and one day after the issue date of the Special Warrants. Each warrant issued on conversion entitles the holder to purchase one Common Share at a price of $1.20 per share for a period equal to the shorter of (i) two years after the listing date on the CSE or another stock exchange recognized under provincial securities laws, and (ii) five years after the issue date of the Special Warrants. The Company issued 351,640 Finder's Warrants to purchase an aggregate of 351,640 Common Shares at a price of $0.40 per share for a period of two years from date of listing on the CSE. On April 29, 2019, the Company issued 4,445,500 common shares and 4,445,500 share purchase warrants on conversion of the Special Warrants.

On February 28, 2019, the Company issued 1,120,000 Special Warrants at $0.40 per Special Warrant for gross proceeds of $448,000 on the same terms and conditions as those issued on December 28, 2018. The Company issued Finder's Warrants to purchase an aggregate of 89,600 common shares at a price of $0.40 per share for a period of 2 years from date of listing on the CSE. On May 28, 2019, the Company issued 1,120,000 common shares and 1,120,000 share purchase warrants on conversion of the Special Warrants.

On February 28, 2019, the Company issued 457,500 units at $0.40 per unit for gross proceeds of $183,000. Each unit consisted of one Common Share and one share purchase warrant, with each whole warrant

exercisable into one additional common share at a price of $1.20 per share for a period equal to the shorter of (i) two years from date of listing on the CSE or another stock exchange recognized under provincial securities laws, and (ii) five years after the issue date of the units. The Company issued 36,600 Finder's Warrants to purchase an aggregate of 36,600 Common Shares at a price of $0.40 per share for a period of two years from date of listing on the CSE.

On March 29, 2019, the Company issued 805,000 units at $0.40 per unit for gross proceeds of $322,000. Each unit consisted of one common share and one share purchase warrant, with each whole warrant exercisable into one additional common share at a price of $1.20 per share for a period equal to the shorter of (i) two years from date of listing on the CSE or another stock exchange recognized under provincial securities laws, and (ii) five years after the issue date of the units. The Company paid finder fees of $25,760 and also issued 64,400 Finder's Warrants to purchase an aggregate of 64,400 common shares at a price of $0.40 per share for a period of two years from date of listing on the CSE.

On April 11, 2019, the Company issued 765,705 units at $0.40 per unit for gross proceeds of $306,282. Each unit consisted of one Common Share and one share purchase warrant, with each whole warrant exercisable into one additional Common Share at a price of $1.20 per share for a period equal to the shorter of (i) two years from date of listing on the CSE or another stock exchange recognized under provincial securities laws, and (ii) five years after the issue date of the units.

On January 31, 2020, the Company closed the sale of 2,000 convertible debenture units for gross proceeds of $2,000,000 pursuant to a non-brokered private placement. Each debenture unit consists of: (i) $1,000 principal amount of 8.0% unsecured convertible debenture and (ii) 1,000 Common Share purchase warrants. The debentures bear interest at 8.0% per annum, calculated and payable semi-annually and mature two years following the date of issuance. The debentures are convertible at the option of the holder into common shares of the Company at a conversion price of $1.00 per common share. Conversion of the debentures may be forced in part or in whole at the option of the Company if the 15-day volume weighted average price of the common shares on the CSE exceeds $2.50 per share. Each warrant is exercisable to acquire one Common Share at an exercise price of $1.50 per share until January 31, 2022. In connection with the debenture offering, the Company issued 120,000 Finder's Warrants to Canaccord. Each Finder's Warrant entitles the holder thereof to purchase one Common Share at an exercise price of $1.00 per share until January 31, 2022.

On December 8, 2020, the Company closed an investment of $3,000,000 of unsecured convertible debentures (the "**Debentures**"). Each Debenture will bear interest from their issue date at 8.0% per annum, calculated and payable semi-annually and mature two years from the date of issuance (the "**Maturity Date**"). Pursuant to a price reservation filed with the CSE on October 28, 2020, the principal amount of the Debentures is convertible at the option of the holder into common shares in the capital of the Company at any time prior to the Maturity Date at a conversion price of $1.77 per Common Share. Conversion of the Debentures may be forced at the option of the Company if the 15-day volume weighted average price of the Common Shares on the CSE exceeds 250% per share of the conversion price. In connection with the Offering, the company paid a cash fee of $240,000 and issued 135,593 finder warrants to Canaccord. Each finder's warrant entitles the holder thereof to purchase one common share at an exercise price of $1.77 until December 8, 2022.

DESCRIPTION OF BUSINESS

The Company, through its wholly owned subsidiaries and exclusive development and commercialization agreements, is developing a therapeutic film drug delivery, pathogen screening test, and psychedelic and cannabinoid API production and distribution business in Germany and an analytical testing, cannabinoid extraction and cannabis and psychedelic API production and drug formulation business in Canada.

Vektor – Drug Delivery and Oral Screening Test Development

In Q3 2019, XPhyto acquired 100% of Vektor, a German-based narcotics company focused on the research, development and production of therapeutic films for pharmaceutical applications. The company had established itself as an expert in the design, testing and manufacture of thin film drug delivery systems, including transdermal patches and sub-lingual (oral) strips. Vektor also holds a number of valid narcotics licences pursuant to EU GMP certification and other governing regulations: Import Permit for drug dosage forms; Import Permit for cannabis; Manufacturing Permit for clinical samples; Manufacturing Permit for final drug product release; Analytical Permit for chemical and physical testing; Permit to handle narcotic drugs; and a Permit to handle animal tissue. Vektor's various narcotics licences include authorizations related to conventional and cannabis-related prescription medications, including but not limited to: Buprenorphine, cannabis, Dronabinol, Fentanyl, Hydromorphone, Oxycodone, and THC. Vektor's cannabis licences and EU GMP facility may be important assets for XPhyto's import and distribution businesses.

Vektor's managing director is a licensed German pharmacist with a doctorate degree in pharmacy and the following regulated qualifications in Germany: Qualified Person (QP), Production Manager (AMG), Control Manager (AMG), Narcotics Officer (BtMG and EU-QPPV), EU Qualified Person (QP) for Phrmacovigilance, and RP (GDP and Information Officer).

The current drug delivery programs are focused on precision dosing of conventional narcotics and cannabis-derived compounds using Vektor's novel thin film drug delivery platforms. The three leading drug delivery programs are as follows: 1) a transdermal patch for the delivery of Rotigotine; 2) an ODF for the delivery of CBD; and an ODF for the delivery of THC. Additional drug delivery programs, including an ODF for the delivery of CBD and THC in a 1:1 ratio, are underway at various stages of planning and development.

Rotigotine is a non-ergoline dopamine agonist approved for the treatment of Parkinson's disease (PD) and restless legs syndrome (RLS) in Europe and the United States. Rotigotine, the active pharmaceutical ingredient, is a generic "off-patent" drug that is typically formulated as a once-daily transdermal patch which provides a slow and constant supply of the drug over the course of 24 hours. Vektor has completed formulation and process implementation for the manufacture of its Rotigotine patches for use in clinical studies. Clinical sample manufacturing and analytical work is scheduled to occur in Q1 2021 with human bioavailability studies scheduled for the same period. Results from the clinical work are expected in Q1 2021.

CBD, a non-psychoactive cannabis-derived compound, is prescribed for neurological conditions, including certain forms of Epilepsy and pain management. Vektor has completed the initial stage of product development and established a number of critical parameters necessary for an efficient and well-defined dissolvable oral CBD dosage form. The Company is finalizing the formulation and preparing for European-based clinical studies in Q1 2021.

THC, the primary psychoactive cannabinoid compound has been approved for the treatment of nausea associated with cancer chemotherapy and for the treatment of anorexia associated with weight loss in AIDS patients. Vektor has completed the initial stage of product development and established a number of critical parameters necessary for an efficient and well-defined dissolvable oral THC dosage form. The Company is finalizing the formulation and preparing for European-based clinical studies in Q2 2021.

Vektor is actively involved in the development of pathogen screening tests which incorporate 3a's peptide biosensors into Vektor's oral dissolvable drug delivery system. 3a has developed peptide-based biosensor screening tests for bacterial and viral infectious diseases, including influenza A, scarlet fever, stomatitis, periimplantitis, and periodontitis. Additional pandemic-focused biosensors are in planning and development, specifically for COVID-19 (coronavirus), H1N1 (swine flu), and H5N1 (avian flu). Positive

detection of the respective pathogen results in enzymatic release of an extreme (but safe) bitter compound. 3a has confirmed successful enzyme activation of its peptide biosensor when delivered using Vektor's platform; in addition, ODF embedded biosensor activation has been demonstrated for biologically relevant levels of pathogen specific enzymes. Screening test evaluation for the purpose of EU regulatory approval is planned for late Q2 2021.

In Q3 2020, Vektor signed a research agreement with a leading German university for the exclusive development of a proprietary biotechnology process for the industrial manufacture of psilocybin as a certified API. The biotechnology production development program commenced in October 2020 with completion expected in September 2021.

3a – Infectious Disease Screening Tests

In April 2020, the Company signed a development, technology purchase and licence agreement with 3a-Diagnostics GmbH ("**3a**") for the development and commercialization of an oral screening test for the detection of infectious diseases. The Company has committed to fund EUR 250,000 in stages through to October 2020 and up to an additional EUR 1,073,000 based on certain development milestones. The Company will also issue 50,000 common shares on signing, 200,000 common shares based on certain development milestones and 250,000 common shares upon achieving EUR 25,000,000 in gross sales within 24 months. 3a will retain a 5% royalty on net sales of all products sold by the Company. Since signing the agreement, the Company has commenced adaption of Vektor's ODF to deliver 3a's peptide biosensors, starting with 3a's existing products.

As described above, 3a has developed peptide-based biosensor screening tests for bacterial and viral infectious diseases, including influenza A, scarlet fever, stomatitis, periimplantitis, and periodontitis. Additional pandemic-focused biosensors are in planning and development, specifically for COVID-19 (coronavirus), H1N1 (swine flu), and H5N1 (avian flu). On June 10, 2020, XPhyto announced that 3a and their contract research collaborators received a €254,200 grant from the German Federal Ministry of Education and Research ("**BMBF**"). Proceeds of the grant are committed to the development and commercialization of enzyme activated biosensors for use in real-time, low-cost and easy-to-use oral screening tests for the detection of influenza A virus and specific variants that are high-risk pandemic threats such as H1N1 and H5N1.

