



MAKING *Life* BETTER.™

**THE GREEN ORGANIC DUTCHMAN HOLDINGS LTD.**

**ANNUAL INFORMATION FORM**

For the Financial Year Ended December 31, 2019

Dated March 16, 2020

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## ANNUAL INFORMATION FORM

In this Annual Information Form, unless otherwise noted or the context indicates otherwise, the “Company”, “we”, “us” and “our” refer to The Green Organic Dutchman Holdings Ltd. and its subsidiaries.

All financial information in this Annual Information Form is stated in Canadian dollars, unless otherwise indicated, and prepared using International Financial Reporting Standards as issued by the International Accounting Standards Board. The information contained herein is dated as of December 31, 2019, with subsequent events disclosed to March 13, 2020.

### Forward-Looking Information

This Annual Information Form contains certain statements which may constitute “forward-looking information” and “forward-looking statements” within the meaning of Canadian securities law requirements (collectively, “**forward-looking statements**”). These forward-looking statements are made as of the date of this Annual Information Form and the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities law. 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”, “projects”, “proposes”, “potential” “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “should”, “would”, “might” or “will be taken”, “occur” or “be achieved” or the negative of these terms or comparable terminology. By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which 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 Annual Information Form include, but are not limited to statements regarding:

- continuing as a going concern and successfully executing our business plan;
- anticipated cash needs and additional financing, including the ability to obtain additional funds through the sale of equity or debt commitments or the factoring of receivables or otherwise;
- the timing and achievement of the construction and licensing of the processing centre at the Hamilton Facility and commencement of commercial operations;
- the timing and achievement of construction and licensing of the Québec Facility and commencement of commercial operations;
- future revenue, expenses and research and development operations;
- production and expansion plans at our facilities and the capacity thereof;
- the Company’s expected business objectives for the next twelve months;
- the outcome of research and development on cannabis;

- future production and the cost of production;
- the Company's ability to export cannabis from Denmark;
- the growth and capacity of Epican in Jamaica;
- expansion plans in Europe;
- the Company's Mexican joint venture partner obtaining all necessary permits and authorizations;
- the Mexican government issuing formal regulations for medicinal cannabis;
- treatment under government regulatory and taxation regimes;
- the Company's continued ability to participate in the adult-use market in Canada;
- the legalization of cannabis for adult-use and/or medical use in jurisdictions outside of Canada and the Company's ability to participate in any such markets, if and when such use is legalized;
- the effect of government regulations (or changes thereto) with respect to the restrictions on production, sale (including the roll-out of authorized retailers in provinces such as Ontario and recent amendments to the regulation of distribution of cannabis in Ontario), consumption, export controls, income taxes, expropriation of property, repatriation of profits, environmental legislation, land use, water use and receipt of necessary permits;
- the future growth of the Company's medical cannabis products;
- the medical benefits, safety, efficacy, dosing and social acceptance of cannabis;
- future product offerings;
- the Company's investments in community relations, cannabis health and safety and educational programming in the locations where the Company operates and the further development of its social responsibility programs;
- the Company's competitive position and the regulatory environment in which the Company operates; and
- the Company's plans with respect to the payment of dividends.

Forward-looking statements are based on certain assumptions and analyses made by the Company in light of the experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate and are subject to risks and uncertainties. In making the forward-looking statements included in this Annual Information Form, the Company has made various material assumptions, including but not limited to assumptions related to: (i) the availability of financing at all or on reasonable terms; (ii) the Company's ability to successfully execute its plans and intentions, including with respect to construction and operation of the Company's cultivation facilities; (iii) general business and economic conditions, particularly in the Canadian medicinal and adult-use cannabis markets; (iv) regulation of the markets in which we operate; (v) the Company's ability to attract and retain skilled staff; (vi) market competition, including the products and technology offered by the Company's competitors; and (vii) maintenance of our current good relationships with our suppliers, service providers and other third parties. Although we believe that the assumptions underlying these statements are reasonable, they may prove to be incorrect, and we cannot assure that actual results will be consistent with these forward-looking statements. Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks,

uncertainties, assumptions and other factors, including those listed under “*Risk Factors*”, which include:

- the Company’s ability to continue as a going concern;
- the Company’s ability to raise required additional capital through the sale of equity or debt instruments or the factoring of receivables or otherwise;
- the Québec Facility is under construction and any delay in construction and/or licensing may have an adverse impact on the Company;
- the Company has a limited operating history;
- the Company may be unable to achieve revenue growth and development;
- there are factors which may prevent the Company from the realization of growth targets;
- the Company’s actual financial position and results of operations may differ materially from the expectations of the Company’s management;
- the Company expects to incur significant ongoing costs and obligations related to its investment in infrastructure, growth, research and development, regulatory compliance and operations;
- there is no assurance that the Company will turn a profit or generate immediate revenues;
- the adult-use cannabis market in Canada is a relatively new industry;
- the adult-use cannabis market in Canada may experience supply and demand fluctuations that could result in revenue and price decreases;
- the size of the Company’s target market is difficult to quantify, and investors will be reliant on their own estimates on the accuracy of market data;
- the Company is subject to changes in laws, regulations and guidelines which could adversely affect the Company’s future business, financial condition and results of operations;
- the Company’s CBD business in Europe is subject to evolving approaches to the regulation of CBD by the European Union, its member states, and the United Kingdom;
- the Company’s business is dependent on key supply chains which could be adversely disrupted by a number of factors including, among others, major health issues or pandemics;
- the Company is reliant on regulatory approvals and cultivation Licences for its ability to grow, process, package, store and sell cannabis and other products derived therefrom, and these regulatory approvals are subject to ongoing compliance requirements, reporting obligations and fixed terms requiring renewal;
- any failure on the Company’s part to comply with applicable regulations could prevent it from being able to carry on its business and there may be additional costs associated with any such failure;
- under Canadian regulations, a Licensed Producer of cannabis is restricted regarding the type and form of marketing it can undertake which could materially impact sales performance;
- the Company intends to target a premium segment of the adult-use cannabis market, which may not materialize, or in which it may not be able to develop or maintain a brand that attracts or retains customers;
- the Company’s industry is experiencing rapid growth and consolidation that may cause the Company to lose key relationships and intensify competition;

- the Company may be unsuccessful in competing in the overall legal adult-use cannabis market in Canada and any other countries it intends to operate in;
- the Company, or the cannabis industry more generally, may receive unfavorable publicity or become subject to negative consumer or investor perception;
- there can be no assurance that the Company will receive the required approvals with respect to the Québec Facility;
- the Company may not be able to develop its products, which could prevent it from ever becoming profitable;
- if the Company is unable to develop and market new products, such as beverages, it may not be able to keep pace with market developments;
- there has been limited study on the health effects of cannabis products, including CBD, and future clinical research studies may lead to conclusions that dispute or conflict with the Company's understanding and belief regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of such products;
- trade of cannabis for non-medicinal purposes within Canada may be restricted by the Canadian Free Trade Agreement;
- the Company is exposed to risks relating to the laws of various countries as a result of its existing and planned international operations;
- the Company's business is subject to a variety of foreign laws, many of which are unsettled and still developing, which could subject it to claims or otherwise harm its business;
- the Company must rely on international advisors and consultants in the foreign countries in which it operates and intends to operate;
- the Company is required to comply concurrently with federal, state or provincial, and local laws in each jurisdiction where it operates or to which it exports its products;
- the hemp and CBD industries and markets are new and heavily regulated with rules subject to rapidly changing laws and uncertainty, compliance with which may come with significant cost;
- the hemp and CBD products industries and markets in Canada, the EU, Jamaica and Mexico are also subject to many of the same risks as the adult-use cannabis industry and market;
- if the Company is unable to attract and retain key personnel, it may not be able to compete effectively in the cannabis market;
- the Company has entered into and in the future may seek to enter into strategic alliances including contractual relationships, joint ventures, selective acquisitions, licensing arrangements or other relationships, or expand the scope of currently existing relationships, with third parties that the Company believes will have a beneficial impact, and there are risks that such strategic alliances or expansions of the Company's currently existing relationships may not enhance its business in the desired manner;
- the Company may not be able to successfully identify and execute future acquisitions or dispositions or successfully manage the impacts of such transactions on its operations;
- the cultivation of cannabis includes risks inherent in an agricultural business including the risk of crop loss, sudden changes in environmental conditions, equipment failure, product recalls and others;
- the Company is reliant on key inputs, such as water and utilities, and any interruption of these services could have a material adverse effect on the Company's finances and

operation results. The Company is also dependent on access to skilled labour, equipment and parts;

- the Company is vulnerable to rising energy costs;
- the Company's products may not have, or may not be perceived to have, the effects intended by the end user;
- the Company's quality control systems may not operate effectively;
- the Company's cannabis products may be subject to recalls for a variety of reasons, which could require it to expend significant management and capital resources;
- the Company faces an inherent risk of exposure to product liability;
- the Company may be subject to liability claims as a result of positive testing for THC or banned substances;
- consumer preferences may change and the Company may be unsuccessful in retaining customers;
- the Company's operations are subject to safety, health and environmental laws and regulations applicable to its operations and industry in the various jurisdictions in which it operates, and it may be held liable for any breaches of those laws and regulations;
- the Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses or claims against the Company;
- the Company may become subject to litigation in the ordinary course of business;
- the Company will be reliant on information technology systems and may be subject to damaging cyber-attacks;
- the Company may be exposed to liability or the threat of liability in relation to the use of customer information and other personal and confidential information;
- the Company may be subject to risks related to the protection and enforcement of its intellectual property rights, or intellectual property it licenses from others, and may become subject to allegations that it or its licensors are in violation of intellectual property rights of third parties;
- the Company may be subject to breaches of security at its facilities;
- the Company may incur additional indebtedness;
- the Company may not be able to secure adequate or reliable sources of funding required to operate its business or increase its production to meet consumer demand for its products;
- management may not be able to successfully implement adequate internal controls over financial reporting;
- the Company has negative operating cash flow;
- the Company may be subject to credit risk;
- the Company's loans may contain covenants that limit its ability to seek additional financing or perform desired business operations;
- tax and accounting requirements may change in ways that are unforeseen to the Company and it may face difficulty or be unable to implement or comply with any such changes;
- fluctuations in foreign currency exchange rates could harm the Company's results of operations;
- if the Company has a material weakness in its internal controls over financial reporting, investors could lose confidence in the reliability of the Company's financial statements, which could result in a decrease in the value of its securities;



- it is anticipated that no cash dividends will be paid to holders of Common Shares for the foreseeable future;
- the Company continues to sell shares for cash to fund operations, expansion, and mergers and acquisitions that will dilute the current shareholders;
- the price of the Common Shares in public markets may experience significant fluctuations; and
- if securities or industry analysts do not continue to publish research, or publish inaccurate or unfavourable research, about the Company's business, the Common Share price and trading volume could decline.

## GLOSSARY OF TERMS

The following is a glossary of certain terms used in this Annual Information Form.

“**852**” means 8527504 Canada Inc.

“**ACE**” means Aurora Cannabis Enterprises Inc.

“**ACMPR**” means the former *Access to Cannabis for Medical Purposes Regulations* promulgated under the *Controlled Drugs and Substances Act* (Canada).

“**Administrator**” has the meaning ascribed thereto under the heading “*Directors and Officers – Cease Trade Orders, Bankruptcies, Penalties or Sanctions*”.

“**Agents**” has the meaning ascribed thereto under the heading “*General Development of the Business – Three-Year History – Initial Public Offering and TSX Listing*”.

“**Annual Information Form**” means this annual information form of the Company dated March 13, 2020 for the year ended December 31, 2019.

“**ASC**” means the Alberta Securities Commission.

“**AGCO**” means the Alcohol and Gaming Commission of Ontario.

“**Aurora**” means Aurora Cannabis Inc.

“**Aurora Québec Agreement**” has the meaning ascribed thereto under the heading “*Description of Business – The Company's Facilities – The Québec Facility*”.

“**Authorized Distributor**” has the meaning ascribed thereto under the heading “*Intercorporate Relationships – The Green Organic Dutchman Ltd.*”.

“**Authorized Retailer**” has the meaning ascribed thereto under the heading “*Intercorporate Relationships – The Green Organic Dutchman Ltd.*”.

“**Board**” means the board of directors of the Company.

“**Cannabis Act**” means the *Cannabis Act* (Canada) and the regulations promulgated thereunder.

“**Cannabis Regulations**” means the *Cannabis Regulations* promulgated under the Cannabis Act.

“**Cannabis Supply Agreement**” has the meaning ascribed thereto under the heading “*General Development of the Business – Three-Year History – Aurora Cannabis Inc. Investment, Cannabis Supply Agreement and Investor Rights Agreement*”.

“**CBCA**” means the *Canada Business Corporations Act*.

“**CBD**” means cannabidiol, a non-euphoric chemical compound found in cannabis.

“**CCAA**” means the *Companies’ Creditors Arrangement Act* (Canada).

“**CDSA**” means the *Controlled Drugs and Substances Act* (Canada).

“**CLA**” means the Cannabis Licensing Authority established in Jamaica under the *Dangerous Drugs Amendment Act*.

“**Common Shares**” means common shares in the capital of the Company.

“**Common Share Offering**” has the meaning ascribed thereto under the heading “*General Development of the Business – Three-Year History – December 2016 – January 2017 Common Share Offering*”.

“**Company**” means The Green Organic Dutchman Holdings Ltd., a corporation incorporated under and governed by the laws of Canada.

“**Computershare**” means Computershare Trust Company of Canada.

“**Court**” has the meaning ascribed thereto under the heading “*Directors and Officers – Cease Trade Orders, Bankruptcies, Penalties or Sanctions*”.

“**CPG**” has the meaning ascribed thereto under the heading “*Description of Business - Cannabis Products and Production*”.

“**CPTAQ**” has the meaning ascribed thereto under the heading “*Corporate Structure – Intercorporate Relationships – 9371-Québec Inc.*”.

“**Directors**” means the current directors of the Company collectively, and in the singular means any one of them.

“**Epican**” means Epican Medicinals Ltd.

“**February Offering**” has the meaning ascribed thereto under the heading “*General Development of the Business – Three-Year History – February 2017 Unit Offering*”.

“**February Offering Warrant**” has the meaning ascribed thereto under the heading “*General Development of the Business – Three-Year History – February 2017 Unit Offering*”.

“**February Units**” has the meaning ascribed thereto under the heading “*General Development of the Business – Three-Year History – February 2017 Unit Offering*”.

“**Hamilton Amendment**” has the meaning ascribed thereto under the heading “*Description of Business – The Company’s Facilities – Licence Amendment – The Hamilton Facility*”.

“**Hamilton Facility**” has the meaning ascribed thereto under the heading “*Description of Business – General*”.

“**HemPoland**” means HemPoland sp. z o.o.

“**IHR**” means the new Industrial Hemp Regulations promulgated under the Cannabis Act.

“**Investor Rights Agreement**” has the meaning ascribed thereto under the heading “*General Development of the Business – Three-Year History – Aurora Cannabis Inc. Investment, Cannabis Supply Agreement and Investor Rights Agreement*”.

“**IPO**” has the meaning ascribed thereto under the heading “*General Development of the Business – Three-Year History – Initial Public Offering and TSX Listing*”.

“**IT**” has the meaning ascribed thereto under the heading “*Description of Business – Risk Factors*”.

“**Knud Jepsen**” means Queen Genetics-Knud Jepsen A/S.

“**LCBO**” means the Liquor Control Board of Ontario.

“**Ledcor**” means Ledcor Construction Limited.

“**Ledcor Agreement**” has the meaning ascribed thereto under the heading “*Description of Business – The Company’s Facilities – The Hamilton Facility*”.

“**LEED**” means Leadership in Energy and Environmental Design, a certification program focused primarily on new, commercial building projects and based on a point system.

“**Licensed Producer**” has the meaning ascribed thereto under the heading “*Corporate Structure – Intercorporate Relationships – The Green Organic Dutchman Ltd.*” and is a Licensee under the Cannabis Act.

“**Licensee**” has the meaning ascribed thereto under the heading “*Corporate Structure – Intercorporate Relationships – The Green Organic Dutchman Ltd.*”, an entity licensed or deemed to be licensed under the Cannabis Act.

“**LLACA**” means Corporativo Empresarial Llaca, S. de R.L. de C.V.

“**Medican Organic**” means Medican Organic Inc., a wholly-owned subsidiary of the Company.

“**Minister**” means the Minister of Health (Canada).

“**NI 52-110**” means National Instrument 52-110 *Audit Committees*.

“**NLC**” means the Newfoundland and Labrador Liquor Corp.

“**November Offering**” has the meaning ascribed thereto under the heading “*General Development of the Business – Three-Year History – November 2017 – December 2017 Unit Offering*”.

“**November Offering Units**” has the meaning ascribed thereto under the heading “*General Development of the Business – Three-Year History – November 2017 – December 2017 Unit Offering*”.

“**November Offering Warrant**” has the meaning ascribed thereto under the heading “*General Development of the Business – Three-Year History – November 2017 – December 2017 Unit Offering*”.

“**OCRC**” means the Ontario Cannabis Retail Corporation.

“**Options**” means options to purchase Common Shares.

“**Over-Allotment Units**” has the meaning ascribed thereto under the heading “*General Development of the Business – Three-Year History – Initial Public Offering and TSX Listing*”.

“**pilot program**” has the meaning ascribed thereto under the heading “*Description of Business – Cannabis Framework Outside of Canada – Denmark*”.

“**Pooled Shareholders**” has the meaning ascribed thereto under the heading “*Escrowed Securities – Pooling Agreements*”.

“**Pooling Agreements**” has the meaning ascribed thereto under the heading “*Escrowed Securities – Pooling Agreements*”.

“**Québec Act**” has the meaning ascribed thereto under the heading “*Corporate Structure – Intercorporate Relationships – 9371-Québec Inc.*”.

“**Québec Facility**” has the meaning ascribed thereto under the heading “*Description of Business – The Company’s Facilities – Additional Site Licence – The Québec Facility*”.

“**Québec Facility Licence**” has the meaning ascribed thereto under the heading “*Description of Business – The Company’s Facilities – Additional Site Licence – The Québec Facility*”.

“**Québec Subco**” means 9371-8633 Québec Inc.

“**Receiver**” has the meaning ascribed thereto under the heading “*Directors and Officers – Cease Trade Orders, Bankruptcies, Penalties or Sanctions*”.

“**Regulations**” means all regulations promulgated under the Cannabis Act.

“**Sales Licence Amendment**” has the meaning ascribed thereto under the heading “*Description of Business – Cannabis Licence and Application for Licenses – Sales Licence Amendment – August 10, 2017*”.

“**Special Warrants**” has the meaning ascribed thereto under the heading “*General Development of the Business – Three-Year History – Special Warrant Bought Deal Financing*”.

“**Spinco**” has the meaning ascribed thereto under the heading “*General Development of the Business – Three-Year History – TGOD Acquisitions Spinoff*”.

“**SQDC**” means the Société Québécoise du cannabis.

“**Subscription Receipts**” has the meaning ascribed thereto under the heading “*General Development of the Business – Three-Year History – Aurora Cannabis Inc. Investment, Cannabis Supply Agreement and Investor Rights Agreement*”.

“**Task Force**” means the Task Force on Cannabis Legalization and Regulation.

“**TGOD**” means The Green Organic Dutchman Ltd., a wholly-owned subsidiary of the Company.

“**TGOD Europe**” means TGOD Europe B.V., a wholly-owned subsidiary of the Company.

“**TGOD Genetics**” means TGOD Genetics A/S, a joint venture company owned 50% by the Company through its wholly-owned subsidiary TGOD Europe.

“**TGOD Denmark Production**” means TGOD Denmark Production A/S, a joint venture company owned 50% by the Company through TGOD Denmark.

“**TGOD Hemp**” means The Green Organic Hemp Ltd., a wholly-owned subsidiary of the Company

“**TGOD Mexico**” means The Green Organic Dutchman S. de R.L. de C.V., is a joint venture company owned 50% by the Company through its wholly-owned subsidiary TGOD Europe.

“**THC**” means delta-9-tetrahydrocannabinol, an intoxicating chemical compound in cannabis.

“**TSX**” means the Toronto Stock Exchange.

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

“**Underwriters**” has the meaning ascribed thereto under the heading “*General Development of the Business – Three-Year History – Special Warrant Bought Deal Financing*”.

“**Underwriters’ Special Warrants**” has the meaning ascribed thereto under the heading “*General Development of the Business – Three-Year History – Special Warrant Bought Deal Financing*”.

“**Underwriters’ Warrant**” has the meaning ascribed thereto under the heading “*General Development of the Business – Three-Year History – Special Warrant Bought Deal Financing*”.

“Units” has the meaning ascribed thereto under the heading “General Development of the Business – Three-Year History – Initial Public Offering and TSX Listing”.

“Valleyfield Land” has the meaning ascribed thereto under the heading “Corporate Structure – Intercorporate Relationships – 9371-8633 Québec Inc.”.

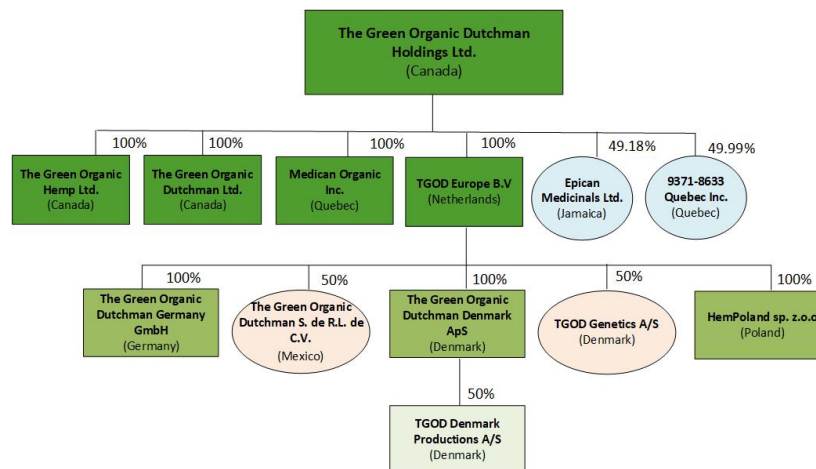
“Warrant” has the meaning ascribed thereto under the heading “General Development of the Business – Three-Year History – Initial Public Offering and TSX Listing”.

## CORPORATE STRUCTURE

### Name, Address, and Incorporation

The Company was incorporated under the federal laws of Canada pursuant to the CBCA on November 16, 2016. The Company’s registered office and head office is located at 6205 Airport Rd, Building A – Suite 200, Mississauga Ontario L4V 1E3. The Company provides corporate services to all of its subsidiaries including but not limited to: sales and marketing; accounting; human resources; legal; finance; and corporate development.

