

HOLLISTER BIOSCIENCES INC.

ANNUAL INFORMATION FORM

For The Financial Year Ended December 31, 2019

August 28, 2020

1802 Shelton Drive

Hollister, California

95023

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TERMS OF REFERENCE

In this Annual Information Form (the “AIF”), unless the context otherwise dictates, references to the “Company”, “Hollister”, “we” and “our” refer to Hollister Biosciences Inc. (formerly 1205600 B.C. Ltd.)

The information contained in this AIF is current as of December 31, 2019 with subsequent events disclosed to August 28, 2020.

All references to dollars (\$) in this AIF are expressed in Canadian dollars, unless otherwise indicated. Defined terms used herein have the respective meanings given to such terms under the heading “Glossary of Terms”

MARKET DATA

Unless otherwise indicated, information contained in this AIF concerning the industry and markets in which the Company operates, including its general expectations and market position, market opportunity and market share is based on information from independent industry organizations, and other third-party sources (including industry publications, surveys and forecasts), and management estimates.

The management estimates in this AIF are derived from publicly available information released by independent industry analysts and third party sources, as well as data from the Company’s internal research, and are based on assumptions made by the Company based on such data and its knowledge of such industry and markets, which the Company believes to be reasonable. The Company’s internal research has not been verified by any independent source, and it has not independently verified any third-party information. While the Company is not aware of any misstatement regarding any industry or market data included in this AIF, such information is inherently imprecise. In addition, projections, assumptions and estimates of the Company’s future performance and the future performance of the industry in which the Company operates are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described under “Risk Factors”.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This AIF contains forward-looking statements that relate to the Company’s current expectations and views of future events. The forward-looking statements are contained principally in the sections entitled “General Development of the Business”, “Selected Financial Information and Management’s Discussion and Analysis” and “Risk Factors”.

In some cases, these forward-looking statements can be identified by words or phrases such as “may”, “might”, “will”, “expect”, “anticipate”, “estimate”, “intend”, “plan”, “indicate”, “seek”, “believe”, “predict” or “likely”, or the negative of these terms, or other similar expressions intended to identify forward-looking statements. The Company has based these forward-looking statements on its current expectations and projections about future events and financial trends that it believes might affect its financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, among other things, statements relating to:

- the Company’s expectations regarding its revenue, expenses and operations;
- the Company’s intention to grow its business and its operations;
- the development/expansion of the Facility (as defined herein) and the respective costs and timing associated therewith;

- expectations with respect to future production costs and capacity;
- U.S. federal and state regulation of cannabis and cannabis related products, and any commentary related to the U.S. federal legalization of medical and recreational cannabis and the timing related to such legalization;
- the grant and impact of any license to conduct activities with cannabis or any amendments thereof;
- expectations with respect to the future growth of Company's anticipated medical and/or adult-use recreational cannabis products;
- expectations related to the Company's cannabis supply chain;
- the benefits, safety, efficacy, dosing and social acceptance of cannabis;
- the Company's competitive position and the regulatory environment in which the Company operates; and
- the Company's anticipated cash needs and its needs for additional financing.

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 AIF, the Company has made various material assumptions, including but not limited to (i) obtaining the necessary regulatory approvals; (ii) that regulatory requirements will be maintained; (iii) general business and economic conditions; (iv) the Company's ability to successfully execute its plans and intentions; (v) the availability of financing on reasonable terms; (vi) the Company's ability to attract and retain skilled staff; (vii) market competition; (viii) the products and technology offered by the Company's competitors; and (ix) the Company will maintain its current good relationships with its suppliers, service providers and other third parties. Although the Company believes that the assumptions underlying these statements are reasonable, they may prove to be incorrect, and the Company 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 is a development stage company with little operating history, and a history of losses and the Company cannot assure profitability;
- the Company has negative cash flow for the year ended December 31, 2019 and the three months ended March 31, 2020;
- the Company's actual financial position and results of operations may differ materially from the expectations of management;
- the Company expects to incur significant ongoing costs and obligations relating to its investment in infrastructure, growth, regulatory compliance and operations;
- the cannabis industry and market are relatively new in California and this industry and market may not continue to exist or grow as anticipated or the Company may be ultimately unable to succeed in this new industry and market;
- there are factors which may prevent the Company from the realization of growth targets;
- the Company faces construction risk factors;
- risks specifically related to the U.S. regulatory system;
- the enforcement of relevant laws is a significant risk;
- risks related to the interpretation and application of the 2018 Farm Bill (as defined herein);
- risks related to the regulation of hemp-derived CBD products;

- the Company's operations in the U.S. cannabis market may become the subject of heightened scrutiny;
- U.S. border officials could deny entry into the U.S. to management, employees and/or investors in companies with cannabis operations in the U.S.;
- the Company's operations and potential investments in the United States are subject to applicable anti-money laundering laws and regulations;
- the Company's operations and potential investments in the United States may be subject to heightened scrutiny by Canadian authorities;
- risks related to changes in laws, regulations and guidelines;
- the Company's reliance on third-party suppliers, manufacturers and contractors;
- the ability of the Company to maintain its distribution relationship with Indus (as defined herein);
- the Company may not be able to develop its products, which could prevent it from ever becoming profitable or generate revenue;
- the Company's operations are subject to environmental regulation in the jurisdiction in which it operates;
- the Company faces competition from other companies where it will conduct business that may have higher capitalization, more experienced management or may be more mature as a business;
- if the Company is unable to develop and market new products, it may not be able to keep pace with market developments;
- if the Company is unable to attract and retain key personnel, it may not be able to compete effectively in the cannabis market;
- the size of the Company's target market is difficult to quantify, and investors will be reliant on their own estimates on the accuracy of market data;
- the Company's industry is experiencing rapid growth and consolidation that may cause the Company to lose key relationships and intensify competition;
- the Company continues to sell shares for cash to fund operations, capital expansion, mergers and acquisitions that will dilute the current shareholders;
- 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 may be subject to product recalls for product defects self-imposed or imposed by regulators;
- the Company is reliant on key inputs, such as water, utilities and bulk cannabis materials, and any interruption of these services could have a material adverse effect on the Company's finances and operation results;
- the Company is dependent on access to skilled labour, equipment and parts;
- the expansion of the medical cannabis industry may require new clinical research into effective medical therapies, when such research has been restricted in the U.S.;
- the Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims against the Company;
- the Company will be reliant on information technology systems and may be subject to damaging cyber-attacks;
- the Company may be subject to breaches of security at the Facility;
- the Company's officers and directors may be engaged in a range of business activities resulting in conflicts of interest;
- in certain circumstances, the Company's reputation could be damaged;
- risks related to the Company's need additional financing;

- if the Company has a material weakness in its internal controls over financial reporting, investors could lose confidence in the reliability of its financial statements, which could result in a decrease in the value of the Company's securities;
- risks related to publicity or consumer perception;
- risks related to the difficulty to make forecasts;
- risks related to Alphamind's (as defined herein) products;
- force majeure events could result in a material adverse effect on the Company;
- COVID-19 could have a material adverse effect on the Company's business;
- risks related to the market price of the Company's common shares and volatility; and
- risks related to transactions engaged in by the Company's largest shareholders, its directors or officers.

If any of these risks or uncertainties materialize, or if assumptions underlying the forward-looking statements prove incorrect, actual results might vary materially from those anticipated in those forward-looking statements. The assumptions referred to above and described in greater detail under "Risk Factors" should be considered carefully by readers.

The Company's forward-looking statements are based on the reasonable beliefs, expectations and opinions of management on the date of this AIF (or as of the date they are otherwise stated to be made). Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There is no assurance that such 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. The Company does not intend to update or revise any forward-looking statements, except as, and to the extent required by, applicable securities laws in Canada.

All of the forward-looking statements contained in this AIF are expressly qualified by the foregoing cautionary statements. Investors should read this entire AIF and consult their own professional advisors to assess the income tax, legal, risk factors and other aspects of their investment.

GLOSSARY OF TERMS

The following is a glossary of certain defined terms used throughout this AIF. This is not an exhaustive list of defined terms used in this AIF and additional terms are defined throughout. Terms and abbreviations used in the financial statements of Hollister are defined separately and the terms and abbreviations defined below are not used therein, except where otherwise indicated. Words importing the singular, where the context requires, include the plural and vice versa, and words importing any gender include all genders.

“\$0.05 Special Warrant” means a special warrant issued by the Company on July 8, 2019 at a price of \$0.05 per \$0.05 Special Warrant entitling the holder the right to acquire, without additional payment, one Common Share for each \$0.05 Special Warrant held. The \$0.05 Special Warrants were deemed to be converted on November 9, 2019, being the date that was four months and a day following the closing date of the \$0.05 Special Warrant.

“\$0.07 Special Warrant” means a special warrant issued by the Company on July 11, 2019 at a price of \$0.07 per \$0.07 Special Warrant entitling the holder the right to acquire, without additional payment, one Common Share for each \$0.07 Special Warrant held. The \$0.07 Special Warrants were deemed to be converted on November 12, 2019, being the date that was four months and a day following the closing date of the \$0.07 Special Warrant Offering.

“\$0.05 Special Warrant Offering” means the non-brokered private placement of 375,000 \$0.05 Special Warrants at a price of \$0.05 per Special Warrant for total gross proceeds of \$18,750.

“\$0.07 Special Warrant Offering” means the non-brokered private placement of 61,570,998 Special Warrants at a price of \$0.07 per Special Warrant for total gross proceeds of \$4,309,969.86.

“Alphamind” means Alphamind Brands Inc., a corporation existing under the laws of the Province of British Columbia.

“BCBCA” means the *Business Corporations Act* (British Columbia).

“Board” or **“Board of Directors”** means the board of directors, or comparable corporate governing structure, of Hollister.

“bubble hash” means a type of hash that is made with ice and water in a specialized wash machine.

“Business Day” means a day other than Saturday, Sunday or a statutory holiday in British Columbia, Canada.

“CBD” means cannabidiol, a naturally occurring cannabinoid constituent of cannabis.

“CEO” means Chief Executive Officer.

“CFO” means Chief Financial Officer.

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

“Company” or **“Hollister”** means Hollister Biosciences Inc.

“**Consolidation**” means the consolidation of the Common Shares on a 1.5:1 basis which was completed by the Company prior to the listing of the shares on the CSE on November 25, 2019.

“**CSE**” or the “Exchange” means the Canadian Securities Exchange operated by the CNSX Markets Inc.

“**Escrow Agreement**” means the escrow agreement entered into on November 14, 2019, among the Company, the Transfer Agent and certain shareholders.

“**Facility**” means the 37,061 square foot facility owned by Hollister and located in Hollister, California (see “*Description of the Business – Facility*”).

“**Finder’s Warrants**” means the common share purchase warrants exercisable to acquire Common Shares and issued to certain finders in connection with the \$0.07 Special Warrant Offering.

“**HH1**” means Hollister Holistics 1, a wholly-owned subsidiary of Hollister.

“**HH2**” means Hollister Holistics 2, a wholly-owned subsidiary of Hollister.

“**Hollister Subsidiaries**” means, collectively, HH1 and HH2.

“**Options**” means the options of the Company issued pursuant to the Option Plan.

“**Option Plan**” means the Company’s stock option plan dated November 19, 2019.

“**pre-roll**” means a joint (i.e. cannabis cigarette) that is prepared before its intended time of consumption (packaged and ready for sale through a licensed dispensary).

“**Securities Exchange Agreement**” has the meaning set forth under the heading “*Corporate Structure – Acquisition of Hollister*”.

“**SOPs**” means standard operating procedures.

“**Special Warrants**” means the \$0.05 Special Warrants together with the \$0.07 Special Warrants.

“**THC**” means delta-9-tetrahydrocannabinol.

“**Transfer Agent**” means Olympia Trust Company.

“**Venom Extracts**” means Labtronix, Inc. d/b/a Venom Extracts, a corporation existing under the laws of Arizona.

“**Weldon Members**” means the holders of Hollister Membership interests.

“**Weldon**” means Weldon Manor LLC, a limited liability company incorporated under the laws of the state of California.

“**Weldon Membership Interests**” means the membership interests issued and outstanding of Weldon.

CORPORATE STRUCTURE

Name, Address And Incorporation

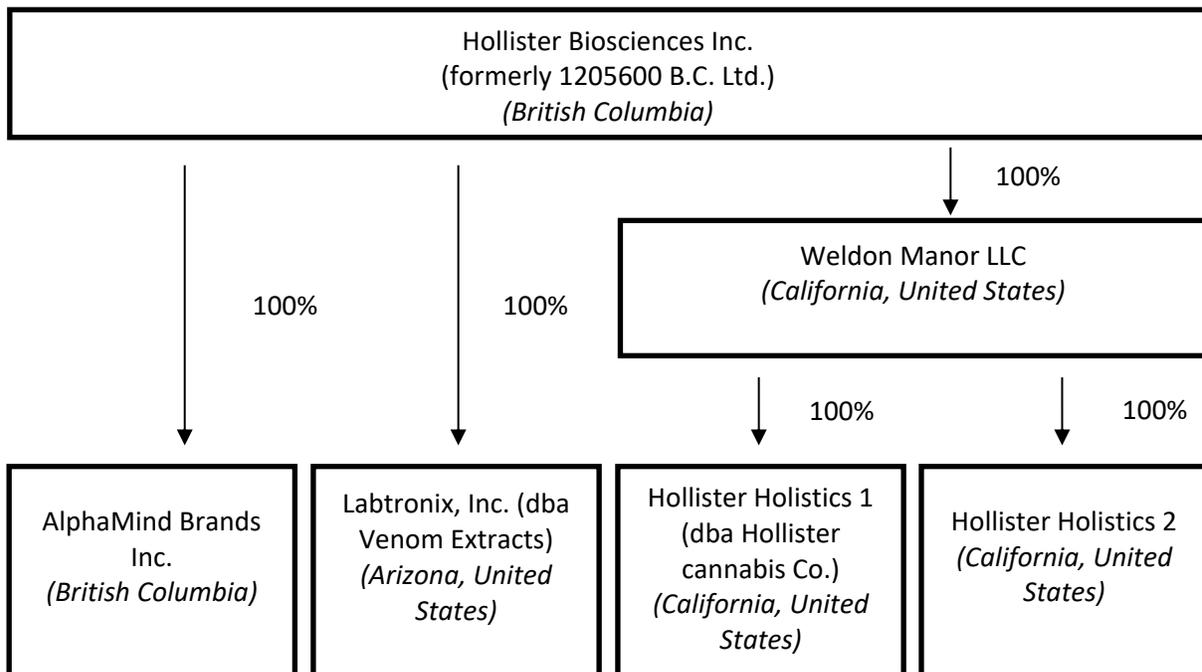
The Company was incorporated on April 17, 2019 under the BCBCA under the name “1205600 B.C. Ltd.” On August 29, 2019, it changed its name to “Hollister Biosciences Inc.”