3a is also developing a rapid COVID-19 PCR diagnostic test kit and an rapid, disposable, point-of-care lateral flow screening test ("**LFA**") to detect COVID-19 viral RNA from patient saliva and nasal and throat swabs. The Company has announced successful validation of working prototypes for both products including for concurrent and independent detection of both the COVID-19 virus and viruses in the broader coronavirus family using the LFA. 3a's enhanced RNA probe system is employed in both test products. 3a is targeting commercial approval in Europe for Q1 2021. 3a's COVID-19 enhanced probe system and associated technology has been incorporated into the development, technology purchase and licence agreement, announced July 6, 2020.

On December 17, 2020 the Company announced the successful validation of the COVID-19 PCR test system. The PCR test system demonstrated diagnostic level accuracy (sensitivity and specificity) in its ability to detect SARS-CoV-2 (COVID-19) RNA within 25 minutes. Robustness, repeatability, and laboratory precision were also been confirmed. The test is designed to be conducted with only minimal laboratory processes and equipment. The expectation of European regulatory approval and commercial product launch in European markets was confirmed for Q1 2021.

As part of its commitment to further its infectious disease initiatives, the Company has announced the addition of Prof. Dr. Wolfgang Eisenreich to its team via an exclusive infectious disease advisory agreement.

Prof. Dr. Eisenreich leads a research group at the Department of Chemistry, Technical University of Munich and the Central NMR Analytics Facility at Garching. He is a world-renowned expert in pathogen-host cell interactions.

Supply, Import, and Distribution

In January 2020, the Company announced that it had signed a three-year definitive supply, import and distribution agreement with PharmaCielo Ltd. ("**PharmaCielo**") Pursuant to the Agreement and subject to all necessary regulatory approvals, XPhyto plans to commence the commercial import of cannabis oils and isolates with a three year minimum sales target of approximately 30,000 kg for a full range of extracted products including 99% pure CBD and THC isolates, broad spectrum CBD oils, and full spectrum THC oils. All imported products must be EU GMP approved prior to receiving a German import licence for each individual product. The Company will work with PharmaCielo to expedite EU GMP approval once they have received local GMP approval in Colombia. Import and commercial sales of extracts in Germany are expected to commence in Q3 2021.

In preparation for import and commercial sales in Germany the Company has worked with PharmaCielo to identify specific products for the Germany market, engaged in the design of expanded vault capacity for storage of imported extracts, planned its import permitting strategy, and engaged with narcotics wholesalers and distributors. Vault capacity expansion at Vektor's German laboratory is expected to be complete in Q1 2021.

University of Alberta, Faculty of Pharmacy and Pharmaceutical Sciences

XPhyto Laboratories Corp., a wholly owned Alberta subsidiary is focused on development of an analytical testing and extract manufacturing business in collaboration with the Faculty of Pharmacy and Pharmaceutical Sciences, University of Alberta. Analytical testing, manufacturing, formulation and clinical studies may be carried out pursuant to an exclusive agreement with Dr. Raimar Loebenberg in respect of the use of his Health Canada dealer's licence. Analytical testing and manufacturing will be carried out in laboratories at the University of Alberta.

On August 20, 2018, the Company signed an Exclusive Dealing Agreement with Dr. Raimar Loebenberg ("**Loebenberg**") with respect to commercial operations under the licence issued pursuant to the Canadian Controlled Drugs and Substance Act held by Loebenberg and Loebenberg's cannabis related research and associated intellectual property. The agreement grants the Company an exclusive right to benefit from the exercise of Loebenberg's rights under the licence.

In consideration for the rights granted by Loebenberg to the Company, the Company issued 5,000,000 common shares (the "**Consideration Shares**"), to a company controlled by Loebenberg with a fair value of $625,000. The Consideration Shares are subject to voluntary pooling ("**Escrow**") for a period commencing on the effective date of the agreement and terminating on the date that is thirty-six months after the earlier of: (i) the date the Company's shares are listed for trading on the CSE, and (ii) the date that is six months after the effective date of the agreement. The exclusivity period commences on the closing date of the agreement and expires on the earlier of (i) termination of the agreement, and (ii) the date that the last Consideration Shares are released from Escrow. If the licence is terminated during the exclusivity period, any remaining Escrowed Consideration Shares will be returned to the Company.

Loebenberg is entitled to revenue-based bonus payments from the sale of certain products developed by Loebenberg alone or jointly with the Company. The eligibility for earning the revenue-based bonus payments expires at the end of the exclusivity period. If the Company generates at least $10,000,000 in revenues annually from the products, Loebenberg is entitled to receive a Level One Bonus of $200,000. If the Company generates at least $5,000,000 in revenues annually from the products, Loebenberg is entitled

to receive a Level Two Bonus of $200,000. The Level Two Bonus is payable, at the election of the Company, either in cash or common shares at the current market price. The Company can terminate the Level One and/or Two Bonus entitlements by paying Loebenberg $1,000,000 per each bonus entitlement.

The initial phase of XPhyto's business development is founded on two strategic cannabis-related collaborations with the Faculty of Pharmacy and Pharmaceutical Sciences, University of Alberta: 1) an exclusive five year agreement to co-develop and operate a commercial grade analytical lab for the testing of cannabis and other plant-based medicines (the "**Testing Agreement**"); and 2) an exclusive five year product manufacturing agreement to extract cannabis-derived compounds and produce pharmaceutical grade isolates (the "**Manufacturing Agreement**").

Pursuant to both the Testing Agreement and the Manufacturing Agreement, XPhyto provided the necessary start-up funding for any testing and manufacturing equipment and equipment and facility upgrades, as well as all ongoing operational expenses and business marketing. The Faculty of Pharmacy shall provide qualified staff, certified laboratory facilities, and ongoing regulatory support. Any necessary testing or manufacturing services not available within the Faculty's facilities shall be outsourced and coordinated by the Faculty.

With respect to analytical testing, the Company entered into a Service Agreement Term Sheet dated May 30, 2018 with the Faculty of Pharmacy and Pharmaceutical Sciences of the University of Alberta. Further to the Service Agreement Term Sheet, on September 28, 2018, the Company and the Board of Governors of the University of Alberta, executed a Commercial Analytical Lab Development and Services Agreement for the co-develop of a commercial grade analytical lab at UoA for the purpose of testing cannabis and other plant-based medicines.

The agreement contemplates that the parties will enter into a service agreement under which the UoA will provide analytical testing services to the Company and others. The service agreement will have an initial 5-year term and require the Company to pay the UoA for its costs to operate and maintain the facility. Any profit (net revenue) from service fees will first be applied to pay to the Company an amount equal to 125% of its capital expenditures in developing and establishing the analytical testing facility. Once the 125% threshold has been achieved, the Company and the UoA will equally share in profits (net revenues) from service fees.

The Company is responsible to fund the development and construction of the analytical testing facility. The Company has paid substantially all expected development costs including equipment, training, and facility upgrades.

On December 7, 2018, the Company and the UoA executed an exclusive five-year product manufacturing agreement pursuant to which the Faculty of Pharmacy and Pharmaceutical Sciences agreed to manufacture cannabis-based extracts and isolates. The Company is responsible to provide any necessary equipment for the manufacture of the extracts and isolates and will pay UoA an annual fee estimated at $140,000. The equipment has been delivered and is awaiting commissioning. Commissioning has currently been delayed due to the COVID-19 situation as the supplier has an employee travel ban in place.

The purpose of XPhyto's analytical testing agreement is two-fold: 1) to provide third-party testing services to Canadian cannabis cultivators, wholesalers and retailers; and 2) to provide in-house testing for XPhyto's manufacturing business. XPhyto does not intend to cultivate cannabis in Canada nor does it intend to sell cannabis in Canada. Accordingly, XPhyto believes it will be well positioned to provide independent analytical services to both growers and purchasers.

Manufacturing capability, focused on production of pharmaceutical grade isolates and other plant-based medical and nutraceutical compounds, is designed to provide XPhyto with access to materials for use in subsequent phases of its business development, namely formulation and pilot studies. Certified in-house

testing combined with its manufacturing capability is expected to help facilitate access to quality product on a consistent and timely basis.

On November 5, 2020, the Company signed an addendum to the Exclusive Dealing Agreement to include a wide range of psychedelic compounds under Loebenberg's recently acquired psychedelic testing and research licences from Health Canada. The Company will pursue psychedelic drug delivery and API production opportunities.

Subject to the resolution of the COVID-19 situation and the resumption of normal business in Canada, the Company will work towards moving its testing and manufacturing business forward towards operations.

Bunker - Scientific Cultivation & Extraction Licence

XPhyto's wholly owned German subsidiary, Bunker, holds a long-term lease on a decommissioned former military command centre in Bavaria. Built in 1984, the Bunker 88 Facility is a former avionics station and nuclear bunker used by the German Bundeswehr Tornado fighter bomber squadron. The Bunker 88 Facility is located in Memmingerberg, Bavaria, on a historic Luftwaffe air force base that dates back to 1935. In 2004, the airport was released by the German government for civilian use and is now an operating commercial airport, Allgäu Airport (Munich West).

In 2017, Bunker submitted an application to BfArM for a cannabis research and development licence, based on proposed research to be conducted at the Bunker 88 Facility. On July 25, 2018, Bunker submitted a revised joint application for a research and development licence in collaboration with TUM. The majority of proposed work is to be conducted at the Bunker 88 Facility over a period of approximately three years.

On March 29, 2019, Bunker was granted a licence for the cultivation of cannabis for scientific purposes valid until December 31, 2022. A maximum of 960 cannabis plants may be grown per year with a maximum of 480 plants to be grown at one time. The application generally related to "production of high-quality cannabis raw material for medical and pharmaceutical uses". The more specific objective was determination of differential composition and biosynthesis of cannabinoids and related metabolites of cannabis trichomes depending on genetic background of different cultivars and cultivation conditions.

To grow cannabis under the scientific cultivation licence, the Company will be required to invest in additional equipment and facility upgrades which are subject to permit modifications related to the intended change of use of the building. An application for a change of use permit has been submitted to the local authority.