### Intercorporate Relationships



### *The Green Organic Dutchman Ltd.*

The Company, through its wholly-owned operating subsidiary, TGOD, a licensed producer under the Cannabis Act (“**Licensed Producer**”), holds the Licence that allows the Company to produce at its 100 acre property near Hamilton, Ontario dried and fresh cannabis, cannabis plants and seeds, cannabis oils, cannabis topicals, cannabis extracts and edible cannabis and to sell such cannabis products within Canada to provincially authorized retailers (“**Authorized Retailer**”) or distributors (“**Authorized Distributor**”) and federally licensed entities (“**Licensee**”) in accordance with the Cannabis Act and Cannabis Regulations. TGOD was incorporated under the federal laws of Canada pursuant to the CBCA on January 10, 2013. The registered office of TGOD is at 6205 Airport Rd, Building A – Suite 200, Mississauga Ontario L4V 1E3.

***Medican Organic Inc.***

The Company's wholly-owned subsidiary, Medican Organic, a Licensed Producer under the Cannabis Act, holds the Licence to produce at its property near Valleyfield, Quebec dried and fresh cannabis, cannabis plants and seeds, cannabis oils, cannabis topicals, cannabis extracts and edible cannabis and to sell such cannabis products within Canada.

***9371-8633 Québec Inc.***

Québec Subco, in which the Company has a 49.99% interest, was incorporated under the QBCA on January 10, 2018 for the purpose of acquiring land for the Québec Facility (the "**Valleyfield Land**"). Under the *Act respecting the acquisition of farmland by non-residents* (Québec) (the "**Québec Act**"), no entity or person that resides outside of Québec can own controlling interest in or otherwise acquire agricultural land in the Province of Québec. The Québec Act is enforced through the Commission de protection du territoire agricole du Québec (the "**CPTAQ**"). Accordingly, the remaining 50.01% interest in Québec Subco remains held by the former two owners of the Valleyfield Land who are Québec residents. The Company has applied to the CPTAQ for an approval to become the sole owner of Québec Subco and indirectly the Valleyfield Land. It is expected to take three years or more to secure such approval, if granted. In the meantime, the ownership of the shares of Québec Subco is governed by a shareholders' agreement entered into among all the shareholders of Québec Subco. Such agreement grants an option to the Company to purchase and an option to the other two shareholders of Québec Subco to sell, all of the issued and outstanding shares of Québec Subco that the Company does not already own for aggregate consideration of \$2,001,138 subject to customary adjustments. The Company's option is exercisable upon the granting of the approval by the CPTAQ under the Québec Act or in the event such approval is no longer required. The Company intends to exercise its option as soon as either of such two conditions are met. On January 12, 2018, the Company granted a loan in the amount of \$1,000,569 to Gérald Daoust, one of Québec Subco's shareholders and one of the two former owners of the Valleyfield Land, which loan will be set-off against the purchase price of the shares of Québec Subco held by Mr. Daoust upon exercise of the aforementioned option. Upon its incorporation, Québec Subco was assigned the rights held by the majority shareholders of Québec Subco under a long-term lease agreement initially entered between Medican Organic and the majority shareholders of Québec Subco pursuant to which Medican Organic pays a base annual rent of \$25,000 plus taxes to Québec Subco. Medican Organic also has an option to purchase 100% of the Valleyfield Land for an aggregate consideration of \$4,002,272.08 should the CPTAQ grant the exemption to the Company.

***The Green Organic Hemp Ltd.***

The Green Organic Hemp Ltd., a wholly-owned subsidiary of the Company, was incorporated under the federal laws of Canada pursuant to the CBCA on November 24, 2017 for the purpose of exploring opportunities related to industrial hemp cultivation and associated products.

***HemPoland sp. z.o.o***

HemPoland is an indirectly wholly-owned subsidiary of the Company incorporated under the laws of Poland. HemPoland operates a hemp cultivation and extraction business based in Poland which was acquired by the Company on October 1, 2018. HemPoland is a manufacturer and marketer of premium CBD oils and related products.

***Epican Medicinals Ltd.***

On July 5, 2018, the Company acquired a 49.18% interest in Epican. Epican is formed under the laws of Jamaica. Epican is a licensed producer of medicinal cannabis in Jamaica and holds a cultivator's licence, processing licence and a retail (herb house) licence issued by the Cannabis Licensing Authority of Jamaica.

***TGOD Europe B.V.***

TGOD Europe is a wholly-owned subsidiary of the Company incorporated under the laws of the Netherlands on July 31, 2018 to function as the Company's European holding company.

***The Green Organic Dutchman Germany GmbH***

The Company acquired a company domiciled in Germany with no material net assets for €25,000 on October 30, 2018 and renamed it The Green Organic Dutchman Germany GmbH ("TGOD Germany") which the Company intends to use to seek business opportunities in Germany. TGOD Germany is an indirectly wholly-owned subsidiary of the Company. As of the date of this AIF, TGOD Germany has no material assets or operations.

***TGOD Genetics A/S***

TGOD Genetics is a joint venture company owned 50% by the Company through its wholly-owned subsidiary TGOD Europe and 50% by TGOD Europe's joint venture partner, Queen Genetics - Knud Jepsen A/S. TGOD Genetics was formed under the laws of Denmark on March 8, 2019 for the purpose of developing and patenting innovative cannabis genetics, and as part of TGOD's European cannabinoid production and innovation strategy.

***The Green Organic Dutchman ApS***

TGOD Denmark is an indirectly wholly-owned subsidiary of the Company incorporated under the laws of the Denmark on June 6, 2019.

***TGOD Denmark Production A/S***

TGOD Denmark Production is a joint venture company formed under the laws of Denmark on March 8, 2019, owned 50% by the Company through TGOD Denmark and 50% by TGOD Europe's joint venture partner, Knud Jepsen A/S.



### *The Green Organic Dutchman S. de R.L. de C.V.*

TGOD Mexico is a company owned 50% by the Company through its wholly-owned subsidiary TGOD Europe and 50% by LLACA for the purpose of entering the medicinal cannabis market in Mexico. LLACA will facilitate the importation, registration and strategic distribution of Company-branded organic cannabis and hemp-derived medical products into the Mexican market for TGOD Mexico.

## **GENERAL DEVELOPMENT OF THE BUSINESS**

### **Three-Year History**

#### *December 2016 - January 2017 Common Share Offering*

In December 2016 and January 2017, the Company undertook a private placement of an aggregate of 26,581,172 Common Shares at the price of \$0.50 per Common Shares for total gross proceeds of approximately \$13.3 million (the “**Common Share Offering**”).

The Common Share Offering was undertaken on a non-brokered and brokered basis. Total proceeds from the non-brokered portion were approximately \$7.6 million. The brokered portion of the Common Share Offering was led by PI Financial Corp. and a total of approximately \$5.7 million was raised.

The Company used proceeds from the Common Share Offering for the purchase of additional property at the Hamilton Facility, building improvements, the purchase of production equipment and general working capital.

#### *February 2017 Unit Offering*

In February 2017, the Company undertook a private placement of units (the “**February Units**”) at the issue price of \$1.15 per February Unit (the “**February Offering**”). Each February Unit consisted of one Common Share and one share purchase warrant of the Company (a “**February Offering Warrant**”). Each February Offering Warrant was exercisable at the exercise price of \$2.15 per Common Share within a period of two years.

The February Offering was undertaken on a non-brokered and brokered basis. Total proceeds from the non-brokered portion were approximately \$21.9 million. The brokered portion of the February Offering was co-led by Canaccord Genuity Corp. and GMP Securities LP together with PI Financial Corp. and a total of approximately \$7.0 million was raised.

The Company used proceeds from the February Offering for the purchase of additional property at the Hamilton Facility, building improvements, the purchase of production equipment and general working capital.

On June 5, 2018, the Company accelerated the expiry date of the February Offering Warrants issued pursuant to the non-brokered portion of the February Offering to July 6, 2018.

### *75-Acre Acquisition*

On March 10, 2017, the Company purchased a 75-acre property adjacent to the Hamilton Facility for a purchase price of \$1,900,000. The Company amalgamated this property into the existing Hamilton Facility, which then brought the ACMPR licensed land package to 100 acres for the Company to develop.

### *November 2017 – December 2017 Unit Offering*

In November 2017, the Company undertook a private placement of units (the “**November Units**”) at an issue price of \$1.65 per unit (the “**November Offering**”). Each November Unit consisted of one Common Share and one-half of one share purchase warrant of the Company (a “**November Offering Warrant**”). Each whole November Offering Warrant is exercisable at the exercise price of \$3.00 per Common Share until the earlier of (i) February 28, 2021 and (ii) the date that is 36 months after the Common Shares are listed for trading on a national Canadian or U.S. (as determined by the Company) securities exchange or trading system. The November Offering Warrants are listed and posted for trading on the TSX.

The November Offering was undertaken on a non-brokered and brokered basis. The Company issued approximately 26.67 million November Units under the non-brokered portion of the November Offering, for approximate gross proceeds of approximately \$44 million. The brokered portion of the November Offering was led by PI Financial Corp. and included a syndicate comprised of Canaccord Genuity Corp., Haywood Securities Inc. and Mackie Research Capital Corporation and a total of approximately 7.89 million November Units were issued by the Company for aggregate gross proceeds of approximately \$13 million.

### *Aurora Cannabis Inc. Investment, Cannabis Supply Agreement and Investor Rights Agreement*

On January 12, 2018, Aurora subscribed for an aggregate of \$55 million of subscription receipts of the Company (the “**Subscription Receipts**”) at a price of \$1.65 per Subscription Receipt. The Subscription Receipts converted into November Units on May 2, 2018.

In connection with the Aurora investment in the Company, TGOD entered into a cannabis supply agreement (the “**Cannabis Supply Agreement**”) with Aurora Cannabis Enterprises Inc. (“**ACE**”) dated January 4, 2018 whereby ACE has the option to purchase dried cannabis flower product and trim product (extractable plant matter) from TGOD up to a maximum volume based on the fully-diluted percentage ownership of the Company held by Aurora. While Aurora holds at least 10% of the Company’s Common Shares on a fully diluted basis, the Cannabis Supply Agreement shall run for a period of 20 years from the date the Company is licensed by Health Canada to sell cannabis at both the Hamilton Facility and the Québec Facility. If Aurora owns 5% to 10% of the Company’s Common Shares on a fully diluted basis, the Cannabis Supply Agreement will terminate on the date that is two years after such licensing, and if Aurora at any time owns less than 5%, the Cannabis Supply Agreement will terminate.

The Company and Robert Anderson, the Company’s former Chief Executive Officer, also entered into an investor rights agreement (the “**Investor Rights Agreement**”) with Aurora, which provides each of the parties with certain rights, including providing Aurora with the right to

subscribe for further Common Shares upon the achievement of certain milestones and the right to nominate a representative to the Board of the Company.

Further to the Investor Rights Agreement, on May 1, 2018, Cam Battley was appointed to the Company's Board. On September 26, 2018, Cam Battley resigned from the Board. On October 12, 2018, Aurora's first milestone option expired unexercised, and all subsequent milestone options automatically expired. On October 18, 2018, Aurora announced that it filed an early warning report with respect to its holdings of Common Shares and disposed of 2.2% of the Company's Common Shares, following which Aurora owned approximately 15.4% of the Common Shares on a fully diluted basis. On September 4, 2019, Aurora disposed of its common shareholdings of the Company. Aurora continues to hold common share purchase warrants representing approximately 5% of the Company's Common Shares on a fully diluted basis. Each warrant is exercisable into one common share at the price of \$3.00 until February 28, 2021. As a result of the disposition of Aurora's common shareholdings, the Cannabis Supply Agreement between TGOD and ACE dated January 12, 2018 and the Investor Rights Agreement between the Company and Aurora each automatically terminated.

#### *Initial Public Offering and TSX Listing*

On May 2, 2018, the Company completed an initial public offering (the "**IPO**") of 31,510,000 units (the "**Units**") of the Company at a price of \$3.65 per Unit for total gross proceeds of \$115,011,500. Each Unit consists of one Common Share and one-half of one common share purchase warrant (each whole warrant being a "**Warrant**"). Each Warrant is exercisable into one Common Share at the price of \$7.00 per Common Share until May 2, 2020, subject to an acceleration right whereby the Company may provide written notice to the registered holders of the Warrants that the expiry time of the Warrants shall be accelerated to a date which is 30 days after the date of such Warrant acceleration notice, if, at any time, the volume-weighted average trading price for the Common Shares is equal to or greater than \$9.00 for any ten (10) consecutive trading day period.

The IPO was completed through a syndicate of agents co-led by Canaccord Genuity Corp., as sole bookrunner, and PI Financial Corp., and including Industrial Alliance Securities Inc., INFOR Financial Inc., Echelon Wealth Partners Inc. and Mackie Research Capital Corporation (the "**Agents**").

On May 2, 2018, the Company's Common Shares and November Offering Warrants commenced trading on the TSX under the trading symbols "TGOD" and "TGOD.WT", respectively.

On May 9, 2018, the Company issued an additional 4,726,500 units (the "**Over-Allotment Units**") at \$3.65 per Over-Allotment Unit raising additional aggregate gross proceeds of \$17,251,725 pursuant to the exercise of the over-allotment option granted to Agents in connection with the IPO.

### *Health Canada Cannabis Oils Licence*

On May 15, 2018, the Company announced that, effective April 20, 2018, TGOB was granted a supplemental licence from Health Canada for the production of cannabis oils at its Hamilton Facility.

### *Exclusive Licence for StillwaterFoods' RIPPLE SC*

On May 29, 2018, the Company announced that it entered into an exclusive agreement with Stillwater Brands, Inc. to licence RIPPLE SC (Soluble Cannabinoids) ingredient technology, and other proprietary beverage and food technologies and formulations related to cannabinoid-infused consumer packaged foods including micro-dose and full-dose tea sticks within Canada and certain international jurisdictions outside of the United States.

### *Partnership with Epican*

On July 6, 2018, the Company purchased a strategic 49.18% interest in Epican, a Jamaican vertically integrated cannabis company with cultivation, extraction, manufacturing and retail distribution licences. Epican produces cannabis at its primary Blue Mountain cultivation site. On July 14, 2018, Epican opened its first cannabis dispensary in Kingston, Jamaica. On May 1, 2019, Epican, announced the receipt of its second retail licence and the opening of its second legal cannabis retail store in Jamaica, located on Montego Bay's "Hip Strip". Montego Bay is a popular tourist destination and Jamaica's second largest city. The Montego Bay dispensary, located on the main tourist shopping strip, is the second Epican is the first fully integrated company to have obtained a second retail licence from Jamaica's Cannabis Licensing Authority . Epican plans to open three additional Herb Houses on the island.

### *Change of Auditor*

Effective June 11, 2018, the Company appointed KPMG LLP as its auditor.

### *Special Warrant Bought Deal Financing*

On June 26, 2018, the Company completed a bought deal private placement of 3,910,000 special warrants of the Company (the "**Special Warrants**") with Canaccord Genuity Corp., PI Financial Corp. and Mackie Research Capital Corporation (collectively, the "**Underwriters**"). Each Special Warrant entitled the holder thereof to receive, upon deemed exercise and for no additional consideration, one unit of the Company. Each unit is comprised of one Common Share and one-half of one Common Share purchase warrant. Each whole warrant will entitle the holder to purchase one Common Share at an exercise price of \$9.50 per Common Share until June 26, 2021. Each Special Warrant was automatically converted, without payment of additional consideration, on August 15, 2018, being the third business day after the date on which a receipt for a final short form prospectus qualifying the units underlying the Special Warrants was issued by the Ontario Securities Commission.

As partial consideration for their services, the Underwriters received an aggregate of 234,600 special warrants (the "**Underwriters' Special Warrants**"). Each Underwriters' Special

Warrant was automatically converted without payment of additional consideration into one Underwriters' warrant (an "**Underwriters' Warrant**"). Each Underwriters' Warrant is exercisable into one Common Share at an exercise price of \$6.40 per Common Share until June 26, 2021.

*Changes in Key Executives*

On January 2, 2018, Mr. Matthew Schmidt was appointed as Executive Vice President, Corporate Development of the Company. Jeffrey Scott was also appointed as Co-Chairman of the Board. Also on January 2, 2018, the Company accepted the resignation of Mr. Jeffrey Paikin from the Board, and Mr. Jeffrey Scott was appointed in his place.

On January 31, 2018, Mr. Nicholas Kirton was appointed to the Board.

Effective February 6, 2018, Mr. Scott Skinner resigned as Chief Facilities Officer and as Director.

On March 19, 2018, Mr. Brian Athaide was appointed as the Chief Financial Officer of the Company.

On April 11, 2018, Ms. Anna Stewart was appointed as Corporate Secretary of the Company.

On May 1, 2018, Mr. Cameron Battley was appointed to the Board.

On July 1, 2018, Mr. Robert Anderson, the Company's former Chief Executive Officer, a Director and the Co-Chair of the Board, resigned. Mr. Brian Athaide, the Chief Financial Officer, was appointed Chief Executive Officer upon Mr. Anderson's resignation. Mr. Jeffrey Scott became sole Chairman of the Board.

In connection with the spinoff of TGOD Acquisition Corporation, Mr. David Doherty resigned from the Board effective September 24, 2018 and was appointed to the board of directors of TGOD Acquisition Corporation. In his place, Mr. Brian Athaide, the Company's Chief Executive Officer, was then appointed to the Board effective September 24, 2018.

Effective September 26, 2018, Mr. Cam Battley resigned from the Board.

Effective October 22, 2018, the Company appointed Sean Bovingdon as Chief Financial Officer.

Effective January 7, 2019, Mr. Ian Wilms resigned as Director of the Company.

On January 8, 2019, the Company announced that it has appointed Dr. Caroline MacCallum and Mr. Jacques Dessureault to its Board. Dr. MacCallum is an expert in cannabinoid-based medicine based at the University of British Columbia and the medical director of Greenleaf Medical Clinic. Mr. Dessureault is a pharmaceutical executive with experience in life sciences, natural health, and the technology industry.

On January 14, 2019, Ms. Anna Stewart, Corporate Secretary of the Company, was also appointed as General Counsel.

Mr. Csaba Reider, President, departed from the Company on January 9, 2020.

### *TGOD Acquisitions Spinoff*

On July 19, 2018, the Company announced its intention to complete a spinoff transaction whereby the Company will spinoff, by way of special dividend under a plan of arrangement (“**Arrangement Agreement**”), Spinco, a company that will focus on international acquisitions that are not core to the Company’s business. Shareholders approved the spinoff at the Company’s December 6, 2018 annual general and special meeting and the Company received the final order in respect of the spinoff from the Ontario Superior Court of Justice on January 16, 2018. Each shareholder of the Company as of the spinoff record date of January 31, 2018 who confirms that such shareholder is not a U.S. resident and elects to receive unit purchase warrants will receive 0.15 of one unit purchase warrant of Spinco. Each unit purchase warrant will entitle the holder to purchase one unit of Spinco upon (i) the holder tendering the exercise price of \$0.50 per Spinco unit to Spinco within 30 days following the effective date of the plan of arrangement implementing the spinoff and (ii) Spinco obtaining a receipt for a final prospectus qualifying the distribution of the Spinco Units within 60 days of such date, failing which the exercise proceeds will be returned to exercising warrant holders. Each Spinco unit will entitle the holder to one share and one-half Spinco share purchase warrant; each Spinco share purchase warrant entitles the holder to purchase a Spinco common share for an exercise price of \$1.25 at any time until the date that is 24 months after the date that Spinco’s common shares begin trading on a securities exchange. On January 28, 2019, Spinco shares were transferred to a third-party company pursuant to the terms of the Arrangement Agreement. A copy of the circular and related meeting materials, the Arrangement Agreement and the related amending agreement are available under TGOD’s profile on SEDAR at [www.sedar.com](http://www.sedar.com). On June 3, 2019, the Spinco Unit Warrants of Spinco were distributed to all registered shareholders of record of the Company as of January 31, 2019 who elected to receive the Spinco Unit Warrants.

### *HemPoland*

On August 21, 2018, the Company announced that it had entered into a definitive agreement to acquire 100% of the issued and outstanding shares of privately-held HemPoland, a European manufacturer and marketer of premium organic CBD oils. The acquisition consideration consisted of \$9.9 million in cash and 1,968,323 Common Shares. In addition, HemPoland’s former shareholders may receive performance-based incentives in additional cash or Common Shares contingent on the achievement of certain financial goals by fiscal 2021. The acquisition of HemPoland closed October 1, 2018.

### *Bought Deal Financing*

On October 1, 2018, the Company entered into an underwriting agreement with a syndicate of underwriters led by Canaccord Genuity Corp. pursuant to which the Underwriters agreed to purchase, on a bought deal basis pursuant to the filing of a short form prospectus, an aggregate of 10,950,000 units of the Company at a price of \$6.85 per unit for aggregate gross proceeds to the Company of approximately \$76 million. Each unit consisted of one Common Share and one Common Share purchase warrant. Each Common Share purchase warrant is exercisable to acquire one Common Share at an exercise price of \$9.00 per Common Share for a period of 30 months following the closing of the offering. The offering closed on October 19, 2018.

*Corporativo Empresarial Llaca, S. de R.L. de C.V.*

On October 11, 2018, the Company announced that it has entered into a strategic joint venture with LLACA to enter the medical cannabis market in Mexico. LLACA distributes commercialized pharmaceutical and over the counter products to over 4,500 pharmacies and 3,100 supermarkets throughout Mexico. Pursuant to the joint venture, LLACA is expected to facilitate the importation, registration and strategic distribution of TGOD-branded organic cannabis and hemp-derived medical products into the Mexican market.

*Health Canada Sales Licence*

On October 16, 2018, the Company announced that TGOD has been granted a supplemental licence from Health Canada for sales of medical cannabis from its Hamilton Facility.

*Velvet Management Inc.*

On November 14, 2018, the Company announced a supply partnership with Velvet Management Inc. (“**Velvet**”) for sales and distribution to provincial and liquor cannabis boards across Canada. Velvet is a new company created by the largest wine distributor in Canada, Philippe Dandurand Wines, to focus on sales and marketing of cannabis brands. TGOD is Velvet’s first cannabis partner and is Velvet’s exclusive cannabis partner in the certified organic segment.

*Danish Joint Venture*

On January 23, 2019, the Company entered into two joint ventures with Knud Jepsen , a Hinnerup, Denmark based horticultural and plant breeding company; the first for the purpose of producing high-quality organic medical cannabis for European medical cannabis markets and the second for developing and patenting innovative cannabis genetics. The Company anticipates producing 2,500 kgs of cannabis in a pilot facility to be built in Denmark and working with Knud Jepsen to produce further organic cannabis in lower-cost European jurisdictions, while focusing in Denmark on the development of innovative and patentable genetics. The Company has the exclusive right to all cannabis-related production at the joint venture through a guaranteed offtake agreement at a pre-determined value over the production cost to the joint venture. On January 29, 2019, the Company announced that the Danish Medicines Agency has granted Knud Jepsen an initial cannabis business authorization, which licence was assigned to the joint venture on April 5, 2019.