The Company’s head office is located at 1802 Shelton Drive, Hollister, California 95023 and its registered and records office is located at Suite 1500 – 1055 West Georgia Street, Vancouver, British Columbia V6E 4N7.

The Common Shares are listed on the CSE under the trading symbol “HOLL”. The Common Shares are also quoted on the OTCQB, part of the OTC Markets Group, under the trading symbol “HSTRF” and on the Frankfurt Stock Exchange under the symbol “HOB”. The Company is a reporting issuer in Canada in the Provinces of British Columbia and Ontario.

Inter-corporate Relationships

The Company operates its business through wholly-owned subsidiaries. As of the date of this AIF, the following diagram summarizes the structure of the Company’s intercorporate relationships:



GENERAL DEVELOPMENT OF THE BUSINESS

Summary

The Company, through its wholly owned subsidiaries, currently manufactures hash, tinctures, hash infused products, crumble infused products, pre-roll, and other cannabis products under several proprietary brands and as white label products. The Company intends to be an integrated company operating across the entire cannabis value chain, cultivating, manufacturing and producing cannabis and cannabis products. Further, the Company manufactures and distributes hemp products.

Three Year History

The Company was incorporated on April 17, 2019 under the BCBCA for purpose of undergoing a qualifying transaction to become a reporting issuer and to list on a Canadian stock exchange. See “*Description of the Business*”.

Financings

On April 26, 2019, Hollister issued 32,000,000 pre-Consolidation Common Shares at a price of \$0.005 per Common Share as part of a seed round financing for aggregate proceeds of \$160,000.

On June 6, 2019, Hollister issued 8,600,000 pre-Consolidation Common Shares to certain creditors of the Company at a deemed price of \$0.005 per Common Share in satisfaction of an aggregate of \$43,000 of debt.

On June 14, 2019, Hollister issued 8,000,000 pre-Consolidation Common Shares at a price of \$0.02 per Common Share as part of a seed round financing for aggregate proceeds of \$160,000.

On July 8, 2019, Hollister issued a total of 375,000 \$0.05 Special Warrants pursuant to the \$0.05 Special Warrant Offering for aggregate proceeds of \$18,750. The \$0.05 Special Warrants were deemed to be exercised into 375,000 pre-Consolidation Common Shares on November 9, 2019.

On July 11, 2019, Hollister issued a total of 61,570,998 \$0.07 Special Warrants pursuant to the \$0.07 Special Warrant Offering for aggregate proceeds of \$4,309,969.86. The \$0.07 Special Warrants were deemed to be exercised into 61,570,998 pre-Consolidation Common Shares on November 12, 2019. In connection with the \$0.07 Special Warrant Offering, the Company paid eligible arm’s length finders’ an aggregate of \$301,697.88 and issued an aggregate of 2,873,313 Finder’ Warrants (on a post-Consolidation basis). Each Finder’s Warrant entitles the holder to acquire one Common Share at a price of \$0.105 per share until July 11, 2021.

Acquisition of Hollister

The Company entered into a securities exchange agreement dated July 9, 2019 with Weldon and the Weldon Members (the “**Securities Exchange Agreement**”), whereby the Weldon Holders received Common Shares in consideration of all the issued and outstanding Weldon Membership Interests (the “**Transaction**”). The Transaction closed on November 8, 2019.

Pursuant to the Transaction, Hollister issued to the then holders of the membership interests issued and outstanding of Weldon, *pro rata* to their respective holdings of Weldon Membership Interests, 60,000,000 pre-Consolidation Common Shares at a price of \$0.07 per Common Share (the “**Transaction Shares**”) in

exchange for all of the issued and outstanding Weldon Membership Interests (of which 8,580,000 pre-Consolidation Common Shares were issued to the Company and subsequently cancelled).

Pursuant to the Transaction, Hollister issued 1,200,000 pre-Consolidation Common Shares at a deemed price of \$0.07 per share as a finder's fee to Pug Communications Inc., an arm's length party.

Certain of the Transaction Shares are subject to escrow pursuant to the Escrow Agreement (defined herein) and all Transaction Shares are subject to certain voluntary escrow terms under the Securities Exchange Agreement. See "*Escrowed Securities and Securities Subject to Contractual Restrictions on Transfer*".

Closing of the Transaction was subject to, among other things: (i) receipt of all required governmental, regulatory, shareholder/member and third party approvals necessary to complete the Transaction; (ii) completion of due diligence by each party; (iii) the Common Shares being conditionally approved for listing on the CSE; (iv) all representations and warranties of each party under the Securities Exchange Agreement being true and correct as of closing; (v) the Company entering into employment or consulting agreement with certain management, employees and consultants; and (vi) the restructuring of Hollister's board of directors and management and the approval of the respective boards of directors and shareholders, as applicable.

As a result of the Transaction, Weldon became a wholly-owned subsidiary of the Company and the business of Weldon became the business of the Company.

Acquisition of Venom Extracts

On March 24, 2020, the Company completed the acquisition of 100% of the issued and outstanding equity securities of Venom Extracts (the "**Venom Extracts Acquisition**"). The consideration in connection with the Venom Extracts Acquisition consists of the issuance of 70,390,672 Common Shares (the "**Venom Payout Shares**") to shareholders of Venom Extracts, *pro rata*, upon closing the transaction, and an additional 29,610,054 Common Shares (the "**Venom Earn-out Shares**") to be issued to certain former shareholders of Venom Extracts upon the earlier of (i) the achievement of certain financial milestones, and (ii) December 31, 2021.

19,740,036 Venom Earn-Out Shares will be issued when revenue of Venom Extracts reaches CDN\$30,000,000, and the remaining Venom Earn-out Shares will be issued when revenue of Venom Extracts reaches CDN\$40,000,000.

The Venom Payout Shares are subject to certain voluntary hold periods. See "*Escrowed Securities and Securities Subject to Contractual Restrictions on Transfer*".

Venom Extracts is a leading Arizona cannabis extract brand and one of the state's largest producers of cannabis distillate and related products.

Acquisition of Alphamind

On April 30, 2020, the Company completed the acquisition of 100% of the issued and outstanding equity securities of Alphamind (the "**Alphamind Acquisition**"). The consideration in connection with the Alphamind Acquisition consists of the issuance of 4,200,000 Common Shares (the "**Alphamind Payout Shares**") to shareholders of Alphamind, *pro rata*, upon closing the transaction, and an additional

1,800,000 Common Shares (the “**Alphamind Earn-out Shares**”) to be issued to the former shareholders of Alphamind, pro rata, upon the earlier of (i) the achievement of AlphaMind’s first production run or its first sales of product, and (ii) December 31, 2021.

The Alphamind Payout Shares are subject to certain voluntary hold periods. See “*Escrowed Securities and Securities Subject to Contractual Restrictions on Transfer*”.

OVERVIEW OF BUSINESS

The Company currently manufactures hash, tinctures, hash infused products, crumble infused products, pre-roll, and other cannabis products under several proprietary brands and as white label products. The Company intends to be an integrated company operating across the entire cannabis value chain, cultivating, manufacturing and producing cannabis and cannabis products. Further, the Company manufactures and distributes hemp products.

Hollister operates a 37,061 square feet indoor cannabis facility located at 1802 Shelton Drive, Hollister California 95023 (the “**Facility**”) that meets all security requirements under applicable laws. Hollister currently operates in 2,061 square feet of the Facility and uses this space to conduct its cannabis handling activities. The Company intends to build-out the remaining portion (35,000 square feet) of the Facility to allow for additional processing, manufacturing and packaging projects, including Hollister’s nanoemulsified cannabis concentrate to be used in sublingual sprays, beverages, edibles and capsules (as permitted). See “*Regulatory Overview*”.

Cannabis Facility

Lease

Hollister leases the Facility under a lease agreement dated August 28, 2017 (the “**Facility Lease**”). Hollister currently pays US\$64,856.75 per month in rent under the Facility Lease. Hollister has the option to lease additional land under the Facility Lease to build greenhouses at the rate of US\$0.25 per square foot per month (with a minimum requirement of renting 30,000 square feet of additional space).

The initial term of the Facility Lease ends on September 1, 2022 and may be renewed for three additional five year options, subject to termination by either Hollister or the lessor in the event that Hollister is no longer able to use the Facility for its lawful cannabis operations.

Technical Specifications

The Facility is a manufacturing facility the Company currently uses to manufacture pre-rolls, infused pre-roll, bubble hash, tinctures and cannabis product packing. Once the Company completes the build-out of the Facility (see “*Facility Build-Out and Upgrades*” below), it intends to use the Facility for manufacturing the Company’s Nanopure product, sublingual sprays, beverages, edibles and capsules, as described elsewhere in this AIF.

The Facility has the following characteristics that make it an advantageous location for cannabis manufacturing and wholesale distribution:

- Located inland from the central coast in California (46 miles south from San Jose, California; 30 minutes to major highways Route 5 and the 101);
- City of Hollister has a warm-summer Mediterranean climate;
- 37,061 square feet of total space;
- 35,000 square feet – 28 foot high ceilings, large open space for operations, concrete floors (‘tilt-up’ concrete construction), and dedicated power supply (2600 amps 3 phase 208 power);
- ATG Pharma RoboCAP RL-300 enables Hollister to automatically fill vaporizer cartridges with cannabis oil, tincture bottles, two part capsules and molds for edibles. Fills up to 2,000 cartridges, 6,000 capsules and 1,200 tincture bottles per hour;
- Auto Labe 390 Automatic Table Top Labeling System (30 to 60 labels per minute);
- 7 Harvestright Pharmaceutical Freeze Dryers; and
- Epson ColorWorks TM-C7500 label printer.

Facility Build-Out and Upgrades

Hollister is currently in the planning stages to design and cost upgrading and expanding the Facility in order to expand its current manufacturing capacity and to enable it to manufacture its Nanopure product, sublingual sprays, beverages, edibles and capsules. (see “*Risk Factors – There are factors which may prevent the Company from the realization of growth targets.*”).

Cannabis Licenses

The below table summarizes the cannabis licenses currently held by Company for operations at the Facility (the “**Licenses**”):

License Type	License No.	Jurisdiction	Expiry Date	License Holder
Annual Manufacturing License (Type 6 – Volatile Solvent Extraction)	CDPH-10002698	State of California	4/23/2021	HH1
Adult-Use and Medicinal – Distributor Provisional	C11-0000986-LIC	State of California	8/12/2020	HH1
Cannabis Facility Regulatory Permit to Manufacture Cannabis ⁽¹⁾	N/A	City of Hollister, California	12/22/2020	Carl Saling
Cannabis Facility Regulatory Permit to Distribute Cannabis ⁽¹⁾	N/A	City of Hollister, California	4/16/2021	Carl Saling

Note:

- 1) Issued pursuant to the provisions of Chapter 5.42 Medical Cannabis Facility of the Hollister Municipal Code.
- 2) The Company intends to submit a renewal application prior to expiry of this license.

See *“Risk Factors — There is no assurance that the Company will obtain and retain any relevant licenses”*.

Principal Products and Services

Cannabis Products

The Company plans to use the cannabis Facility for the production and downstream processing of cannabis products using plant materials purchased from the licensed marketplace. Some products will be unprocessed (e.g. dried flowers), while others will be processed (e.g. oil derived from the cannabis leaves). The Company expects to offer products in the medicinal and recreational spaces, which may include products in the categories of, pre packaged flower, pre-roll, infused pre-roll, bubble hash, tinctures, beverages, edibles and pet products. See *“Risk Factors”*.

The Company does not anticipate any difficulty with sources, pricing and availability of raw materials (e.g. bulk cannabis oil, cannabis flower, trim, etc.) given current supply conditions in the California cannabis industry. However, Hollister could be subject to supply fluctuations in the future if conditions were to change. See *“Risk Factors – the Company is reliant on key inputs, such as water, utilities and bulk cannabis materials, 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”*.

Manufacturing and Packaging Processes

Hollister products are packaged, labeled and prepared for distribution prior to leaving the Facility. The Company uses a RoboCAP RL-300 from ATG Pharma (from Canada) to fill vape cartridges, capsules, tincture bottles and other products. The Company then uses a blister pack machine and an Auto Label machine to efficiently package and label its products.

Part of the cannabis licensing process in the state of California requires license applicants to submit their SOPs (see *“Regulatory Overview”*). Hollister has developed extensive SOPs for every facet of the business in order to meet appropriate license requirements. The Company is also updating and improving its packaging by elevating its designs and shifting to more sustainable packaging options in the future. Hollister currently uses child safe tubes for all of the pre-roll and it intends to use hemp plastic tubes that are 100% compostable to help promote sustainability.

Distribution Methods

Hollister currently utilizes WAYV, a software platform for distribution and fulfillment management. Indus Holdings, Inc. (**“Indus”**) is the licensed California distributor that operates the WAYV platform. Indus currently manages all of Hollister’s product fulfillment obligations, allowing Hollister to focus its efforts on production and marketing. Indus provides Hollister with full brand representation by utilizing its 14 sales reps to represent Hollister’s product to the California marketplace. The Company’s relationship with Indus is governed pursuant to the Indus Distribution Agreement dated August 21, 2018 between Cypress Manufacturing Company, doing business as Indus Distribution and HH1, as supplemented by an addendum to the Indus Distribution Agreement dated effective January 15, 2019 (the **“Indus Distribution Agreement”**).

Hollister does not anticipate losing its relationship with Indus, but in the event that it loses this relationship, the Company intends to maintain distribution channels by leveraging its position as a licensed distributor and to create contracting with another third party distributor. See “*Risk Factors – “there is no assurance that the Company will maintain its distribution relationship with Indus”*”.

Manufacturing Relationships

Hollister currently manufactures pre-rolls and infused pre-rolls (further described below) and distributes its products primarily through its distributor, Indus.

Marketing and Brand Strategies

To establish the optimal marketing and brand strategies, Hollister conducted market analyses with respect to market size and growth, competitor analysis, customer segments and product trends in the cannabis space.¹ Hollister has established the brand strategies summarized below for its five consumer packaged cannabis goods brands. Hollister has secured domain names for certain products and trademarks, where possible, (see the below heading “*Intellectual Property*”). The Company has undertaken initial formulation work on the brands/products listed below and the same are subject to evolve as both the Company’s business plan and the cannabis market evolve.