The Company is reviewing the business case and economic viability of the Bunker renovation and proposed R&D programs at the Bunker.

Commercial Cultivation Licence – Bunker

The first German cannabis cultivation tender was initiated by German health authority in 2017 but was cancelled after the proceedings had been successfully challenged in German courts. BfArM announced a second tender in mid-2018 with applications due December 11, 2018. Bunker submitted an application to BfArM in December 2018 for a cannabis cultivation licence pursuant to the tender process. The specific licences sought were authorizations for handling narcotic drugs from the BOPST pursuant to §3 BtMG and a cultivation specific manufacturing licence from the local authority, RO pursuant to §13 AMG. On April 3, 2019, BfArM advised Bunker that it was not successful in the application process. The Company is uncertain whether the German health authority may initiate another commercial cultivation licence tender in the next 12 months. The criteria related to a potential tender process are unknown at this time.

Scientific Collaborations

In Q3 2019, the Bunker signed two exclusive collaboration agreements with the Technical University of Munich ("**TUM**"). The first exclusive agreement was signed with the Faculty of Chemistry whereby initial research will focus on the identification and assessment of novel research and development approaches to utilize the cannabis plant and its derivatives, including cannabinoids, terpenes, terpenoids, polyphenols and flavones. Promising targets will be advanced through pilot studies and pending preliminary success, pursued via separate joint research projects on a case-by-case basis for potential commercialization. This agreement is for 12 months and is renewable for an additional 12 months.

The second exclusive agreement was signed with the chair of brewing and beverage technology at TUM, School of Life Sciences Weihenstephan. The initial research will focus on the identification and development of new research approaches targeting potential commercial applications for the use and inclusion of cannabis plants, parts thereof, or derived ingredients, active ingredients and flavours for the production of beverages, food and dietary supplements. Preliminary testing will include analysis of the chemical-physical suitability of the cannabis derived materials for use in various food and beverages. Specific cannabis applications with prospective commercial viability will be pursued via separate joint research projects on a case-by-case basis. This agreement is for 12 months and is renewable for an additional 12 months.

The regulatory status of CBD in Germany and the rest of Europe is uncertain. The Company is limiting investment in the development of non-medical cannabinoid products until greater clarity is received from the German authorities.

Competitive conditions

Cannabis

The fast-growing market for legalized cannabis in both Canada and the Germany has created a competitive environment for companies who provide goods and services to the cannabis industry. However, there remains a significant lack of traditional sources of bank lending and equity capital available to fund the operations of companies in the cannabis sector. Because of the rapid growth of the cannabis industry, the Company faces competition from other companies in the sector who are accessing the equity capital markets. See "Risk Factors".

Currently, there is limited competition in Canada in the field of independent provision of testing of cannabis products, which is one of the segments of the Company, however as the cannabis industry grows and new competitors enter the market there is the potential for increased levels of competition.

Within Germany, the regulatory environment is such that the cannabis industry is in a stage of growth as licensing for domestic cultivation has only just begun. As such, the competitive climate has not fully emerged. There are multiple companies, including Canadian companies, which are submitting tenders to the German government for licensing for cultivation. The result could be a highly competitive climate, depending on the decisions made throughout the tendering process by the relevant governing authorities.

Infectious Disease Screening Tests

Currently, the majority of diagnostic testing completed for the Covid-19 virus utilizes molecular based technology, a testing platform that typically costs more than $200 per test, frequently takes 2 - 4 hours to produce results, and requires specialized laboratory equipment and skilled technicians to operate.

The Company's principal competitors in this market include existing PCR kit manufactures, of which there are many, and antigen-based rapid screening test manufactures, which is a limited but growing group, although typically they are only authorized to sell tests in specific jurisdictions under temporary regulatory permits.

Drug Delivery

The Company is focused on generic and hybrid-generic drug delivery opportunities. In each product case, there is (or was) at least one name-brand competitor and often at least one generic competitor. The Company may be restricted from selling certain drug delivery products in certain jurisdictions for specific periods of time due to due different patent treatment and patent expiry from jurisdiction to jurisdiction for any given generic API.

Employees and Specialized Skills and Knowledge

As at the end of the Company's most recently completed financial year, December 31, 2019, the Company had nineteen employees, fifteen full-time and four part-time. As of the date of this AIF, the Company has 25 employees, twenty-two full-time and three part-time.

The nature of the Company's business requires specialized knowledge and technical skill around the provision of analytical testing, manufacturing services, as well as cultivating, harvesting, production, and regulation of cannabis in Germany. The required skills and knowledge to succeed in this industry are available to the Company through certain members of the Company's management, directors, officers, and advisory teams.

Proprietary Protection

The Company currently plans to rely on trade secrets and proprietary knowledge until such time as patents can be filed. The Company currently owns the trademark "XPhyto" in North America and plans to file trademark applications in Europe in when appropriate. The Company intends to file patent protection upon consultation with legal counsel and upon consideration of the business case in any given prospective filing.

Foreign Operations

The Company conducts business in Germany by way of Bunker and Vektor, its wholly owned subsidiaries.

Bankruptcy and Similar Procedures

The Company has not been involved in any bankruptcy, receivership or similar proceedings or any voluntary bankruptcy, receivership or similar proceedings since incorporation or completed during or proposed for the current financial year.

RISK FACTORS

The following are certain risk factors relating to the business and securities of the Company. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this AIF. These risks and uncertainties are not the only ones facing the Company. Additional risks and uncertainties not presently known to the Company, or that the Company currently deems immaterial, may also impair the operations of the Company. If any such risks actually occur, the business, financial condition and/or liquidity and results of operations of the Company could be materially adversely affected.

Risks Related as a Going Concern

The ability of the Company to continue as a going concern is uncertain and dependent upon its ability to achieve profitable operations, obtain additional capital and receive continued support from its shareholders. Management of the Company will have to raise capital through private placements or debt financing and proposes to continue to do so through future private placements and offerings. The outcome of these matters cannot be predicted at this time.

Market Risk for Securities

There can be no assurance that an active trading market for our Common Shares will be sustained. The market price for our Common Shares could be subject to wide fluctuations. Factors such as government regulation, interest rates, share price movements of peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of our securities. The stock market has from time to time experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of particular companies.

Uninsured or Uninsurable Risk

We may become subject to liability for risks against which we cannot insure or against which we may elect not to insure due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available for our usual business activities. Payment of liabilities for which we do not carry insurance may have a material adverse effect on our financial position and operations.

Conflicts of Interest

Certain of our directors and officers are also directors in other companies. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors' and officers' conflict with or diverge from our interests. In accordance with the BCBCA, directors who have a material interest in any person who is a party to a material contract or a proposed material contract are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors and the officers are required to act honestly and in good faith with a view to our best interests. However, in conflict of interest situations, our directors and officers may owe the same duty to another company and will need to balance their competing interests with duties to us. Such directors will declare, and refrain from voting on, any matter in which such directors may have a conflict of interest.

Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavourable to us.

Key Personnel

The Company relies heavily on its officers and directors. The loss of their services may have a material adverse effect on the business of the Company. There can be no assurance that one or all of the employees of, and contractors engaged by, the Company will continue in the employ of, or in a consulting capacity to, the Company or that they will not set up competing businesses or accept positions with competitors. There is no guarantee that certain employees of, and contractors to, the Company who have access to confidential information will not disclose the confidential information.

Our success will depend on our directors and officers to develop our business and manage our operations, and on our ability to attract and retain key quality assurance, scientific, sales, public relations and marketing

staff or consultants once operations begin. The loss of any key person or the inability to find and retain new key persons could have a material adverse effect on our business. Competition for qualified technical, sales and marketing staff, as well as officers and directors can be intense and no assurance can be provided that we will be able to attract or retain key personnel in the future, which may adversely impact our operations.

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

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

Dividend Risk

We have not paid dividends in the past and do not anticipate paying dividends in the near future. We expect to retain any earnings to finance further growth and, when appropriate, retire debt.

Share Price Volatility Risk

The Common Shares are listed for trading on the Exchange. As such, external factors outside of our control such as announcements of quarterly variations in operating results, revenues and costs, and sentiments toward the cannabis sector stocks may have a significant impact on the market price of our common shares. Global stock markets, including the Exchange, have from time to time experienced extreme price and volume fluctuations that have often been unrelated to the operations of particular companies. There can be no assurance that an active or liquid market will develop or be sustained for the common shares.

Financial Reporting and Other Disclosure Requirements

We are subject to reporting and other obligations under applicable Canadian securities laws and rules the CSE. These reporting and other obligations place significant demands on our management, administrative, operational and accounting resources. If we are unable to accomplish any such necessary objectives in a timely and effective manner, our ability to comply with our financial reporting obligations and other rules applicable to reporting issuers could be impaired. Moreover, any failure to maintain effective internal controls could cause us to fail to satisfy our reporting obligations or result in material misstatements in our financial statements. If we cannot provide reliable financial reports or prevent fraud, our reputation and operating results could be materially adversely affected which could also cause investors to lose confidence in our reported financial information, which could result in a reduction in the trading price of the Common Shares.

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

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

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

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

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

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

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

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

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

The Company may be unable to adequately protect its proprietary and intellectual property rights

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

- patents in the cannabis industry involve complex legal and scientific questions and patent protection may not be available for some or any products; the Company's applications for trademarks and copyrights relating to its business may not be granted and, if granted, may be challenged or invalidated;

- issued patents, trademarks and registered copyrights may not provide the Company with competitive advantages; the Company's efforts to protect its intellectual property rights may not be effective in preventing misappropriation of any its products or intellectual property;

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

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

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

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

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

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

The Company may be named as a defendant in a lawsuit or regulatory action. The Company may also incur uninsured losses for liabilities which arise in the ordinary course of business, or which are unforeseen, including, but not limited to, employment liability and business loss claims. Any such losses could have a

material adverse effect on the Company's business, results of operations, sales, cash flow or financial condition.

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

An increase in the number of companies competing in this industry could limit the ability of the Company to expand its operations. Current and new competitors may have better capitalization, a longer operating history, more expertise and able to develop higher quality equipment or products, at the same or a lower cost. The Company cannot provide assurances that it will be able to compete successfully against current and future competitors. Competitive pressures faced by the Company could have a material adverse effect on its business, operating results and financial condition.