*Construction Update*

On February 1, 2019, the Company announced design modifications for the construction of its Hamilton Facility and Québec Facility. The modifications are expected to increase Canadian productive capacity from 156,000 kgs to 202,500 kgs. As a result of the modifications, an additional three months of construction time is anticipated for the Québec Facility and an additional \$30 million of capital expenditures on the construction of the structures is anticipated between the Hamilton Facility and the Québec Facility. On October 18, 2019, the Company announced a new strategic, construction and operating plan, including a series of actions to reduce the Company’s financing requirements and to calibrate construction of cultivation facilities to anticipated initial demand in the Canadian market. In particular, the Company’s construction of its

Québec Facility will be demarcated into smaller phases, while providing the Company with optionality to recommence later phases based on its assessment of developing market conditions.

*Pro-cert Organic Certification – Hamilton Facility*

On March 5, 2019, the Company announced that it has received organic certification from Pro-cert Organic Systems Ltd. This is the second certification body to endorse the Company's organic processes at its Hamilton Facility.

*Hamilton City Council Approval*

On March 28, 2019, the Company announced that Hamilton City Council had voted to approve the Company's settlement offer to resolve certain zoning issues relating to TGOD's ability to operate its cannabis greenhouse in Hamilton, Ontario, to be effective upon confirmation of the settlement by the Local Planning Appeal Tribunal ("LPAT"). On May 2, 2019, the LPAT approved the settlement agreement.

*Health Canada Oil Sales Licence*

On April 22, 2019, the Company received its oil sales licence from Health Canada, pursuant to the Cannabis Act, for the Hamilton Facility.

*HemPoland Organic Certification*

On April 26, 2019, HemPoland received organic certification from EKOGWARANCJA PTRE. The organic certification was provided by the Polish Center for Accreditation on authority from the Minister of Agriculture and Rural Development. HemPoland's facilities, production processes and product offerings are certified organic

*Approval of Facility Expansion by Health Canada*

On May 14, 2019, the Company obtained approval from Health Canada, under the Cannabis Regulations, to expand operations into its new state-of-the-art building located in Hamilton, Ontario. The 20,000 square feet indoor facility is going to be used for cannabis cultivation.

*Pro-cert Organic Certification – Quebec Facility*

On June 27, 2019, the Company announced that its Quebec Facility received its organic certification from Pro-Cert, an internationally recognized leader in organic certification.

*Renewal of Health Canada Licences*

On August 2, 2019, the Company announced that it has successfully renewed its Health Canada licences for the Company's Hamilton Facility until 2022.



### *Ontario Cannabis Store Pilot*

On August 16, 2019, the Company announced its inaugural pilot shipment of product to the Ontario Cannabis Retail Corporation (“OCS”), marking the Company’s entrance into Canada’s recreational cannabis market.

### *Health Canada Approval for Cultivation Operations*

On September 3, 2019, the Company announced that it had received approval from Health Canada to expand operations at its Hamilton Facility into its 101,000 square foot hybrid greenhouse.

### *December 2019 Bought Deal Financing*

On November 26, 2019, the Company announced that it had entered into a bid letter with a syndicate led by Canaccord Genuity Corp in respect of a short form prospectus offering, on a bought deal basis (the “Offering”). On December 2, 2019, the Company announced that it had amended its bid letter with the Underwriter to upsize the Offering. On December 19, 2019, the Company announced the closing of the Offering, including the full exercise of the Underwriter’s over-allotment option, for gross proceeds of approximately \$27.6 million.

### *Senior Secured Credit Facility*

On December 13, 2019, the Company announced that it had entered into a binding term sheet for a senior secured first lien credit facility with a commercial lender for gross proceeds of up to \$41.7 million (the “Facility”). On December 24, 2019, the Company announced the closing of the first tranche of the Facility for gross proceeds of approximately \$27.7 million. In connection with the closing of the first tranche of the Facility, the Company issued the lender 7,000,000 Common Share purchase warrants exercisable for a period of 36 months following the date of issuance at a price per share of \$1.00.

The second tranche of the Facility may be advanced upon the achievement of certain operational milestones and credit committee approval of the lender.

### *Research Licence*

On February 19, 2020, the Company announced that it has received a cannabis research licence from Health Canada.

## **DESCRIPTION OF BUSINESS**

### **General**

The Company’s goal is to become the global leader in delivering premium organic cannabis solutions to enhance people’s lives. The Company is committed to building the largest premium organic cannabis and organic hemp brand in the world, with organic certification, GMP-compliant and built to LEED standard facilities.

The Company's wholly-owned subsidiaries, TGOD and Medican Organic, are licensed producers under the Cannabis Act. TGOD holds a standard cultivation (permitting the production of cannabis plants, cannabis plant seeds, dried cannabis, fresh cannabis, cannabis oils, cannabis topicals, cannabis extracts and edible cannabis), standard processing (permitting it to produce such cannabis products other than by cultivating or propagation), research and sales licence (permitting sale for medical purposes and to authorized retailers and distributors and federally licensed entities). Medican Organic holds a standard cultivation licence for the Québec Facility (permitting it to possess cannabis, obtain dried cannabis, fresh cannabis, cannabis plants or cannabis seeds by cultivating, propagating and harvesting cannabis) and a medical sales licence for an office location in Dorval, Québec (permitting sales without possession). TGOD Hemp holds a cultivation and sales licence permitting it to cultivate industrial hemp for seed, grain, fibre, flower, leaves, branches and plant and to sell such forms of industrial hemp to federally licensed entities.

The Company has built a cultivation facility near Hamilton, Ontario and is building another facility located in Valleyfield, Québec. The Company has made significant infrastructure investments in technology and automation for sanitation, growing environment and general cultivation in order to reduce risk of crop failure. This includes additional HVAC systems, dehumidification systems, plant spacing strategies, soil beds, automated water systems, automated environmental control systems, waste handling and product tracking. The Company believes it is one of only a few Licensed Producers that provides organic cannabis and the only one capable of doing it at scale.

By the end of 2021, the Company expects to have a production capacity of approximately 17,500 kgs per year of premium organic cannabis from the Hamilton Facility and 65,000 kgs from the Québec Facility. These production expectations are conditional upon, for the Hamilton Facility, receipt by TGOD of a Health Canada licence amendment for its processing building on site, and for the Québec Facility, completion of the next scheduled phases of construction and receipt of the necessary licence for cultivation and sale.

Through 2018 and 2019, the Company, working with its supply partner Velvet, secured supply agreements with all provincial cannabis boards except Quebec, PEI and the territories and entered into a multi-year agreement with Neptune Wellness Solutions for the extraction, formulation and packaging of certified organic products within and for the Canadian market.

In addition to its Canadian operations, the Company, through its subsidiaries and strategic investments, is pursuing an international growth strategy, including through interests in a fully integrated medical cannabis cultivation and retail operation in Jamaica and a hemp cultivation and extraction business based in Poland. In 2019 the Company expanded its Polish hemp business into the Germany pharmacy market and in early 2020, the United Kingdom. The Company has also formed a strategic partnership for the distribution of cannabis and hemp-derived medical products in Mexico and joint ventures in Denmark for developing elite cannabis genetics and producing organic medical cannabis for export within the European market.

As of the date of this Annual Information Form, the Company engages approximately 313 employees. For more information on the Company's executive officers see "*Directors and Executive Officers.*"

## **Cannabis Products and Production**

Under the Cannabis Act, a federal licensee, if authorized by its licence, may sell the following cannabis products: dried and fresh cannabis, cannabis oils, cannabis plants and seeds, cannabis extracts, cannabis edibles and topicals.

The Company intends to sell all products that are permitted or may be permitted in the future to be sold by a federally licensed entity under the Cannabis Act, including to individuals who have registered to obtain cannabis products for medical purposes (“**Registered Patients**”).

It is the Company’s intention to be a supplier of cannabis consumer packaged goods (“**CPG**”) to domestic and international markets, where it is legal to do so.

The Company does not and does not intend to engage in any U.S. marijuana-related activities as defined in Canadian Securities Administrators Staff Notice 51-352 (Revised) dated February 8, 2018.

As at March 13, 2020, the Company is one of Canada’s 329 licensed cultivators, processors and sellers under the Cannabis Act (Source: <https://www.canada.ca/en/health-canada/services/drugs-medication/cannabis/industry-licensees-applicants/licensed-cultivators-processors-sellers.html#wb-auto-5>). From available competitor information, the Company believes it is one of only a few Licensed Producers in Canada that produces certified organic cannabis and the only one capable of doing so at scale. The Company believes that organic cannabis will command a premium price compared to non-organic cannabis and expects that a growing segment of the cannabis market will seek out organic cannabis, even at a premium price.

The Company grows its cannabis in organic living soil, free from synthetic pesticides, herbicides and fertilizers. The Company has received third party organic certification from EcoCert and ProCert. Organic certification requires the organization to maintain a strict compliance to organic standards and provides third party validation to consumers that the organization is following organic principles.

The Company currently carries 72 strains of cannabis within its genetics portfolio. The Company is able to acquire or develop additional genetics to this profile based on market demands.

### *Organic Dried Cannabis*

TGOD is currently licensed to grow and sell dried cannabis. The Company sells dried cannabis products domestically in Canada. Products are sold in the medical market (direct to Registered Patients) and in the recreational market (to Provincial Boards who in turn sell to retailers).

The Company currently sells five strains of cannabis: Unite, Harmony, Tranquility, Discover, and Care.

The Company is exploring opportunities to export its dried cannabis products to international markets as regulations allow.

### *Organic Cannabis Oils*

TGOD is currently licensed to produce and sell cannabis oils. Cannabis oils are predominantly consumed by the medical market due to their appeal to medical patients, but a small volume of oils is also available for sale in the recreational market.

The Company currently sells oil from (3) three strains of cannabis: Unite, Harmony, and Care.

TGOD is exploring opportunities to export its cannabis oil products to international markets as regulations allow.

The Company is developing cannabis oil concentrates that maintain the chemical profiles of their parent strains and has developed a line of cannabis vapes which it intends to introduce to the Canadian market. The Company also intends to use its cannabis oil extraction facilities to further extraction technology and to develop a water-soluble extract process.

### *Organic Cannabis Edibles*

The Company has begun manufacturing edible products containing cannabis oil extracts as an infused ingredient.

The Regulations require edibles to be shelf stable and to include only those food ingredients and additives authorized under the *Food and Drug Regulations* (Canada). The Regulations impose limitations on the caffeine and alcohol content of edibles and, among other packaging and labelling requirements, require a simplified nutrition facts table on the packaging of edibles. Further, to process, package and label edible cannabis, companies require a federal cannabis processing licence.

Historically, producers of edible cannabis products have struggled to achieve consistent dosing and predictable impacts on the consumer. The Company has entered into a licence agreement with Caliper Foods (formerly Stillwater Foods) which allows the Company to sell Caliper's proprietary patent-pending water-soluble powdered cannabinoid technology, Ripple™, in Canada. This technology, which is tasteless and odourless, can be added to almost any food or beverage to infuse it with THC or CBD and has been shown in preliminary human pharmacokinetic studies to have faster absorption (within 15 minutes) and greater total bioavailability (4.5 times greater) than traditional cannabis oil products.

In early March, the Company released this first to market technology in Canada in its organic cannabinoid dissolvables under the TGOD-Infusers line of premium cannabis products. The Company has already developed novel fast-acting formulations leveraging this technology with its lineup of organic teas and shots and is exploring additional edible products such as chewables, chocolates, baked goods and ready-to-drink beverages.

### *Fresh Cannabis and Seeds*

The Company is currently licensed to sell fresh cannabis plants and seeds to authorized retailers or distributors, federal licensees and Registered Patients. The Company does not plan to

sell seeds at this time and does not have the capacity in its existing facilities to produce fresh cannabis plants for purpose of resale.

### **Core Brands and Products**

In Canada, the Company currently markets certified-organic, premium dried cannabis flower and oil and infusers. The Company plans to expand its product portfolio by launching a series of next-generation cannabis products such as organic teas, infusers and vapes, followed by additional edible products such as chewables, chocolates, baked goods and ready to drink beverages. Through its European subsidiary, HemPoland, the Company also distributes premium hemp CBD oil and CBD-infused topicals in Poland, Germany and the UK.



**The Green Organic Dutchman** – The Green Organic Dutchman is the Company’s premiere premium brand, focusing on certified organic cannabis flower and oil. The brand is distributed through the medical and recreational channels and is targeted at consumers that value superior product quality measures and sustainable cultivation and packaging.



**TGOD Organics** – TGOD Organics is the Company’s brand for organic 2.0 products, such as its infusers, teas, vapes, topicals and edibles, which are currently in development. All TGOD Organics products will be made with certified organic cannabis and organic ingredients.



**CannabiGold** – Cannabigold is brand of food supplements rich in phytocannabinoids naturally present in hemp as well as CBD-infused topicals. CannabiGold contains guaranteed concentrations of CBD and is produced using CO<sub>2</sub> extraction.

### **Intellectual Property**

The Company’s intellectual property consists largely of brands as well as cannabis genetics, trade secrets and know-how. The Company protects its brands through trademark registration and maintains strict confidentiality and other protective measures in respect of its other intellectual property.

### **Cannabis Licence and Applications for Licences**

TGOD was granted a licence under the former *Marihuana for Medical Purposes Regulations* in August 2016, now governed by the Cannabis Act. The licence has been updated a number of times since August 2016. The current licence is dated October 21, 2019. The licence currently allows TGOD to, among other things, possess cannabis; obtain dried cannabis, fresh cannabis, cannabis plants or cannabis plant seeds by cultivating, propagating and harvesting it (standard cultivation); to produce cannabis other than by cultivating, propagating or harvesting it

(standard processing) and sell dried cannabis, cannabis oils and extracts, topicals and edibles (sale for medical purposes and sale to authorized retailers or distributors and federally licensed entities). The term of the licence expires on August 16, 2022.

TGOD has applied for a further amendment to its licence in respect of the recently completed processing facility at the Hamilton Facility. TGOD expects to receive the amendment imminently.

The Company has also secured a licence that allows the possession of cannabis for the purposes of research. The term of that licence expires on February 12, 2025.

On November 22, 2019, Medican Organic received a cultivation licence at the Québec Facility. This licence allows Medican Organic to possess cannabis; obtain dried cannabis, fresh cannabis, cannabis plants or cannabis plant seeds by cultivating, propagating and harvesting cannabis. The term of the licence expires on June 8, 2021. Medican Organic also holds a second licence for its office location in Dorval, Québec that allows sale for medical purposes (without possession). This licence expires on September 20, 2022.

On January 27, 2020, Medican Organic applied for a licence amendment to allow cultivation in a further 22 rooms located in its greenhouse at the Québec Facility and the addition of a standard processing licence class. The Company anticipates receiving the licence amendment before the end of March 2020.

TGOD Hemp holds a cultivation and sales licence permitting it to cultivate industrial hemp for seed, grain, fibre, flower, leaves, branches and plant and to sell such forms of industrial hemp to federally licensed entities. This licence expires on March 29, 2022.

The Company anticipates that Health Canada will renew its licence at the end of their respective terms; however, the Company cannot provide assurances that the licences will be renewed or renewed on the same terms and conditions. See “*Risk Factors*”.

## **The Company’s Facilities**

### *The Hamilton Facility*

The Company completed construction on its indoor grow rooms at the Hamilton Facility, received licensing and became operational in the third quarter of 2019. The construction of its hybrid greenhouse at the Hamilton Facility was completed in the fourth quarter of 2019, with its first harvest in early 2020. The Hamilton Facility contains total laboratory, cultivation and processing space of 166,000 sq. ft., with an estimated annual capacity of 17,500 kgs of dried cannabis. The Hamilton Facility is fully licensed for cultivation and is awaiting a licence amendment for its processing facility, which is expected imminently.

The Hamilton Facility is capable of all aspects of growing, processing, production, testing and storage, including soil preparation, plant production, harvesting, trimming, drying, packaging and potency testing. In addition, the Hamilton Facility has its own dedicated off-grid power generation utilizing natural gas.

### *The Québec Facility*

The Company is constructing a state-of-the-art cultivation and processing facility near Valleyfield, Québec, which has design plans to consist of up to 1,310,000 sq. ft. and be capable of producing 185,000 kgs of dried cannabis annually. To align with developing market demand in Canada, the Company has demarcated the project into smaller phases, to be brought online as the market develops and demand increases. The next phase of the project is to complete six grow zones, which is expected by the end of the first quarter of 2020. Once complete, the six grow zones would be capable of producing 10,000 kgs per year. Production from the Québec Facility will be completed via processing and packaging at the Hamilton Facility. The remainder of the Québec Facility has been enclosed for protection during winter months. Should the market for legal cannabis increase, the Company has retained the optionality to recommence construction and bring additional capacity online as the market dictates, with the next immediate phase bringing the Québec Facility capacity to 65,000 kgs per year.

### **Cannabis Regulatory Framework in Canada**

#### *Summary of the Cannabis Act and Regulations*

On April 13, 2017, the Government of Canada released Bill C-45, *An Act respecting cannabis and to amend the Controlled Drugs and Substances Act, the Criminal Code and other Acts* (the “**Cannabis Act**”), which proposed the enactment of the *Cannabis Act* (Canada) to regulate the production, distribution and sale of cannabis for unqualified adult use. The Cannabis Act came into force on October 17, 2018.

On July 11, 2018, the Federal Government published regulations in the Canada Gazette, Part II, to support the coming into force of the Cannabis Act, including the Cannabis Regulations (“**Cannabis Regulations**”), the new Industrial Hemp Regulations (“**IHR**” and together with the Cannabis Regulations and any other regulations under the Cannabis Act, the “**Regulations**”), along with proposed amendments to the *Narcotic Control Regulations* and certain regulations under the *Food and Drugs Act* (Canada). The Regulations, among other things, outline the rules for the legal cultivation, processing, research, testing, distribution, sale, importation and exportation of cannabis and hemp in Canada, including the various classes of licences that can be granted, and set standards for cannabis and hemp products that became available for legal sale on October 17, 2018.

Given that the Cannabis Act and its Regulations are very new, the impact of such regulatory changes on the Company’s business is unknown. See “*Risk Factors*”.

#### *Adult-Use Cannabis*

The Company participates in the Canadian adult-use recreational market for cannabis. The Cannabis Act provides a licensing scheme for the production, importation, exportation, testing, packaging, labelling, sending, delivery, transportation, sale, possession and disposal of cannabis for nonmedicinal (i.e., adult use) use, implemented by the Regulations.

Below are additional highlights of the Cannabis Act:

- Places restrictions on the amounts of cannabis that individuals can possess and distribute, and on public consumption and use, and prohibits the sale of cannabis unless authorized by the Cannabis Act.
- Permits individuals who are 18 years of age or older to cultivate, propagate, and harvest up to and including four cannabis plants in their dwelling-house, propagated from a seed or plant material authorized by the Cannabis Act.
- Restricts (but does not strictly prohibit) the promotion and display of cannabis, cannabis accessories and services related to cannabinoids to consumers, including restrictions on branding and a prohibition on false or misleading promotion and on sponsorships.
- Permits the informational promotion of cannabis by entities licensed to produce, sell or distribute cannabis in specified circumstances to individuals 18 years and older.
- Introduces packaging and labelling requirements for cannabis and cannabis accessories, and prohibits the sale of cannabis or cannabis accessories that could be appealing to young persons.
- Provides the designated minister with the power to recall any cannabis or class of cannabis on reasonable grounds that such a recall is necessary to protect public health or public safety.
- Establishes a national cannabis tracking system to monitor the movement of cannabis from where it is grown, to where it is processed, to where it is sold.
- Provides powers to inspectors for the purpose of administering and enforcing the Cannabis Act and a system for administrative monetary penalties.

### *Cannabis for Medical Purposes*

As of October 17, 2018, the Cannabis Act and Regulations replaced the *Access to Cannabis for Medical Purposes Regulation* (“ACMPR”) as the governing regulations in respect of the production, sale and distribution of medical cannabis and related oil extracts. Further, as the Cannabis Act is now in force, cannabis is regulated under the Cannabis Act rather than the CDSA.

Part 14 of the Cannabis Regulations sets out the regime for medical cannabis following legalization, which is substantively the same as the ACMPR with adjustments to create consistency with rules for non-medical use, improve patient access, and reduce the risk of abuse within the medical access system. Patients who have the authorization of their healthcare provider continue to have access to cannabis, either purchased directly from a federally licensed entity authorized to sell for medical purposes, or by registering to produce a limited amount of cannabis for their own medical purposes, or designating someone to produce cannabis for them.

### *Industrial Hemp*

The IHR under the *Cannabis Act* replaced the previous *Industrial Hemp Regulations* under the CDSA as of October 17, 2018. The regulatory scheme for industrial hemp production largely



remains the same, however the IHR permits the sale of hemp plants to licensed cannabis producers, and licensing requirements under the new IHR are softened in accordance with the lower risk posed by industrial hemp. The IHR defines industrial hemp as a cannabis plant, or any part of that plant, in which the concentration of THC is 0.3 % w/w or less in the flowering heads and leads.

### *Licences, Permits and Authorizations*

The Cannabis Regulations establish the following classes of licences:

- licence for cultivation;
- licence for processing;
- licence for analytical testing;
- licence for sale;
- licence for research; and
- a cannabis drug licence.

The Regulations also create subclasses for cultivation licences (standard cultivation, micro-cultivation and nursery) and processing licences (standard processing and micro-processing). Different licences and each sub-class therein, carry differing rules and requirements that are intended to be proportional to the public health and safety risks posed by each licence category and each sub-class. Licences that were issued under the ACMPR are deemed to be licences issued under the Cannabis Act. Licences issued under the Cannabis Act have associated expiry dates and are subject to renewal requirements.

### *Security Clearances*

Certain individuals associated with cannabis licensees, including individuals occupying “key positions”, directors, officers, individuals who exercise, or are in a position to exercise, direct control over the corporation licensee, and other individuals identified by the Minister of Health (the “**Minister**”), must hold a valid security clearance issued by the Minister. Under the Regulations, the Minister may refuse to grant security clearances to individuals with associations to organized crime or with past convictions for, or an association with, drug trafficking, corruption or violent offences. This was largely the approach in place under the ACMPR and other related regulations governing the licensed production of cannabis for medical purposes. Individuals who have histories of nonviolent, lower-risk criminal activity (for example, simple possession of cannabis, or small-scale cultivation of cannabis plants) are not precluded from participating in the legal cannabis industry, however, grant of security clearance to such individuals is at the discretion of the Minister and such applications are reviewed on a case-by-case basis.