HashBones

Hashbones are a pre-roll or joint made from 75% cannabis flower blended in small batches with 25% bubble hash. This results in a more potent pre-roll. It also maintains the integrity of the cannabis. Terpenes are preserved in the bubble hash production process. Bubble hash is made without solvents or chemicals and is one of the cleanest concentrates available on the market. It is also more stable than flower alone, making these pre-rolls more ‘shelf’ stable than the average pre-roll. Many other infused pre-rolls have distillate, usually made with butane or ethanol, painted on the outside of the pre-roll which is then dipped in kief or hash. This results in a product that is messy and does not offer the same full flavor profile that blending hash with flower provides.

HashBones are the Company’s pre-roll made of 75% flower and 25% artisanal bubble hash. Pre-rolls are currently the Company’s most successful product.

The Company purchases cannabis flower and carefully grinds up the flower to remove any waste material and stems. Hollister only uses raw flower that meets its high quality standards. The Company manufacturers bubble hash with purified water and ice in hash wash machines. It is dried in state of the art freeze dryers. The Company’s pre-rolls are machine filled and every pre-roll is precisely weighed to ensure it meets state requirements for variance.

The infusion of bubble hash makes this product unique and very popular. Due to the labor it takes to craft bubble hash there are few competitors in the space.

¹ Principal sources include *A Society in Transition, an Industry Ready to Bloom* (Deloitte, 2018), *Now we Know What Californians are Smoking* (BDS Analytics, September 2017); *Cannabis Sales May Surpass Soda by 2030*, Jennifer Kaplan (Bloomberg, 2018); *California – The Golden Opportunity?* (Arcview Market Analysis, Cannabis Intelligence Briefing).

Mighty Meds

Hollister acquired Mighty Meds as its vape brand (see “*General Development of the Business*”). The Company’s vape products are manufactured from pure THC distillate and plant-based terpenes.² The Company is planning to re-brand its “Mighty Meds” brand to “Mighty Vape”, following its experience that the term “meds” has not translated well in the competitive adult use marketplace. The Company also intends to update its website, create new vape hardware and upgrade its vape formulas.

Purity Pettibles

Purity Pettibles 20:1 CBD pet tincture is manufactured using full spectrum CBD, organic MCT Oil derived from coconuts and chicken flavor. The MCT Oil and chicken flavor used in Purity Pettibles is food grade.

Hollister Cannabis Co.

NanoPure, nanoemulsified cannabis concentrate which will be sold both wholesale as an ingredient for other companies and power products for Hollister Cannabis Co. NanoPure is currently manufactured using sonic technology to shear the THC/CBD molecule into smaller sizes that are encapsulated in a nanoemulsion.

Hollister Cannabis Co’s product line consists of all flower pre-rolls and bubble hash. The Company goes to great length to ensure that all of the flower used to make its pre-rolls is thoroughly cleaned, destemmed and examined for any impurities (see above “*Manufacturing and Packaging Processes*”). The Company throws away what many other companies just grind up and add to their pre roll. It may cost the Company a little more, but the end product is far superior.

The Company manufactures solventless³ ice water bubble hash to be used in its HashBone product and to be sold in one-gram glass jars. Hollister uses cold ice water and agitation to remove the THC/CBD from the cannabis plant. The Company drains the ice water through bubble hash bags using screens to harvest the hash product. Hollister then puts the harvested hash into its state-of-the-art freeze dryers to finish.

Hollister is in the process of developing a product called NanoPure by nano-emulsifying⁴ cannabis concentrate using ultrasound technology. Hollister intends to create nanoemulsion using sonomechanics. Hollister will then use spray dry technology to turn the sonomechanics nanoemulsion into a water-soluble powder. By using a water soluble active ingredient the activation time is reduced. It is also easier to get to a precise dose as it stays dispersed evenly in the solution. Hollister will use NanoPure in the manufacturing process for sublingual sprays, tinctures, beverages and edibles. Hollister intends to bring NanoPure to production in the 4th quarter of 2020.

² “Terpenes” are diverse class of organic compounds produced by certain plants. These compounds are often to enhance the flavor and effects of cannabis.

³ Many extraction technologies uses some sort of solvent. It is a challenge to remove 100% of the solvent from the end product. It is also very harsh and strips a good amount or all of the terpenes and other natural compounds that are normally found in cannabis.

⁴ “Nano-emulsification” occurs when cannabis is broken down into nanoparticles (oily system) and mixed with water (aqueous system) to form a solution that acts like a water-soluble product.

White Label

The Company manufactures pre-rolls, infused pre-rolls and packages flower into 3.5 gram and 1 gram packages as “white label” products for other licensed California cannabis companies. Those companies then distribute their own products.

Venom Extracts

The Company, through Venom Extracts, manufactures cannabis distillate and related products.

Venom Extract’s business operations entail the manufacturing of concentrates, Propane Hash Oil (P.H.O.) concentrates and cartridges and distribution of products for medical use in the state of Arizona. The Entity’s registered corporate office is 2328 E Osborn Road, Phoenix, AZ 85016 United States of America.

Rebel Hemp Company

The Company manufactures certain hemp products under the name “Rebel Hemp Company”. On December 12, 2019, the company launched a hemp brewed beverage, branded as “Rebel Tea”, which is a THC-free beverage that contains fifteen milligrams of whole-plant full-spectrum phytocannabinoids. The company also entered into a letter of intent with Mountain Financial Solutions LLC, pursuant to which the Company will purchase 1,000 pounds of hemp for use in hemp pre-rolls to be manufactured by the Company.

Tommy Chong's Cannabis™ Full Spectrum Elixir 1:1

On February 7, 2020, the Company entered into an exclusive licensing agreement with **[Tommy Chong]**, to manufacture and distribute a tincture branded as “Tommy Chong's Cannabis™ Full Spectrum Elixir 1:1”. On May 27, 2020, the Company announced the tincture was ready for market.

Tactical Relief™

On June 22, 2020, the Company signed a definitive agreement with Allied Corp. to bring to market a line of cannabis products under the brand Tactical Relief™, pursuant to which the company will be responsible for all aspects of production and procurement of underlying materials.

Alphamind

Alphamind is a Canada and US based growth stage company, that is developing a portfolio of certified legal mushroom based natural health products. It is also actively conducting R&D initiatives, led by Dr. Nikos C. Apostolopoulos, who is exploring psilocybin based pharmaceutical treatments. The company's "ready to ship" product SKU's include Cordyceps, Lion's Mane, Shiitake, Oyster and Reishi Mushroom based: liquid tinctures, concentrated mushroom powder(s), teas, and chocolate.

AlphaMind’s initial product line will consist of a blended and bottled powder and capsule consisting of powdered cordyceps, lion’s mane, oyster, reishi and shiitake medicinal mushroom varieties. The formulations for both products are unique and developed through research driven initiatives. The health benefits that the capsules and powder intend to provide include but are not limited to anti-inflammatory, antioxidant, anti-ageing, anti-microbial and immune system support.

Raw materials for the product line have arrived at Alphamind’s manufacturing partner, Kirkman and have been sent off for third party testing. Once the ingredients are approved, AlphaMind anticipates production can begin by mid-June with the aim of having the product line in the market by Q4, 2020.

Competition

General

There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and production and marketing experience than the Company.

Financing for companies in the cannabis sector is generally more difficult than other sectors, given the future uncertainties for the regulatory framework. Further, because of the early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. If the number of users of medical and recreational marijuana in California 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 and pricing strategies.

The fast-growing market for legalized cannabis in California has created a competitive environment for cannabis manufacturers and producers alike, as well as other types of companies who provide goods and services to the cannabis industry. To remain competitive, the Company will require a continued high level of investment in the Facility, products and technologies, manufacturing distribution, research and development, marketing, sales and client support. However, there remains a significant lack of traditional sources of bank lending and equity capital available to fund the operations of companies in the cannabis sector. Management believes that the Company can continue to expand its cannabis-related holdings by providing tailored, compliant, and financially attractive sources of funding and/or equity investment to cannabis and cannabis-connected companies. Because of the rapid growth of the cannabis industry, the Company faces competition from other companies in the sector who are accessing the equity capital markets. Established pharmaceutical companies are also entering the cannabis space and could become potential competition or potential partners to the cannabis industry. See “*Risk Factors*”.

Whereas certain of the Company’s competitors focus on one or two products, the Company believes it has an advantage because it intends to have a broad selection of products that will enable it to insulate its margins as the different market segments fluctuate.

(A) Competitor Comparison

Based on management’s knowledge of the active companies in the California cannabis industry, the Company is of the view that the following businesses could potentially compete with Hollister in its market.

Competitor	Description of Business	Operations Location
CannaCraft	Cannacraft is the owner of several of the most popular brands in California, including Absolute Extraxts, Care By Design, Satori and High Fi Hops	Santa Rosa, California

Competitor	Description of Business	Operations Location
CannDESCENT	CannDESCENT is a premier brand in California with flower, pre rolls and vape products. They lead the industry in branding.	Palm Desert, California
LoudPack	Loudpack has a wide selection of brands in several categories and has strong marketing.	Greenfield, California
NUG	NUG NUG, Inc. is a premier, state-licensed and vertically-integrated California cannabis company.	Oakland, California
Caliva	Premier vertically integrated brand that has several high profile investors. Premier has large product selection.	San Jose, California
Sunderstorm	Sunderstorm offers gummies, vapes, sprays and flower.	Bay Area, California

Note:

1) Together, Cannacrat, CannDESCENT, Loudpack, NUG, Caliva & Sunderstorm have an 11.5% market share in California.

Employees, Specialized Skills and Knowledge

As of the date of this AIF, Hollister has 10 full-time employees, exclusive of management. Hollister also relies on part-time consultants and contractors to conduct its operations. The operations of Hollister are managed by its directors and officers.

The nature of the Company's business requires specialized knowledge and technical skill around the cultivating, harvesting, production, and regulations of cannabis and the cannabis industry. The required skills and knowledge to succeed in this industry are available to the Company through certain members of the Company's management, directors, officers, and advisory teams.

Intellectual Property

Hollister currently has a trademark for the Hollister Cannabis Co logo in the state of California Registration #02005769.

As of the date of this AIF, Hollister owns the following domain names:

- hollistercannabisco.com
- hollistercannabis.company
- hollisterhempco.com
- mightymedvape.com
- hashbones.com
- hollistercbd.com
- hollisterholistics.com
- mightyvape.net
- nanopure.biz
- vapemighty.com
- weldonmanor.com

Future Developments

- The company is looking to accelerate its direct to consumer platform for both the hemp and the cannabis markets.
- Hollister Biosciences will look to build a centralized ecommerce management system that will streamline the sales and marketing of all Hollister Biosciences non cannabis brands like Rebel Hemp Company & AlphaMind.
- The Company will continue to evaluate the changing cannabis regulatory landscape to expand operations into new states.
- The Company will also evaluate new technologies which may be utilized in the Company's Facilities in the future.
- Hollister Cannabis Co. is currently in the design phase of expanding its facility to accommodate the Venom brand.

General

The Company will continue to evaluate the changing cannabis regulatory landscape within California to expand operations in opportune locations. The Company will also evaluate new technologies which may be utilized in the Company's Facilities in the future.

If the Company is unable to obtain/retain the Licenses, it will evaluate the full range of alternatives to allow it to carry on its business. Without limitation, such alternatives may include the acquisition of the holder of the necessary cannabis license issued under California and local law, a business partnership with the holder of such a license or an application by Hollister itself for such a license.

Additional Products

The Company intends to build an e-commerce website to facilitate the sales of the Company's hemp products. The Company will also engage with a third party fulfilment center to handle pick, pack and shipping of its online orders.

As Hollister grows its hemp based business it will look to grow into processing raw hemp into the oils used to make its products.

REGULATORY OVERVIEW

In accordance with the Canadian Securities Administrators Staff Notice 51-352 (Revised) – *Issuers with U.S. Marijuana-Related Activities* ("**Staff Notice 51-352**"), below is a general discussion of the current federal and state-level U.S. regulatory regimes in those jurisdictions where the Company may have direct, indirect or ancillary involvement through its subsidiaries and investments. In accordance with Staff Notice 51-352, the Company will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented, amended and communicated to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding cannabis regulation.

U.S. Cannabis Regulation

Federal Regulation – Cannabis

Although a number of states of the United States have legalized medical marijuana, recreational marijuana, or both, it remains illegal under United States federal law. Cannabis currently remains a Schedule I drug under the Controlled Substances Act of 1970. Under United States federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the drug under medical supervision. As such, cannabis related practices or activities, including without limitation, the manufacture, importation, possession, use, or distribution of cannabis, remain illegal under United States federal law.

Although federally illegal, the U.S. federal government's approach to enforcement of such laws has of least until recently trended toward non-enforcement. On August 29, 2013, the U.S. Department of Justice ("**DOJ**") issued a memorandum known as the "Cole Memorandum" to all U.S. Attorneys' offices (federal prosecutors). The Cole Memorandum generally directed U.S. Attorneys not to prioritize the enforcement of federal cannabis laws against individuals and businesses that rigorously comply with state regulatory provisions in states with strictly regulated medical or recreational cannabis programs. While not legally binding, and merely prosecutorial guidance, the Cole Memorandum laid a framework for managing the tension between state and federal laws concerning state regulated cannabis businesses.

However, on January 4, 2018 the Cole Memorandum was revoked by Attorney General Jeff Sessions, a long-time opponent of state-regulated medical and recreational cannabis. While this did not create a change in federal law, as the Cole Memorandum was not itself law, the revocation removed the DOJ's guidance to U.S. Attorneys that state regulated cannabis industries substantively in compliance with the Cole Memorandum's guidelines should not be a prosecutorial priority. In addition to his revocation of the Cole Memorandum, Attorney General Sessions also issued a one-page memorandum known as the "Sessions Memorandum". The Sessions Memorandum confirmed the rescission of the Cole Memorandum and explained the rationale of the DOJ in doing so: the Cole Memorandum, according to the Sessions Memorandum, was "unnecessary" due to existing general enforcement guidance adopted in the 1980s, as set forth in the U.S. Attorney's Manual (the "**USAM**"). The USAM enforcement priorities, like those of the Cole Memorandum, are also based on the federal government's limited resources, and include "law enforcement priorities set by the Attorney General," the "seriousness" of the alleged crimes, the "deterrent effect of criminal prosecution," and "the cumulative impact of particular crimes on the community."