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

If obtained, any licences are expected to be subject to ongoing compliance and reporting requirements. Failure by the Company to comply with the requirements of licences or any failure to maintain licences would have a material adverse impact on the business, financial condition and operating results of the Company.

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

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

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

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

Competition in the Life Sciences Industry

The life sciences business is intensely competitive in all of its phases and we compete with many companies possessing greater financial and technical resources. Competition in the life sciences business is primarily for the following: securing intellectual property rights; technical expertise to find, develop, and manage

such intellectual properties; labour to develop and produce products; and capital for the purpose of funding such projects. Many competitors not only conduct research and development, but also conduct product development and production operations on a world-wide basis. Such competition may result in us being unable to: acquire desired intellectual properties; recruit or retain qualified employees; or obtain the capital necessary to fund our operations and develop our intellectual properties. Existing or future discoveries in the life sciences industry could make our project technically obsolete, or may otherwise materially adversely affect our prospects for success in the future. Furthermore, increased competition could result in increased costs and lower prices for our products which, in turn, could reduce profitability. Consequently, our revenues, operations and financial condition could be materially adversely affected.

Risks associated with the use of psychedelics in the medical industry

The market for psychoactive compounds is nascent, given the illegality of most such compounds since the 1960's. As a result, there currently are few legal sources of psychoactive compounds for use in medical research. Research in Canada and internationally regarding the medical benefits, viability, safety, efficacy, addictiveness, dosing and social acceptance of psychedelic and psychoactive products derived from psilocybin remains in early stages. There have been relatively few clinical trials on the benefits of such products. Although the Company believes that the articles, reports and studies support its beliefs regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of psychedelic and psychoactive products derived from psilocybin, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding, and perceptions relating to, psychedelic and psychoactive products derived from psilocybin. Given these risks, uncertainties and assumptions, readers should not place undue reliance on such articles and reports. Future research studies and clinical trials may draw opposing conclusions to those stated in this AIF or reach negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to psychedelic and psychoactive products derived from psilocybin, which could have a material adverse effect on the demand for the Company's products/compounds with the potential to lead to a material adverse effect on the Company's business, financial condition and results of operations.

There is no guarantee that the Company will be able to achieve its business objectives.

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

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

Negative Operating Cash Flows

As the Company is an early stage start-up it may continue to have negative operating cash flows. Without the injection of further capital and the development of revenue streams from its business, the Company may continue to have negative operating cash flows until it can realize stable cash flow from operations.

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

The Company is exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Company that violate government regulations. It is not always possible for the Company to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against the Company,

and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on the Company's business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of the Company's operations, any of which could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company will be reliant on information technology systems and may be subject to damaging cyberattacks.

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

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

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

No guarantee on the use of available funds by the Company.

The Company cannot specify with certainty the particular uses of available funds. Management has broad discretion in the application of its proceeds. Accordingly, a holder of Common Shares will have to rely upon the judgment of management with respect to the use of available funds, with only limited information concerning management's specific intentions. The Company's management may spend a portion or all of the available funds in ways that the Company's shareholders might not desire, that might not yield a favourable return and that might not increase the value of a purchaser's investment. The failure by management to apply these funds effectively could harm the Company's business. Pending use of such funds, the Company might invest the available funds in a manner that does not produce income or that loses value.

Disruption due to Acts of God

Disruptions in the activities of the Company may be caused by natural disasters, effects of climate change and man-made activities, pandemics, trade disputes and disruptions, war, terrorism, and any other forms of economic, health, or political disruptions. The Company's financial conditions are reliant on continued operations, and in circumstances where continued operations are not possible, the Company is likely to experience a decline in its revenue, and may suffer additional disruptions in the form of lack of access to its workforce, customers, technology, or other assets. The extent of the impact on the Company will vary with the extent of the disruption and cannot be adequately predicted in advance.

It may be difficult, if not impossible, for U.S. holders of the Common Shares to resell them over the CSE.

It has recently come to management's attention that major securities clearing firms in the U.S. may, from time to time, cease participating in transactions related to securities of Canadian public companies involved in the medical cannabis industry. This appears to be due to the fact that cannabis continues to be listed as a controlled substance under U.S. federal law, with the result that cannabis-related practices or activities, including the cultivation, possession or distribution of cannabis, are illegal under U.S. federal law. However, management understands that the action by U.S. securities clearing firms also extends to securities of companies that carry on business operations entirely outside the U.S. Accordingly, U.S. residents who acquire the Common Shares as "restricted securities" (including any Common Shares pursuant to the exercise of Warrants) may find it difficult – if not impossible – to resell such shares over the facilities of the CSE. It remains unclear what impact, if any, this and any future actions among market participants in the U.S. will have on the ability of U.S. residents to resell any common shares of the Company that they may acquire in open market transactions.

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

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

more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Currency Fluctuations.

A significant portion of the Company's German subsidiary expenses are expected to be denominated in Euros, and therefore may be exposed to significant currency exchange fluctuations. Recent events in the global financial markets have been coupled with increased volatility in the currency markets. Fluctuations in the exchange rate between the Euro and the Canadian dollar may have a material adverse effect on the Company's business, financial condition and operating results. The Company may, in the future, establish a program to hedge a portion of its foreign currency exposure with the objective of minimizing the impact of adverse foreign currency exchange movements. However, even if the Company develops a hedging program, there can be no assurance that it will effectively mitigate currency risks.

Global Economy Risk

Global financial conditions have always been subject to volatility. This volatility may impact the Company's ability to obtain equity or debt financing in the future and, if obtained, on terms favourable to the Company. Increased levels of volatility and market turmoil can adversely impact the Company's operations and the value and price of the Common Shares could be adversely affected.

Risks Relating to Research and Development Phase

A significant share of our present operations are in the research and development stage. The development and introduction of new products requires substantial research, development and marketing expenditures, which we may be unable to recoup if such products do not gain widespread market acceptance or if the market for such products does not develop as expected. Efforts to accelerate our innovation capabilities may exacerbate risks associated with innovation. If we are unsuccessful in meeting our objectives with respect to our proposed products, our financial condition, reputation and results of operations could be harmed. There can be no assurance that we can successfully produce and bring to market for sale any new products at a commercially profitable level. The new products of our competitors may beat our products to market, be more potent or effective, have more features or be less expensive than our products. They may obtain better market acceptance than our products or render our products obsolete, which could have an adverse effect on our operating results.

Availability of Equipment and Access Restrictions

Scientific research and development and bio-technology companies rely heavily on the availability and access to required scientific or technical resources and related equipment in the particular fields of study. Demand for such scientific or technical resources or limitations on the supply of equipment or access restrictions may affect the availability of such scientific or technical resources and related equipment to the Company and may delay its business activities.

COVID-19

The World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.

DIVIDENDS AND DISTRIBUTIONS

The Company has not declared nor paid any cash dividends on any of its issued shares since its inception. Other than requirements imposed under applicable corporate law, there are no other restrictions on the Company's ability to pay dividends under the Company's constating documents. The Company has no present intention of paying dividends on the Common Shares, as it anticipates that all available funds will be invested to finance the growth of its business and, when appropriate, retire debt. Any future determination to pay dividends will be at the discretion of the Board of Directors and will depend on the financial condition, business environment, operating results, capital requirements, any contractual restrictions on the payment of dividends and any other factors that the Board of Directors deems relevant

DESCRIPTION OF CAPITAL STRUCTURE

The Company's authorized share capital consists of an unlimited number of Common Shares without par value.

As of the date of this AIF, there are 62,361,445 Common Shares issued and outstanding as fully paid and non-assessable. In addition, 4,525,000 Common Shares are reserved for issuance under Options, 16,214,150 Common Shares are reserved for issuance under Warrants, and 3,100,000 Common Shares are reserved for issuance under the Debentures.

Common Shares

All of the Common Shares are of the same class and, once issued, rank equally as to entitlement to dividends, voting powers (one vote per share) and participation in assets upon dissolution or winding up. No Common Shares have been issued subject to call or assessment. There are no pre-emptive rights, no conversion or exchange rights, no redemption, retraction, purchase for cancellation or surrender provisions applicable thereto; nor are there any sinking or purchase fund provisions, no provisions permitting or restricting the issuance of additional securities or any other material restrictions, and there are no provisions which are capable of requiring Shareholders to contribute additional capital.

Warrants

The following table sets forth all Warrants of the Company that are outstanding as of the date of this AIF:

Number of Warrants	Exercise Price (CAD$)	Expiry Date
6,889,500	$0.70	July 31, 2021
290,088	$0.125	July 31, 2021
22,500	$0.70	July 31, 2021
30,500	$0.70	July 31, 2021
268,000	$0.70	July 31, 2021
136,612	$0.40	July 31, 2021
89,600	$0.40	July 31, 2021
457,500	$1.20	July 31, 2021
36,600	$ 0.40	July 31, 2021
600,000	$ 1.20	July 31, 2021

29,420	$ 0.40	July 31, 2021
765,705	$ 1.20	July 31, 2021
4,191,000	$ 1.20	July 31, 2021
83,500	$ 1.20	July 31, 2021
86,500	$ 1.00	January 31, 2022
1,258,000	$ 1.50	January 31, 2022
500,000	$ 2.00	January 31, 2022
50,000	$ 1.00	September 13, 2022
135,593	$1.77	December 8, 2022
293,532	$1.00	March 13, 2023

Options

On December 10, 2018, the Board of Directors implemented a 10% rolling share option plan (the "Stock Option Plan") under which Options may be granted to the Company's directors, officers, employees and consultants in order to provide the Company with the flexibility necessary to attract and maintain the services of senior executives and other employees in competition with other businesses in the industry and in accordance with CSE policies. Adoption of the Option Plan was ratified by the Shareholders at the annual meeting of the Company held on May 20, 2020.