### *Cannabis Tracking System*

Under the Cannabis Act, the Minister is authorized to establish and maintain a national cannabis tracking system. The purpose of this system is to track cannabis throughout the supply

chain, to help prevent cannabis from being diverted to an illicit market or activity and to help prevent illicit cannabis from being a source of supply of cannabis in the legal market. Pursuant to the Ministry of Health's Cannabis Tracking System Order, a holder of a federal licence for cultivation, a licence for processing or a licence for sale for medical purposes that authorizes the possession of cannabis must report monthly to the Minister with specific information about their authorized activities with cannabis (e.g. cannabis inventory quantities), in the form and manner specified by the Minister. The Order also provides for monthly reporting by provincial bodies and provincially authorized private retailers of certain information in the form and manner specified by the Minister.

### *Cannabis Products*

The Regulations set out the requirements for cannabis products that are permitted for sale at the retail level, including the limit on THC content, permitted ingredients, limit on pest control product residues, as well as microbial and chemical contaminants. As of October 17, 2019, the Cannabis Act and the Regulations permit the sale of the following classes of products: dried cannabis, cannabis oil, fresh cannabis, cannabis plants, cannabis plant seeds, as well as cannabis edibles, cannabis extracts and cannabis topicals.

### *Packaging and Labeling*

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

The Regulations require all cannabis products to be packaged in a manner that is tamper-proof and child-resistant. Strict limits are also imposed on the use of colours, graphics, and other special characteristics of packaging. For example, all-over package coverings must be clear, and the interior surface and exterior surface of any container in which a cannabis product is packaged must be one uniform colour. Cannabis package labels must include specific information, such as (i) product source information, including brand name, the class of cannabis and the name, phone number and email of the licensed processor or cultivator, (ii) mandatory warnings, including rotating health warning messages on Health Canada's list of standard health warnings; (iii) the Health Canada standardized cannabis symbol; and (iv) information specifying THC and CBD content.

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

### *Health Products Containing Cannabis*

Health Canada is taking a scientific, evidenced-based approach for the oversight of health products with cannabis that may be approved with health claims, including prescription and non-prescription drugs, veterinary drugs and medical devices. Under the current regulatory framework, health products are subject to the *Food and Drugs Act* (Canada) and its regulations, and may be additionally regulated by the Cannabis Act and Regulations. For many of these products, pre-market approval from Health Canada is required.

### *Import / Export Permits for Medical or Scientific Purposes*

Part 10 of the Regulations sets out the process by which a federally licensed entity may apply for an import or export permit for medical or scientific purposes, as set out in the Regulations. A permit must be obtained for each shipment of cannabis. An application for an import or export permit must contain specific information including the name and address of the holder, licence number and specifics of the particular shipment including intended use of the cannabis and specific shipment details. The Regulations contain reporting requirements in respect of the import / export of cannabis in reliance of a permit issued under the Regulations.

### *Provincial and Territorial Regulatory Framework for Retail of Recreational Cannabis*

Pursuant to the regulatory framework, each province and territory of Canada may adopt its own laws governing the distribution, sale and consumption of cannabis and cannabis accessory products within the province or territory, permitting for example, provincial and territorial governments to set lower possession limit for individuals and higher age requirements. Currently each of the Canadian provincial and territorial jurisdictions has established a minimum age of 19, except for Québec and Alberta, where the minimum age is 21 and 18, respectively.

Each province and territory is responsible for regulating a retail distribution system for adult-use cannabis in their respective jurisdiction. All Canadian provinces and territories have implemented mechanisms for the distribution and sale of cannabis for recreational purposes within those jurisdictions, and retail models vary between jurisdictions. Provincial/territorial bodies act as intermediaries between entities licensed federally under the Cannabis Act and consumers, such bodies acting in some jurisdictions as exclusive cannabis wholesalers and distributors, and in some instances such bodies acting as exclusive retailers.

Some municipal and regional governments may also choose to impose additional requirements and regulations on the sale of recreational cannabis. Municipal by-laws may restrict the number of recreational cannabis retail outlets that are permitted in a certain geographical area, or restrict the geographical locations wherein such retail outlets may be opened.

There is no assurance the Company will be able to efficiently navigate applicable regulatory frameworks and distribution models or conduct its intended business thereunder. See: “*Risk Factors*”.

**Ontario:** Pursuant to the *Cannabis Control Act, 2017 (Ontario)*, the distribution and retail sale of recreational cannabis is managed through the OCRC, a subsidiary of the LCBO.

Recreational cannabis has been sold on-line through the OCRC operated OCS platform as of October 17, 2018.

On October 17, 2018, the *Cannabis License Act, 2018* (Ontario) became law and other legislation, including the *Cannabis Control Act, 2017*, the *Ontario Cannabis Retail Corporation Act, 2017* and the *Liquor Control Act* were amended to create a private retail framework for the sale of recreational cannabis in Ontario. As of April 1, 2019, recreational cannabis has been available for sale by private retailers that operate brick-and-mortar stores licensed by the AGCO.

The recreational cannabis retail regulatory regime in Ontario has the following requirements and features:

- Private retailers are required to obtain both a retail operator licence and a retail store authorization. Retail store authorizations are only to be issued to persons holding a retail operator licence. Separate retail store authorizations are to be required for each cannabis retail store, but a licensed retail operator may hold more than one retail store authorization and operate multiple stores. Private retailers are not permitted to sell cannabis on-line, but may only sell cannabis in person at an authorized retail store.
- The AGCO is the government entity responsible for issuing retail store authorizations for privately run recreational cannabis stores. Until December 13, 2019, a temporary cap of 25 retail store authorizations was imposed while cannabis supply stabilizes. On July 3, 2019, the Government of Ontario announced its plans for a second allocation of 50 additional cannabis retail store authorizations. The AGCO held a lottery draw for the allocation of 42 retail store authorizations. A separate process governed the allocation of eight retail store authorizations for those who wish to operate a store on a First Nations reserve. On March 2, 2020, the restrictions on the total number of store authorizations permitted in Ontario, and their regional distribution, was revoked. The AGCO has begun accepting applications for retail store authorizations from all interested applicants. There are currently 44 stores in Ontario.
- Retail store operators are only permitted to purchase cannabis from the OCRC, which may set a minimum price for cannabis or classes of cannabis.
- Every authorized cannabis retail store in Ontario must have a licensed retail manager. Anyone who supervises employees, oversees cannabis sales, manages compliance or has signing authority to purchase cannabis, enters into contracts or hires employees is required to have a cannabis retail manager licence.
- Federally licensed producers (and their affiliates) are limited to operating one retail cannabis store in the province, which must be located at the site listed on such producer's federal licence. A broad definition of affiliate is included in the Regulations. An affiliate relationship exists if a corporation beneficially owns or controls voting shares, or securities that may be converted to voting shares, constituting more than 25% of voting rights. If a person, or group acting together, holds 50% voting control for the election of directors or market share of the corporation, they are considered affiliates. Additionally, an affiliate relationship may be established through involvement in a trust, partnership or joint venture,

among others. The definition of affiliate may have the effect of restricting the ability of federally licensed producers from effectively entering into the consumer retail market in Ontario.

- Federally licensed producers are prohibited from providing any material inducement to cannabis retailers for the purpose of increasing the sale of a particular type of cannabis.
- Municipalities and reserve band councils were permitted to opt out of the retail cannabis market by resolution. Municipalities had until January 22, 2019 to pass such by-laws, and several municipalities have formally opted-out of the retail market. Municipalities that opted out can later lift the prohibition on retail cannabis stores by subsequent resolution, which cannot be reversed at a later date. Municipalities may not pass bylaws providing for a further system of licensing over the retail sale of cannabis.

**Manitoba:** The Government of Manitoba has implemented a “hybrid model” for cannabis distribution, whereby supply is secured and tracked by the Manitoba Liquor and Lotteries Corp.; however, licensed private retail stores are also permitted to sell recreational cannabis.

**Alberta:** The Government of Alberta has implemented a cannabis framework providing for the purchase of cannabis products from private retailers that receive their products from a government-regulated distributor, the Alberta Gaming and Liquor Commission, similar to the distribution system currently in place for alcohol in the province. Only licensed retail outlets are permitted to sell cannabis with online sales run by the Alberta Gaming and Liquor Commission.

**New Brunswick:** All recreational cannabis is managed and sold through a network of tightly-controlled, stand-alone Cannabis NB stores managed by the Cannabis Management Corporation, a subsidiary of New Brunswick Liquor Corporation and is available for sale online through the Cannabis NB platform.

**Québec:** All recreational cannabis is managed and sold by SQDC outlets and is available for sale online, the entire process controlled by the SQDC.

**Newfoundland and Labrador:** Recreational cannabis is sold through private stores, with the crown-owned liquor corporation, the Newfoundland and Labrador Liquor Corp. (the “NLC”), issuing private retailer licences and overseeing the distribution to private sellers who may sell to consumers. The NLC also controls the possession, sale and delivery of cannabis, and sets prices. NLC is also the online retailer, although licences may later be issued to private interests.

**Yukon:** Yukon had initially limited the distribution and sale of recreational cannabis to government outlets and government-run online stores, but has since opened up its retail market to permit licensed private retailers in the territory. Cannabis retail licenses are issued by the Cannabis Licensing Board. Authorized retailers must purchase cannabis from the Yukon Liquor Corporation, acting as the wholesaler and distributor in the territory.

**Northwest Territories:** The Northwest Territories Liquor Commission controls the importation and distribution of cannabis, whether through retail outlets or by mail order service run by the commission. Communities in the Northwest Territories are able to hold a plebiscite to prohibit cannabis, similar to the options currently available to restrict alcohol.

**British Columbia:** Recreational cannabis is sold through both public and licensed privately operated stores, with the provincial Liquor and Cannabis Regulation Branch handling wholesale distribution.

**Saskatchewan:** The Government of Saskatchewan implemented a framework in which both wholesale and retail recreational cannabis are conducted by the private sector and regulated by the Saskatchewan Liquor and Gaming Authority (“SLGA”). A number of retail permits have been issued to private stores. Beginning in April 2020, SLGA will accept applications for cannabis retail permits in Saskatchewan communities with populations less than 2,500. In September 2020, SLGA will begin accepting permit applications for stores in all communities in the province. SLGA is currently accepting applications for wholesale cannabis permits as well as federally licensed producer registrations. Permitted wholesalers can sell to permitted retailers and other permitted wholesalers but not to the general public. Wholesale operations must be physically located within Saskatchewan and product can only be sold and distributed within Saskatchewan. Further, only federally licensed producers registered with SLGA will be allowed to sell into the Saskatchewan market.

**Nova Scotia:** The Nova Scotia Liquor Corporation is responsible for the regulation of cannabis in the province, and recreational cannabis is only sold publicly through government-operated storefronts and online sales.

**Prince Edward Island:** Similar to Nova Scotia, Prince Edward Island requires cannabis to be sold publicly, through government stores and online, overseen by the Prince Edward Island Cannabis Management Corporation.

**Nunavut:** Nunavut allows for the sale of cannabis through both public and private retail and online. In Nunavut, a person can submit an application with the Nunavut Liquor and Cannabis Commission for a licence to operate a cannabis store, remote sales store, or cannabis lounge.

Several of the provinces and territories have been actively working to secure supply agreements from existing federally licensed cannabis producers. To date, the Company has entered into supply arrangements with every province, except Quebec, PEI and Nunavut but expect to sell into these provinces in 2020 as well. Supply arrangements with provincial cannabis boards have been negotiated by the Company jointly with its Canadian distribution partner, Velvet.

## **Regulatory Framework Outside of Canada**

Globally, regulations surrounding medicinal and recreational adult-use cannabis are evolving at a rapid pace. In Mexico, pharmacological derivatives of cannabis are legalized in the use of medical applications. In Europe, adult-use cannabis is not legalized; however, Europe is positioned to become the largest medical cannabis market globally. In Latin America, Chile, Colombia and Uruguay have legalized cultivation, while medical use of CBD is legal in Argentina, Chile and Colombia. In Peru and Uruguay, THC content must be less than 1%. In Argentina, Brazil, Chile, Colombia, Peru and Uruguay, pharmaceutical CBD cannabinoids are legal. Uruguay is also the first country to legalize recreational use of cannabis. In the United States, the 2018 Farm Bill was passed in December 2018, removing hemp from the definition of controlled substances under U.S. federal law. The Farm Bill defines hemp as the plant *cannabis sativa L.* and its

derivatives, extracts and cannabinoids with THC content of not more than 0.3% on a dry weight basis.

The Company intends to leverage its Canadian foothold to grow into new international markets as those markets legalize the sale of cannabis and hemp products. In addition to its Canadian business, the Company is adopting an international growth strategy. The Company will conduct business only in jurisdictions where such operations are legally permissible. The Company recognizes that the legal and regulatory requirements in foreign countries in which it operates are different from those in Canada. Prior to commencing any operations in a new country, the Company will partner with its legal counsel and consultants to conduct any required due diligence in order to ensure that it has a sufficient understanding of the legal, political and commercial framework and specific risks associated with operating in any jurisdiction.

### *Denmark*

As of January 1, 2018, the Danish government initiated a trial (“**pilot program**”) permitting doctors to prescribe medical cannabis to a defined patient group. The trial will continue for the next four years and is supported by federal funding. The Danish Medicines Agency issues licences to import “primary” (starter) cannabis products and to cultivate (as of July 1, 2018) and produce approved forms of medical cannabis for wholesale distribution within Denmark (sale at Danish pharmacies). The Danish government initiated a four-year development scheme so that the Danish Medicines Agency authorizes research and development activities in terms of cultivating and handling cannabis, which may form part of the pilot program at a later stage. All medical cannabis production facilities and products are subject to inspection by the Danish Medicines Agency. As of January 1, 2019, export of cannabis bulk and primary products is also included in the pilot program. Exporting activities relating to cannabis bulk or primary products must be in accordance with requirements laid down in the legislation, including obtaining the necessary authorization. The country receiving the cannabis bulk must allow import of cannabis for medicinal use and the company importing the cannabis bulk or primary products must have the necessary authorizations in place according to national requirements in the importing country.

Since being introduced, there has been debate regarding whether the pilot program has provided medical patients with sufficient access to medical cannabis and whether the implementation and evaluation criteria has been sufficiently clear. An overall review and evaluation of the cannabis pilot program is expected to be carried out in May 2020 and the Minister of Health, Magnus Heunicke, has stated he is ready to extend the medical cannabis pilot program if that it is necessary for effective evaluation of the program.

### *Jamaica*

The Cannabis Licensing Authority (the “**CLA**”) was established in Jamaica in 2015 under the *Dangerous Drugs Amendment Act*, with powers to make and oversee the implementation of regulations for licences, permits and other authorizations for the cultivation, processing, distribution, sale and transportation of cannabis for medicinal, scientific and therapeutic purposes. Currently the regulations do not generally allow for the import or export of medical cannabis, subject to obtaining an export permit. Medical cannabis is available to patients with a prescription written by a medical practitioner registered with the Medical Council of Jamaica. Licences, permits

and other authorizations are required for the cultivation, processing, distribution, sale and transportation of medical cannabis. Licence applications are subjected to a rigorous review process and licencees are subject to pre- and post-licence inspection and reporting requirements. Once an applicant completes its post-production building, the CLA inspects for final and full licence approval.

### *Germany*

In March 2017, the German legislature introduced “The Cannabis as Medicine Act” (Gesetz zur Änderung betäubungsmittelrechtlicher und anderer Vorschriften) which regulates the requirements for the marketability of cannabis pharmaceuticals and their inclusion in health insurance plans. Under this Act, statutory insured patients suffering from a severe disease (i.e. life-threatening or seriously affecting quality of life) are entitled to treatment with medicinal cannabis (flowers or extracts in standardized quality) if (i) generally recognized treatment in accordance with medical standards is either not available, or cannot be applied in individual cases according to the justified assessment of the treating physician, and (ii) if there is a not entirely distant prospect of a noticeable positive effect on the course of the disease or on serious symptoms.

Importers of cannabis pharmaceuticals which have not been produced in an EU/EFTA Member State and which shall be distributed in Germany on a commercial or professional basis must apply for an import authorization to the competent health authority in the federal state (Bundesland) in which the importer is based. Generally, the import authorization can be issued for cannabis from cultivations controlled by the State pursuant to the requirements of the 1961 UN Single Convention on Narcotic Drugs. Furthermore, medicinal cannabis products are subject to the marketability requirements under the Medicinal Products Act (Arzneimittelgesetz) which requires a marketing authorization for finished medicinal products issued by the competent Federal Institute for Drugs and Medical Devices (Bundesinstitut für Arzneimittel und Medizinprodukte – “BfArM”). Finally, medicinal cannabis products with a THC concentration of at least 0.2 percent qualify as narcotics under German law and are therefore subject to the authorization requirements under the German Narcotic Drugs Act (Betäubungsmittelgesetz). Under this Act, seller and buyer of medicinal cannabis products must obtain an authorization by the BfArM. Such an authorization has been issued per se for qualified doctors and pharmacists who sell or buy narcotics for the treatment of a patient or in the course of the operation of a pharmacy.

### *Poland*

In Poland, the use of hemp is generally restricted and may be accepted only if certain statutory requirements are met. Polish laws provide specific regulations, depending on the use of the hemp. Pursuant to the *Misuse of Drugs Act*, hemp may be grown solely and exclusively for the needs of the textile, chemical, pulp and paper, food, cosmetic, pharmaceutical and construction industries, as well as for seed production. Buying hemp from a farmer requires a permit from the governor of the province holding territorial jurisdiction over the plantation. Buying and reselling hemp seeds is subject to notification to the appropriate Provincial Inspector of Plant Health and Seed Inspection. Where hemp extracts are used for producing foodstuffs, the production facility must meet the sanitary requirements stipulated under the *Act on the Safety of Food and Nutrition*. The cultivation of cannabis which does not fall within the definition of hemp under the *Misuse of Drugs Act*, i.e. “*plant species Cannabis Sativa L., in which the total content of delta-9-*



*tetrahydrocannabinidiol and tetrahydrocannabinolic acid (delta-9-THC-2-carboxylic acid) in the floral or fructifying tops of the plants, from which resins has not been removed, does not exceed 0.20% of the dry-extract content” is prohibited in Poland.*

### *Mexico*

On June 19, 2017, Mexico enacted certain amendments to the General Health Law of Mexico, allowing the use of cannabis and its derivatives for medicinal purposes that could be commercialized and prescribed by any licensed physician and sold in pharmacies, as long as the products contain less than 1% THC, as well as for the sale of other products with broad industrial uses as long as a cumulative dose of 1% THC is not exceeded. The authority overseeing medicinal cannabis regulations in Mexico is the Mexican Ministry of Health through the Federal Commission for the Protection against Sanitary Risks (“COFEPRIS”). On September 20, 2018, the Federal Commissioner of the COFEPRIS announced the conclusion of the technical review process for the regulation of medicinal cannabis and the upcoming delivery of the regulations to the then Mexican President for ratification; however, such ratification did not occur during the previous administration. On October 30, 2018, the Guidelines on Health Control of Cannabis and its Derivatives were issued by COFEPRIS regulating medicinal cannabis and allowing the sale of food, food supplements, alcoholic and non-alcoholic beverages without a medical prescription, as long as a cumulative dose of 1% THC is not exceeded. Such guidelines were later revoked on March 27, 2019. On August 14, 2019, Mexico’s Supreme Court of Justice resolved an *amparo* trial setting forth an obligation for the Ministry of Health to regulate the medical and therapeutic use of cannabis and its derivatives, in order to guarantee the human right to health to the public at large. On October 18, 2019 a Bill was presented in Congress by the United Commissions of Justice, Health, and Legislative Studies of the Senate (the “**Commissions**”), in order to enact the Law for the Regulation of cannabis and the amendments to certain provisions set forth in the General Health Law and the Criminal Code (the “**Bill**”). On January 9, 2020, the Commissions presented a revised preliminary Bill, which should be discussed and negotiated during the current ordinary sessions that run from February 1st through April 30, 2020. The Bill regulates the following uses of cannabis and its derivatives: personal, recreational, medical and palliative, scientific, research, commercial and industrial. Regarding the medical, therapeutic and palliative uses of cannabis’ derivatives, the Bill authorizes the use and production of cannabis, as well as the import and export of products which contain its derivatives. A specific licence will be needed for carrying out such activities.

### *United States*

“Marijuana” is a Schedule I controlled substance under the United States Controlled Substances Act of 1970. On December 20, 2018, hemp (defined as cannabis with not more than 0.3% THC) was removed from Schedule 1 of the list of controlled substances under United States federal law in accordance with the United States Agriculture Improvement Act of 2018, commonly known as the “2018 Farm Bill”. The 2018 Farm Bill does not affect any other cannabis product and therefore cannabis and cannabis derivatives that do not meet the definition of hemp, and activities involving them, remain illegal under United States federal law. On October 29, 2019, the United States Department of Agriculture (the “USDA”) released an interim final rule for regulations governing hemp production in the United States. The Farm Bill also authorizes individual states to regulate hemp in their jurisdiction by developing and seeking USDA approval

of a regulatory plan. The interim final rule was open to public comment until January 29, 2020. Following review of public comment, the USDA has indicated it intends to publish and implement a final rule governing hemp production. Until the final rule comes into force or state and tribal plans are approved and implemented, the production of hemp remains subject to the provisions of the 2014 Farm Bill, which permits production only for research purposes pursuant to a state pilot program. In addition, notwithstanding the 2018 Farm Bill, the United States Food and Drug Administration (the “FDA”) prohibits cannabis (including hemp) and its derivatives, including cannabidiol (CBD), for use as an ingredient in food and drink. The FDA held a public hearing on May 31, 2019, to obtain input from stakeholders regarding the regulation of products containing cannabis and cannabis derivatives. The FDA has not yet indicated whether its approach to the regulation of such products will change in light of the descheduling of hemp or other developments. In addition, any ingredient derived from hemp in food is subject to the premarket approval requirements applicable to food additives, unless that use is generally recognized as safe (“GRAS”). The FDA has issued letters of no objection to at least three GRAS notices for ingredients derived from hemp seed that contain trace amounts of THC and CBD but has not to date addressed whether hemp-derived THC, CBD or other cannabinoids in non-trace levels are GRAS.

## **Risk Factors**

This section discusses factors relating to the business of Company that should be considered by both existing and potential investors. The information in this section is intended to serve as an overview and should not be considered comprehensive and the Company may face risks and uncertainties not discussed in this section, or not currently known to us, or that we consider to be immaterial. All risks to the Company’s business have the potential to influence its operations in a materially adverse manner.