While the Sessions Memorandum emphasizes that cannabis is a Schedule I controlled substance, and reiterates the statutory view that cannabis is a "dangerous drug and that marijuana activity is a serious crime," it does not otherwise indicate that the prosecution of cannabis-related offenses is now a DOJ priority. Furthermore, the Sessions Memorandum explicitly describes itself as a guide to prosecutorial discretion. Such discretion is firmly in the hands of U.S. Attorneys in deciding whether or not to prosecute cannabis-related offenses. Our outside U.S. counsel continuously monitors all U.S. Attorney comments related to regulated medical and adult-use cannabis laws to assess various risks and enforcement priorities within each jurisdiction. Dozens of U.S. Attorneys across the country have affirmed that their view of federal enforcement priorities has not changed, although a few have displayed greater ambivalence.

On January 15, 2019, U.S. Attorney General nominee William P. Barr intimated a markedly different approach to cannabis regulation than his predecessor during his confirmation hearing before the Senate Judiciary Committee. Mr. Barr stated that his approach to cannabis regulation would be not to upset settled expectations that have arisen as a result of the Cole Memorandum, that it would be inappropriate to upset the current situation as there has been reliance on the Cole Memorandum and that he would not be targeting companies that have relied on the Cole Memorandum and are complying with state laws with respect to the distribution and production of cannabis. While he did not offer support for cannabis legalization, Mr. Barr did emphasize the need for the U.S. Congress to clarify federal laws to address the untenable current situation which has resulted in a backdoor nullification of federal law.

Additionally, under U.S. federal law it may, under certain circumstances, be a violation of federal money laundering statutes for financial institutions to accept any proceeds from cannabis sales or any other Schedule I controlled substances. Certain Canadian banks are similarly reluctant to transact business with U.S. cannabis companies, due to the uncertain legal and regulatory framework characterizing the industry at present. Banks and other financial institutions could be prosecuted and possibly convicted of money laundering for providing services to U.S. cannabis businesses. Under U.S. federal law, banks or other financial institutions that provide a cannabis business with a chequing account, debit or credit card, small business loan or any other service could be found guilty of money laundering or conspiracy. Despite these laws, in February 2014, the Financial Crimes Enforcement Network (“**FCEN**”) of the Treasury Department issued a memorandum (the “**FCEN Memorandum**”) providing instructions to banks seeking to provide services to cannabis-related businesses. The FCEN Memorandum states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. It refers to supplementary guidance that Deputy Attorney General Cole issued to federal prosecutors relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the CSA. It is unclear at this time whether the current administration will follow the guidelines of the FCEN Memorandum. See “*Risk Factors*” for further discussion.

State Regulation – Cannabis

Although the Issuer intends to make commercially reasonable efforts to ensure that the activities of its Investments are compliant with applicable U.S. state and local law, strict compliance with state and local laws with respect to cannabis may neither absolve the Issuer of liability under U.S. federal law, nor may it provide a defense to any federal proceeding which may be brought against the Issuer.

California

Investment Activities

Hollister operates in the recreational and medicinal cannabis market in the State of California, primarily as a manufacturer and processor of cannabis products. Regulations with respect to the treatment of cannabis and hemp vary from state to state and continue to evolve.

History of California Regulations prior to the Medicinal and Adult-Use Cannabis Regulation and Safety Act

In 1996, California voters passed Proposition 215, the *Compassionate Use Act* allowing physicians to legally recommend medical cannabis for patients who would benefit from cannabis. The Compassionate Use Act legalized the use, possession and cultivation of medical cannabis for an inclusive set of qualifying

medical conditions. The law established a not-for-profit patient/caregiver system but there was no state licensing authority to oversee the businesses that emerged as a result of the system.

In 2003, Senate Bill 420 was signed into law establishing an optional identification card system for medical marijuana patients.

In September 2015, the California legislature passed three bills, collectively known as the Medical Cannabis Regulation and Safety Act (the “**MCRSA**”). The MCRSA established a licensing and regulatory framework for the medical cannabis businesses in California. The system created multiple licence types for dispensaries, infused products manufacturers, cultivation facilities, testing laboratories, transportation companies and distributors. Edible-infused product manufacturers would require either volatile solvent or non-volatile solvent manufacturing licences depending on their specific extraction methodology. Multiple agencies would oversee different aspects of the program and would require businesses to obtain a licence and local approval to operate.

In November 2016, California voters passed Proposition 64, the Adult Use of Marijuana Act (the “**AUMA**”) creating an adult-use cannabis program for individuals 21 years of age or older and a licensing system for commercial cannabis businesses. The AUMA contained conflicting provisions with the MCRSA. Consequently, in June 2017, the California State Legislature passed Senate Bill No. 94, known as the Medicinal and Adult-Use Cannabis Regulation and Safety Act (the “**MAUCRSA**”), which combined the MCRSA and the AUMA to provide a set of regulations to govern medical and adult-use licensing regime for cannabis businesses. MAUCRSA went into effect on January 1, 2018.

Regulatory Changes

Pursuant to MAUCRSA, the three agencies that regulate cannabis at the state level are: (i) the California Department of Food and Agriculture, via CalCannabis, which issues licences to cannabis cultivators; (ii) the California Department of Public Health, via the Manufactured Cannabis Safety Branch, which issues licences to cannabis manufacturers; and (iii) the California Department of Consumer Affairs, via the Bureau of Cannabis Control, which issues licences to cannabis distributors, testing laboratories, retailers, and micro-businesses. These agencies also oversee the various aspects of implementing and maintaining California’s cannabis landscape, including the statewide track and trace system. All three agencies released their emergency rulemakings at the end of 2017 and immediately began issuing licences.

California has implemented a robust regulatory system designed to ensure, monitor, and enforce compliance with all aspects of a cannabis operator’s licenced operations. Compliance with local law is a prerequisite to obtaining and maintaining state licensure, and all three state regulatory agencies require confirmation from the locality that the operator is operating in compliance with local requirements and was granted authorization to continue or commence commercial cannabis operations within the locality’s jurisdiction. This requires licence holders to operate in cities with cannabis licensing and approval programs.

A medicinal retailer licence permits the sale of medicinal cannabis and cannabis products to a medicinal cannabis patient in California who possesses a physician’s recommendation. Only certified physicians may provide medicinal marijuana recommendations. An adult-use retail licence permits the sale of cannabis and cannabis products to any individual who is 21 years old or older who does not possess a physician’s recommendation.

An adult-use or medicinal cultivation licence permits cannabis cultivation activity which means any activity involving the planting, growing, harvesting, drying, curing, grading or trimming of cannabis. Such licences further permit the production of a limited number of non-manufactured cannabis products and the sales of cannabis to certain licensed entities within the state of California for resale or manufacturing purposes.

An adult-use or medical manufacturing licence permits the manufacturing of cannabis products. Manufacturing includes the compounding, blending, extracting, infusion, packaging or repackaging, labeling or relabeling or other preparation of a cannabis product.

In the state of California, only cannabis that is grown in the state can be sold in the state. The state allows licensees to make wholesale purchase of cannabis from, or a distribution of cannabis and cannabis product to, another licensed entity within the State. Under the MAUCRSA, testing laboratory licensees may not hold any other licences aside from a laboratory licence. However, a licensee is not prohibited from performing testing on the licensee's premises for the purposes of quality assurance of a cannabis product in conjunction with reasonable business operations (testing conducted on the licensee's premises by the licensee does not meet the testing requirements required under MAUCRSA).

On May 18, 2018, the California Department of Consumer Affairs, the California Department of Public Health and the California Department of Food and Agriculture proposed to re-adopt their emergency cannabis regulations. The three licensing authorities proposed changes to the regulatory provisions to provide greater clarity to licensees and to address issues that have arisen since the emergency regulations went into effect in December 2017. Highlighted among the changes are that applicants may now complete one licence application which will allow for both medical and adult-use cannabis activity. These emergency cannabis regulations were officially readopted on June 4, 2018 and came into effect on June 6, 2018.

On January 16, 2019, California's three state cannabis licensing authorities announced that the Office of Administrative Law officially approved state regulations for cannabis businesses. The final cannabis regulations took effect immediately and superseded the previous emergency regulations.

The Company is, "directly" involved in the cultivation and distribution of cannabis in California and Arizona, as a result of the acquisition of the Hollister Subsidiaries and Venom Extracts. Hollister has represented to the Company that Hollister's business was, or will be, conducted in compliance with the regulatory framework enacted by the States of California and Arizona. As of the date of this AIF, Hollister is in compliance with all applicable California and Arizona laws, regulations, and guidelines.

Licences

Although vertical integration across multiple licence types is allowed under the state regulations, it is not required. See above "*Description of the Business – Cannabis Licences*" for details concerning Hollister's cannabis licenses.

In September 2018, the Governor of California approved the Senate Bill 1459 ("**SB-1459**"). SB-1459 created a new scheme of provisional licences for cannabis operators. This provisional licensing scheme was essentially intended to replace the temporary licensing scheme. SB-1459 was necessary because the three main state cannabis licensing agencies – the Bureau of Cannabis Control, the California Department of Public Health and the California Department of Food and Agriculture – and localities which issue permits to cannabis operators, were all backlogged with numerous applications and could not process all of the applications in time for applicants to become operational in 2018. The steps, per SB-1459 to obtain a

provisional licence are as follows: (1) an applicant must hold or previously have held a temporary licence for the same commercial cannabis activity for which it seeks a provisional, and (2) the applicant must submit a completed annual licence application and proof that *California Environmental Quality Act* compliance is underway. Provisional licences last for 12 months and can be issued through the end of 2019.

Those licence holders which have a provisional or annual licence, must be compliant with the Marijuana Enforcement Tracking Reporting Compliance (the “**METRC**”) solution 30 days after receiving their licences. An application for renewal of a cultivation licence must be submitted to the state at least 30 calendar days prior to the expiration date of the current licence. A licence holder that does not submit a completed licence renewal application to the state within 30 calendar days after the expiration of the current licence forfeits their eligibility to apply for a licence renewal and, instead, would be required to submit a new licence application. The licence holders must ensure that no cannabis may be sold, delivered, transported or distributed by a producer from or to a location outside of the state.

Zoning and Land Use Requirements

Applicants are required to comply with all local zoning and land use requirements and provide written authorization from the property owner where the commercial cannabis operations are proposed to take place, which must dictate that the applicant has the property owner’s authorization to engage in the specific state-sanctioned commercial cannabis activities proposed to occur on the premises.

Record-keeping/Reporting

California has selected METRC as the track and trace (the “**T&T**”) system used to track commercial cannabis activity. Licensees are required to maintain records for at least seven years from the date a record is created. These records include: (a) a cultivation plan, (b) all supporting documentation for data or information input into the T&T system, (c) all unique identifiers assigned to product in inventory and all unassigned unique identifiers, (d) financial records related to the licenced commercial cannabis activity, including bank statements, tax records, sales invoices and receipts, and records of transport and transfer to other licenced facilities, (e) records related to employee training for the T&T system, and (f) permits, licences, and other local authorizations to conduct the licensee’s commercial and cannabis activity.

Inventory/Storage

Each licensee is required to assign an account manager to oversee the T&T system. The account manager is fully trained on the system and is accountable to record all commercial cannabis activities accurately and completely. The licensee is expected to correct any data that is entered into the T&T system in error within three business days of discovery of the error.

The licensee is required to report information in the T&T system for each transfer of cannabis or non-manufactured cannabis products to, or cannabis or non-manufactured cannabis products received from, other licenced operators. Licensees must use the T&T system for all inventory tracking activities at a licenced premise, including, but not limited to, reconciling all on premise and in-transit cannabis or non-manufactured cannabis product inventories at least once every 14 business days. The licensee must store cannabis and cannabis products in a secure place with locked doors.

Security

A licensee is required to maintain an alarm system capable of detecting and signaling the presence of a threat requiring urgent attention and to which law enforcement are expected to respond. A licensee must also ensure a professionally qualified alarm company operator or one of its registered alarm agents installs, maintains, monitors and responds to the alarm system.

The manufacturing and cultivation of cannabis must use a digital video surveillance system which runs 24 hours a day, seven days a week and effectively and clearly records images of the area under surveillance. Each camera must be placed in a location that clearly records activity occurring within 20 feet of all points of entry and exit on the licenced premises. The areas that will be recorded on the video surveillance system should include the following: (a) areas where cannabis goods are weighed, packed, stored, loaded, and unloaded for transportation, prepared or moved within the premises, (b) limited-access areas, (c) security rooms, and (d) areas storing a surveillance-system storage device with at least one camera recording the access points to the secured surveillance recording area. Surveillance recordings must be kept for a minimum of 90 days.

Transportation

Transporting cannabis goods between licensees and a licenced facility may only be performed by persons holding a distributor licence. The vehicle or trailer used must not contain any markings or features on the exterior which may indicate or identify the contents or purpose. All cannabis products must be locked in a box, container, or cage that is secured to the inside of the vehicle or trailer. When left unattended, vehicles must be locked and secured. At a minimum, the vehicle must be equipped with an alarm system, motion detectors, pressure switches, duress, panic, and hold-up alarms.

Operating Procedure Requirements

Applicants must submit standard operating procedures (“SOPs”) describing how the operator will, among other requirements, secure the facility, manage inventory, comply with the State’s seed-to-sale tracking requirements, dispense cannabis, and handle waste, as applicable to the license sought. Once the SOPs are determined compliant and approved by the applicable state regulatory agency, the licensee is required to abide by the processes described and seek regulatory agency approval before any changes to such procedures may be made. Licensees are additionally required to train their employees on compliant operations and are only permitted to transact with other legal and licensed businesses.

Site Visits and Inspections

The Company will not be able to obtain or maintain state licensure, and thus engage in commercial cannabis activities in the state of California without satisfying and maintaining compliance with state and local law. As a condition of state licensure, the Company must consent to random and unannounced inspections of the commercial cannabis facility as well as all of the facility’s books and records to monitor and enforce compliance with state law. Many localities have also enacted similar standards for inspections, and the state has already commenced site-visits and compliance inspections for operators who have received state temporary or annual licensure.

Arizona

Pursuant to the Venom Extracts Acquisition, the Company acquired 100% interest in Venom Extracts, a producers of cannabis distillate and related products in the State of Arizona.

For the purposes of Staff Notice 51-352, the assets held by the Company's subsidiary Venom Extracts are classified as "direct" involvement in the United States cultivation or distribution industry.