The following is a summary of the material terms of the Stock Option Plan:

(i) the maximum number of Options which may be granted to any one holder under the Stock Option Plan within any 12 month period shall be 5% of the number of issued and outstanding Common Shares (unless the Company has obtained disinterested shareholder approval if required by applicable laws);

(ii) if required by applicable laws, disinterested shareholder approval is required to the grant to related persons, within a 12 month period, of a number of Options which, when added to the number of outstanding Options granted to related persons within the previous 12 months, exceed 10% of the issued Common Shares;

(iii) the expiry date of an Option shall be no later than the tenth anniversary of the grant date of such Option;

(iv) the maximum number of Options which may be granted to any one consultant within any 12 month period must not exceed 2% of the number of issued and outstanding Common Shares;

(v) the maximum number of Options which may be granted within any 12 month period to employees or consultants engaged in investor relations activities must not exceed 2% of the number of issued and outstanding Common Shares and such Options must vest in stages over 12 months with no more than 25% of the Options vesting in any three month period;

(vi) the exercise price of any Option issued under the Stock Option Plan shall not be less than the Market Value (as defined in the Stock Option Plan) of the Common Shares as of the grant date; and

(vii) the Board, or any committee to whom the Board delegates, may determine the vesting schedule for any Option. The following table sets forth all Options that are outstanding as of the date of this AIF:

Number of Options	Exercise Price (CAD$)	Expiry Date
100,000	$0.50	April 11, 2021
200,000	$2.50	July 1, 2021
450,000	$3.00	August 3, 2021
400,000	$1.25	August 7, 2021
500,000	$2.90	September 4, 2021
25,000	$2.72	September 21, 2021
200,000	$1.81	October 16, 2021
100,000	$2.10	February 19, 2022
50,000	$2.50	March 25, 2022
50,000	$1.80	November 4, 2022
1,000,000	$0.50	December 23, 2023
1,200,000	$1.25	August 7, 2024
250,000	$2.50	November 1, 2025

MARKET FOR SECURITIES

Trading Price and Volume

On August 6, 2019, the Company's Common Shares began trading on the CSE under the trading symbol "XPHY".

The table below summarizes the range and volume of trading prices of Common Shares on the CSE for each of the months stated:

Month	Price Range (CAD$)		Volume
	High	Low	
December 1-23, 2020	2.43	1.77	1,026,871
November 2020	2.64	1.77	1,547,057
October 2020	2,79	1.77	957,240
September 2020	3.09	2.60	622,886
August 2020	3.34	2.95	1,398,663
July 2020	3.15	2.60	1,453,123
June 2020	3.30	2.30	1,276,587
May 2020	3.38	2.79	1,371,510
April 2020	3.55	2.45	3,513,176
March 2020	2.55	1.32	3,479,646
February 2020	2.41	1.50	4,250,150
January 2020	1.59	0.99	3,053,065

December 2019	1.03	0.80	2,069,654
November 2019	1.10	0.73	2,721,685
October 2019	1.35	0.79	627,398
September 2019	1.39	1.23	933,370
August 2019	1.42	0.86	1,329,344

Prior Sales

During the financial year ended December 31, 2019, the Company issued the following Common Shares and securities convertible into Common Shares:

Date of Issuance	Security	Number of Securities	Issue/Exercise Price Per Security (CAD$)
February 28, 2019	Common Shares	457,500[(1)]	$0.40
February 28, 2019	Warrants	457,500[(1)]	$1.20
February 28, 2019	Special Warrants	1,120,000[(2)]	$0.40
February 28, 2019	Finder's Warrants	126,200[(3)]	$0.40
March 29, 2019	Common Shares	805,000[(4)]	$0.40
March 29, 2019	Warrants	805,000[(4)]	$1.20
March 29, 2019	Finder's Warrants	64,400[(5)]	$0.40
April 11, 2019	Common Shares	765,705[(6)]	$0.40
April 11, 2019	Warrants	765,705[(6)]	$1.20
April 11, 2019	Common Shares	50,000[(7)]	$0.40
April 11, 2019	Options	100,000	$0.50
April 29, 2019	Common Shares	4,445,500[(8)]	N/A
April 29, 2019	Warrants	4,445,500[(8)]	$1.20
May 28, 2019	Common Shares	1,120,000[(9)]	N/A
May 28, 2019	Warrants	1,120,000[(9)]	$1.20
August 7, 2019	Options	2,500,000	$1.25
September 13, 2019	Common Shares	270,000 [(10)]	$1.30

September 13, 2019	Common Shares	787,064[11]	$1.30
September 13, 2019	Common Shares	200,000 [12]	$1.30
September 2019	Common Shares	298,000 [13]	$0.77[13]
October 2019	Common Shares	8,000 [14]	$0.70[14]
November 2019	Common Shares	647,500[15]	$0.70[15]
December 11, 2019	Common Shares	50,000 [16]	$0.96
December 2019	Common Shares	807,000[17]	$0.39[17]

(1) Issued pursuant to a non-brokered private placement of units consisting of one Common Share and one Common Share purchase warrant. Each warrant is exercisable into one Common Share at a price of $1.20 per share for a period of 2 years from the Listing Date.

(2) Issued pursuant to the Special Warrant Offering.

(3) 89,600 Finders' Warrants were issued pursuant to the closing of the Special Warrant Offering, while 36,600 Finders' Warrants were issued pursuant to the non-brokered private placement of units of the Company that closed concurrently. Each Finders' Warrant is exercisable into one Common Share at a price of $0.40 per SW Warrant for a period of two years from the Listing Date.

(4) Issued pursuant to a non-brokered private placement of units consisting of one common share and one common share purchase warrant.

(5) Issued pursuant to a non-brokered private placement of Common Shares. Each Finders' Warrant is exercisable into one Common Share at a price of $0.40 per Common Share for a period of two years from the Listing Date.

(6) Issued pursuant to a non-brokered private placement of units consisting of one common share and one common share purchase warrant. Each warrant is exercisable into one Common Share at a price of $1.20 per share for a period of two years from the Listing Date.

(7) Issued pursuant to an agreement for cannabis-related narcotics licencing and business advisory services executed on March 14, 2019.

(8) On April 29,2019, the Company issued 4,445,500 common shares and 4,445,500 share purchase warrants on conversion of the Special Warrants issued December 28, 2018. Each warrant is exercisable into one Common Share at a price of $1.20 per share for a period of 2 years from the Listing Date.

(9) On May 28, 2019, the Company issued 1,120,000 common shares and 1,120,000 share purchase warrants on conversion of the Special Warrants issued February 29, 2019. Each warrant is exercisable into one Common Share at a price of $1.20 per share for a period of 2 years from the Listing Date.

(10) Issued pursuant to two consultancy agreements of which 50,000 of these common shares have been determined to be partial consideration relating to the acquisition of Vektor

(11) Issued as partial consideration relating to the acquisition of Vektor.

(12) Issued to Canaccord in consideration of corporate advisory services relating to the acquisition of Vektor.

(13) Issued pursuant to the exercise of Warrants in the month of September. Exercise price provided is an average based on the aggregate proceeds divided by the number of Warrants exercised.

(14) Issued pursuant to the exercise of Warrants in the month of October. Exercise price provided is an average based on the aggregate proceeds divided by the number of Warrants exercised.

(15) Issued pursuant to the exercise of Warrants in the month of November. Exercise price provided is an average based on the aggregate proceeds divided by the number of Warrants exercised.

(16) Issued pursuant to a consulting agreement.

(17) Issued pursuant to the exercise of Warrants in the month of December. Exercise price provided is an average based on the aggregate proceeds divided by the number of Warrants exercised.

Subsequent to December 31, 2019, the Company issued the following Common Shares and securities convertible into Common Shares:

Date of Issuance	Security	Number of Securities	Issue/Exercise Price Per Security (CAD$)
January 31, 2020	Debenture Units (Debentures)	2,000[(1)]	$1,000
January 31, 2020	Debenture Units (Warrants)	2,000,000[(1)]	$1.50
January 31, 2020	Finder's Warrants	120,000[(2)]	$1.00
January 31, 2020	Warrants	500,000[(3)]	$2.00
January 2020	Common Shares	581,000[(4)]	$0.70[(4)]
February 13, 2020	Options	500,000	$2.00
February 19, 2020	Options	150,000	$2.10
February 2020	Common Shares	1,385,496[(5)]	$0.64[(5)]
February 2020	Common Shares	400,000[(6)]	$1.25
March 2020	Common Shares	1,297,948[(7)]	$0.47[(7)]
March 13, 2020	Common Shares	120,000[(8)]	N/A
March 13, 2020	Common Shares	293,532[(9)]	N/A
March 13, 2020	Warrants	293,532[(9)]	N/A
March 17, 2020	Options	500,000	$1.70
March 25, 2020	Options	50,000	$2.45
April 2020	Common Shares	1,196,400[(10)]	$0.94[(10)]
May 2020	Common Shares	535,000[(11)]	$0.86[(11)]
June 3, 2020	Common Shares	1,650,000[(12)]	N/A
June 2020	Common Shares	20,000[(13)]	$2.10
June 2020	Common Shares	305,500[(14)]	$0.58[(14)]
June 2020	Common Shares	50,000[(15)]	N/A
July 1, 2020	Options	200,000	$2.50
July 9, 2020	Common Shares	250,000[(16)]	N/A
July 2020	Common Shares	1,102,300[(17)]	$1.06[(17)]
July 2020	Common Shares	30,000[(18)]	$2.10[(18)]
August 3, 2020	Options	450,000	$3.00
August 17, 2020	Common Shares	120,000[(19)]	N/A
August 2020	Common Shares	40,500[(20)]	$0.30[(20)]
August 2020	Common Shares	600,000[(21)]	$1.88[(21)]
September 4, 2020	Options	500,000	$2.90
September 21, 2020	Options	25,000	$2.72
September 2020	Common Shares	462,500[(22)]	$0.81[(22)]
October 16, 2020	Options	200,000	$1.81

October 2020	Common Shares	229,000[23]	$1.23[23]
November 2020	Common Shares	1,072,100[24]	$0.66 [24]
December 8, 2020	Finder's Warrants	135,593[25]	$1.77
December 2020	Common Shares	442,900[26]	$0.80[26]

(1) Issued pursuant to a non-brokered private placement of 2,000 debenture units, with each debenture unit consisting of (i) $1,000 principal amount of 8.0% unsecured convertible debenture and (ii) 1,000 Common Share purchase warrants.

(2) Issued to Canaccord in connection with a non-brokered private placement of debenture units. Each Finders' Warrant is exercisable into one Common Share purchase one Common Share at an exercise price of $1.00 per share until January 31, 2022.