### **Risks Relating to the Company’s Business**

*The Company’s ability to continue as a going concern.*

The Company incurred net losses of \$195.7 million in the year ended December 31, 2019, \$45.2 million in the year ended December 31, 2018. As at December 31, 2019, the Company’s cash position was \$36.1 million including \$8.6 million in restricted cash related to construction cost holdbacks. The Company’s working capital as at December 31, 2019 was \$14.9 million. The Company’s available funds are expected to fund operations until the end of April 2020, at which time the Company will require additional capital to fund operations. The Company projects Canadian general and administrative expenses of \$19.7 million for the 2020 fiscal year. In addition, in December 2019 the Company closed the first tranche of the Senior Secured Credit Facility. The Company is obligated to make interest payments and comply with other covenants under the Senior Secured Credit Facility, but there is a risk it will be unable to make such payments or comply with such covenants, in which case the lender under the Senior Secured Credit Facility may take steps to enforce its security over substantially all of the assets of the Company. Given these financial circumstances, there is uncertainty as to whether the Company will have the ability to continue as a going concern.

*The Company's ability to raise required additional capital through the sale of equity or debt instruments or the factoring of receivables or otherwise.*

The Company's available funds are expected to fund operations until the end of April 2020, at which time the Company will require additional capital to fund operations. There can be no assurance that such financing may be available or on terms that are acceptable. To date, the Company has relied primarily on the public equity capital markets in Canada in order to raise required capital. There has been a marked cooling off of activity in the Canadian equity capital markets for Canadian Licensed Producers, and the Company's ability to raise equity capital may be adversely impacted. The market for debt capital has likewise tightened. In addition, the Company provided a first charge over substantially all of its assets to the lender under the Senior Secured Credit Facility. Together, these factors may adversely impact the Company's ability to raise debt capital. The Company's inability to raise such capital could result in the delay or indefinite postponement of its current business objectives or in its inability to continue to carry on its business. Furthermore, there is no assurance that the Company would be able to repay the Senior Secured Credit Facility or any further loans or prevent the enforcement of security granted pursuant to the Senior Secured Credit Facility or any other debt financing.

*The Québec Facility is under construction and any delay in construction and/or licensing may have an adverse impact on the Company.*

Construction is subject to a number of risk factors, including the availability and performance of engineering and construction contractors, suppliers and consultants, the receipt of required governmental approvals and permits in connection with the construction of the Québec Facility. Any delay in the performance of any one or more of the contractors, suppliers, consultants or other persons on which the Company is dependent in connection with its construction activities, a delay in or failure to receive the required governmental approvals and permits in a timely manner or on reasonable terms, or a delay in or failure in connection with the completion and successful operation of the operational elements in connection with construction could delay or prevent the construction and start-up of the Québec Facility as planned. There can be no assurance that current or future construction plans implemented by the Company will be successfully completed on time, within budget and without design defect; that personnel and equipment will be available in a timely manner or on reasonable terms to successfully complete construction projects; that the Company will be able to obtain all necessary governmental approvals and permits; or that construction costs, start-up costs and ongoing operating costs will not be significantly higher than anticipated by the Company. Any of the foregoing factors could adversely impact the operations and financial condition of the Company.

*The Company has a limited operating history.*

The Company has a very limited history of operations and as a start-up company, its efforts to grow its business may be more costly than it expects and it may not be able to increase its revenue enough to offset higher operating expenses. As such, the Company is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and limited revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of the Company's success must be considered in light of its early stage of operations.

The Company may incur significant losses in the future for a number of reasons, including as a result of unforeseen expenses, difficulties, complications and delays, the other risks described in this Annual Information Form and other unknown events. The amount of future net losses will depend, in part, on the growth of its future expenses and its ability to generate revenue. Because of the numerous risks and uncertainties associated with producing cannabis and cannabis-derived products, the Company is unable to accurately predict when, or if, it will be able to achieve profitability. Even if it achieves profitability in the future, it may not be able to sustain profitability in subsequent periods. If the Company is unable to achieve and sustain profitability, the market price of its common shares may significantly decrease and its ability to raise capital, expand its business or continue its operations may be impaired.

*The Company may be unable to achieve revenue growth and development.*

The Company is an early stage company attempting to grow its business. The Company's ability to grow will depend on a number of factors, many of which are beyond its control, including, but not limited to, the availability of sufficient capital on suitable terms, changes in laws and regulations respecting the production of cannabis products, competition from other entities licenced under the Cannabis Act, its ability to recruit and retain sufficient experienced personnel and its ability to manage complex international operations. In addition, the Company is subject to a variety of business risks generally associated with developing companies. Future development and expansion could place significant strain on the Company's management personnel and likely will require the Company to recruit additional management personnel, and there is no assurance that it will be able to do so. As its operations grow in size, scope and complexity and as it identifies and pursues new opportunities, the Company may need to increase in scale its infrastructure (financial, management, informational, personnel and otherwise).

In addition, the Company will need to effectively execute on business opportunities and continue to build on and deploy its corporate development and marketing assets as well as access sufficient new capital, as may be required. The ability to successfully complete acquisitions and to capitalize on other growth opportunities may redirect its limited resources and require expansion of its infrastructure. This will require the Company to commit financial, operational and technical resources in advance of an increase in the volume of business, with no assurance that the volume of business will increase. There can be no assurance the Company will be able to respond adequately or quickly enough to the changing demands that material expansion will impose on management, team members and existing infrastructure, and changes to its operating structure may result in increased costs or inefficiencies that it cannot anticipate. Changes as the Company grows may have a negative impact on its operations, and cost increases resulting from its inability to effectively manage its growth could adversely impact its profitability. In addition, continued growth could also strain the Company's ability to maintain reliable service levels for its clients, develop and approve its operational, financial and management controls, enhance its reporting systems and procedures and recruit, train and retain highly-skilled personnel.

Failure to effectively manage growth could result in difficulty or delays in servicing clients, declines in quality or client satisfaction, increases in costs, difficulties in introducing new products or applications or other operational difficulties, and any of these difficulties could adversely impact the Company's business performance and results of operations. There can be no assurance that the Company will effectively be able to manage its expanding operations, including any acquisitions,

that its growth will result in profit, that it will be able to attract and retain sufficient management personnel necessary for growth or that it will be able to successfully make strategic investments or acquisitions.

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

There is a risk that the Company's resources will not be developed on time, on budget, or at all, as development can be adversely affected by a variety of factors, including some that are discussed elsewhere in these "Risk Factors" and the following:

- delays in obtaining, or conditions imposed by, regulatory approvals;
- facility design errors;
- environmental pollution; non-performance by third party contractors; increases in materials or labour costs; construction performance falling below expected levels of output or efficiency;
- breakdown, aging or failure of equipment or processes;
- contractor or operator errors;
- operational inefficiencies;
- labour disputes, disruptions or declines in productivity; inability to attract sufficient numbers of qualified workers; disruption in the supply of energy and utilities; and
- major incidents and/or catastrophic events such as fires, explosions, storms, or physical attacks.

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

In the past, the Company has experienced changes in its operating plans and delays in its plans. If this were to occur again in the future, the Company's revenue, net income and cash flow may differ materially from the Company's projected revenue, net income and cash flow. The process for estimating the Company's revenue, net income and cash flow requires the use of judgment in determining the appropriate assumptions and estimates. These estimates and assumptions may be revised as additional information becomes available and as additional analyses are performed. In addition, the assumptions used in planning may not prove to be accurate, and other factors may affect the Company's financial condition or results of operations.

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

The Company expects to incur significant ongoing costs and obligations related to its investment in infrastructure and growth and for regulatory compliance, which could have a material adverse impact on the Company's results of operations, financial condition and cash flows. In addition, future changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company. The Company's efforts to grow its business may be costlier than expected, and it 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, including the other risks described in this Annual Information Form, 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 adult-use cannabis market in Canada is a relatively new industry.*

As a Licensed Producer under the Cannabis Act, the Company is operating in a relatively new industry and market. In addition to being subject to general business risks, the Company must continue to build brand awareness in this industry and market share through significant investments in its strategy, production capacity, quality assurance and compliance with regulations. In addition, there is no assurance that the industry and market will continue to exist and grow as currently estimated or anticipated or function and evolve in the manner consistent with management's expectations and assumptions. Any event or circumstance that adversely affects the cannabis industry, such as the imposition of further restrictions on sales and marketing or further restrictions on sales in certain areas and markets could have a material adverse effect on the Company's business financial conditions and results of operations.

Although the Company is committed to researching and developing new markets and products and improving existing products, there can be no assurances that such research and market development activities will prove profitable or that the resulting markets and/or products, if any, will be commercially viable or successfully produced and marketed. The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the cannabis industry domestically in Canada and in other international jurisdictions.

*The adult-use cannabis market in Canada may experience supply and demand fluctuations that could result in revenue and price decreases.*

Since the legalization of cannabis, there have been periods of significant over- and under-supply in the Canadian adult-use market. In addition, demand for cannabis products is dependent on a number of social, political and economic factors that are beyond the Company's control. The initial demand that has been experienced following legalization may not continue at comparable levels or may not be sustainable as a portion of such demand may have been a result of the novelty of legalization. As a result, the available supply of cannabis could exceed demand, resulting in a significant decline in the market price for cannabis. Conversely, the Company may be unable to

meet demand levels. If supply/demand imbalances occur and persist, the Company may be unable to generate sufficient revenue from the sale of adult-use cannabis to be profitable.

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

Because the cannabis industry is in a nascent stage, 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 is subject to changes in laws, regulations and guidelines which could adversely affect the Company's future business, financial condition and results of operations.*

The Company's operations will be subject to various laws, regulations and guidelines relating to the manufacture, management, packaging/labelling, advertising, sale, transportation, storage and disposal of cannabis but also including laws and regulations relating to drugs, controlled substances, health and safety, the conduct of operations and the protection of the environment, among other areas. Changes to any such laws, regulations and guidelines due to matters beyond the control of the Company may adversely impact the business, financial condition and results of operations of the Company. The Company endeavours to comply with all relevant laws, regulations and guidelines. To the best of the Company's knowledge, the Company is in material compliance with all such laws, regulations and guidelines.

*The Company's CBD business in Europe is subject to evolving approaches to the regulation of CBD by the European Union, its member states, and the United Kingdom.*

In February 2019, the entry regarding cannabinoids in the novel food catalogue of the European Union was updated to state that extracts of *cannabis sativa L.* and derived products containing cannabinoids are considered novel foods, meaning that they were not consumed by humans in the European Union to a significant degree before May 15, 1997. This applies to both the extracts themselves and any products to which they are added as an ingredient. As a result, European Union member states may determine that extracts of *cannabis sativa L.* and derived products containing cannabinoids, such as those produced by HemPoland, may not be sold within their territories without novel food authorization issued by the European Commission. The United Kingdom's Food Standards Agency has recently announced a deadline of March 31, 2021 for all CBD products currently on the market in the UK to submit novel food authorization applications. Further developments from the ESFA or national regulatory bodies with respect to regulation of *cannabis sativa L.* and its extracts, whether in the novel food catalogue or otherwise, could result in a material adverse effect on the Company's business, financial condition and results of operation.

*The Company's business is dependent on key supply chains which could be adversely disrupted by a number of factors including, among others, major health issues or pandemics.*

The Company and its suppliers may be affected by, among other things, disruptions related to major health issues or pandemics, increases in labor and fuel costs, labor disputes and disruptions, regulatory changes, political or economic instability or civil unrest, natural disasters, trade restrictions, tariffs, transport capacity and costs and other factors relating to trade. In particular, major health issues and pandemics, such as the global impact of the coronavirus, have and may impact commerce and travel and may adversely affect trade and global and local economies. Given the ongoing and dynamic nature of the circumstances, it is difficult to predict the impact of the coronavirus outbreak on the Company's business. These factors that are beyond the Company's control, may adversely affect the Company and its suppliers or cause disruptions to their and the Company's businesses and may impact their ability to supply to the Company.

*The Company is reliant on regulatory approvals and cultivation licences for its ability to grow, process, package, store and sell cannabis and other products derived therefrom, and these regulatory approvals are subject to ongoing compliance requirements, reporting obligations and fixed terms requiring renewal.*

The Company is dependent upon its licences for its ability to grow, store and sell cannabis and other permitted products derived therefrom and the licences are subject to ongoing compliance, reporting requirements and renewal. See "*Material Contracts*".

The licences are subject to ongoing compliance, reporting requirements and renewal. Although the Company believes it will meet the requirements of the *Cannabis Act* for future renewals of its licences, there can be no guarantee that Health Canada will renew the licences or, if renewed, renewed on the same or similar terms or that Health Canada will not revoke the licences. Should the Company fail to comply with the requirements of the licences or should Health Canada not renew the licences when required, or renew the licences on different terms or revoke the licences, there would be a material adverse effect on the Company's business, financial condition and results of operations.

Other government licences are currently, and in the future may be, required in connection with the Company's operations, in addition to other unknown permits and approvals which may be required. To the extent such permits and approvals are required and not obtained, the Company may be prevented from operating and/or expanding its business, which could have a material adverse effect on the Company's business, financial condition and results of operations. Moreover, there is no assurance of new licences or approvals from Health Canada or any other regulatory authority.

Prior to the expiry of any licence, the Company must submit to Health Canada an application for renewal containing information prescribed by the *Cannabis Act*. Failure to comply with the requirements of the licences or any failure to renew the licences would have a material adverse impact on the business, financial condition, results of operations and prospects of the Company. There can be no guarantee that Health Canada will renew the Company's licences, or that such renewals will occur in a timely fashion or on terms similar to the Company's existing licences or otherwise acceptable to the Company and its business. Should Health Canada not renew or amend the Company's licences, delay the renewal or amendment of its licences or renew or amend licences on different terms, the expectations of management with respect to the increased



future cultivation and growing capacity may not be borne out and the business, financial condition, results of operations and prospects of the Company could be materially adversely affected.

The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain the necessary regulatory approvals will significantly delay the development of the Company's markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company.

*Any failure on the Company's part to comply with applicable regulations could prevent it from being able to carry on its business and there may be additional costs associated with any such failure.*

The Company's business activities are heavily regulated in all jurisdictions where it carries on business. Its operations are subject to various laws, regulations and guidelines by governmental authorities (including Health Canada) relating to the cultivation, processing, manufacture, marketing, management, distribution, transportation, storage, sale, packaging, labelling, pricing and disposal of cannabis and hemp products, and also including laws and regulations relating to health and safety, insurance coverage, the conduct of operations and the protection of the environment. Laws and regulations, applied generally, grant government agencies and self-regulatory bodies broad administrative discretion over the Company's activities, including the power to limit or restrict business activities as well as impose additional disclosure requirements on its products and services.

Health Canada inspectors routinely assess the Company's facilities for compliance with applicable regulatory requirements. Furthermore, the import and export of its products from and into any jurisdiction is subject to the regulatory requirements of each such jurisdiction. Any failure by the Company to comply with the applicable regulatory requirements could require extensive changes to its operations; result in regulatory or agency proceedings or investigations, increased compliance costs, damage awards, civil or criminal fines or penalties or restrictions on its operations; harm its reputation or give rise to material liabilities or a revocation of its licences and other permits. There can be no assurance that any pending or future regulatory or agency proceedings, investigations or audits will not result in substantial costs, a diversion of management's attention and resources or other adverse consequences to the Company and its business.

Achievement of the Company's business objectives is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and obtaining all necessary regulatory approvals for the cultivation, processing, production, storage, distribution, transportation, sale, import and export, as applicable, of its products. Any failure to comply with the regulatory requirements applicable to its operations may lead to possible sanctions including the revocation or imposition of additional conditions on licences to operate its business; the suspension or expulsion from a particular market or jurisdiction or of its key personnel; the imposition of additional or more stringent inspection, testing and reporting requirements; and the imposition of fines and censures. In addition, changes in regulations, government or judicial interpretation of regulations, or more vigorous enforcement thereof or other unanticipated events

could require extensive changes to the Company's operations, increase compliance costs or give rise to material liabilities or a revocation of its licences and other permits, which could have a material adverse effect on its business, results of operations and financial condition. Furthermore, governmental authorities may change their administration, application or enforcement procedures at any time, which may adversely impact the Company's ongoing costs relating to regulatory compliance.

*Under Canadian regulations, a Licensed Producer of cannabis is restricted regarding the type and form of marketing it can undertake which could materially impact sales performance.*

The development of the Company's business and operating results may be hindered by applicable restrictions on production, sales and marketing activities imposed on the Company and other entities licensed under the Cannabis Act by Health Canada and the Cannabis Act. All products distributed by the Company into the Canadian adult-use market need to comply with requirements under Canadian legislation, including with respect to product formats, product packaging and labelling, and marketing activities around such products. Among other restrictions, the Cannabis Act prohibits testimonials and endorsements, lifestyle branding, and promotion that is appealing to young persons. As such, the Company's portfolio of brands and products must be specifically adapted, and its marketing activities carefully structured, to enable the Company to develop its brands in an effective and compliant manner. If the Company is unable to effectively market its cannabis products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its cannabis products, then the Company's sales and operating results could be adversely affected.

*The Company intends to target a premium segment of the adult-use cannabis market, which may not materialize, or in which it may not be able to develop or maintain a brand that attracts or retains customers.*

The Company intends to target a portion of the adult-use cannabis market comprising users who are seeking premium products; however, such a market may not materialize or be sustainable. If this market does materialize, the Company may not be successful in creating and maintaining consumer perceptions in the value of its premium products. Among other restrictions, the Cannabis Act prohibits testimonials and endorsements, lifestyle branding, and promotion that is appealing to young persons. The restrictions on advertising, marketing and the use of logos and brand names, and other restrictions on advertising imposed by Canadian federal or provincial laws or regulations, or similar regulations imposed in other jurisdictions, may prevent the Company from establishing itself as a premium producer. If the Company cannot successfully enter into or compete in the premium market, it may face significant challenges in gaining or maintaining a market share in Canada or in other cannabis markets in which it intends to operate, or it may be forced to sell at a lower price, either of which could have a material adverse effect on its business, financial condition, results of operations and prospects.

The Company's success depends, in part, on its ability to attract and retain customers. To do this, the Company is dependent upon, among other things, continually producing desirable and effective products and the continued growth in the aggregate number of customers using adult-use cannabis. The Company has made significant investments in enhancing its brand and attracting new customers. It expects to continue to make significant investments to promote its current

products to new customers and new products to current and new customers. Such campaigns can be expensive and may not result in increased sales. If the Company is unable to attract new customers, it may not be able to increase its sales.

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

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

*The Company may be unsuccessful in competing in the overall legal adult-use cannabis market in Canada and any other countries it intends to operate in.*

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

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

The Company will also face competition from existing entities licensed under the Cannabis Act. Certain of these competitors have significantly greater financial, production, marketing, research and development and technical and human resources than the Company does. As a result, the Company's competitors may be more successful in gaining market penetration and market share. The Company's commercial opportunity in the adult-use market could be reduced or eliminated if its competitors produce and commercialize products for the adult-use market that, among other things, are safer, more effective, more convenient or less expensive than the products that it may produce, have greater sales, marketing and distribution support than the Company's products, enjoy enhanced timing of market introduction and perceived effectiveness advantages over the Company's products and receive more favorable publicity than the Company's products.

If the Company's adult-use products do not achieve an adequate level of acceptance by the adult-use market, it may not generate sufficient revenue from these products, and its adult-use business may not become profitable.

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

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

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

*The Company, or the cannabis industry more generally, may receive unfavorable publicity or become subject to negative consumer or investor perception.*

The Company believes that the cannabis and CBD industries are highly dependent upon positive consumer and investor perception regarding the benefits, safety, efficacy and quality of the cannabis or CBD product distributed to consumers. Such categories of products having previously been commonly associated with various other narcotics, violence and criminal activities, there is a risk that the Company's business might attract negative publicity. Perception of the cannabis or CBD industry and cannabis or CBD products, currently and in the future, may be significantly influenced by scientific research or findings, regulatory investigations or proceedings, regulatory enforcement activities, litigation, political statements, media attention and other publicity (whether or not accurate or with merit) both in Canada and in other countries relating to the consumption of cannabis or CBD products, including unexpected safety or efficacy concerns arising with respect to cannabis or CBD products or the activities of industry participants.

There can be no assurance that future scientific research, findings, regulatory investigations or proceedings, regulatory enforcement activities, litigation, political statements, media attention or other research findings or publicity will be favorable to the cannabis or CBD markets or any particular cannabis or CBD product or will be consistent with earlier publicity. Adverse future scientific research reports, findings, regulatory investigations or proceedings, and political statements, that are, or litigation, media attention or other publicity that is, perceived as less favorable than, or that questions, earlier research reports, findings or publicity (whether or not accurate or with merit) could result in a significant reduction in the demand for the Company's cannabis or CBD products. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis and CBD, the Company's current or future products,

the use of cannabis or CBD for medical purposes or associating the consumption of cannabis or CBD with illness or other negative effects or events, could adversely affect the Company. This adverse publicity could arise even if the adverse effects associated with cannabis or CBD products resulted from consumers' failure to use such products legally, appropriately or as directed.

There is also a risk that the actions of other entities licensed under the Cannabis Act or of companies and service providers in the cannabis or CBD industries may negatively affect the reputation of the industry as a whole and thereby negatively impact the Company's reputation. 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 negative opinions and views in regards to the Company's activities and the cannabis and CBD industries in general, 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 or the cannabis or CBD industry is perceived by others. Reputational issues may result in decreased investor confidence, increased challenges in developing and maintaining community relations and present 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.

*The Company's products may not have, or may not be perceived to have, the effects intended by the end user.*

If the products the Company sells are not perceived to have the effects intended by the end user, its business may suffer. There is little long-term data with respect to efficacy, unknown side effects and/or interaction with individual human biochemistry of various cannabis products. As a result, the Company's products could have certain side effects if not taken as directed or if taken by an end user that has certain known or unknown medical conditions.

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

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

*If the Company is unable to develop and market new products, such as beverages, it may not be able to keep pace with market developments.*

The cannabis industry is in its early stages and it is likely that the Company and its competitors will seek to introduce new products in the future, including, among other product categories, cannabis-infused beverages. In attempting to keep pace with any new market

developments, the Company will need to expend significant amounts of capital in order to successfully develop and generate revenues from new products. The Company may also be required to obtain additional regulatory approvals from Health Canada and other applicable authorities which may take significant time. The Company may not be successful in developing new products, bringing such products to market in time to be effectively commercialized, or obtaining any required regulatory approvals, which together with capital expenditures made in the course of such product development and regulatory approval processes, may have a material adverse effect on the Company's business, financial condition, results of operations and prospects. With respect to cannabis-infused beverages, the Company will face significant competition, including from larger Canadian Licensed Producers who have partnered with well-established beverage producers. To the extent that the Company is unable to compete in the beverage market effectively, its growth prospects may be materially hindered.