The Company is advised by legal counsel regarding compliance with Arizona's cannabis regulatory framework and potential exposure and implications arising from U.S. federal law and/or other advisors in connection with Arizona's cannabis regulatory program. The Company only engages in transactions with Arizona cannabis businesses that hold licenses that are in good standing to cultivate, possess and/or distribute cannabis in Arizona in compliance with Arizona's cannabis regulatory program. To the extent required by Arizona's cannabis regulatory program, the Company has fully disclosed and/or registered each financial interest the Company holds in such Arizona cannabis businesses. The Company and Venom Extracts are in compliance with Arizona's cannabis regulatory program. In addition to the foregoing description, Staff Notice 51-352 requires additional disclosure for issuers with a "direct" involvement in the United States cultivation or distribution industry.

History of Arizona Regulations

In 1996, Arizona passed Proposition 200, the Drug Medicalization, Prevention, and Control Act of 1996 ("**Proposition 200**"), allowing doctors to prescribe medical cannabis (specifically, controlled substances) to treat diseases or relieve pain in seriously/terminally ill patients. In order for a patient to use medical cannabis, a doctor had to provide scientific evidence to prove cannabis' usefulness along with a second doctor's opinion to the Arizona Department of Health Services (the "**ADHS**"). However, the language in Proposition 200 required a doctor to "prescribe" medical cannabis, creating a conflict with U.S. federal law. For a doctor to prescribe medicine, the substance must first undergo FDA trials and doctors must specify the exact dosage and consumption methods to be used. This rendered Proposition 200 illegal on a federal scope and a medical cannabis program never materialized.

In 2010, Arizonans approved the Arizona Medical Marijuana Act ("**AMMA**") an initiative to legalize the medicinal use of cannabis. The AMMA is codified in Arizona Revised Statutes § 36-2801 et. seq. The AMMA appointed the ADHS as the regulator for the program and authorized ADHS to promulgate, adopt and enforce regulations for the AMMA. The ADHS established the Arizona Department of Health Services - Medical Marijuana Program ("**MMJ Program**"), which sets for the rules and regulations regarding medical cannabis in the State of Arizona. The ADHS regulations are embodied in the Arizona Administrative Code Title 9 Chapter 17 (the "**Arizona Code**").

Medical cannabis licences under the AMMA are vertically integrated, meaning that a holder of a Medical Marijuana Dispensary Registration Certificate is authorized to dispense and cultivate medical cannabis. Each Medical Marijuana Dispensary Registration Certificate also permits its holder to operate one on-site cultivation facility, and one off-site cultivation facility which can be located anywhere within the State of Arizona. A Medical Marijuana Dispensary Registration Certificate holder is required to file an application to renew with the ADHS on an annual basis, such application must also include audited annual financial statements. While a Medical Marijuana Dispensary Registration Certificate may not be sold, transferred or otherwise conveyed, Medical Marijuana Dispensary Registration Certificate holders typically contract with third parties to provide various services related to the ongoing operation, maintenance and

governance of its dispensary and/or cultivation facility so long as such contracts do not violate the requirements of the AMMA or the MMJ Program.

Licensing Requirements

In order for an applicant to receive a Medical Marijuana Dispensary Registration Certificate they must: (i) fill out an application on the form proscribed by ADHS, (ii) submit the applying entity's articles of incorporation and by-laws, (iii) submit fingerprints for each principal officer or board member of the applicant for a background check to exclude felonies, (iv) submit a business plan and policies and procedures for inventory control, security, patient education, and patient recordkeeping that are consistent with the AMMA and the Arizona Code to ensure that the medical dispensary will operate in compliance and (v) designate an Arizona licensed physician as the Medical Director for the Dispensary. Medical Marijuana Dispensary Registration Certificates are renewed annually so long as the dispensary is in good standing with ADHS and pays the renewal fee and submits an independent third party financial audit.

See above "*Description of the Business – Cannabis Licenses*" for details concerning Hollister's cannabis licenses.

Approval to Operate

Once an applicant has been issued a Medical Marijuana Dispensary Registration Certificate, they are allowed to establish one physical retail medical dispensary location, one cultivation location which is co-located at the dispensary's retail site (if allowed by local zoning) and one additional off-site cultivation location. None of these sites can be operational, however, until the medical dispensary receives an approval to operate from ADHS for the applicable site. This approval to operate requires: (i) an application on the ADHS form, (ii) demonstration of compliance with local zoning regulations, (iii) a site plan and floor plan for the applicable property, and (iv) an in-person inspection by ADHS of the applicable location to ensure compliance with the Arizona Code and consistency with the Dispensary's applicable policies and procedures.

Security Requirements for Dispensary Facilities

Any medical dispensary facility must abide by the following security requirements: (i) ensure that access to the facilities is limited to authorized agents of the Dispensary ("**Dispensary Agents**") who are in possession of a Dispensary Agent identification card, and (ii) equip the facility with: (a) intrusion alarms and surveillance equipment, (b) exterior and interior lighting to facilitate surveillance, (c) at least one 19-inch monitor for surveillance and a video capable of printing a high resolution still image, (d) high resolution video cameras at all points of sale, entrances, exits, and limited access areas, both in and around the building, (e) 30 days' video storage, (f) failure notifications and battery backups for the security system and (g) panic buttons inside each building.

Transportation Requirements

Dispensaries may transport medical cannabis between their own sites or between their sites and another medical dispensary's site and must comply with the following Rules: (i) prior to transportation, the Dispensary Agent must complete a trip plan showing: (a) the name of the Dispensary Agent in charge of transporting the cannabis, (b) the date and start time of the trip, (c) a description of the cannabis, cannabis plants, or cannabis paraphernalia being transported; and (d) the anticipated route of transportation, (ii)

during transport the Dispensary Agent shall: (a) carry a copy of the trip plan at all times, (b) use a vehicle with no medical cannabis identification, (c) carry a cell phone, and (d) ensure that no cannabis is visible, and (iii) Dispensaries must maintain trip plan records.

Inspections and Enforcement

ADHS may inspect a facility at any time upon five (5) days' notice to the operators of the medical dispensary. However, if someone has alleged that the medical dispensary is not in compliance with the AMMA or the Arizona Code, ADHS may conduct an unannounced inspection. ADHS will provide written notice to the medical dispensary of any violations found during any inspection and the medical dispensary then has twenty (20) working days to take corrective action and notify ADHS.

ADHS must revoke a Medical Marijuana Dispensary Registration Certificate if it determines that medical dispensary: (i) operates before obtaining approval to operate a medical dispensary from the ADHS, (ii) dispenses, delivers, or otherwise transfers cannabis to an entity other than another medical dispensary with a valid Medical Marijuana Dispensary Registration Certificate issued by the ADHS, a qualifying patient with a valid registry identification card, or a designated caregiver with a valid registry identification card, (iii) acquires usable cannabis or mature cannabis plants from any entity other than another medical dispensary with a valid Medical Marijuana Dispensary Registration Certificate issued by the ADHS, a qualifying patient with a valid registry identification card, or a designated caregiver with a valid registry identification card, or (iv) if a principal officer or board member has been convicted of an excluded felony offense.

Furthermore, ADHS may revoke a Medical Marijuana Dispensary Registration Certificate if a medical dispensary does not: (i) comply with the requirements of the AMMA or the Arizona Code, (ii) implement the policies and procedures or comply with the statements provided to the ADHS with the medical dispensary's application.

U.S. Industrial Hemp Regulation

Federal Regulation – Industrial Hemp

On December 20, 2018 the Agricultural Improvement Act of 2018 (commonly known as the “**2018 Farm Bill**”) was signed into law by President Donald Trump. The 2018 Farm Bill, among other things, removes industrial hemp and its cannabinoids, including CBD derived from industrial hemp, from the CSA and amends the Agricultural Marketing Act of 1946 to allow for industrial hemp production and sale in the United States.

Under the 2018 Farm Bill, industrial hemp is defined as “the plant *Cannabis sativa L.* and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a delta-9 tetrahydrocannabinol (THC) concentration of not more than 0.3 percent on a dry weight basis.” Although the U.S. federal government removed hemp from the CSA, it must be removed by each state to allow farming and extraction. The U.S. Department of Agriculture (the “**USDA**”) has been tasked with promulgating regulations for the industrial hemp industry, which, among other things, requires the USDA to review and approve any state-promulgated regulations relating to industrial hemp. Under the 2018 Farm Bill, state departments of agriculture must consult with the state's governor and chief law enforcement officer to devise a plan that must be submitted to the Secretary of the USDA. Until such time as the USDA approves a state's industrial hemp regulations,

commercial sale of industrial hemp may not be permissible. In states opting not to devise a hemp regulatory program, the USDA will construct a regulatory program under a federally-run program.

The timing of such USDA regulations cannot be assured. Further, under the 2018 Farm Bill, the United States Food and Drug Administration (“**FDA**”) has retained authority over the addition of CBD to products that fall within the Food, Drug and Cosmetics Act (the “**FDCA**”). As per a FDA statement dated December 20, 2018, the FDA confirmed that it is unlawful under the FDCA to introduce food containing added CBD or THC into interstate commerce, or to market CBD or THC products as, or in, dietary supplements, regardless of whether the substances are hemp-derived (see “*Risk Factors – Specifically Related to the U.S. Regulatory System*”).

The FDCA is also intended to assure the consumer, in part, that drugs and devices are safe and effective for their intended uses and that all labeling and packaging is truthful, informative and not deceptive. The FDCA and FDA regulations define the term drug, in part, by reference to its intended use, as “articles intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease” and “articles (other than food) intended to affect the structure or any function of the body of man or other animals.” Therefore, almost any ingested or topical or injectable product that, through its label or labeling (including internet website, promotional pamphlets, and other marketing material), is claimed to be beneficial for such uses will be regulated by the FDA as a drug. The definition also includes components of drugs, such as active pharmaceutical ingredients. The FDCA defines cosmetics by their intended use, as “articles intended to be rubbed, poured, sprinkled, or sprayed on, introduced into, or otherwise applied to the human body...for cleansing, beautifying, promoting attractiveness, or altering the appearance.” See FD&C Act, sec. 201(i). Among the products included in this definition are skin moisturizers, perfumes, lipsticks, fingernail polishes, eye and facial makeup preparations, cleansing shampoos, permanent waves, hair colours and deodorants, as well as any substance intended for use as a component of a cosmetic product. Under the FDCA, cosmetic products and ingredients with the exception of colour additives, do not require FDA approval before they go on the market. Drugs, however, must generally either receive premarket approval by the FDA through the New Drug Application (“**NDA**”) process or conform to a “monograph” for a particular drug category, as established by the FDA’s Over-the-Counter (“**OTC**”) Drug Review. CBD is an active ingredient in drug products that have been approved or authorized for investigation by the FDA; therefore, under the FDA’s current position, it cannot be used in dietary supplements or as a food additive.

There can be no assurance that the FDA will approve CBD as an additive to products under the FDCA. Additionally, the 2018 Farm Bill does not legalize CBD derived from “marihuana” (as such term is defined in the CSA), which is and will remain a Schedule I controlled substance under the CSA.

Continued development of the industrial hemp industry—specifically with regards to CBD and the cannabinoid product industry—will be dependent upon new legislative authorization of industrial hemp at the state level, and further amendment or supplementation of legislation at the federal level. If the U.S. federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing state laws are repealed or curtailed, the Issuer’s investments in such businesses would be materially and adversely affected. See “*Risk Factors.*”

U.S. State Law – Industrial Hemp

The Issuer intends to make commercially reasonable efforts to ensure that all its State Operators (defined herein) operate in accordance with federal and applicable state law concerning the cultivation, production and sale of industrial hemp and hemp products (including CBD products derived from hemp).

Laws and regulations governing the use of hemp in the U.S. are broad in scope; subject to evolving interpretations, and subject to enforcement by several regulatory agencies and law enforcement entities. Under the 2018 Farm Bill, a state that desires to have primary regulatory authority over the production of hemp in the state must submit a plan to monitor and regulate hemp production to the Secretary of the USDA. The Secretary must then approve the state plan after determining if the plan complies with the requirements set forth in the 2018 Farm Bill. The Secretary may also audit the state's compliance with the federally-approved plan. If the Secretary does not approve the state's plan, then the production of hemp in that state will be subject to a plan established by the USDA. The USDA has not yet established such a plan.

Historically, the fifty U.S. states have had different laws (or lack thereof) regulating industrial hemp. Based on the Issuer's review of state laws, it notes that few states (if any) have state statutory language which explicitly prohibits the retail sale of hemp-derived CBD. Prior to the implementation of the 2018 Farm Bill (and corresponding state federal/state approval requirements), Kentucky, Tennessee, Indiana, Missouri and Colorado had passed laws that explicitly exempted hemp extracts such as CBD from legal prohibitions normally incurred by controlled substances such as cannabis. The Issuer does not anticipate the regulations of these states to change based on recent federal regulatory developments. Further, the Issuer's position is that where state law is silent on the subject of hemp-derived CBD's legality, federal law provides protection, particularly in those states that have adopted model legislation that explicitly exempt from control those products and substances that are exempted by federal law.

The Issuer expects that many states will seek to have primary regulatory authority over the production of hemp and CBD products derived from hemp. However, it is unclear at this time how the FDA intends to enforce its policy against adding CBD and THC to food and beverages, or how it plans to interpret statements concerning "a claim of therapeutic benefit".⁵ On March 20th, 2019, CVS Pharmacy announced that it intends to sell over-the-counter CBD products, including CBD-infused sprays, roll-ons, creams and salves to be used as an "alternative source of relief" in 800 stores in eight U.S. states (see "*Risk Factors – Risks Specifically Related to the U.S. Regulatory System*").⁶ Certain critics have cautioned that there is a risk that "people turn down effective medications to use unproven products, like CBD". However, as of the date hereof, the FDA has avoided issuing specific/situational guidance. The FDA's current position (as of the date hereof) is as follows:

"When a product is in violation of the FD&C Act, FDA considers many factors in deciding whether or not to initiate an enforcement action. Those factors include, among other things, agency resources and the threat to the public health. FDA also may consult with its federal and state partners in making decisions about whether to initiate a federal enforcement action."⁷

In late 2018, the FDA confirmed, "pathways remain available for the FDA to consider whether there are circumstances in which certain cannabis-derived compounds might be permitted in food or dietary supplements". On April 2, 2019, the FDA announced that intends to hold a public hearing on May 31, 2019 for stakeholders to share their experiences and challenges with CBD products, including information and views related to product safety. The FDA further announced its intention to form a high-level internal

⁵ Lyndsay Meyer, "Statement from FDA Commissioner Scott Gottlieb, M.D., on signing of the Agriculture Improvement Act and the agency's regulation of products containing cannabis and cannabis-derived compounds" (December 20, 2018), online: U.S. Food and Drug Administration <<https://www.fda.gov/NewsEvents/Newsroom/PressAnnouncements/ucm628988.htm>>.