(3) Issued pursuant to a supply, import and distribution agreement.

(4) Issued pursuant to the exercise of Warrants in the month of January. Exercise price provided is an average based on the aggregate proceeds divided by the number of Warrants exercised.

(5) Issued pursuant to the exercise of Warrants in the month of February. Exercise price provided is an average based on the aggregate proceeds divided by the number of Warrants exercised.

(6) Issued pursuant to the exercise of Options in the month of February.

(7) Issued pursuant to the exercise of Warrants in the month of March. Exercise price provided is an average based on the aggregate proceeds divided by the number of Warrants exercised.

(8) Issued pursuant to a consulting agreement.

(9) Issued on conversion of convertible debenture units.

(10) Issued pursuant to the exercise of Warrants in the month of April. Exercise price provided is an average based on the aggregate proceeds divided by the number of Warrants exercised.

(11) Issued pursuant to the exercise of Warrants in the month of May. Exercise price provided is an average based on the aggregate proceeds divided by the number of Warrants exercised.

(12) Issued on conversion of convertible debentures.

(13) Issued pursuant to the exercise of Options in the month of June.

(14) Issued pursuant to the exercise of Warrants in the month of June. Exercise price provided is an average based on the aggregate proceeds divided by the number of Warrants exercised.

(15) Issued to 3a pursuant to development, technology purchase and licence agreement.

(16) Issued on conversion of convertible debentures.

(17) Issued pursuant to the exercise of Warrants in the month of July. Exercise price provided is an average based on the aggregate proceeds divided by the number of Warrants exercised.

(18) Issued pursuant to the exercise of Options in the month of July.

(19) Issued pursuant to a consulting agreement.

(20) Issued pursuant to the exercise of Warrants in the month of August. Exercise price provided is an average based on the aggregate proceeds divided by the number of Warrants exercised.

(21) Issued pursuant to the exercise of Options in the month of August. Exercise price provided is an average based on the aggregate proceeds divided by the number of Options exercised.

(22) Issued pursuant to the exercise of Warrants in the month of September. Exercise price provided is an average based on the aggregate proceeds divided by the number of Warrants exercised.

(23) Issued pursuant to the exercise of Warrants in the month of October. Exercise price provided is an average based on the aggregate proceeds divided by the number of Warrants exercised.

(24) Issued pursuant to the exercise of Warrants in the month of November. Exercise price provided is an average based on the aggregate proceeds divided by the number of Warrants exercised.

(25) Issued to Canaccord in connection with a non-brokered private placement of debentures. Each Finders' Warrant is exercisable into one Common Share purchase one Common Share at an exercise price of $1.77 per share until December 8, 2022.

(26) Issued pursuant to the exercise of Warrants in the month of December. Exercise price provided is an average based on the aggregate proceeds divided by the number of Warrants exercised.

DIRECTORS AND OFFICERS

Name, Occupation and Security Holding

The following table sets forth information regarding the directors and executive officers of the Company. The term of office for the Directors expires at the Company's next Annual General Meeting.

Name; Current Position and Province or State and Country of Residence	Date of Appointment	Principal Occupation Within the Past Five Years[(1)]
Hugh Rogers[(2)] Chief Executive Officer and Director *British Columbia, Canada*	December 12, 2017	Director of Telo Genomics Corp. (formerly 3D Signatures Inc.) from March 2020 to present. Interim Chairman of Telo Genomics Corp.from September 2018 to March 2020. Director of Clear Blue Technology International Inc. (formerly Dagobah Ventures Ltd.) from July 2018 to June 2019. Director and CEO of Dagobah Ventures Ltd. from May 2017 to July 2018. Director of RepliCel Life Sciences Inc. from February 2017 to December 2018. CEO and director of Coronado Resources Ltd. from March 2015 to October 2017.
Christopher Ross Chief Financial Officer *British Columbia, Canada*	September 17, 2018	Chartered Professional Accountant providing Corporate Controller and consulting services.
Raimar Löebenberg[(2)] Director *Alberta, Canada*	December 10, 2018	Founder and director of the Drug Development and Innovation Centre, Faculty of Pharmacy and Pharmaceutical Sciences at the University of Alberta.
Wolfgang Probst[(2)] Director *Memmingerberg, Germany*	December 12, 2018	Deputy Chairman of ProFinvest, a management consulting firm focused on small to medium sized companies, since 2011. CFO of Bunker Pflanzenextrakte GmbH from 2017 to present.
Per S. Thoresen Director *Oslo, Norway*	November 4, 2020	Chairman of Curida AS, a contract pharmaceutical manufacturer, based in Oslo, Norway.

(1) The information as to the principal occupation, business or employment is not within the knowledge of the Company and has been furnished by the respective director/officer.
(2) Member of the Audit Committee.

Term of Office

The term of office of each director of the Company expires at the end of the annual meeting of Shareholders each year. The next annual meeting of Shareholders is expected to be held on June 29, 2021.

Director and Officer Share Ownership

As of the date of the AIF, the Company's directors and executive officers, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 6,852,500 Common Shares, representing approximately 10.99% of the issued and outstanding Common Shares.

Biographies

The following are brief profiles of the executive officers and directors of the Company

Hugh Rogers (Age 41) – Chief Executive Officer and Director

Mr. Rogers is an entrepreneur and lawyer with private and public start-up experience in a range of industries and operational roles. Recent work has focused on public-listings and corporate restructuring in the life science and energy industries. From May 2017 to July 2017, Mr. Rogers was CEO and director of Dagobah Ventures Ltd., which subsequently acquired Clear Blue Technologies International Inc., an off-grid alternative energy company, through a share exchange, TSX Venture Exchange ("TSX-V") listing transaction and concurrent financing. He continues to sit on the board as an independent director. In September 2018, Mr. Rogers took the role of Interim Chairman of 3D Signatures Inc., a TSX-V medical diagnostic company, while spearheading a shareholder-led corporate reorganization and refinancing which is expected to be complete in Q1 2019. From February 2017 to December 2018, Mr. Rogers was a director of RepliCel Life Sciences Inc., a TSX-V listed autologous cell therapy company, as it underwent a successful corporate restructuring and the completion of a strategic investment and international technology licensing agreement. From March 2015 to October 2017 he was CEO and director of Coronado Resources Ltd., a TSX-V listed natural gas co-generation company, which underwent a corporate reorganization and the disposition of distressed assets. Mr. Rogers has held several other independent board and management positions with exchange listed issuers. He holds a Bachelor of Science degree and LLB degree. He is a member in good standing of the Law Society of British Columbia.

Mr. Rogers is an employee of the Company. It is expected that he will devote approximately 85% of his time to the business of the Company to effectively fulfill his duties as the Chief Executive Officer of the Company. Mr. Rogers is not a party to any non-competition agreement with the Company. Mr. Rogers' employment agreement with the Company contains certain standard confidentiality provisions.

Christopher Ross (Age 48) – Chief Financial Officer

Mr. Ross, CPA, is an accounting professional who is experienced with transactions in financings, mergers and acquisitions, corporate re-organizations, and divestitures. Mr. Ross has provided various consulting and advisory services to several companies. Through his over 20 years of post-designated experience in financial accounting, Mr. Ross is experienced in developing financing strategy, liaising with external parties, devising business development plans and maintaining compliance with corporate governance. Mr. Ross's experience includes many industries including forestry, distribution, mining, construction, and multi-family real estate. Having worked with both private and publicly listed entities, Mr. Ross's experience includes financial accounting, analysis, audit, and taxation. Mr. Ross obtained his bachelor's degree in Commerce (Accounting) from the University of British Columbia in Vancouver, British Columbia, Canada and is a member in good standing of the Chartered Professional Accountants Association.

Mr. Ross is an employee of the Company. It is expected that he will devote approximately 85% of his time to the business of the Company to effectively fulfill his duties as the Chief Financial Officer of the Company. Mr. Ross is not a party to any non-competition agreement with the Company. Mr. Ross' employment agreement with the Company contains certain standard confidentiality provisions.

Raimar Löebenberg (Age 54) – Director

Dr. Löebenberg holds a BS in pharmacy from the Johannes Gutenberg-University, Mainz, Germany and a PhD in pharmaceutics from the Johann Wolfgang Goethe-University, Frankfurt, Germany. His doctoral work was focused on nanoparticle drug delivery. Dr. Löebenberg then joined Dr. Dressman's lab at Goethe-University to investigate dissolution behavior in biorelevant dissolution media, followed work at Dr. Amidon's lab in Ann Arbor, Michigan to investigate different aspects of oral drug administration, including computer simulations. He joined the University of Alberta in 2000 where he is the founder and director of the Drug Development and Innovation Centre, Faculty of Pharmacy and Pharmaceutical Sciences. Dr. Löebenberg's research interests are in biopharmaceutics to predict the oral performance of drugs and botanicals and inhalable nanoparticles to treat lung diseases such as lung cancer, tuberculosis or leishmanasis. He is a cofounder of RS Therapeutics Inc., a foam-based topical drug delivery company.

Dr. Löebenberg's recent notable positions include: president of the Canadian Society for Pharmaceutical Sciences 2014 to 2015; vice chair of the United States Pharmacopeia Dietary Supplement Expert Committee 2016 to 2017; current member of the United States Pharmacopeia Dietary Supplement Expert Committee; current vice chair of the Specialty Committee of Traditional Chinese Medicine in Pharmaceutics of the World Foundation of Chinese Medicine Science; and current member of the Health Canada Scientific Advisory Committee on Pharmaceutical Sciences and Clinical Pharmacology and the Scientific Advisory Panel on Opioid Analgesic Abuse.

Mr. Löebenberg is not an employee of the Company, and, in his capacity as director, will dedicate approximately 10% of his time to the affairs of the Company. Mr. Löebenberg is not a party to any non-competition or confidentiality agreement with the Company; however, he is a party to the Exclusive Dealing Agreement, which sets out contractual obligations between the parties related to specific areas of business.

Wolfgang Probst (Age 39) – Director

Mr. Probst is an experienced management and financial consultant based in Bavaria, Germany. His experience includes management consulting experience as branch head working with private high-net worth clients and corporations followed by the role of CFO for a European-based photovoltaic company where he established operations in Cypress, Greece, and Italy. In 2011, Mr. Probst started ProFinvest, a management consulting firm focused on small to medium-sized companies where he remains Deputy Chairman. In 2017, he assumed the position of CFO of Bunker Pflanzenextrakte GmbH and plays a key role in its operational and financial development.