*There has been limited study on the health effects of cannabis products, including CBD, and future clinical research studies may lead to conclusions that dispute or conflict with the Company's understanding and belief regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of such products.*

Research in Canada, the United States and internationally regarding the medical benefits, viability, safety, efficacy and dosing of cannabis or isolated cannabinoids, such as CBD and THC, remains in relatively early stages. There have been few clinical trials on the benefits of cannabis or isolated cannabinoids conducted by the Company or by others.

Future research and clinical trials may draw opposing conclusions to statements contained in the articles, reports and studies currently favored, or could reach different or negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing or other facts and perceptions related to medical cannabis, which could adversely affect social acceptance of cannabis and the demand for the Company's medical cannabis products.

*Consumer preferences may change and the Company may be unsuccessful in retaining customers.*

As a result of changing consumer preferences, many products attain financial success for a limited period of time. Even if the Company's products find retail success, there can be no assurance that any of its products will continue to see extended financial success. The Company's success will be significantly dependent upon its ability to develop new and improved product lines. Even if it is successful in introducing new products or developing its current products, a failure to gain consumer acceptance or to update products with compelling content could cause a decline in the Company's products' popularity that could reduce revenues and harm its business, operating results and financial condition. Failure to introduce new features and product lines and to achieve and sustain market acceptance could result in the Company being unable to meet consumer preferences and generate revenue which would have a material adverse effect on its profitability and financial results from operations.

The Company's success depends on its ability to attract and retain customers. There are many factors which could impact its ability to attract and retain customers, including but not limited to its ability to continually produce desirable and effective products, the successful implementation of its customer acquisition plan and the continued growth in the aggregate number of potential

customers. The Company's failure to acquire and retain customers could have a material adverse effect on its business, operating results and financial position.

*Trade of cannabis for non-medicinal purposes within Canada may be restricted by the Canadian Free Trade Agreement.*

Article 1206 of the *Canadian Free Trade Agreement* specifically excludes the application of the agreement to cannabis for non-medical purposes. Article 1206 states that the provinces and territories of Canada shall commence negotiations regarding the application of the Canada Free Trade Agreement to cannabis for non-medical purposes following Royal Assent of federal legislation legalizing cannabis for non-medical purposes. There is a risk that the outcome of the negotiations will result in the interprovincial and interterritorial trade of cannabis for non-medical purposes in Canada being entirely restricted or subject to conditions that will negatively impact the Company's ability to sell cannabis in other provinces and territories.

*The Company is exposed to risks relating to the laws of various international jurisdictions as a result of its planned international operations.*

The Company currently operates in or plans to operate in various international jurisdictions, including Poland, Denmark, Germany, Jamaica, and Mexico. As a result of these expansions, the Company may become exposed to various levels of political, economic, legal and other risks and uncertainties associated with operating in or exporting to these jurisdictions. These risks and uncertainties include, but are not limited to, changes in the laws, regulations and policies governing the production, sale and use of cannabis, cannabis-based products, hemp, CBD, political instability, currency controls, fluctuations in currency exchange rates and rates of inflation, labor unrest, changes in taxation laws, regulations and policies, restrictions on foreign exchange and repatriation and changing political conditions and governmental regulations relating to foreign investment and the cannabis, hemp and CBD businesses more generally.

Changes, if any, in the laws, regulations and policies relating to the advertising, production, sale and use of cannabis and cannabis-based products or in the general economic policies in these jurisdictions, or shifts in political attitude related thereto, may adversely affect the operations or profitability of the Company's international operations in these countries. Specifically, the Company's operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on advertising, production, price controls, export controls, controls on currency remittance, increased income taxes, restrictions on foreign investment, land and water use restrictions and government policies rewarding contracts to local competitors or requiring domestic producers or vendors to purchase supplies from a particular jurisdiction. Failure to comply strictly with applicable laws, regulations and local practices could result in additional taxes, costs, civil or criminal fines or penalties or other expenses being levied on the Company's international operations, as well as other potential adverse consequences such as the loss of necessary permits or governmental approvals.

*The Company must rely on international advisors and consultants in the foreign countries in which it intends to operate.*

The legal and regulatory requirements in the foreign countries in which the Company intends to operate with respect to the cultivation and sale of cannabis, banking systems and controls, as well as local business culture and practices are different from those in Canada. The Company's officers and directors must rely, to a great extent, on local legal counsel and consultants in order to keep abreast of material legal, regulatory and governmental developments as they pertain to and affect its business operations, and to assist with governmental relations. The Company must rely, to some extent, on those members of management and the board of directors who have previous experience working and conducting business in these countries, if any, in order to enhance its understanding of and appreciation for the local business culture and practices. The Company also relies on the advice of local experts and professionals in connection with current and new regulations that develop in respect of the cultivation and sale of cannabis as well as in respect of banking, financing, labor, litigation and tax matters in these jurisdictions. Any developments or changes in such legal, regulatory or governmental requirements or in local business practices are beyond the Company's control. The impact of any such changes may adversely affect the Company's business.

*The Company is required to comply concurrently with federal, state or provincial, and local laws in each jurisdiction where it operates or to which it exports its products.*

Various federal, state or provincial and local laws govern the Company's business in the jurisdictions in which it operates or proposes to operate, or to which it exports or proposes to export its products, including laws and regulations relating to health and safety, conduct of operations and the production, management, transportation, storage and disposal of the Company's products and of certain material used in its operations. Compliance with these laws and regulations requires concurrent compliance with complex federal, provincial or state and local laws. These laws change frequently and may be difficult to interpret and apply. Compliance with these laws and regulations requires the investment of significant financial and managerial resources, and a determination that the Company is not in compliance with these laws and regulations could harm its brand image and business. Moreover, it is impossible for the Company to predict the cost or effect of such laws, regulations or guidelines upon future operations of the Company. Changes to these laws or regulations could negatively affect its competitive position within the industry and the markets in which it operates, and there is no assurance that various levels of government in the jurisdictions in which the Company operates will not pass legislation or regulation that adversely impacts its business.

*The hemp and CBD industries and markets are new and heavily regulated with rules subject to rapidly changing laws and uncertainty, compliance with which may come with significant cost.*

Continued development of the hemp and CBD industries will be dependent upon new legislative authorization of such products. Any number of events or occurrences could slow or halt progress all together in these industries. While the progress of the hemp and CBD product industries is currently encouraging, growth of such industries is not assured. Numerous factors may impact or negatively affect the lawmaking process within the various jurisdictions where the Company has business interests. Any one of these factors could slow or halt the use of hemp or CBD, which could negatively impact the Company's business and possibly cause the Company to discontinue operations as a whole.



In Canada, the new IHR under the Cannabis Act replaced the previous Industrial Hemp Regulations under the Controlled Drugs and Substances Act on October 17, 2018. The regulatory scheme for industrial hemp largely remains the same, however the IHR permits the sale of hemp plants to federally licensed cannabis processors, and licensing requirements were softened in accordance with the perceived lower risk posed by industrial hemp. The IHR defines industrial hemp as a cannabis plant, or any part of that plant, in which the concentration of THC is 0.3 % w/w or less in the flowering heads and leads. In Canada, products containing concentrated or extracted CBD are subject to the Cannabis Act and Regulations.

In the EU, legislative approaches to the regulation of CBD products vary country by country, including local regulations with respect to THC content, and continue to evolve; however, EU-wide rules require hemp to contain no more than 0.2% THC. There is no assurance that any EU country will authorize or continue to authorize exports, imports, cultivation or production of hemp or CBD products. If any of these local laws or regulations prevent or discourage the Company from achieving its business goals, they may have an adverse effect upon the Company's operations or restrict its ability to sell products in the future.

The shifting compliance environment and the need to build and maintain robust systems to comply with different regulations in multiple jurisdictions increases the possibility that the Company may violate one or more of the requirements. If the Company's operations are found to be in violation of any of such laws or any other governmental regulations that apply to the Company, it may be subject to penalties, including, without limitation, civil and criminal penalties, damages, fines, the curtailment or restructuring of its operations, any of which could adversely affect the ability to operate its business and its financial results.

*The hemp and CBD products industries and markets in Canada, the EU, Jamaica and Mexico are also subject to many of the same risks as the adult-use cannabis industry and market.*

The hemp and CBD products industries and markets in Canada, the EU, Jamaica and Mexico are subject to certain risks that are unique to these products, as well as many of the same risks that are applicable to the adult-use cannabis industry, including risks related to the need for regulatory approvals, the early status and uncertain growth of these industries, the general agricultural risks and the competition the Company expects to face in these industries.

If any of these shared risks occur, the Company's business, financial condition, results of operations and prospects could be adversely affected in a number of ways, including by its inability to successfully compete in the hemp and CBD industries and by its being subject to fines, damage awards and other penalties as a result of regulatory infractions or other claims brought against the Company.

#### *Risk of ownership in the Québec Facility*

There can be no assurance that the Company will receive the required approvals from CPTAQ in order to acquire the Valleyfield Land in a timely manner or at all. Failure to receive the necessary approvals could have an adverse effect on the business and financial results of the Company.

Additionally, in certain limited circumstances, the Company may have the obligation to purchase the shares of the majority shareholders of Québec Subco regardless of whether the CPTAQ has granted its approval. The Company believes, however, that the time provided to proceed with such purchase (one or two years, depending on the situation) would be sufficient to establish an alternate ownership structure that would comply with the requirements of the Québec Act. If the Company is unable to establish an alternate ownership structure, it could face forfeiture of the Valleyfield Land.

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

The Company's success has depended and continues to depend upon its ability to attract and retain key management, including the Company's CEO, technical experts and sales personnel. The Company will attempt to enhance its management and technical expertise by continuing to recruit qualified individuals who possess desired skills and experience in certain targeted areas. The Company's inability to retain employees and attract and retain sufficient additional employees or engineering and technical support resources could have a material adverse effect on the Company's business, results of operations, sales, cash flow or financial condition. Shortages in qualified personnel or the loss of key personnel could adversely affect the financial condition of the Company, results of operations of the business and could limit the Company's ability to develop and market its cannabis-related products. The loss of any of the Company's senior management or key employees could materially adversely affect the Company's ability to execute 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 its employees.

Further, each director and officer of a company that holds a licence for cultivation, processing or sale under the Cannabis Regulations is subject to the requirement to obtain and maintain a security clearance under the Cannabis Regulations. Certain additional key personnel are also required to obtain and maintain a security clearance. Under the Cannabis Regulations, a security clearance cannot be valid for more than five years and must be renewed before the expiry of a current security clearance. There is no assurance that any of the Company's existing personnel who presently or may in the future require a security clearance will be able to obtain or renew such clearances or that new personnel who require a security clearance will be able to obtain one. A failure by an individual in a key operational position to maintain or renew his or her security clearance could result in a reduction or complete suspension of the Company's operations.

If an individual in a key operational position leaves the Company, and it is unable to find a suitable replacement who is able to obtain a security clearance required by the Cannabis Act in a timely manner, or at all, the Company may not be able to conduct its operations at planned production volume levels or at all. The Cannabis Regulations require the Company to designate a senior person in charge (SPIC) and a qualified person in charge (QPIC). The SPIC has overall responsibility for the management of the cannabis activities authorized under the licence. The QPIC must work at the licensed site and is responsible for supervising the authorized cannabis activities and ensuring regulation compliance, and must meet certain educational requirements. If the Company's current designated SPIC and QPIC fail to maintain their security clearance, or if its current designated SPIC and QPIC leave and it is unable to find a suitable replacement who

meets these requirements, the Company may no longer be able to conduct activities with respect to cannabis.

*The Company has entered into and may seek to enter into strategic alliances including contractual relationships, joint ventures, selective acquisitions, licensing arrangements or other relationships, or expand the scope of currently existing relationships, with third parties that the Company believes will have a beneficial impact, and there are risks that such strategic alliances or expansions of the Company's currently existing relationships may not enhance its business in the desired manner.*

The Company currently has, and may expand the scope of, and may in the future enter into, strategic alliances including contractual relationships, joint ventures, selective acquisitions, licensing arrangements or other relationships with third parties that it believes will complement or augment its existing business. The Company's ability to complete further such strategic alliances is dependent upon, and may be limited by, among other things, the availability of suitable candidates and capital. In addition, strategic alliances could present unforeseen integration obstacles or costs, may not enhance the Company's business and may involve risks that could adversely affect the Company, including the investment of significant amounts of management time that may be diverted from operations in order to pursue and complete such transactions or maintain such strategic alliances. Future strategic alliances could result in the incurrence of debt, costs and contingent liabilities, and there can be no assurance that future strategic alliances will achieve, or that the Company's existing strategic alliances will continue to achieve, the expected benefits to its business or that it will be able to consummate future strategic alliances on satisfactory terms, or at all.

*The Company may not be able to successfully identify and execute future acquisitions or dispositions or successfully manage the impacts of such transactions on its operations.*

The Company expects to selectively seek strategic acquisitions in the future. The Company's ability to identify, consummate and integrate effectively any future potential acquisitions on terms that are favorable to it may be limited by the number of attractive acquisition targets, internal demands on its resources and, to the extent necessary, its ability to obtain financing on satisfactory terms, if at all. Acquisitions may expose the Company to additional risks including difficulties in integrating administrative, financial reporting, operational and information systems and managing newly acquired operations and improving their operating efficiency, difficulties in maintaining uniform standards, controls, procedures and policies through all of the Company's operations, entry into markets in which the Company has little or no direct experience; difficulties in retaining key employees of the acquired operations; and disruptions to its ongoing business. In addition, future acquisitions could result in the incurrence of additional debt, costs, and contingent liabilities to the Company. The Company may also incur costs for and divert management attention to potential acquisitions that are never consummated. For acquisitions that are consummated, expected synergies may not materialize. The Company's failure to effectively address any of these issues could have a material adverse effect on its business, financial condition, results of operations and cash flows in the future.

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

The Company grows cannabis which is an agricultural process. As such, its business is subject to the risks inherent in the agricultural business, including risks of crop failure presented by weather, insects, fire, plant diseases and similar agricultural risks. Although the Company currently grows its products indoors under climate controlled conditions, there can be no assurance that natural elements, such as insects and plant diseases, will not entirely interrupt its production activities or have an adverse effect on its business. In addition, cannabis plants can be vulnerable to various pathogens including bacteria, fungi, viruses and other miscellaneous pathogens. Such instances often lead to reduced crop quality, stunted growth and/or death of the plant. Moreover, cannabis is phytoremediative meaning that it may extract toxins or other undesirable chemicals or compounds from the ground in which it is planted. Various regulatory agencies have established maximum limits for pathogens, toxins, chemicals and other compounds that may be present in agricultural materials. If the Company's cannabis is found to have levels of pathogens, toxins, chemicals or other undesirable compounds that exceed established limits, the Company's product may not be suitable for commercialization and the Company may have to destroy the applicable portions of its crops. Crops loss due to pathogens, toxins, chemicals or other undesirable compounds may have a material adverse effect on the Company's business and financial condition.

*The Company is reliant on key inputs, such as water and utilities, and any interruption of these services could have a material adverse effect on the Company's finances and operation results. The Company is also dependent on access to skilled labour, equipment and parts.*

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

The ability of the Company to compete and grow will be dependent on having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that the Company will be successful in maintaining the required supply of skilled labour, equipment, parts and components. It is also possible that the expansion plans contemplated by the Company may cost more than anticipated, in which circumstance the Company may curtail, or extend timeframes for completing the expansion plans. This could have a material adverse effect on the financial results and operations of the Company.

*The Company is vulnerable to rising energy costs.*

The Company's cannabis cultivation operations consume considerable energy, including electricity and natural gas, making the Company vulnerable to rising energy costs, including as a result of regulatory systems that impose a levy or additional price on the distribution or use of

carbon-intensive energy sources. Rising or volatile energy costs may adversely impact the business of the Company and its ability to operate profitably.

*The Company's quality control systems may not operate effectively.*

The quality and safety of the Company's products are critical to the success of its business and operations. As such, it is imperative that the Company's (and its service providers') quality control systems operate effectively and successfully. Quality control systems can be negatively impacted by the design of the quality control systems, the quality training program, and adherence by employees to quality control guidelines. Although the Company strives to ensure that all of its service providers have implemented and adhere to high caliber quality control systems, any significant failure or deterioration of such quality control systems could have a material adverse effect on the business and operating results of the Company.

*The Company's cannabis products may be subject to recalls for a variety of reasons, which could require it to expend significant management and capital resources.*

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including public health and public safety risks, product defects, such as contamination or mould, adulteration, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. Such defects may arise due to the fault of the Company or as a result of a faulty input to the Company's products. In addition, as a producer of organic cannabis, a recall could arise because any supplier of inputs to the Company failed to adhere to organic standards. If any of the Company's products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention.

Although the Company has detailed procedures in place for testing finished cannabis products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits, whether frivolous or otherwise. Additionally, if one of the Company's significant brands were subject to recall, the image of that brand and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

While the Company has not been subject to a recall to date, if any of the cannabis products produced by the Company are recalled in the future due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. As a result of any such recall, it may lose a significant amount of sales and may not be able to replace those sales at an acceptable

margin or at all. In addition, a product recall may require significant management attention or damage the Company's reputation and goodwill or that of its products or brands.

Any product recall affecting the cannabis industry more broadly, whether or not involving the Company, could also lead consumers to lose confidence in the safety and security of the products sold by entities licensed under the Cannabis Act generally, including products sold by the Company.

*The Company faces an inherent risk of exposure to product liability.*

As a cultivator, manufacturer and distributor of products designed to be ingested by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss, injury or death. The Company may be subject to these types of claims due to allegations that its products caused or contributed to injury, illness or death, made false, misleading or impermissible claims, failed to include adequate labelling and instructions for use or failed to include adequate warnings concerning possible side effects or interactions with other substances. In addition, the cultivation, manufacture and sale of the Company's products involve the risk of injury to consumers due to tampering by unauthorized third parties, product contamination or mould. Previously unknown adverse reactions resulting from human consumption of the Company's products alone or in combination with other medications or substances may result from, among other causes, inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. The manufacture and sale of cannabis products, like the manufacture and sale of any ingested or consumable product, involves a risk of injury to consumers due to tampering by unauthorized third parties or product contamination. The Company may in the future have to recall certain of its cannabis products as a result of potential contamination and quality assurance concerns. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the results of operations and financial condition of the Company.

There can be no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company's potential products. As of the current date, the Company has insurance coverage for product liabilities as required by the supply agreement with Ontario Cannabis Retail Corporation.

*The Company's operations are subject to safety, health and environmental laws and regulations applicable to its operations and industry in the various jurisdictions in which it operates, and it may be held liable for any breaches of those laws and regulations.*

Safety, health and environmental laws and regulations affect nearly all aspects of the Company's operations, including product development, working conditions, waste disposal, emission controls, the maintenance of air and water quality standards and land reclamation, and, with respect to environmental laws and regulations, impose limitations on the generation,

transportation, storage and disposal of solid and hazardous waste and the emission, discharge and release of hazardous substances. Environmental laws and regulations to address climate change may also impose a levy or additional price on the distribution or use of carbon-intensive fuels, such as natural gas, which are required in connection with the Company's operations. Environmental laws and regulations also require the Company to obtain and maintain in good standing environmental approvals and permits application to the Company's operations.

Compliance with safety, health and environmental laws and regulations can require significant capital and operating expenditures, and failure to comply with such safety, health and environmental laws may result in enforcement actions and other actions, orders and proceeding thereunder, including the imposition of fines and penalties, the temporary or permanent suspension of operations, and the imposition of clean-up costs resulting from contaminated properties. The Company may also be required to compensate those suffering loss or damage due to safety, health or environmental incidents relating to the Company's operations. Furthermore, to the extent environmental approvals and permits are required and not obtained, the Company may also be curtailed or prohibited from its proposed business activities or from proceeding with the development of its operations as currently proposed. Exposure to these liabilities may arise in connection with the Company's existing operations, its historical operations and any operations that may in the future cease to operate or be sold to third parties. The Company could also be held liable for worker exposure to hazardous substances and for accidents causing injury or death. There can be no assurance that the Company will at all times be in compliance with all safety, health and environmental laws and regulations notwithstanding its attempts to comply with such laws and regulations.

Changes in applicable safety, health and environmental laws and regulations may impose stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. The Company is not able to determine the specific impact that future changes in safety, health and environmental laws and regulations may have on the Company's industry, operations and/or activities and its resulting financial position; however, it anticipates that capital expenditures and operating expenses will increase in the future as a result of the implementation of new and increasingly stringent safety, health and environmental laws and regulations, including more stringent requirements to obtain necessary permits in relation thereto.

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

The Company is exposed to the risk that its employees, independent contractors, consultants, service providers and licensors may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or activities that violate: (i) government regulations, specifically Health Canada regulations; (ii) manufacturing standards; (iii) the Cannabis Act and the Cannabis Regulations; (iv) provincial cannabis laws and regulations; (v) federal and provincial healthcare fraud and abuse laws and regulations; (vi) laws that require the true, complete and accurate reporting of financial information or data; or (vii) the terms of the Company's agreements with insurers. In particular, the Company could be exposed to class action and other litigation, increased Health Canada inspections and

related sanctions, lost sales and revenue or reputational damage as a result of prohibited activities that are undertaken in the growing or production process of the Company's products without its knowledge or permission and contrary to its internal policies, procedures and operating requirements.

It is not always possible for the Company to identify and prevent 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 may become subject to litigation in the ordinary course of business.*

The Company may become subject to litigation from time to time in the ordinary course of business, some of which may adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating, the value or market price for the common shares and could require the use of significant resources. Even if the Company is involved in litigation and is ultimately successful, litigation can require the redirection of significant resources. Litigation may also create a negative perception of the Company's brand.

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

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

The Company has not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that the Company will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result,



cyber-security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber-threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

*The Company may be exposed to liability or the threat of liability in relation to the use of customer information and other personal and confidential information*

The Company collects, processes, maintains and uses data, including sensitive personal information on individuals, available to it through online activities and other customer interactions with its business. The Company's current and future marketing programs may depend on its ability to collect, maintain and use this information, and its ability to do so is subject to evolving laws and enforcement trends in Canada and other jurisdictions. The Company strives to comply with all applicable laws and other legal obligations relating to privacy, data protection and customer protection, including those relating to the use of medical information and data for marketing purposes. It is possible, however, that these requirements may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another, conflict with other rules, conflict with the Company's practices or fail to be observed by its employees or business partners. If so, the Company may suffer damage to its reputation and be subject to proceedings or actions against it by governmental entities or others. Any such proceeding or action could hurt its reputation, force it to spend significant amounts to defend its practices, distract its management or otherwise have an adverse effect on its business.