⁶ Shamard Charles, M.D., "CVS to sell CBD products in 800 stores in 8 states" (March 21, 2019), online: NBC News <<https://www.nbcnews.com/health/health-news/cvs-sell-cbd-products-800-stores-8-states-n986016>>.

⁷ U.S. Food and Drug Administration, "FDA and Marijuana: Questions and Answers" (December 20, 2018), online: U.S. Food and Drug Administration <<https://www.fda.gov/NewsEvents/PublicHealthFocus/ucm421168.htm>>.

agency working group to explore potential pathways for dietary supplements and/or conventional foods containing CBD to be lawfully marketed; including a consideration of what statutory or regulatory changes might be needed and what the impact of such marketing would be on the public health.⁸ In light of the FDA's statements and the fact that there is growing support from industry and the scientific community to 'de-regulate' CBD generally,⁹ the Issuer anticipates the FDA to continue the status quo of federal 'non-enforcement' in cases where state and local law permit certain activities.

Enforcement of Federal Laws

For the reasons set forth above, the Company's existing operations in the United States, and any future investments, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to operate in the United States or any other jurisdiction. See "*Risk Factors*".

Government policy changes or public opinion may also result in a significant influence over the regulation of the cannabis industry in the United States or elsewhere. A negative shift in the public's perception of medical and/or recreational cannabis in the United States or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical and/or recreational cannabis, thereby limiting the number of new state jurisdictions into which the Company could expand, should it wish to do so. See "*Risk Factors*".

Further, violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, its holding (directly or indirectly) of medical cannabis licenses in the United States, the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial. See "*Risk Factors*".

Ability to Access Public and Private Capital

The Company has historically, and continues to have, robust access to equity from prospectus exempt (private placement) markets in Canada. While the Company is not able to obtain bank financing in the U.S. or financing from other U.S. federally regulated entities, it plans to (i) continue to access equity financing through private markets, and (ii) access equity financing through public markets in Canada, if listed on the

⁸FDA Statement, FDA US Food & Drug Administration, online: <<https://www.fda.gov/NewsEvents/Newsroom/PressAnnouncements/ucm635048.htm>>.

⁹ Judith Kohler, "Legislators, hemp advocates say farm bill is a boon for Colorado's growing industry" (December 13, 2018), online: The Denver Post <<https://www.denverpost.com/2018/12/13/colorado-hemp-farm-bill-impacts/>>; Bill Ranford, "Colorado's hemp industry seen to have a green future" (January 12, 2019), online: The Gazette <https://gazette.com/business/colorado-s-hemp-industry-seen-to-have-a-green-future/article_83520c76-0ada-11e9-83a8-2b7168446965.html>; see Note by the Secretariat on the scope of control of substances: proposed scheduling recommendations by the World Health Organization on cannabis and cannabis-related activities, ECOSOC CND, 62nd Sess, Annex, Provisional Agenda Item 9(a), UN Doc E/CN.7/2019/12 at 10, (the WHO recommended "adding a footnote to the entry for cannabis and cannabis resin in Schedule I of the 1961 Convention to read 'Preparations containing predominantly cannabidiol [CBD] and not more than 0.2 per cent of delta-9-tetrahydrocannabinol [THC] are not under international control'").

CSE or another stock exchange. Further, the Company's executive team and board also have extensive relationships with sources of private capital (such as high net worth individuals), that could be investigated at a higher cost of capital. Current proceeds from the Company's financings will be used to finance the continued growth of the Company's business. In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed wholly or partially with debt, which may increase the Company's debt levels above industry standards, or through the issuance of shares which will be dilutive to the current shareholders.

Commercial banks, private equity firms and venture capital firms have approached the cannabis industry cautiously to date. However, there are increasing numbers of high net worth individuals and family offices that have made meaningful investments in companies and projects similar to the Company's projects. Although there has been an increase in the amount of private financing available over the last several years, there is neither a broad nor deep pool of institutional capital that is available to cannabis license holders and license applicants. There can be no assurance that additional financing, if raised privately, will be available to the Company when needed or on terms which are acceptable. The Company's inability to raise financing to fund capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon future profitability. See "*Risk Factors*".

U.S. Compliance Procedures

The Company will utilize an enterprise compliance platform, which integrates the Company's inventory management program and SOPs with the software's compliance checklists and auditing features to facilitate continued compliance with state and local requirements. Although the Company's activities are compliant with applicable United States state and local law, strict compliance with state and local laws with respect to cannabis may neither absolve the Company of liability under United States federal law, nor may it provide a defense to any federal proceeding which may be brought against the Company.

The Company will develop a robust compliance program designed to ensure operational and regulatory requirements continue to be satisfied, and has retained local U.S. outside counsel, to advise the Company in connection with compliance with California law on an ongoing basis. The Company will continue to work closely with its U.S. Counsel to develop and improve its internal compliance program, and will defer to their legal opinions and risk mitigation guidance regarding California's complex regulatory framework. The Company's internal compliance program, including its use of an enterprise compliance platform, requires continued monitoring by managers and executives of the Company to ensure all operations conform with legally compliant SOPs. The Company further requires its employees and management to undergo ongoing training and to report and disclose all instances of non-compliance, regulatory, administrative, or legal proceedings that may be initiated against them.

Because cannabis remains illegal under U.S. federal law, those employed at or investing in legal and licensed Canadian or U.S. cannabis companies could face detention, denial of entry or lifetime bans from the U.S. for their business associations with U.S. cannabis businesses, irrespective of the Company's compliance with U.S. state and local law (see "*Risk Factors*"). The government of Canada has warned 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.

RISK FACTORS

The following are certain factors relating to the Company's business which prospective investors should carefully consider before deciding whether to purchase Common Shares in the Company's authorized

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

Risks Relating to the Company's Business

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

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

The Company has negative cash flow for the year ended December 31, 2019 and the three months ended March 31, 2020.

The Company has a negative operating cash flow for the year ended December 31, 2019 and the three months ended March 31, 2020. To the extent that the Company has negative operating cash flow in future periods, it may need to allocate a portion of its cash reserves to fund such negative cash flow. The Company may also be required to raise additional funds through the issuance of equity or debt securities. There can be no assurance that the Company will be able to generate a positive cash flow from its operations, that additional capital or other types of financing will be available when needed or that these financings will be on terms favourable to the Company. The Company's actual financial position and results of operations may differ materially from the expectations of the Company's management.

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

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

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

The Company expects to incur significant ongoing costs and obligations related to its investment in infrastructure and growth and for regulatory compliance, which could have a material adverse impact on the Company's results of operations, financial condition and cash flows. In addition, future changes in

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

The cannabis industry and market are relatively new in California and this industry and market may not continue to exist or grow as anticipated or the Company may be ultimately unable to succeed in this new industry and market

The Company is operating its business 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 through significant investments in its strategy, its 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 and market could have a material adverse effect on the Company's business, financial conditions and results of operations.

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

The Company is currently in the expansion from early development stage. The Company's growth plan contemplates upgrading/developing the Facility (see "Description of Business"). There is a risk that these additional resources will not be achieved on time, on budget, or at all, as they can be adversely affected by a variety of factors, including some that are discussed elsewhere in these "Risk Factors" and the following:

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

Construction Risk Factors

The Company 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 and development upgrades of

the 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 Facility upgrade, 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 available 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 the completion of the upgrades, the start-up costs associated with further development of the Company's business and the 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.

Risks relating to the Facility

The Facility is integral to the Company's business and adverse changes or developments affecting the Facility's current or intended operations may impact the Company's business, financial condition and results of its operations. The Company's activities and resources are currently focused on upgrading the Facility. Adverse changes or developments affecting the Facility, including but not limited to a force majeure event or a breach of security, could have a material adverse effect on the Company's business, financial condition and prospects. Any breach of the security measures and other Facility requirements, including any failure to comply with recommendations or requirements of MAUCRSA or the City of Hollister, could also have an impact on the Company's ability to secure local and State licensure.

The Company anticipates that the developments to the Facility will have the potential to significantly increase the Company's manufacturing and processing capacity. However, no assurance can be given that the Company will receive the requisite state and local jurisdictional approvals. If the Company is unable to secure the appropriate licenses, permits or otherwise, the expectations of management with respect to the increased future manufacturing and processing capacity may not be borne out, which could have a material adverse effect on the Company's business, financial condition and results of operations. Further, construction delays or cost over-runs in respect of the build-out/development of the facility, howsoever caused, could have a material adverse effect on the Company's business, financial condition and results of operations.

Risks Specifically Related to the U.S. Regulatory System

The Company operates in a new industry which is highly regulated, highly competitive and evolving rapidly. As such, new risks may emerge, and management may not be able to predict all such risks or be able to predict how such risks may result in actual results differing from the results contained in any forward looking statements.

The Company incurs ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions of operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to 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 and, therefore, on the Company's prospective returns. Further,

the Company may be subject to a variety of claims and lawsuits. Adverse outcomes in some or all of these claims may result in significant monetary damages or injunctive relief that could adversely affect our ability to conduct our business. The litigation and other claims are subject to inherent uncertainties and management's view of these matters may change in the future. A material adverse impact on our financial statements also could occur for the period in which the effect of an unfavorable final outcome becomes probable and reasonably estimable.

The industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the control of the Company and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies, which may be imposed. Changes in government levies, including taxes, could reduce the Company's earnings and could make future capital investments or the Company's operations uneconomic. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

This AIF involves an entity that is expected to continue to derive a portion of its revenues from the cannabis industry in certain states of the United States, which industry is illegal under United States federal law. While the Company's business activities are compliant with applicable state and local law, such activities remain illegal under United States federal law. The Company is involved in the cannabis industry in the U.S. where local and state laws permit such activities or provide limited defenses to criminal prosecutions. The Company will be directly engaged in the manufacture and possession of cannabis in the medical and recreational cannabis marketplace in the U.S.

The enforcement of relevant laws is a significant risk

Twenty-nine of the states in the U.S. have enacted comprehensive legislation to regulate the sale and use of medical cannabis. Notwithstanding the permissive regulatory environment of medical cannabis at the state level, cannabis continues to be categorized as a Schedule 1 controlled substance under the Controlled Substances Act. As such, cannabis-related practices or activities, including without limitation, the cultivation, manufacture, importation, possession, use or distribution of cannabis, are illegal under U.S. federal law. Strict compliance with state laws with respect to cannabis will neither absolve the Company of liability under U.S. federal law, nor will it provide a defense to any federal proceeding which may be brought against the Company. Any such proceedings brought against the Company may adversely affect the Company's operations and financial performance.

Because of the conflicting views between state legislatures and the federal government of the U.S. regarding cannabis, cannabis-related operations and investments in cannabis businesses in the U.S. are subject to inconsistent legislation, regulation, and enforcement. Unless and until the U.S. Congress amends the Controlled Substances Act with respect to cannabis or the Drug Enforcement Agency reschedules or de-schedules cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current federal law, which would adversely affect the Company's operations in the U.S. along with any future investments of the Company in the U.S. As a result of the tension between state and federal law, there are a number of risks associated with the Company's operations and potential future investments in the U.S.

For the reasons set forth above, the Company's existing interests in the U.S. cannabis market may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies and other authorities

in Canada. It has been reported by certain publications in Canada that the Canadian Depository for Securities Limited may implement policies that would see its subsidiary, CDS Clearing and Depository Services Inc. (“CDS”), refuse to settle trades for cannabis issuers that have cannabis-related operations and/or investments in the United States. CDS is Canada’s central securities depository, clearing and settlement hub settling trades in the Canadian equity, fixed income and money markets. The TMX Group, the owner and operator of CDS, subsequently issued a statement on August 17, 2017 reaffirming that there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States, despite media reports to the contrary and that the TMX Group was working with regulators to arrive at a solution that will clarify this matter, which would be communicated at a later time.

On February 8, 2018, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, the TMX Group announced the signing of a Memorandum of Understanding (“**TMX MOU**”) with Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange, and the TSX Venture Exchange. The TMX MOU outlines the parties’ understanding of Canada’s regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-related activities in the United States. The TMX MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. As a result, there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of Common Shares to make and settle trades. In particular, the Common Shares would become highly illiquid as until an alternative was implemented, investors would have no ability to effect a trade of the Common Shares through the facilities of a stock exchange.

The Company’s activities and operations in the U.S. are, and will continue to be, subject to evolving regulation by governmental authorities. The Company will be directly engaged in the medical and recreational cannabis industry in the California, where local state law permits such activities.

The Company’s operations are exclusively focused in California, a state that has legalized the recreational use of cannabis. Currently, the states of Alaska, Colorado, Maine, Massachusetts, Nevada, Oregon, Vermont, Washington and the District of Columbia have also legalized recreational use of cannabis. Over half of the U.S. states have enacted legislation to legalize and regulate the sale and use of medical cannabis. However, the U.S. federal government has not enacted similar legislation. As such, the cultivation, manufacture, distribution, sale and use of cannabis remains illegal under U.S. federal law.

Further, on January 4, 2018, U.S. Attorney General Jeff Sessions formally rescinded the standing U.S. Department of Justice federal policy guidance governing enforcement of marijuana laws, as set forth in a series of memos and guidance from 2009-2014, principally the Cole Memorandum. The Cole Memorandum generally directed U.S. Attorneys not to enforce the federal marijuana laws against actors who are compliant with state laws, provided enumerated enforcement priorities were not implicated. The rescission of this memo and other Obama-era prosecutorial guidance did not create a change in federal law as the Cole Memorandums were never legally binding; however, the revocation removed the DOJ’s guidance to U.S. Attorneys that state-regulated cannabis industries substantively in compliance with the Cole Memorandum’s guidelines should not be a prosecutorial priority. The federal government of the United States has always reserved the right to enforce federal law regarding the sale and disbursement of medical or recreational marijuana, even if state law sanctioned such sale and disbursement. Although the rescission of the above memorandums does not necessarily indicate that marijuana industry

prosecutions are now affirmatively a priority for the DOJ, there can be no assurance that the federal government will not enforce such laws in the future.

Additionally, there can be no assurance that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. It is also important to note that local and city ordinances may strictly limit and/or restrict the distribution of cannabis in a manner that could make it extremely difficult or impossible to transact business in the cannabis industry. If the federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing state laws are repealed or curtailed, the Company's current and future operations along with any future investments in such businesses would be materially and adversely affected. Federal actions against any individual or entity engaged in the marijuana industry or a substantial repeal of marijuana related legislation could adversely affect the Company, its business and its potential investments.