Mr. Probst is an employee of a subsidiary of the Company by virtue of his position as CFO of Bunker Pflanzenextrakte GmbH. He will dedicate approximately 95% of his time to the affairs of the Company. Mr. Probst's employment agreement with the Company contains certain standard non-competition and confidentiality provisions.

Per Thoresen (age 67) - Director

Mr. Thoresen is an experienced leader with a strong track record of success in a wide range of executive management roles in the pharmaceutical industry. He has 25 years' experience including executive roles with major international European and Asian-based pharmaceutical companies and has more recently led a number of successful ventures in the pharmaceutical manufacturing, nutraceutical and other industry

sectors. From 2003 to 2014, Mr. Thoresen was the managing director of Nycomed Pharma AS acquired by Takeda Pharmaceutical Company Limited in 2011 as part of an acquisition transaction with a total value of approximately USD $14B.

Mr. Thoresen holds a law degree from the University of Oslo and core competencies in strategy and organizational development, operational execution, and industry and government relations. He is an experienced chairman and board member of numerous European industry associations and companies and is the co-founder and current chairman of Curida AS, a Norwegian-based contract development manufacturing organization focused on liquid pharmaceutical production.

Mr. Thoresen will dedicate approximately 10% of his time to the affairs of the Company. He is not a party to any non-competition or confidentiality agreement with the Company.

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 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including the Company), that:

(a) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or

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

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

(a) is, as at the date of this AIF, or has been within 10 years before the date of this AIF, a director or executive officer of any company (including the 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; or

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

No director or executive officer of the Company has been subject to:

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

regulatory authority; or

(b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a proposed director.

Conflicts of Interest

The Company's directors and officers may serve as directors or officers, or may be associated with, other reporting companies, or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the transaction. If a conflict of interest arises, the Company will follow the provisions of the BCBCA dealing with conflict of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of the Company's directors, disclose his or her interest and refrain from voting on the matter unless otherwise permitted by the BCBCA. In accordance with the laws of the Province of British Columbia, the directors and officers of the Company are required to act honestly, in good faith, and the best interest of the Company.

PROMOTERS

Within the two most recently completed financial years ended December 31, 2018 and December 31, 2019, and to the date of this AIF, no person has been a Promoter of the Company.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Other than as described below, there are no legal proceedings or regulatory actions to which the Company is or was a party to or of which any of its property is or was the subject of during the year ended December 31, 2019, or in the subsequent months to the date of this AIF and the Company is not aware of any such proceedings that are pending, threatened or contemplated.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed elsewhere in this AIF and in the consolidated financial statements of the Company for the year ended December 31, 2019, none of the directors or executive officers of the Company, or any Shareholders who beneficially own, control or direct, directly or indirectly, more than 10% of the Company's outstanding Common Shares, or any known associates or affiliates of such persons, had any material interests, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Company.

TRANSFER AGENT AND REGISTRARS

The Company's Registrar and Transfer Agent is Computershare Investor Services Inc., located at 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1.

MATERIAL CONTRACTS

Except for as disclosed below, there are no material contracts, other than those contracts entered into in the ordinary course of business, which have been entered into within the last financial year, or which have been entered into before the beginning of the last financial year that are still in effect, and which are required to be filed with Canadian securities regulatory authorities in accordance with section 12.2 of National Instrument 51-102 – *Continuous Disclosure Obligations*.

(1) The Schroeder Consulting Agreement;
(2) The First TUM Collaboration Agreement;
(3) The Vektor Purchase Agreement;
(4) The Vektor Equipment Agreement;
(5) The Second TUM Collaboration Agreement
(6) The PharmaCielo Supply Agreement
(7) The Eisenreich Advisory Agreement;
(8) The 3a Screening Test Agreement;
(9) The Oettinger Standstill Agreement; and
(10) The KCI Investor Relations Agreement.

INTERESTS OF EXPERTS

Names of Experts

The Company's auditors are Davidson & Company LLP, Chartered Professional Accountants, who have prepared an independent auditor's report dated April 28, 2020, in respect of the Company's audited consolidated annual financial statements for the two most recent fiscal years ended December 31, 2019 and December 31, 2018. Davidson & Company LLP has advised that they are independent with respect to the Company within the meaning of the CPABC Code of Professional Conduct.

Interests of Experts

To the knowledge of management of the Company, none of the persons above held, at the time of or after such person prepared the statement, report or valuation, any registered or beneficial interests, direct or indirect, in any securities or other property of the Company or of one of its associates or affiliates or is or is expected to be elected, appointed or employed as a director, officer or employee of the Company or of any associate or affiliate of the Company.

AUDIT COMMITTEE

The Company's audit committee (the "**Audit Committee**") has various responsibilities as set forth in National Instrument 52-110 – Audit Committees ("**NI 52-110**") made under securities legislation, concerning constitution of its audit committee and its relationship with its independent auditor and among such responsibilities being a requirement that the audit committee establish a written charter that sets out its responsibilities.

Audit Committee Charter

The Audit Committee is a committee of the Board. The Audit Committee has a charter (the "**Audit Committee Charter**") that sets out its mandate and responsibilities. A copy of the Audit Committee Charter is attached hereto as Schedule "A".

Composition of the Audit Committee

The Board has established an Audit Committee. The primary function of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities with respect to the following areas: (i) the Company's external audit function; (ii) internal control and management information systems; (iii) the Company's accounting and financial reporting requirements; (iv) the Company's compliance with law and regulatory requirements; (v) the Company's risks and risk management policies; and (vi) such other functions as are delegated to it by the Board. Specifically, with respect to the Company's external audit function, the Audit Committee assists the Board in fulfilling its oversight responsibilities relating to: (i) the quality and integrity of the Company's financial statements; (ii) the independent auditors' qualifications; and (iii) the performance of the Company's independent auditors.

The Audit Committee's primary duties and responsibilities are to:

(a) serve as an independent and objective party to monitor the Company's financial reporting and internal control system and review the Company's financial statements;
(b) review and appraise the performance of the Company's external auditors; and
(c) provide an open avenue of communication among the Company's auditors, financial and senior management and the Board.

Management, the Audit Committee and the Board meet via conference call on a quarterly basis to discuss the Company's financial statements and related financial information.

As at December 24, 2020, the members of the Company's Audit Committee were comprised of the following directors: Hugh Rogers, Raimar Löebenberg and Wolfgang Probst. **Mr. Rogers is not independent as he is the Chief Executive Officer of the Company. Wolfgang Probst is not independent as he is the executive officer of an operating subsidiary of the Company. Raimar Löebenberg is not considered independent by virtue of his shareholdings in the Company.**

Relevant Education and Experience

Each member of the Audit Committee has had extensive experience reviewing financial statements. Each member of the Audit Committee has an understanding of the Company's business and an appreciation for the relevant accounting principles for that business. In particular, the Company believes that each of the members of the Audit Committee possesses: (a) an understanding of the accounting principles used by the Company to prepare its financial statements; (b) the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves; (c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising one or more individuals engaged in such activities; and (d) an understanding of internal controls and procedures for financial reporting.

For relevant education and experience of each member, refer to "*Directors and Officers – Biographies*" above.

Reliance on Certain Exemptions

Since the commencement of the Company's most recently completed financial year, the Company's auditors, Davidson & Company LLP, Chartered Professional Accountants, have not provided any material non-audit services, therefore the Company has not relied on any exemption in s. 2.4 of NI 52-110.

Reliance on the Exemption in Subsection 3.3(2) or Section 3.6

At no time since the commencement of the Company's most recently completed financial year has the Company relied on the exemption in subsection 3.3(2) (*Controlled Companies*) or section 3.6 (*Temporary Exemption for Limited and Exceptional Circumstances*) of NI 52-110.

Reliance on Section 3.8

At no time since the commencement of the Company's most recently completed financial year has the Company relied on section 3.8 (*Acquisition of Financial Literacy*) of NI 52-110.

Exemption

The Company is a "venture issuer" as defined under NI 52-110 and, as such, is relying on the exemption in section 6.1 (*Venture Issuers*) of NI 52-110 from the requirements of Part 3 (*Composition of the Audit Committee*) and Part 5 (*Reporting Obligations*) thereof.

Audit Committee Oversight

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.

Pre-Approval Policies and Procedures

Formal policies and procedures for the engagement of non-audit services have yet to be formulated and adopted. Subject to the requirements of NI 52-110, the engagement of non-audit services is considered by the Board, and where applicable by the Audit Committee, on a case by case basis.

External Auditor Service Fees (By Category)

The Audit Committee has reviewed the nature and amount of the non-audited services provided to the Company to ensure auditor independence. Fees incurred with Davidson & Company LLP, Chartered Professional Accountants, for audit and non-audit services in the fiscal years ended December 31, 2019 and December 31, 2018 are outlined in the following table.

Nature of Services	Fees Paid in Year Ended December 31, 2019	Fees Paid in Year Ended December 31, 2018
Audit Fees[(1)]	$75,000	$30,000
Audit-Related Fees[(2)]	Nil	Nil
Tax Fees[(3)]	$9,000	$7,600
All Other Fees[(4)]	$21,000	Nil
	$105,000	**$37,600**

Notes:

(1) "**Audit Fees**" include fees necessary to perform the annual audit and quarterly reviews of the Company's consolidated financial statements. Audit Fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.

(2) "**Audit-Related Fees**" include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.

(3) "**Tax Fees**" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.

(4) "**All Other Fees**" include all other non-audit services.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, and securities authorized for issuance under equity compensation plans is contained in the Company's management information circular dated April 13, 2020 , a copy of which was filed under the Company's SEDAR profile on April 22, 2020 at www.sedar.com. Additional financial information relating to the Company is provided in the Company's audited consolidated financial statements for the Company's financial years ended December 31, 2019 and December 31, 2018 and Management's Discussion and Analysis for the year ended December 31, 2019. Copies of the Company's audited annual financial statements, most current interim financial statements, management's discussion and analysis, and a copy of this AIF, as well as additional information relating to the Company may be found under the Company's SEDAR profile at www.sedar.com.