Certain marketing practices of the Company rely upon e-mail, social media and other means of digital communication to communicate with consumers on its behalf. The Company may face risk if its use of e-mail, social media or other means of digital communication is found to violate applicable laws. The Company posts its privacy policy and practices concerning the use and disclosure of user data on its website. Any failure by the Company to comply with its posted privacy policy, anti-spam legislation or other privacy-related laws and regulations could result in proceedings which could potentially harm its business. In addition, as data privacy and marketing laws change, the Company may incur additional costs to ensure it remains in compliance. If applicable data privacy and marketing laws become more restrictive at the international, federal, provincial or state levels, the Company's compliance costs may increase, its ability to effectively engage customers via personalized marketing may decrease, its investment in its e-commerce platform may not be fully realized, its opportunities for growth may be curtailed by its compliance burden and its potential reputational harm or liability for security breaches may increase.

*The Company may be subject to risks related to the protection and enforcement of its intellectual property rights, or intellectual property it licenses from others, and may become subject to allegations that it or its licensors are in violation of intellectual property rights of third parties.*

The ownership, licensing and protection of trademarks and other intellectual property rights are significant aspects of the Company's future success.

It is possible that the Company will not be able to register, maintain registration for or enforce all of its intellectual property, including trademarks, in all key jurisdictions. The

intellectual property registration process can be expensive and time-consuming, and the Company may not be able to file and prosecute all necessary or desirable intellectual property applications at a reasonable cost or in a timely manner or may obtain intellectual property registrations which are invalid. It is also possible that the Company will fail to identify patentable aspects of inventions made in the course of their development and commercialization activities before it is too late to obtain patent protection for them. Further, changes in either intellectual property laws or interpretation of intellectual property laws in Canada, and other countries may diminish the value of the Company's intellectual property rights or narrow the scope of its intellectual property protection. As a result, the Company's current or future intellectual property portfolio may not provide it with sufficient rights to protect its business, including its products, processes and brands.

Termination or limitation of the scope of any intellectual property licence may restrict or delay or eliminate the Company's ability to develop and commercialize its products, which could adversely affect its business. The Company cannot guarantee that any third-party technology it licenses will not be unenforceable or licensed to its competitors or used by others. In the future, the Company may need to obtain licences, renew existing licence agreements in place at such time or otherwise replace existing technology. The Company is unable to predict whether these licence agreements can be obtained or renewed or the technology can be replaced on acceptable terms, or at all.

Unauthorized parties may attempt to replicate or otherwise obtain and use the Company's products, brands and technology. Policing the unauthorized use of the Company's current or future trademarks, patents or other intellectual property rights could be difficult, expensive, time consuming and unpredictable, as may be enforcing these rights against unauthorized use by others. Identifying the unauthorized use of intellectual property rights is difficult as the Company may be unable to effectively monitor and evaluate the products being distributed by its competitors, including parties such as unlicensed dispensaries and black-market participants, and the processes used to produce such products. In addition, in any infringement proceeding, some or all of the Company's trademarks or other intellectual property rights or other proprietary know-how, or those it licenses from others, or arrangements or agreements seeking to protect the same for the Company's benefit, may be found invalid, unenforceable, anti-competitive or not infringed; may be interpreted narrowly; or could put existing intellectual property applications at risk of not being issued.

In addition, other parties may claim that the Company's products, or those it licenses from others, infringe on their intellectual property, including their proprietary or patent protected rights. Such claims, whether or not meritorious, may result in the expenditure of significant financial and managerial resources and legal fees, result in injunctions or temporary restraining orders or require the payment of damages. As well, the Company may need to obtain licences from third parties who allege that it has infringed on their lawful rights. Such licences may not be available on terms acceptable to the Company, or at all. In addition, the Company may not be able to obtain or utilize on terms that are favorable to it, or at all, licences or other rights with respect to intellectual property that the Company does not own.

The Company also relies on certain trade secrets, technical know-how and proprietary information that are not protected by patents to maintain its competitive position. The Company's trade secrets, technical know-how and proprietary information, which are not protected by patents,

may become known to or be independently developed by competitors, which could adversely affect the Company.

*The Company may be subject to breaches of security at its facilities.*

Given the nature of the Company's product and the limited legal channels for distribution, as well as the concentration of inventory in its facilities, despite meeting or exceeding Health Canada's security requirements, there remains a risk of shrinkage as well as theft and other security breaches. A security breach at one of the Company's facilities could result in a significant loss of available product and could expose the Company to additional liability under applicable regulations and to potentially costly litigation, increase expenses relating to the resolution and future prevention of these breaches and may deter potential patients from choosing the Company's products, any of which could have an adverse effect on the Company's business, financial condition, results of operations and prospects.

*The Company may incur additional indebtedness.*

The Company may finance future activities wholly or partially with debt, which may 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.

*Management may not be able to successfully implement adequate internal controls over financial reporting.*

Proper systems of internal control over financial reporting and disclosure are critical to the operation of a public company. However, the Company does not expect that its internal control over financial reporting and disclosure will prevent all errors and remove all risk of fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of such controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected in a timely manner or at all. If the Company cannot provide reliable financial reports or prevent fraud, its reputation and operating results could be materially adversely affected, which could cause investors to lose confidence in the Company and its reported financial information, which in turn could result in a reduction in the value of its common shares.

*If the Company has a material weakness in its internal controls over financial reporting, investors could lose confidence in the reliability of the Company's financial statements, which could result in a decrease in the value of the Company's securities.*

One or more material weaknesses in the Company's internal controls over financial reporting could occur or be identified in the future. In addition, because of inherent limitations, the Company's internal controls over financial reporting may not prevent or detect misstatements, and

any projections of any evaluation of effectiveness of internal controls to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the Company's policies or procedures may deteriorate. If the Company fails to maintain the adequacy of its internal controls, including any failure or difficulty in implementing required new or improved controls, its business and results of operations could be harmed, the Company may not be able to provide reasonable assurance as to its financial results or meet its reporting obligations and there could be a material adverse effect on the price of its securities.

*The Company has negative operating cash flow.*

There is no guarantee that the Company will ever become profitable. The Company currently has a negative operating cash flow and that may continue to have that for the foreseeable future. To date, the Company has only recently generated revenues and a large portion of the Company's expenses are fixed, including expenses related to facilities, equipment, contractual commitments and personnel. As a result, the Company expects its net losses from operations will at least continue in the short term. The Company's ability to generate additional revenues and potential to become profitable will depend largely on its ability to cultivate, manufacture and market its products. There can be no assurance that any such events will occur or that the Company will ever become profitable. Even if the Company does achieve profitability, it cannot predict the level of such profitability. If the Company sustains losses over an extended period of time, it may be unable to continue its business.

*The Company may be subject to credit risk.*

Credit risk is the risk that the counterparty to a financial instrument fails to meet its contractual obligations, resulting in a financial loss to the Company. There are no assurances that the Company's counterparties or customers will meet their contractual obligations to the Company.

*Tax and accounting requirements may change in ways that are unforeseen to the Company and it may face difficulty or be unable to implement or comply with any such changes.*

The Company is subject to numerous tax and accounting requirements, and changes in existing accounting or taxation rules or practices, or varying interpretations of current rules or practices, could have a significant adverse effect on its financial results, the manner in which it conducts its business or the marketability of any of its products. The Company currently has international operations and may to expand such operations in the future. These operations, and any expansion thereto, will require the Company to comply with the tax laws and regulations of multiple jurisdictions, which may vary substantially. Complying with the tax laws of these jurisdictions can be time consuming and expensive and could potentially subject the Company to penalties and fees in the future if it was to fail to comply.

*Fluctuations in foreign currency exchange rates could harm the Company's results of operations.*

The Company may be exposed to fluctuations of the Canadian dollar against certain other currencies because it publishes its financial statements in Canadian dollars, while a portion of its assets, liabilities, revenues and costs are or will be denominated in other currencies. Exchange rates for currencies of the countries in which the Company intends to operate may fluctuate in

relation to the Canadian dollar, and such fluctuations may have a material adverse effect on the Company's earnings or assets when translating foreign currency into Canadian dollars.

*U.S. border officials could deny entry into the U.S. to employees of or investors in companies with cannabis operations in the United States and Canada.*

Because cannabis remains illegal under U.S. federal law, those employed at or investing in legal and licenced Canadian cannabis companies could face detention, denial of entry or lifetime bans from the U.S. for their business associations with U.S. cannabis businesses. Entry happens at the sole discretion of CBP officers on duty, and these officers have wide latitude to ask questions to determine the admissibility of a foreign national. The government of Canada has started warning travelers on its website that previous use of cannabis, or any substance prohibited by U.S. federal laws, could mean denial of entry to the U.S. Business or financial involvement in the legal cannabis industry in Canada or in the United States could also be reason enough for U.S. border guards to deny entry. On September 21, 2018, CBP released a statement outlining its current position with respect to enforcement of the laws of the United States. It stated that Canada's legalization of cannabis will not change CBP enforcement of United States laws regarding controlled substances and because cannabis continues to be a controlled substance under United States law, working in or facilitating the proliferation of the legal marijuana industry in U.S. states where it is deemed legal or Canada may affect admissibility to the U.S. As a result, CBP has affirmed that employees, directors, officers, managers and investors of companies involved in business activities related to cannabis in the U.S. or Canada (such as the Company), who are not U.S. citizens face the risk of being barred from entry into the United States for life. On October 9, 2018, CBP released an additional statement regarding the admissibility of Canadian citizens working in the legal cannabis industry. CBP stated that a Canadian citizen working in or facilitating the proliferation of the legal cannabis industry in Canada coming into the U.S. for reasons unrelated to the cannabis industry will generally be admissible to the U.S.; however, if such person is found to be coming into the U.S. for reasons related to the cannabis industry, such person may be deemed inadmissible.

## **Risks Related to the Ownership of the Common Shares**

*The price of the Common Shares in public markets may experience significant fluctuations.*

The market price for the Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control, including the following: (i) actual or anticipated fluctuations in its quarterly results of operations; (ii) recommendations by securities research analysts; (iii) changes in the economic performance or market valuations of other issuers that investors deem comparable to the Company; (iv) the addition or departure of the Company's executive officers and other key personnel; (v) the release or expiration of lock-up or other transfer restrictions on the Common Shares; (vi) sales or perceived sales, or expectation of future sales, of the Common Shares; (vii) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors; and (viii) news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Company's industry or target markets.

Financial markets have recently experienced significant price and volume fluctuations which have affected the market prices of equity securities of public entities. In many cases, these fluctuations, and the effect that they have on market prices, have been unrelated to the operating performance, underlying asset values or prospects of such entities. Accordingly, the market price of the Common Shares may decline even if the Company's operating results or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed not to be temporary, which may result in impairment losses to the Company. Furthermore, certain investors may base their investment decisions on considerations of the Company's environmental, governance and social practices or the Company's industry as a whole, and its performance in these areas against such institutions' respective investment guidelines and criteria. The failure to satisfy such criteria may result in limited or no investment in the Common Shares by those institutions, which could materially adversely affect the trading price of the Common Shares.

There can be no assurance that continuing fluctuations in the price and volume of equity securities will not occur. If such increased levels of volatility and market turmoil continue for a protracted period of time, there could be a material adverse effect on the trading price of the Common Shares.

*If securities or industry analysts do not continue to publish research, or publish inaccurate or unfavourable research, about the Company's business, the Common Share price and trading volume could decline.*

The trading market for the Common Shares will depend, in part, on the research and reports that securities or industry analysts publish about the Company or its business. The Company does not have any control over these analysts. Securities and industry analysts do not currently, and may never, publish research on the Company. If no securities or industry analysts commence coverage of the Company, the trading price for the Common Shares would likely be negatively impacted. In the event securities or industry analysts initiate coverage, if one or more of the analysts who cover the Company downgrade the Common Shares or publish inaccurate or unfavorable research about its business, the Company's share price would likely decline. In addition, if the Company's operating results fail to meet the forecast of analysts, its share price would likely decline. If one or more of these analysts cease coverage of the Company or fail to publish reports on the Company regularly, demand for the Common Shares could decrease, which might cause the Common Share price and trading volume to decline.

*The Company continues to sell shares for cash to fund operations, expansion, and mergers and acquisitions that will dilute the current shareholders.*

The continued development of the Company will require additional financing. 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 New 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.

*It is not anticipated that any dividends will be paid to holders of Common Shares for the foreseeable future.*

The Company intends to retain earnings, if any, to finance the growth and development of its business and does not intend to pay cash dividends on the Common Shares in the foreseeable future. The payment of future cash dividends, if any, will be reviewed periodically by the Board and will depend upon, among other things, conditions then existing including earnings, financial condition and capital requirements, restrictions in financing agreements, business opportunities and conditions and other factors.

### **DIVIDENDS AND DISTRIBUTIONS**

The Company has not declared any cash dividends or distributions for any of its securities and no such dividends or distributions are contemplated for the current financial year. There are no restrictions that prevent the Company from paying dividends on its Common Shares. The Company has neither declared nor paid any dividends on its shares and it is not contemplated that the Company will pay dividends in the immediate or foreseeable future. The Company currently intends to retain future earnings, if any, to finance the expansion of its business and does not anticipate paying dividends in the foreseeable future. Any future decision to pay dividends on the Company's Common Shares will be made by the Board on the basis of the earnings, financial requirements and other conditions existing at such time.

### **DESCRIPTION OF CAPITAL STRUCTURE**

#### *Common Shares*

The authorized share capital of the Company consists of an unlimited number of Common Shares without par value. As at December 31, 2019, 312,733,244 Common Shares were issued and outstanding as fully paid and non-assessable common shares.

The holders of Common Shares are entitled to dividends as and when declared by the Board, to one vote per share at meetings of shareholders of the Company and, upon liquidation, to receive such assets of the Company as are distributable to the holders of Common Shares after payment of the Company's creditors. There are no pre-emptive rights or conversion rights attached to the Common Shares. There are also no redemption, retraction or purchase for cancellation or surrender provisions, sinking or purchase fund provisions, or any provisions as to the modification, amendment or variation of any such rights or provisions attached to the Common Shares.

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

*Warrants*

The following table sets forth all share purchase warrants to purchase securities of the Company that are outstanding as of December 31, 2019:

<b>Number of Warrants</b>	<b>Exercise Price</b>	<b>Expiry Date</b>	<b>Number of Common Shares into which Warrants may be Exercised</b>
15,092,363	\$7.00	May 2, 2020	15,092,363
130,250	\$3.00	October 2, 2020	130,250
34,477,515	\$3.00	February 21, 2021	34,477,515
12,592,500	\$9.00	April 19, 2021	12,592,500
1,955,000	\$9.50	June 26, 2021	1,955,000
20,608,000	\$1.00	December 19, 2022	20,608,000
7,000,000	\$1.00	December 20, 2022	7,000,000

*Options*

The following table sets forth all Options that are outstanding as of December 31, 2019:

<b>Grant Date</b>	<b>Exercise price</b>	<b>Expiry Date</b>	<b>Number of Options Outstanding</b>
February 7, 2017	\$ 0.50	February 6, 2020	1,526,532
June 1, 2017	\$ 1.15	June 1, 2020	797,000
October 2, 2017	\$ 1.15	October 2, 2020	1,552,000
January 8, 2018	\$ 1.65	January 8, 2021	400,000
January 12, 2018	\$ 1.65	January 12, 2021	20,400
March 28, 2018	\$ 3.65	March 28, 2021	4,411,667
May 28, 2018	\$ 4.12	May 28, 2023	83,333
June 25, 2018	\$ 6.91	June 25, 2023	80,000



June 26, 2018	\$ 6.83	June 26, 2023	200,000
August 2, 2018	\$ 5.50	August 2, 2023	210,000
August 13, 2018	\$ 5.25	August 13, 2023	550,000
September 7, 2018	\$ 6.20	September 7, 2023	25,000
October 1, 2018	\$ 6.75	September 1, 2023	250,000
October 9, 2018	\$ 6.37	October 9, 2023	160,000
October 22, 2018	\$ 4.93	October 22, 2023	75,000
October 25, 2018	\$ 4.53	October 25, 2023	450,000
November 9, 2018	\$ 3.82	November 9, 2023	75,000
December 4, 2018	\$ 3.22	December 4, 2023	25,000
December 14, 2018	\$ 3.08	December 14, 2023	75,000
January 8, 2019	\$ 2.67	January 8, 2024	600,000
January 14, 2019	\$ 2.76	January 14, 2024	600,000
January 21, 2019	\$ 2.99	January 21, 2024	75,000
January 28, 2019	\$ 3.41	January 28, 2024	200,000
February 1, 2019	\$ 3.77	February 1, 2024	75,000
March 4, 2019	\$ 4.09	March 4, 2024	75,000
March 11, 2019	\$ 4.30	March 11, 2024	210,000
March 12, 2019	\$ 4.37	March 12, 2024	50,000
March 18, 2019	\$ 4.42	March 18, 2024	50,000
March 22, 2019	\$ 5.13	March 22, 2024	2,601,667
April 8, 2019	\$ 4.47	April 8, 2024	50,000

April 15, 2019	\$ 4.24	April 15, 2024	50,000
May 13, 2019	\$ 4.11	May 13, 2024	150,000
May 21, 2019	\$ 3.86	May 21, 2024	50,000
August 16, 2019	\$ 3.30	August 16, 2024	819,000
August 21, 2019	\$ 3.10	August 21, 2024	500,000
November 18, 2019	\$ 0.83	November 18, 2024	776,000

*Restricted Share Units and Convertible Units*

<b>Date of issuance</b>	<b>Type of security issued</b>	<b>Number of securities issued</b>	<b>Exercise Price per security</b>
January 14, 2019	Restricted Share Units <sup>(1)</sup>	54,348	N/A
May 31, 2019	Convertible Units <sup>(2)</sup>	74,074	N/A

Note:

- (1) Issued to an employee upon joining the Company in accordance with the Company's share-based compensation plans.
- (2) Issued in connection with the A/S Knud Jepsen joint ventures. The convertible units will convert into Common Shares as follows: (i) on April 19, 2020, 24,691 convertible units will convert into Common Shares; (ii) on April 19, 2021, 24,691 convertible units will convert into Common Shares; and (iii) on April 19, 2021, 24,692 convertible units will convert into Common Shares.

*Escrowed Share Units*

The Company issued 1,968,323 restricted share units to the former shareholders of HemPoland as part of the total consideration on acquisition.

*Contingent Share Units*

Also as part of the HemPoland acquisition, the Company is required to issue up to 3,047,723 contingent share units that are exercisable into Common Shares or cash, contingent on the achievement of certain earnings goals by the end of fiscal 2021.

## MARKET FOR SECURITIES

As at December 31, 2019, the Company's Common Shares and the November Offering Warrants and December 2019 Offering Warrants were listed and posted for trading on the Toronto Stock Exchange.

### *Common Shares*

<b>Month</b>	<b>High</b>	<b>Low</b>	<b>Volume</b>
January 2019	4.32	2.41	112,544,415
February 2019	4.09	3.06	75,644,263
March 2019	5.81	3.98	133,438,126
April 2019	4.89	3.90	58,744,381
May 2019	4.63	3.50	44,360,358
June 2019	3.77	3.10	24,891,535
July 2019	3.40	2.64	22,952,034
August 2019	3.69	2.82	32,072,580
September 2019	3.53	2.02	52,705,199
October 2019	2.09	0.91	79,373,615
November 2019	1.23	0.62	103,612,385
December 2019	0.85	0.67	52,910,000
<b>Source:</b> TMX Datalinx			

### *November Offering Warrants*

<b>Month</b>	<b>High</b>	<b>Low</b>	<b>Volume</b>
January 2019	1.65	1.02	1,141,000
February 2019	1.71	1.40	1,140,600
March 2019	2.52	1.80	2,775,870
April 2019	2.28	1.82	1,058,950
May 2019	2.23	1.51	1,625,325
June 2019	1.68	1.30	322,096
July 2019	1.44	1.07	235,251
August 2019	1.68	1.09	203,352
September 2019	1.32	0.73	1,105,460

Month	High	Low	Volume
October 2019	0.74	0.27	2,434,970
November 2019	0.35	0.16	1,437,954
December 2019	0.28	0.095	364,763
<b>Source:</b> TMX Datalinx			

*December 2019 Warrants*

Month	High	Low	Volume
December 2019	0.17	0.165	5,017,940
<b>Source:</b> TMX Datalinx			

**PRIOR SALES**

During the financial year ended December 31, 2019, the Company issued the following securities convertible into Common Shares but which are not listed or quoted on a marketplace:

*Warrants*

*December 2019 Broker Warrants*

Date of issuance	Type of security issued	Number of securities issued	Exercise Price per security
December 19, 2019	Warrants	2,208,000	\$1.00

*Lender Warrants*

Date of issuance	Type of security issued	Number of securities issued	Exercise Price per security
December 20, 2019	Warrants	7,000,000	\$1.00

*Stock Options*

Date of issuance	Type of security issued	Number of securities issued	Exercise Price per security
January 8, 2019	Options	600,000	\$2.67
January 14, 2019	Options	600,000	\$2.76
January 21, 2019	Options	75,000	\$2.99
January 28, 2019	Options	200,000	\$3.41
February 1, 2019	Options	75,000	\$3.77
March 4, 2019	Options	75,000	\$4.09
March 11, 2019	Options	210,000	\$4.30
March 12, 2019	Options	50,000	\$4.37
March 18, 2019	Options	50,000	\$4.42
March 19, 2019	Options	50,000	\$4.74
March 22, 2019	Options	2,750,000	\$5.13
April 8, 2019	Options	50,000	\$4.47
April 15, 2019	Options	50,000	\$4.24
May 13, 2019	Options	150,000	\$4.11
May 21, 2019	Options	50,000	\$3.86
August 16, 2019	Options	861,000	\$3.30
August 21, 2019	Options	500,000	\$3.10
November 18, 2019	Options	776,000	\$0.83

*Restricted Share Units and Convertible Units*

<b>Date of issuance</b>	<b>Type of security issued</b>	<b>Number of securities issued</b>	<b>Exercise Price per security</b>
January 14, 2019	Restricted Share Units <sup>(1)</sup>	54,348	N/A
May 31, 2019	Convertible Units <sup>(2)</sup>	74,074	N/A

Note:

- (1) Issued to an employee upon joining the Company in accordance with the Company's share-based compensation plans.
- (2) Issued in connection with the A/S Knud Jepsen joint ventures. The convertible units will convert into Common Shares as follows: (i) on April 19, 2020, 24,691 convertible units will convert into Common Shares; (ii) on April 19, 2021, 24,691 convertible units will convert into Common Shares; and (iii) on April 19, 2021, 24,692 convertible units will convert into Common Shares.

## SUBSEQUENT SALES

The following tables summarize details of the securities issued by the Company during the period subsequent to December 31, 2019 and up to the date of this Annual Information Form.