Former U.S. Attorney General Jeff Sessions resigned on November 7, 2018 and was replaced by Matthew Whitaker as interim Attorney General. On February 14, 2019, William Barr was sworn in as Attorney General. It is unclear what position the new Attorney General will take on the enforcement of federal laws with regard to the U.S. cannabis industry. However, in a written response to questions from U.S. Senator Cory Booker made as a nominee, Attorney General Barr stated "I do not intend to go after parties who have complied with state law in reliance on the Cole Memorandum."

Additionally, the Rohrbacher-Farr Amendment has been adopted by Congress in successive budgets since 2015. The Amendment prohibits the Department of Justice from spending funds appropriated by Congress to enforce the tenets of the CSA against the medical cannabis industry in states that have legalized such activity. This Amendment has historically been passed as an amendment to omnibus appropriations bills, which by their nature expire at the end of a fiscal year or other defined term. The Rohrbacher-Farr Amendment (now known colloquially as the "Joyce-Leahy Amendment" after its most recent sponsors) was included in the Consolidated Appropriations Act of 2019, which was signed by President Trump on February 14, 2019 and funds the departments of the federal government through the fiscal year ending September 30, 2019. In signing the Act, President Trump issued a signing statement noting that the Act "provides that the DOJ may not use any funds to prevent implementation of medical marijuana laws by various States and territories," and further stating "I will treat this provision consistent with the President's constitutional responsibility to faithfully execute the laws of the United States." While the signing statement can fairly be read to mean that the executive branch intends to enforce the Controlled Substances Act and other federal laws prohibiting the sale and possession of medical marijuana, the president did issue a similar signing statement in 2017 and no federal enforcement actions followed.

In light of the political and regulatory uncertainty surrounding the treatment of U.S. cannabis-related activities, including the rescission of the Cole Memorandum discussed above, on February 8, 2018 the Canadian Securities Administrators published a staff notice ("**Staff Notice 51-352**") setting out the Canadian Securities Administrators' disclosure expectations for specific risks facing issuers with cannabis-related activities in the U.S. Staff Notice 51-352 confirms that a disclosure-based approach remains appropriate for issuers with U.S. cannabis-related activities. Staff Notice 51-352 includes additional disclosure expectations that apply to all issuers with U.S. cannabis-related activities, including those with direct and indirect involvement in the cultivation and distribution of cannabis, as well as issuers that provide goods and services to third parties involved in the U.S. cannabis industry. The Company views this staff notice favourably, as it provides increased transparency and greater certainty regarding the views of

its exchange and its regulator of existing operations and strategic business plan as well as the Company's ability to pursue future investment and opportunities in the U.S.

The concepts of "medical cannabis" and "retail cannabis" do not exist under U.S. federal law because the U.S. Controlled Substances Act classifies "marijuana" as a Schedule I drug. Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the U.S., and a lack of accepted safety for the use of the drug under medical supervision. As such, cannabis-related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of cannabis remain illegal under U.S. federal law. Although the Company's activities are compliant with applicable U.S. state and local law, strict compliance with state and local laws with respect to cannabis may neither absolve the Company of liability under U.S. federal law, nor may it provide a defense to any federal proceeding which may be brought against the Company. Any such proceedings brought against the Company may adversely affect the Company's operations and financial performance.

Violations of any U.S. federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the U.S. federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, its holding (directly or indirectly) of cannabis licenses in the U.S., the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

There is still uncertainty surrounding the Trump Administration and the current Attorney General and their influence and policies in opposition to the cannabis industry as a whole.

Many factors could cause the Company's actual results, performances and achievements to differ materially from those expressed or implied by the forward-looking statements and forward-looking information, including without limitation, the following factors:

- The Company operates in the cannabis sector in the U.S., where cannabis is federally illegal;
- The activities of the Company are subject to evolving regulation that is subject to changes by governmental authorities in Canada and the U.S.;
- Third parties with which the Company does business, including banks and other financial intermediaries, may perceive that they are exposed to legal and reputational risk because of the Company's cannabis business activities;
- The Company's ability to repatriate returns generated from investments in the U.S. may be limited by anti-money laundering laws;
- Under Section 280E of the Internal Revenue Code, normal business expenses incurred in the business of selling cannabis and its derivatives are not deductible in calculating income tax liability. Therefore, the Company will be precluded from claiming certain deductions otherwise available to non-marijuana businesses. As a result, an otherwise profitable business may in fact operate at a loss after taking into account its income tax expenses. There is no certainty that the Company will not be subject to 280E in the future, and accordingly, there is no certainty that the impact that 280E has on the Company's margins will ever be reduced;

- Federal prohibitions result in cannabis businesses being potentially restricted from accessing the U.S. federal banking system, and the Company and its subsidiaries may have difficulty depositing funds in federally insured and licensed banking institutions. This may lead to further related issues, such as the potential that a bank will freeze the Company's accounts and risks associated with uninsured deposit accounts. There is no certainty that the Company will be able to maintain its existing accounts or obtain new accounts in the future; and
- Although the TMX MOU confirms that there is currently no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States, there can be no guarantee that this approach to regulation will continue in the future.

2018 Farm Bill Risks

The FDA is responsible for ensuring public health and safety through regulation of food, drugs, supplements, and cosmetics, among other products, through its enforcement authority pursuant to the FDCA. The FDA's responsibilities include regulating ingredients in, as well as the marketing and labeling of, drugs sold in interstate commerce.

If cannabis or THC or CBD derived from cannabis are re-categorized as Schedule II or lower controlled substances, the ability to conduct research on the medical benefits of cannabis would most likely be improved; however, rescheduling cannabis, THC or CBD derived from cannabis may materially alter enforcement policies across many federal agencies, primarily the FDA. Because cannabis is federally illegal to produce and sell, and because it has no federally recognized medical uses, the FDA has historically deferred enforcement related to cannabis to the Drug Enforcement Administration ("DEA"); however, the FDA has enforced the FDCA with regard to industrial hemp derived products, especially CBD derived from industrial hemp, sold outside of state-regulated cannabis businesses. If cannabis or THC or CBD derived from cannabis were to be rescheduled as federally controlled, yet legal, substances, the FDA would likely play a more active regulatory role. Further, in the event that the pharmaceutical industry directly competes with state-regulated cannabis businesses for market share, as could potentially occur with rescheduling, the pharmaceutical industry may urge the DEA, FDA and others to enforce the CSA and FDCA against businesses that comply with state but not federal law.

On December 20, 2018 the 2018 Farm Bill was signed into law. The 2018 Farm Bill, among other things, removes industrial hemp and its cannabinoids, including CBD derived from industrial hemp, from the CSA and amends the Agricultural Marketing Act of 1946 to allow for industrial hemp production and sale in the United States. Under the 2018 Farm Bill, industrial hemp is defined as "the plant *Cannabis sativa* L. and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a THC concentration of not more than 0.3 percent on a dry weight basis." The U.S. Department of Agriculture has been tasked with promulgating regulations for the industrial hemp industry, which, among other things, requires the Department of Agriculture to review and approve any state-promulgated regulations relating to industrial hemp. Until such time as the Department of Agriculture approves a state's industrial hemp regulations, commercial sale of industrial hemp may not be permissible. The timing of such Department of Agriculture regulations cannot be assured. Further, under the 2018 Farm Bill, the FDA has retained authority over the addition of CBD to products that fall within the FDCA. There can be no assurance that the FDA will approve CBD as an additive to products under the FDCA. It is not yet known what role the FDA will have in regulating industrial hemp and CBD derived from industrial hemp.

The potential for multi-agency enforcement post-rescheduling of cannabis and post-removal of industrial hemp from the CSA could threaten or have a materially adverse effect on the operations of existing state-legal cannabis businesses, including certain of Issuer's State Operators.

Regulation of Hemp-Derived CBD Products

CBD derived from hemp as defined in the 2018 Farm Bill may be subject to various laws relating to health and safety. Specifically, CBD may be governed by the FDCA as a drug. The FDCA is intended to assure the consumer, in part, that drugs and devices are safe and effective for their intended uses and that all labeling and packaging is truthful, informative and not deceptive. The FDCA and FDA regulations define the term drug, in part, by reference to its intended use, as "articles intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease" and "articles (other than food) intended to affect the structure or any function of the body of man or other animals." Therefore, almost any ingested or topical or injectable product that, through its label or labeling (including internet website, promotional pamphlets, and other marketing material), is claimed to be beneficial for such uses will be regulated by the FDA as a drug. The definition also includes components of drugs, such as active pharmaceutical ingredients. The FDCA defines cosmetics by their intended use, as "articles intended to be rubbed, poured, sprinkled, or sprayed on, introduced into, or otherwise applied to the human body...for cleansing, beautifying, promoting attractiveness, or altering the appearance." See FDCA, sec. 201(i). Among the products included in this definition are skin moisturizers, perfumes, lipsticks, fingernail polishes, eye and facial makeup preparations, cleansing shampoos, permanent waves, hair colours and deodorants, as well as any substance intended for use as a component of a cosmetic product. Under the FDCA, cosmetic products and ingredients with the exception of colour additives, do not require FDA approval before they go on the market. Drugs, however, must generally either receive premarket approval by the FDA through the NDA process or conform to a "monograph" for a particular drug category, as established by the FDA's OTC Drug Review.

CBD is an active ingredient in drug products that have been approved or authorized for investigation by the FDA and therefore, under FDA's current position, cannot be used in dietary supplements or as a food additive.

Laws and regulations governing the use of hemp in the U.S. are broad in scope; subject to evolving interpretations, and subject to enforcement by several regulatory agencies and law enforcement entities. Under the 2018 Farm Bill, a state that desires to have primary regulatory authority over the production of hemp in the state must submit a plan to monitor and regulate hemp production to the Secretary of the USDA. The Secretary must then approve the state plan after determining if the plan complies with the requirements set forth in the 2018 Farm Bill. The Secretary may also audit the state's compliance with the federally-approved plan. If the Secretary does not approve the state's plan, then the production of hemp in that state will be subject to a plan established by the USDA. The USDA has not yet established such a plan. It is anticipated that many states will seek to have primary regulatory authority over the production of hemp. States that seek such authority may create new laws and regulations that permit the use of hemp in food and beverages.

Federal and state laws and regulations on hemp may address production, monitoring, manufacturing, distribution, and laboratory testing to ensure that the hemp has a THC concentration of not more than 0.3%. Federal laws and regulations may also address the transportation or shipment of hemp or hemp products, as the 2018 Farm Bill prohibits states from prohibiting the transportation or shipment of hemp or hemp products produced in accordance with that law through the state, as applicable. Violations of

these laws, or allegations of such violations, could disrupt our business and result in a material adverse effect in the Company's operations, as well as adverse publicity and potential harm to the Company's reputation.

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

The Company's operations in the U.S. cannabis market may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to invest in and/or operate in the U.S. or any other jurisdiction.

U.S. border officials could deny entry into the U.S. to management, employees and/or investors in companies with cannabis operations in the U.S.

Because cannabis remains illegal under U.S. federal law, those employed at or investing in legal and licensed 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 the U.S. Customs and Border Protection 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 U.S. could also be reason enough for U.S. border guards to deny entry.

The Company's Operations and potential investments in the United States are subject to applicable anti-money laundering laws and regulations

The Company is subject to a variety of laws and regulations domestically and in the U.S. that involve money laundering, financial recordkeeping and proceeds of crime, including the U.S. Currency and Foreign Transactions Reporting Act of 1970 (commonly known as the Bank Secrecy Act), as amended by Title III of the *Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001* (USA PATRIOT Act), the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada), as amended and the rules and regulations thereunder, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the U.S. and Canada. Further, under U.S. federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering, aiding and abetting, or conspiracy.

Despite these laws, the FinCEN Memorandum states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. It refers to supplementary guidance that Deputy Attorney General Cole issued in the 2014 Cole Memo. The 2014 Cole Memo has been rescinded as of January 4, 2018, along with the Cole Memorandum, removing guidance that enforcement of applicable financial crimes was not a DOJ priority.

Attorney General Sessions' revocation of the Cole Memorandum and the 2014 Cole Memo has not affected the status of the FinCEN Memorandum, nor has the Department of the Treasury given any indication that it intends to rescind the FinCEN Memorandum itself. Though it was originally intended for the 2014 Cole Memo and the FinCEN Memorandum to work in tandem, the FinCEN Memorandum appears

to remain in effect as a standalone document which explicitly lists the eight enforcement priorities originally cited in the rescinded Cole Memorandum.

Although the FinCEN Memorandum remains intact, indicating that the Department of the Treasury and FinCEN intend to continue abiding by its guidance, it is unclear whether the current administration will continue to follow the guidelines of the FinCEN Memorandum.

The Company's operations, and any proceeds thereof, are considered proceeds of crime due to the fact that cannabis remains illegal federally in the U.S. This restricts the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while the Company has no current intention to declare or pay dividends on its shares in the foreseeable future, the Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

The Company's Operations and potential investments in the United States may be subject to heightened scrutiny by Canadian authorities

For the reasons set forth above, the Company's existing operations in the U.S., and any potential future investments, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to operate and invest in the U.S. or any other jurisdiction, in addition to those described herein.

Although the TMX MOU has confirmed that there is currently no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of Common Shares to make and settle trades. In particular, the Common Shares would become highly illiquid as until an alternative was implemented, investors would have no ability to effect a trade of the Common Shares through the facilities of a stock exchange.

Government policy changes or public opinion may also result in a significant influence over the regulation of the cannabis industry in the U.S. or elsewhere. A negative shift in the public's perception of cannabis in the U.S. or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize cannabis, thereby limiting the number of new state jurisdictions into which the Company could expand, should it decide to do so. The Company's inability to expand its operations into other jurisdictions may have a material adverse effect on the Company's business, financial condition and results of operations.

Unlike in Canada, which has federal legislation uniformly governing the cultivation, distribution, sale and possession of medical and recreational cannabis, investors are cautioned that in the U.S., cannabis is largely regulated at the state level. Notwithstanding the permissive regulatory environment of medical and recreational cannabis at the state level in certain states, cannabis continues to be categorized as a controlled substance under the Controlled Substances Act in the U.S. and as such, may be in violation of federal law in the U.S.

As previously stated, the Rohrbacher-Farr Amendment ("**Joyce-Leahy Amendment**") was included in the *Consolidated Appropriations Act of 2019*, which was signed by President Trump on February 14, 2019 and funds the departments of the federal government through the fiscal year ending September 30, 2019.