SCHEDULE "A"
AUDIT COMMITTEE CHARTER

XPHYTO THERAPEUTICS CORP.

1. PURPOSE AND PRIMARY RESPONSIBILITY

1.1 This charter sets out the Audit Committee's purpose, composition, member qualification, member appointment and removal, responsibilities, operations, manner of reporting to the Board of Directors (the "Board") of XPhyto Therapeutics Corp. (the "Company"), annual evaluation and compliance with this charter.

1.2 The primary responsibility of the Audit Committee is that of oversight of the financial reporting process on behalf of the Board. This includes oversight responsibility for financial reporting and continuous disclosure, oversight of external audit activities, oversight of financial risk and financial management control, and oversight responsibility for compliance with tax and securities laws and regulations as well as whistle blowing procedures. The Audit Committee is also responsible for the other matters as set out in this charter and/or such other matters as may be directed by the Board from time to time. The Audit Committee should exercise continuous oversight of developments in these areas.

2. MEMBERSHIP

2.1 At least a majority of the Audit Committee must be comprised of independent directors of the Company as defined in sections 1.4 and 1.5 of National Instrument 52-110 – Audit Committees ("NI 52-110"), provided that should the Company become listed on a senior exchange, each member of the Audit Committee will also satisfy the independence requirements of such exchange.

2.2 The Audit Committee will consist of at least two members, all of whom shall be financially literate, provided that an Audit Committee member who is not financially literate may be appointed to the Audit Committee if such member becomes financially literate within a reasonable period of time following his or her appointment. Upon graduating to a more senior stock exchange, if required under the rules or policies of such exchange, the Audit Committee will consist of at least three members, all of whom shall meet the experience and financial literacy requirements of such exchange and of NI 52-110.

2.3 The members of the Audit Committee will be appointed annually (and from time to time thereafter to fill vacancies on the Audit Committee) by the Board. An Audit Committee member may be removed or replaced at any time at the discretion of the Board and will cease to be a member of the Audit Committee on ceasing to be an independent director.

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

3. AUTHORITY

3.1 In addition to all authority required to carry out the duties and responsibilities included in this charter, the Audit Committee has specific authority to:

(a) engage, set and pay the compensation for independent counsel and other advisors as it determines necessary to carry out its duties and responsibilities, and any such consultants or professional advisors so retained by the Audit Committee will report directly to the Audit Committee;

(b) communicate directly with management and any internal auditor, and with the external auditor without management involvement; and

(c) incur ordinary administrative expenses that are necessary or appropriate in carrying out its duties, which

expenses will be paid for by the Company.

4. DUTIES AND RESPONSIBILITIES

4.1 The duties and responsibilities of the Audit Committee include:

(a) recommending to the Board the external auditor to be nominated by the Board;

(b) recommending to the Board the compensation of the external auditor to be paid by the Company in connection with (i) preparing and issuing the audit report on the Company's financial statements, and (ii) performing other audit, review or attestation services;

(c) reviewing the external auditor's annual audit plan, fee schedule and any related services proposals (including meeting with the external auditor to discuss any deviations from or changes to the original audit plan, as well as to ensure that no management restrictions have been placed on the scope and extent of the audit examinations by the external auditor or the reporting of their findings to the Audit Committee);

(d) overseeing the work of the external auditor;

(e) ensuring that the external auditor is independent by receiving a report annually from the external auditors with respect to their independence, such report to include disclosure of all engagements (and fees related thereto) for non-audit services provided to the Company;

(f) ensuring that the external auditor is in good standing with the Canadian Public Accountability Board by receiving, at least annually, a report by the external auditor on the audit firm's internal quality control processes and procedures, such report to include any material issues raised by the most recent internal quality control review, or peer review, of the firm, or any governmental or professional authorities of the firm within the preceding five years, and any steps taken to deal with such issues;

(g) ensuring that the external auditor meets the rotation requirements for partners and staff assigned to the Company's annual audit by receiving a report annually from the external auditors setting out the status of each professional with respect to the appropriate regulatory rotation requirements and plans to transition new partners and staff onto the audit engagement as various audit team members' rotation periods expire;

(h) reviewing and discussing with management and the external auditor the annual audited and quarterly unaudited financial statements and related Management Discussion and Analysis ("MD&A"), including the appropriateness of the Company's accounting policies, disclosures (including material transactions with related parties), reserves, key estimates and judgements (including changes or variations thereto) and obtaining reasonable assurance that the financial statements are presented fairly in accordance with IFRS and the MD&A is in compliance with appropriate regulatory requirements;

(i) reviewing and discussing with management and the external auditor major issues regarding accounting principles and financial statement presentation including any significant changes in the selection or application of accounting principles to be observed in the preparation of the financial statements of the Company and its subsidiaries;

(j) reviewing and discussing with management and the external auditor the external auditor's written communications to the Audit Committee in accordance with generally accepted auditing standards and other applicable regulatory requirements arising from the annual audit and quarterly review engagements;

(k) reviewing and discussing with management and the external auditor all earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies prior to such information being disclosed;

(l) reviewing the external auditor's report to the shareholders on the Company's annual financial statements;

(m) reporting on and recommending to the Board the approval of the annual financial statements and the external auditor's report on those financial statements, the quarterly unaudited financial statements, and the related MD&A and press releases for such financial statements, prior to the dissemination of these documents to shareholders, regulators, analysts and the public;

(n) satisfying itself on a regular basis through reports from management and related reports, if any, from the external auditors, that adequate procedures are in place for the review of the Company's disclosure of financial information extracted or derived from the Company's financial statements that such information is fairly presented;

(o) overseeing the adequacy of the Company's system of internal accounting controls and obtaining from management and the external auditor summaries and recommendations for improvement of such internal controls and processes, together with reviewing management's remediation of identified weaknesses;

(p) reviewing with management and the external auditors the integrity of disclosure controls and internal controls over financial reporting;

(q) reviewing and monitoring the processes in place to identify and manage the principal risks that could impact the financial reporting of the Company and assessing, as part of its internal controls responsibility, the effectiveness of the over-all process for identifying principal business risks and report thereon to the Board;

(r) satisfying itself that management has developed and implemented a system to ensure that the Company meets its continuous disclosure obligations through the receipt of regular reports from management and the Company's legal advisors on the functioning of the disclosure compliance system, (including any significant instances of non-compliance with such system) in order to satisfy itself that such system may be reasonably relied upon;

(s) resolving disputes between management and the external auditor regarding financial reporting;

(t) establishing procedures for:

> (i) the receipt, retention and treatment of complaints received by the Company from employees and others regarding accounting, internal accounting controls or auditing matters and questionable practises relating thereto; and
>
> (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;

(u) reviewing and approving the Company's hiring policies with respect to partners or employees (or former partners or employees) of either a former or the present external auditor;

(v) pre-approving all non-audit services to be provided to the Company or any subsidiaries by the Company's external auditor;

(w) overseeing compliance with regulatory authority requirements for disclosure of external auditor services and Audit Committee activities;

(x) establishing procedures for:

> (i) reviewing the adequacy of the Company's insurance coverage, including the Directors' and Officers' insurance coverage;
>
> (ii) reviewing activities, organizational structure, and qualifications of the Chief Financial Officer ("CFO") and the staff in the financial reporting area and ensuring that matters related to succession planning within the Company are raised for consideration at the Board;

(iii) obtaining reasonable assurance as to the integrity of the Chief Executive Officer ("CEO") and other senior management and that the CEO and other senior management strive to create a culture of integrity throughout the Company;

(iv) reviewing fraud prevention policies and programs, and monitoring their implementation;

(v) reviewing regular reports from management and others (e.g., external auditors, legal counsel) with respect to the Company's compliance with laws and regulations having a material impact on the financial statements including:

(A) Tax and financial reporting laws and regulations;

(B)Legal withholding requirements;

(C) Environmental protection laws and regulations; and

(D) Other laws and regulations which expose directors to liability.

4.2 A regular part of Audit Committee meetings involves the appropriate orientation of new members as well as the continuous education of all members. Items to be discussed include specific business issues as well as new accounting and securities legislation that may impact the organization. The Chair of the Audit Committee will regularly canvass the Audit Committee members for continuous education needs and in conjunction with the Board education program, arrange for such education to be provided to the Audit Committee on a timely basis.

4.3 On an annual basis the Audit Committee shall review and assess the adequacy of this charter taking into account all applicable legislative and regulatory requirements as well as any best practice guidelines recommended by regulators or stock exchanges with whom the Company has a reporting relationship and, if appropriate, recommend changes to the Audit Committee charter to the Board for its approval.

5. MEETINGS

5.1 The quorum for a meeting of the Audit Committee is a majority of the members of the Audit Committee.

5.2 The Chair of the Audit Committee shall be responsible for leadership of the Audit Committee, including scheduling and presiding over meetings, preparing agendas, overseeing the preparation of briefing documents to circulate during the meetings as well as pre- meeting materials, and making regular reports to the Board. The Chair of the Audit Committee will also maintain regular liaison with the CEO, CFO, and the lead external audit partner.

5.3 The Audit Committee will meet in camera separately with each of the CEO and the CFO of the Company at least annually to review the financial affairs of the Company.

5.4 The Audit Committee will meet with the external auditor of the Company in camera at least once each year, at such time(s) as it deems appropriate, to review the external auditor's examination and report.

5.5 The external auditor must be given reasonable notice of, and has the right to appear before and to be heard at, each meeting of the Audit Committee.

5.6 `Each of the Chair of the Audit Committee, members of the Audit Committee, Chair of the Board, external auditor, CEO, CFO or secretary shall be entitled to request that the Chair of the Audit Committee call a meeting which shall be held within 48 hours of receipt of such request to consider any matter that such individual believes should be brought to the attention of the Board or the shareholders.\

6. REPORTS

6.1 The Audit Committee will report, at least annually, to the Board regarding the Audit Committee's

examinations and recommendations.

6.2 The Audit Committee will report its activities to the Board to be incorporated as a part of the minutes of the Board meeting at which those activities are reported.

7. MINUTES

7.1 The Audit Committee will maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board.

8. ANNUAL PERFORMANCE EVALUATION

8.1 The Board will conduct an annual performance evaluation of the Audit Committee, taking into account the Charter, to determine the effectiveness of the Committee.