### *Common Shares*

Date of issuance	Issued pursuant to exercise of:	Number of securities issued	Exercise Price per security
January 3, 2020	Options	400,000	\$0.50
January 7, 2020	Warrants	500	\$1.00
January 30, 2020	Options	70,000	\$0.50
January 31, 2020	Options	66,400	\$0.50
February 5, 2020	Options	48,000	\$0.50
February 6, 2020	Options	64,000	\$0.50
February 7, 2020	Options	60,800	\$0.50
February 10, 2020	Options	48,000	\$0.50
February 14, 2020	Options	90,400	\$0.50
March 12, 2020	RSUs <sup>(1)</sup>	27,174	-

Notes:

(1) Restricted Share Units (“RSUs”)

The following tables summarize details of the securities convertible into Common Shares issued by the Company during the period subsequent to December 31, 2019 and up to the date of this Annual Information Form.

Date of issuance	Type of security issued	Number of securities issued	Exercise Price per security
March 13, 2020	Options	2,722,000	\$0.37
March 13, 2020	RSUs	2,550,000	-

## ESCROWED SECURITIES

### Pooling Agreements

Certain directors, executive officers and shareholders of the Company (the “**Pooled Shareholders**”) have entered into pooling agreements (the “**Pooling Agreements**”) with the Company pursuant to which the Pooled Shareholders have agreed to deposit the securities of the Company which they hold with Computershare until they are released in accordance with the Pooling Agreements. Under the Pooling Agreements, the Pooled Shareholder cannot deal with their securities until the 42<sup>nd</sup> month after the Listing Date; provided, however, 10% of the Pooled Shareholder’s securities were released on the date that 6 months after the Listing Date, and an additional 15% of the securities will be released every 6 months thereafter. Approximately 4.4.% of the Common Shares are subject to Pooling Agreements.

### Securities Subject to Contractual Resale Restrictions

The following table sets out the securities of the Company that are subject to contractual resale restrictions, including securities subject to the Pooling Agreements.

Designation of Class	Number of Securities Subject to Contractual Resale Restrictions	Percentage of Class
Common Shares <sup>(1)</sup>	18,929,480	4.4%

Note:

(1)The securities were issued under the accredited investor, friends, family and close business associates and the offering memorandum exemptions from the prospectus requirements.



## DIRECTORS AND OFFICERS

### Name, Occupation and Security Holding

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

Name, Province or State and Country of Residence	Positions with the Company	Date of Appointment	Principal Occupation Within the Past Five Years <sup>(1)</sup>
Jeffrey James Scott <sup>(2)</sup> <sup>(3)</sup> <sup>(4)</sup> Calgary, Alberta	Director	January 2, 2018	President of Postell Energy Co. Ltd., a private oil and gas production company since June 2001. Founder and former Chairman of Gran Tierra Energy (GTE.TO) from February 2005 to June 2015.
	Chairman of the Board	July 1, 2018	
Marc Bertrand <sup>(2)</sup> <sup>(3)</sup> Hudson, Québec	Director	September 19, 2017	President of PHAZTOO Inc. since May 2014; President and Chief Executive Officer of Mega Brands Inc. from November 2002 to April 2014.
Caroline MacCallum Vancouver, British Columbia	Director	January 7, 2019	Physician/MD since 2009. Dr. MacCallum is an internal medicine specialist with expertise in pain. Since 2013 she has been a researcher and clinical instructor with the Department of Medicine at UBC. She is also the medical director at Greenleaf Medical Clinic, where she has practiced cannabinoid medicine since 2015.
Jacques Dessureault <sup>(2)</sup> <sup>(4)</sup> Montreal, Quebec	Director	January 7, 2019	Since July 2017 an independent businessman in the life science industry and Director, Optina Diagnostics. From November 2012 to June 2017, President and General Manager Valeant Canada's commercial units including research and development and international

Name, Province or State and Country of Residence	Positions with the Company	Date of Appointment	Principal Occupation Within the Past Five Years <sup>(1)</sup>
			manufacturing and technical operations
Nicholas Kirton <sup>(3)</sup> <sup>(4)</sup> Calgary, Alberta	Director and Chairman of the Audit Committee	January 31, 2018	Chartered Professional Accountant; Independent businessman and corporate director; audit committee chair for Essential Energy Services Ltd.
Brian D. Athaide Toronto, Ontario	Director	September 24, 2018	Prior to Mr. Athaide's appointment as Chief Executive Officer, he was the Company's Chief Financial Officer until July 2018. From 2014 to February 2018, Chief Financial Officer and Executive Vice President, Human Resources and Information Technology of Andrew Peller Limited; From 2011 to 2014, Finance Director and Chief Financial Officer of Procter & Gamble, Eastern Europe & Central Asia.
	Chief Executive Officer	July 1, 2018	
Sean Bovington Oakville, Ontario	Chief Financial Officer	October 22, 2018	Chief Financial Officer of Toronto Hydro Corporation from April 2017 to August 2018 Executive Vice President and Chief Financial Officer at Argent Energy Trust from June 2011 to June 2016.
Geoff Riggs Montreal, Quebec	Chief Information Officer	December 1, 2018	Up to October 2018, IT Business Development, IBM Canada.
Ravinder Kumar Carlisle, Ontario	Chief Science Officer	January 14, 2019	From January 2016 to December 2018, Managing Director Apotex India Prior to December 31, 2015, Vice President, R&D Operations, Business

Name, Province or State and Country of Residence	Positions with the Company	Date of Appointment	Principal Occupation Within the Past Five Years <sup>(1)</sup>
			Development and Classic Brands, GlaxoSmithKline.
Matthew Schmidt Toronto, Ontario	Executive Vice President, Corporate Development	January 2, 2018	Vice-President, Investment Banking at Echelon Wealth Partners from November 2015 to December 2016. Vice President, Investment Banking at Pope & Company from February 2007 to November 2015.
Anna Stewart Toronto, Ontario	Corporate Secretary	April 11, 2018	Legal Counsel, Senior Legal Counsel and Assistant General Counsel at Teva Canada Limited November 2010 to January 2018.
	General Counsel	January 14, 2019	
Marie-Josée Lafrance Boisbriand, Québec	Vice President, Human Resources	October 31, 2018	2017 to June 2018, Consultant, MJL HR Consultant; 2017 Director, Human Resources at Sears Canada; 2013 to 2017 Director, Human Resources Business Partner at McKesson Canada.
John Wren Toronto, Ontario	Vice President, Operations	October 31, 2018	From July 2015 to March 2018 General Manager at Monaghan Mushrooms.

Notes:

- (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 Compensation Committee.
- (3) Member of the Audit Committee.
- (4) Member of the Corporate Governance Committee.

As of the date hereof, the Directors and executive officers of the Company, as a group, beneficially own, directly or indirectly, 2,206,326 Common Shares representing approximately 0.70% of the issued and outstanding Common Shares. If the Directors and executive officers

exercised the 2,680,000 vested options they hold as a group, then their ownership would increase by 2,680,000 shares and represent 1.55% of the issued and outstanding Common Shares.

### **Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

No director or executive officer of the Company is, as at the date of this Annual Information Form, or has been within 10 years before the date of this Annual Information Form, 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.

Other than as set out below, 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 Annual Information Form, or has been within 10 years before the date of this Annual Information Form, 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 Annual Information Form, 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.

Mr. Scott was a director of Tuscany International Drilling Inc. (“**Tuscany**”) (formerly listed on the TSX and Colombian Stock Exchange) from April 16, 2010 until April 8, 2013, when he resigned from the board of Tuscany. Tuscany filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware on February 2, 2014 and in the Court of Queen’s Bench of Alberta under the *Companies’ Creditors Arrangement Act* on February 4, 2014.

During 2010, while Mr. Bertrand was the Chief Executive Officer of Mega Brands Inc., the Superior Court of Québec (the “**Court**”) approved a plan of arrangement under the CBCA pursuant to which MEGA Brands Inc. completed a restructuring of its business under the CBCA. The arrangement compromised the claims of secured lenders under a credit agreement and two swap agreements as well as the claims of convertible debenture holders. The arrangement also effected a significant dilution of shareholders but preserved an equity stake in the continuing company for these shareholders. In addition, the Court granted a temporary stay of proceedings against the applicant corporations as well as impleaded parties in the United States, Europe, and Mexico. In March 2010, the U.S. Bankruptcy Court for the District of Delaware granted an order enforcing the arrangement in the U.S., under Chapter 15 of the U.S. Bankruptcy Code.

Other than as set out below, 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.

Mr. Scott entered into a settlement agreement with the ASC on February 6, 2009 with respect to allegations that Mr. Scott, along with certain other directors of High Plains Energy Inc. (“**High Plains**”) acted contrary to the public interest in connection with their inadequate rectification of incorrect production information disclosed to the public in press releases issued by High Plains between July 2005 and January 2006. Mr. Scott and each of the other respondents to the settlement agreement were ordered to pay \$25,000 to the ASC, of which \$5,000 was a payment towards investigation costs. The ASC noted in the settlement agreement that Mr. Scott and the other directors were provided with false information by management of High Plains and thus had no knowledge of the untrue statements in certain press releases issued by management in late 2005, until January 30, 2006, at the earliest. The ASC also noted that each of the subject directors, upon being made aware of the potential problem with High Plains’ reported production, made substantial efforts and committed significant amount of time in a good faith effort to resolving the problems and determining High Plains’ actual production and noted that none of the subject directors had been previously sanctioned by the ASC, and each cooperated fully with staff in its investigation. As a result of the above, the TSXV and the TSX conducted their own reviews as to Mr. Scott’s acceptability to serve as a director or officer of any respective listed issuer. They determined, in a letter written on January 20, 2010 by Compliance & Disclosure, that Mr. Scott must obtain written approval prior to occupying such post and the TSXV determined that he should complete one half day workshop “Simplifying Timely Disclosures”, which he successfully completed on April 26, 2010 and further that any TSXV listed company on whose board he sits implement a written disclosure policy.

Mr. Bovingdon served as the Chief Financial Officer of Argent Energy Ltd. (the “**Administrator**”), the administrator of Argent Energy Trust (the “**Trust**”), from June 2011 until August 2016 and he also served as President of the Administrator from April 2015 until August

2016. The units of the Trust were listed on the Toronto Stock Exchange (“TSX”). On February 17, 2016, the Trust sought and obtained protection under the Companies’ Creditors Arrangement Act (Canada) (the “CCAA”). On August 30, 2016, the Court of Queen’s Bench of Alberta entered an Order, among other things, terminating the CCAA proceeding for the Trust effective August 31, 2016. On August 31, 2016, the Trust made an assignment into bankruptcy, and on vesting of the Trust’s assets with the bankruptcy trustee, the Trust was deemed to be terminated by operation of law. During the CCAA proceedings, certain securities commissions in Canada (including the Alberta Securities Commission, the British Columbia Securities Commission, the Manitoba Securities Commission, and the OSC) issued cease trade orders against the Trust for failing to file interim and annual financial statements. In addition, the Trust units and convertible debentures of the Trust were delisted from the TSX effective at the close of market on March 24, 2016 for failure of the Trust to meet the continued listing requirements of the TSX.

### **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 CBCA 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 CBCA. In accordance with the CBCA, the directors and officers of the Company are required to act honestly, in good faith, and the best interest of the Company.

### **PROMOTERS**

A “Promoter” is defined in the *Securities Act* (British Columbia) as a “person who (a) alone or in concert with other persons directly or indirectly takes the initiative of founding, organizing or substantially reorganizing the business of the issuer; or (b) in connection with the founding, organization or substantial reorganization of the business of the Company, directly or indirectly receives, in consideration of services or property or both, 10% or more of a class of the Company’s own securities or 10% or more of the proceeds from the sale of a class of the Company’s own securities of a particular issue.”

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

### **LEGAL PROCEEDINGS**

The Company is subject to certain employment related claims by former employees for which provisions have been recognized only to the extent that they are likely to result in future economic outflows. The Company has also been subject to a claim by former warrant holders for approximately \$1.3 million and a separate claim for a customer in Europe for approximately \$2.1 million. No provision in relation to these claims has been recognized as the Company’s position

is that these claims are meritless, and the outcome may depend on court proceedings. Other than the claims previously described, there are no legal proceedings outstanding, threatened or pending, as of the date hereof, by or against the Company or which the Company is a party or to which its properties are subject, nor to the Company's knowledge are any such legal proceedings contemplated which could become material to a purchaser of securities of the Company.

## **INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Other than as disclosed elsewhere in this Annual Information Form and in the consolidated financial statements of the Company for the year ended December 31, 2019, to the best of the Company's knowledge, 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 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 510 Burrard Street, 3<sup>rd</sup> Floor, Vancouver, British Columbia V6C 3B9.

## **MATERIAL CONTRACTS**

The following are the only material contracts, other than those contracts entered into in the ordinary course of business, which we have entered into since the beginning of the last financial year before the date of this Annual Information Form or entered into prior to such date but which contract is still in effect.

1. The Licence from Health Canada originally granted in August 2016, as amended August 10, 2017, October 3, 2017, December 29, 2017 and July 19, 2019 and expiring on August 16, 2022 as more particularly described under "Description of the Business – General".
2. Warrant Indenture dated November 1, 2017 between the Company and Computershare with respect to the November Offering, as more particularly described under "Three-Year History – November 2017 - December 2017 Unit Offering".
3. First Supplemental Indenture dated December 21, 2017 between the Company and Computershare with respect to the November Offering, as more particularly described under "Three-Year History – November 2017 - December 2017 Unit Offering".
4. Second Supplemental Indenture dated May 2, 2018 between the Company and Computershare with respect to the November Offering, as more particularly described under "Three-Year History – November 2017 - December 2017 Unit Offering".
5. Warrant Indenture dated May 2, 2018 between the Company and Computershare with respect to the IPO, as more particularly described under "Three-Year History – Initial Public Offering and TSX Listing".
6. Special Warrant Indenture dated June 26, 2018 between the Company and Computershare with respect to the special warrant bought deal financing, as more

- particularly described under “Three-Year History – Special Warrant Bought Deal Financing”.
7. Warrant Indenture dated June 26, 2018 between the Company and Computershare with respect to the special warrant bought deal financing, as more particularly described under “Three-Year History – Special Warrant Bought Deal Financing”.
  8. Warrant Indenture dated October 19, 2018 between the Company and Computershare with respect to the November Offering, as more particularly described under “Three-Year History – Bought Deal Financing”.
  9. Warrant Indenture dated December 19, 2019 between the Company and Computershare with respect to the December 2019 Offering, as more particularly described under “Three Year History – December 2019 Bought Deal Financing”.
  10. Loan Agreement dated December 23, 2019 between, among others, the Company and Maynbridge Capital Inc. as more particularly described under “Three-Year History – Senior Secured Credit Facility”.

## **INTEREST OF EXPERTS**

### **Name of Experts**

The following are the persons or companies who were named as having prepared or certified a statement, report or valuation in this Annual Information Form either directly or in a document incorporated by reference and whose profession or business gives authority to the statement, report or valuation made by the person or company:

KPMG LLP, the Company’s independent auditors, has prepared an independent audit report dated March 10, 2020 in respect of the Company’s audited consolidated financial statements as at December 31, 2019.

### **Interests of Experts**

KPMG LLP, auditors of the Company, have confirmed that they are independent of the Company within the meaning of the CPA Code of Professional Conduct of the Chartered Professional Accountants of Ontario.

## **AUDIT COMMITTEE**

The Company’s 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.

### **Composition of the Audit Committee**

At the present time, the Company’s Audit Committee is composed of the following members:



<b>Member</b>	<b>Independent/Not Independent <sup>(1)</sup></b>	<b>Financially Literate/ Not Financially Literate <sup>(2)</sup></b>	<b>Relevant Education and Experience</b>
Jeffrey Scott	Independent	Financially Literate	Mr. Scott, 57, is President of Postell Energy Co., a private Canadian oil producer in business in western Canada since 2001. He is the Founder and was Chairman of Gran Tierra Energy (TSX: GTE), a South American base E&P Company from February 2005 to June of 2015. Mr. Scott is also Chairman of Sulvaris Inc., a private fertilizer technology company since February 2012. Mr. Scott holds a Bachelor of Arts degree from the University of Calgary, and a Masters of Business Administration from California Coast University.
Nicholas Kirton	Independent	Financially Literate	Mr. Kirton, 75, is a professional accountant. He retired in 2004 after a thirty-eight year career with KPMG LLP; he was elected to Partnership in the firm in 1976. Subsequent to his retirement he has served on the boards of a total of eight reporting issuers, in most cases as chair of the audit committee.
Marc Bertrand	Independent	Financially Literate	Mr. Bertrand, 52, was appointed Director of the Company on September 19, 2017. Mr. Bertrand is the President of PHAZTOO Inc., and sits on a number of private and public company boards. He was the President and Chief Executive Officer of Mega Brands Inc. from 2002 to 2014.

Notes:

- (1) A member of an audit committee is independent if the member has no direct or indirect material relationship with the Company that could, in the view of the Board of Directors, reasonably interfere with the exercise of a member’s independent judgment.
- (2) An individual is financially literate if he has the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company’s financial statements.

### Audit Committee Charter

A copy of the charter of the audit committee is available as Schedule “A” to this Annual Information Form.

### Audit Committee Oversight

There have been no instances in 2019 where the Board did not adopt a recommendation of the Audit Committee to nominate or compensate an external auditor.

### Pre-Approval Policies and Procedures

The Audit Committee has not adopted specific policies and procedures for the engagement of non-audit services, other than as set out in the audit committee charter.

### External Auditor Service Fees (By Category)

The Audit Committee has reviewed the nature and amount of the audit services provided by Deloitte LLP, former auditors of the Company, and KPMG LLP, the current auditors of the Company, to the Company to ensure auditor independence. The aggregate fees billed by the Company’s external auditors during the financial years ended December 31, 2019 and December 31, 2018 were as follows:

Financial Period Ending	Audit Fees (\$) <sup>(1)</sup>	Audit Related Fees (\$) <sup>(2)</sup>	Tax Fees (\$) <sup>(3)</sup>	All Other Fees (\$) <sup>(4)</sup>
2019	Deloitte LLP \$Nil  KPMG LLP \$835,000	Deloitte LLP \$28,890  KPMG LLP \$Nil	\$Nil	\$Nil
2018	Deloitte LLP \$79,180  KPMG LLP \$421,400	Deloitte LLP \$593,315  KPMG LLP \$398,290	\$Nil	\$Nil

Notes:

- (1) "Audit Fees" includes fees necessary to perform the annual audit of the Company's financial statements. These services, including reviewing interim financial statements and disclosure documents related to financings and 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.
- (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, the aggregate fees billed for products and services, other than the services reported under clauses (1), (2) and (3) above.

### **ADDITIONAL INFORMATION**

Additional information relating to the Company is available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.tgod.ca](http://www.tgod.ca). 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, will be contained in the Company's information circular for its most recent annual meeting of security holders. Additional financial information is provided in the Company's Audited Consolidated Financial Statements and Management's Discussion and Analysis for the year ended December 31, 2019 and in the Management's Discussion and Analysis for the fiscal quarters ending after that date, which are available for viewing under the Company's profile on SEDAR.

## SCHEDULE A

### CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

#### I. MANDATE AND RESPONSIBILITIES

The audit committee is appointed by the board of directors (the “**Board**”) of the Green Organic Dutchman Holdings Ltd. (the “**Corporation**”) to oversee the accounting and financial reporting process of the Corporation and audits of the financial statements of the Corporation. The audit committee’s primary duties and responsibilities are to:

- a. recommend to the Board the external auditor to be nominated for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for the Corporation;
- b. recommend to the Board the compensation of the external auditor;
- c. oversee the work of the external auditor engaged for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditor regarding financial reporting;
- d. pre-approve all non-audit services to be provided to the Corporation or its subsidiaries by the Corporation’s external auditor;
- e. review the Corporation’s financial statements, MD&A and annual and interim earnings press releases before the Corporation publicly discloses this information;
- f. be satisfied that adequate procedures are in place for the review of all other public disclosure of financial information extracted or derived from the Corporation’s financial statements, and to periodically assess the adequacy of those procedures;
- g. establish procedures for:
  - i. the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and
  - ii. the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters; and
- h. review and approve the Corporation’s hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Corporation.

The Board and management will ensure that the audit committee has adequate funding to fulfill its duties and responsibilities.

## **II. PRE-APPROVAL OF NON-AUDIT SERVICES**

The audit committee may delegate to one or more of its members the authority to pre-approve non-audit services to be provided to the Corporation or its subsidiaries by the Corporation's external auditor. The pre-approval of non-audit services must be presented to the audit committee at its first scheduled meeting following such pre-approval.

The audit committee may satisfy its duty to pre-approve non-audit services by adopting specific policies and procedures for the engagement of the non-audit services, provided the policies and procedures are detailed as to the particular service, the audit committee is informed of each non-audit service and the procedures do not include delegation of the audit committee's responsibilities to management.

## **III. EXTERNAL ADVISORS**

The audit committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and it has direct access to the external auditors as well as anyone in the organization. The audit committee has the ability to retain, at the Corporation's expense, special legal, accounting or other consultants or experts it deems necessary in the performance of its duties.

## **IV. EXTERNAL AUDITORS**

The external auditors are ultimately accountable to the audit committee and the Board, as representatives of the shareholders. The external auditors will report directly to the audit committee. The audit committee will:

- a. review the independence and performance of the external auditors and annually recommend to the Board the nomination of the external auditors or approve any discharge of external auditors when circumstances warrant;
  - b. approve the fees and other significant compensation to be paid to the external auditors;
  - c. on an annual basis, review and discuss with the external auditors all significant relationships they have with the Corporation that could impair the external auditors' independence;
  - d. review the external auditors' audit plan to see that it is sufficiently detailed and covers any significant areas of concern that the audit committee may have;
  - e. before or after the financial statements are issued, discuss certain matters required to be communicated to audit committees in accordance with the standards established by the Chartered Professional Accountants of Canada;
  - f. consider the external auditors' judgments about the quality and appropriateness of the Corporation's accounting principles as applied in the Corporation's financial reporting;
  - g. consider the external auditors' judgments regarding any alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the external auditors;
  - h. resolve any disagreements between management and the external auditors regarding financial reporting; and
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- i. approve in advance all audit services and any non-prohibited non-audit services to be undertaken by the external auditors for the Corporation.

## **V. LEGAL COMPLIANCE**

On at least an annual basis, the audit committee will review with the Corporation's legal counsel any legal matters that could have a significant impact on the organization's financial statements, the Corporation's compliance with applicable laws and regulations and inquiries received from regulators or governmental agencies.

## **VI. COMPLAINTS**

Individuals are strongly encouraged to approach a member of the audit committee with any complaints or concerns regarding accounting, internal accounting controls or auditing matters. The audit committee will from time to time establish procedures for the submission, receipt and treatment of such complaints and concerns. In all cases the audit committee will conduct a prompt, thorough and fair examination, document the situation and, if appropriate, recommend to the Board appropriate corrective action.

To the extent practicable, all complaints will be kept confidential. The Corporation will not condone any retaliation for a complaint made in good faith.

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