Historically, American courts have construed these appropriations bills to prevent the federal government from prosecuting individuals when those individuals comply with state medical cannabis laws. However, because this conduct continues to violate federal law, American courts have observed that should Congress at any time choose to appropriate funds to fully prosecute the Controlled Substances Act, any individual or business—even those that have fully complied with state law—could be prosecuted for violations of federal law. If Congress restores funding, for example by declining to include the Joyce-Leahy Amendment in the 2020 budget resolution, the federal government will have the authority to prosecute individuals for violations of the law before it lacked funding under the five-year statute of limitations applicable to non-capital Controlled Substances Act violations. Additionally, it is important to note that the appropriations protections only apply to medical cannabis operations, and provide no protection against businesses operating in compliance with a state’s recreational cannabis laws.

As previously stated, violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, its holding (directly or indirectly) of cannabis licenses in the U.S., the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

The approach to the enforcement of cannabis laws may be subject to change, or may not proceed as previously outlined.

Change in Laws, Regulations and Guidelines

The Company’s operations are subject to a variety of laws, regulations and guidelines, including, but not limited to, those relating to the manufacture, management, transportation, storage and disposal of cannabis, as well as laws and regulations relating to health and safety (including those for consumable products), the conduct of operations and the protection of the environment. These laws and regulations are broad in scope and subject to evolving interpretations. If any changes to such laws, regulations and guidelines occur, which are matters beyond the control of the Company, the Company may incur significant costs in complying with such changes or it may be unable to comply therewith, which in turn may result in a material adverse effect on the Company’s business, financial condition and results of operation. In addition, violations of these laws, or allegations of such violations, could disrupt certain aspects of the Company’s business plan and result in a material adverse effect on certain aspects of its planned operations.

Changes in regulations, more vigorous enforcement thereof, the imposition of restrictions on the Company’s ability to operate in the U.S. as a result of the federally illegal nature of cannabis in the U.S. 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.

Reliance on Third-Party Suppliers, Manufacturers and Contractors

The Company intends to maintain a full supply chain for the provision of products and services to the regulated cannabis industry. Due to the uncertain regulatory landscape for regulating cannabis in the U.S., the Company and its third party suppliers, manufacturers and contractors may elect, at any time, to decline or withdraw services necessary for the Company's operations. Loss of these suppliers, manufacturers and contractors may have a material adverse effect on the Company's business and operational results.

There is no assurance that the Company will maintain its distribution relationship with Indus

The Company currently relies on Indus to distribute its products. The Company believes it has a strong relationship with Indus and has no reason to believe that it may lose this relationship. In the event the Company loses its relationship with Indus, or fails to maintain this relationship on similar or equally favourable terms, the Company will seek a relationship with a replacement distributor and will leverage its ability to distribute its own products. There is no guarantee that the Company will be successful in securing a new distribution relationship with another entity on terms satisfactory to the Company or at all. Should the Company fail to secure a distribution relationship with an entity the Company considers important, or should the Company form a relationship with an entity on different or less favourable terms than anticipated, the business, financial condition and results of the operation of the Company could be materially adversely affected.

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

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

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

The officers and directors of the Company currently own approximately 27.59% of the issued and outstanding Common Shares. The Company's shareholders nominate and elect the Board, which generally has the ability to control the acquisition or disposition of the Company's assets, and the future issuance of its Common Shares or other securities. Accordingly, for any matters with respect to which a majority vote of the Common Shares may be required by law, the Company's directors and officers may have the ability to control such matters. Because the directors and officers control a substantial portion of such Common Shares, investors may find it difficult or impossible to replace the Company's directors if they disagree with the way the Company's business is being operated.

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

There is no assurance as to whether the Company will be profitable, earn revenues, or pay dividends. The Company has incurred and anticipates that it will continue to incur substantial expenses relating to the development and initial operations of its business. The payment and amount of any future dividends will depend upon, among other things, the Company's results of operations, cash flow, financial condition, and operating and capital requirements. There is no assurance that future dividends will be paid, and, if dividends are paid, there is no assurance with respect to the amount of any such dividends.

The Company's operations are subject to environmental regulation in the jurisdiction in which it operates

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

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

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

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

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

If the Company is unable to develop and market new products, 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. 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 applicable authorities which may take significant time. The Company may not be successful in developing effective and safe 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 court of such product development and regulatory approval processes, may have an material adverse effect on the Company's business, financial condition and results of operations.

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 and subsidiaries CEOs, 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 our 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 our employees.

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

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

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

The cannabis industry is undergoing rapid growth and substantial change, which has resulted in an increase in competitors, consolidation and formation of strategic relationships. Acquisitions or other consolidating transactions could harm the Company in a number of ways, including by losing strategic partners if they are acquired by or enter into relationships with a competitor, losing customers, revenue

and market share, or forcing the Company to expend greater resources to meet new or additional competitive threats, all of which could harm the Company's operating results. As competitors enter the market and become increasingly sophisticated, competition in the Company's industry may intensify and place downward pressure on retail prices for its products and services, which could negatively impact its profitability.

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

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

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

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

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

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

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the Company's products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and

may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Company has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits.

Additionally, if one of the Company's significant brands were subject to recall, the image of that brand and the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by regulatory agencies, requiring further management attention and potential legal fees and other expenses.

The Company is reliant on key inputs, such as water, utilities and bulk cannabis materials, 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 (e.g. bulk cannabis oil, cannabis flower, trim, etc.) and supplies related to its manufacturing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Company. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of the Company.

The 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 and construction plans for the Facility contemplated by the Company may cost more than anticipated, in which circumstance the Company may curtail, or extend timeframes for completing its growth plan. This could have a material adverse effect on the financial results and operations of the Company.

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

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

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

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

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

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

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

The Company may be subject to breaches of security at its Facility

Given the nature of the Company's product and its lack of legal availability outside of channels approved by the Government of California, as well as the concentration of inventory in its facilities, despite meeting

or exceeding the security requirements under MAUCRSA, there remains a risk of shrinkage as well as theft. A security breach at the Company's Facility could expose the Company to additional liability and to potentially costly litigation, increased expenses relating to the resolution and future prevention of these breaches and may deter potential patients from choosing the Company's products.

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

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

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

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

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

Need for Additional Financing

The Company's future capital requirements depend on many factors, including its ability to market products successfully, cash flows from operations, locating and retaining talent, and competing market developments. The Company's business model requires spending money (primarily on, licensing, advertising and marketing) in order to generate revenue. Based on the Company's current financial

situation, the Company may have difficulty continuing its operations at the current level, or at all, if it does not raise additional financing in the near future.

In order to execute the Company's business plan, the Company will require some additional equity and/or debt financing to undertake capital expenditures. There can be no assurance that additional financing will be available to the Company when needed or on terms which are acceptable. The Company's inability to raise financing to support on-going operations or to fund capital expenditures could limit the Company's operations and may have a material adverse effect upon future profitability. The Company may require additional financing to fund its operations to the point where it is generating positive cash flows.

If additional funds are raised through further 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. 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 Issuer to obtain additional capital or to pursue business opportunities, including potential acquisitions. If adequate funds are not obtained, the Issuer may be required to reduce, curtail, or discontinue operations. There is no assurance that the Company's future cash flow, if any, will be adequate to satisfy its ongoing operating expenses and capital requirements.

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

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, 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 our internal controls, including any failure or difficulty in implementing required new or improved controls, its business and results of operations could be harmed, it 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. (See "Selected Financial Information" and "Management's Discussion and Analysis").

Publicity or Consumer Perception

The Company believes the recreational and medical marijuana industries are highly dependent upon consumer perception regarding the safety, efficacy and quality of the marijuana produced. Consumer perception of the Company's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of marijuana products.

There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the marijuana market generally, any particular product or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect

on the demand for the Company's products and the business, results of operations, financial condition and the Company's cash flows. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for the Company's products, and the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical marijuana in general, or the Company's products specifically, or associating the consumption of marijuana with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

Difficulties with Forecasts

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 recreational and medical marijuana industries in California. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks related to Alphamind's Products

Alphamind's current products are highly dependent upon consumer perception of mushrooms and mushroom-derived products. The public may associate its mushrooms with illegal psychoactive mushrooms, which are prohibited substances. The Company's revenues may be negatively impacted due to the fact the market does not fully accept the mushrooms based as a health-food product.

Additionally, with respect to Alphamind's psilocybin based pharmaceutical treatment research and development, the psychedelic market will face specific marketing challenges given the products' status as a controlled substance which resulted in past and current public perception that the products have negative health and lifestyle effects and have the potential to cause physical and social harm due to psychoactive and potentially addictive effects. Any marketing efforts by Alphamind would need to overcome this perception to build consumer confidence, brand recognition and goodwill. Alphamind can make no assurance that, its research and development programs will result in regulatory approval or commercially viable products/compounds. To achieve profitable operations, the Company, alone or with others, must successfully develop, gain regulatory approval for, and market its future products/compounds. Alphamind currently has no products/compounds that have been approved by Health Canada or any similar regulatory authority. To obtain regulatory approvals for its product/compound candidates being developed and to achieve commercial success, clinical trials may be required to demonstrate that the product/compound candidates are safe for human use and that they demonstrate efficacy to varying degrees of certainty depending on the product.

Force majeure events could result in a material adverse effect on the Issuer

The Company and its suppliers, partners and customers are exposed to the effects of severe weather, natural disasters, diseases, and other catastrophic and force majeure events beyond the Company's control, as well as those that may be caused by climate change, and such events could result in a material adverse effect on the Company.

An outbreak of infectious disease, a pandemic or a similar public health threat, such as the recent outbreak of the novel coronavirus known as COVID-19, or a fear of any of the foregoing, could adversely impact the Company by causing operating, supply chain and project development delays and disruptions, labour shortages, reduced product demand, travel and shipping disruption and shutdowns (including as a result of government regulation and prevention measures), and increased costs to the Company.

COVID-19 could have a material adverse effect on the Company's business.

The World Health Organization has declared COVID-19 a pandemic. The Company is actively assessing and responding where possible to the potential impact of the COVID-19 pandemic. The COVID-19 pandemic poses risks to the Company, the health of its employees and to those third-party vendors that support the Company and its operations. Any impact on the Company arising from the pandemic could have a material adverse effect on the Company's business, results of operations and financial condition.

Risks Relating to the Common Shares

Market Price of Common Shares and Volatility

Securities of small-cap companies have experienced substantial volatility in the past, often based on factors unrelated to the companies' financial performance or prospects. These factors include macroeconomic developments in North America and globally and market perceptions of the attractiveness of particular industries. Factors unrelated to our performance that may affect the price of the Common Shares include the following: the extent of analytical coverage available to investors concerning our business may be limited if investment banks with research capabilities do not follow the Company; lessening in trading volume and general market interest in the Common Shares may affect an investor's ability to trade significant numbers of Common Shares; the size of our public float may limit the ability of some institutions to invest in Common Shares; and a substantial decline in the price of the Common Shares that persists for a significant period of time could cause the Common Shares, if listed on an exchange, to be delisted from such exchange, further reducing market liquidity. As a result of any of these factors, the market price of the Common Shares at any given point in time may not accurately reflect our long-term value. Securities class action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources. The fact that no market currently exists for the Common Shares may affect the pricing of the Common Shares in the secondary market, the transparency and availability of trading prices and the liquidity of the Common Shares.

The market price of the Common Shares is affected by many other variables which are not directly related to the Company's success and are, therefore, not within the Company's control. These include other developments that affect the breadth of the public market for the Common Shares, the release or expiration of lock-up, escrow or other transfer restrictions on the Common Shares, and the attractiveness of alternative investments. The effect of these and other factors on the market price of the Common Shares is expected to make the Common Share price volatile in the future, which may result in losses to investors.

No Established Market

It may be difficult, if not impossible, for U.S. holders of Common Shares to resell them over the CSE or other stock exchange. It has recently come to management's attention that all major securities clearing

firms in the United States have ceased U.S. residents who acquire Common Shares as “restricted securities” (including any Common Shares pursuant to the exercise of convertible securities) may find it difficult – if not impossible – to resell such shares over the facilities of any Canadian stock exchange on which the shares may then be listed. It remains unclear what impact, if any, this and any future actions among market participants in the United States will have on the ability of U.S. residents to resell any Common Shares that they may acquire in open market transactions. The Company’s understanding is that all U.S. brokers must use a clearing service to facilitate resale transactions over Canadian securities exchanges. Some U.S. brokers have self-clearing capabilities; those that do not must use third party clearing firms. This issue does not apply to the Depositary Trust Company.

Dividends

The Company intends to retain earnings, if any, to finance the growth and development of our business and do 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.

Dilution

Future sales or issuances of equity securities could decrease the value of the Common Shares, dilute shareholders’ voting power and reduce future potential earnings per Common Share. We intend to sell additional equity securities in subsequent offerings (including through the sale of securities convertible into Common Shares) and may issue additional equity securities to finance the Company’s operations, development, exploration, acquisitions or other projects. The Company cannot predict the size of future sales and issuances of equity securities or the effect, if any, that future sales and issuances of equity securities will have on the market price of the Common Shares. Sales or issuances of a substantial number of equity securities, or the perception that such sales could occur, may adversely affect prevailing market prices for the Common Shares. With any additional sale or issuance of equity securities, investors will suffer dilution of their voting power and may experience dilution in our earnings per Common Share.

Transactions Engaged in by the Company’s Largest Shareholders, Directors or Officers

As of the date of this AIF, the Company’s officers, directors and principal shareholders (greater than 10% shareholders) collectively control approximately 42.71% of the issued and outstanding Common Shares. Subsequent sales of Common Shares by these shareholders could have the effect of lowering the market price of the Common Shares. The perceived risk associated with the possible sale of a large number of Common Shares by these shareholders, or the adoption of significant short positions by hedge funds or other significant investors, could cause some of the Company’s shareholders to sell their Common Shares, thus causing the market price of the Common Shares to decline. In addition, actual or anticipated downward pressure on our stock price due to actual or anticipated sales of Common Shares by the Company’s directors or officers could cause other institutions or individuals to engage in short sales of the Common Shares, which may further cause the market price of the Common Shares to decline.

From time to time directors and executive officers of the Company may sell Common Shares on the open market. These sales will be publicly disclosed in filings made with securities regulators. In the future, directors and executive officers may sell a significant number of Common Shares for a variety of reasons unrelated to the performance of the Company’s business. Shareholders may perceive these sales as a

reflection on management’s view of the business and result in some shareholders selling their Common Shares. These sales could cause the market price of the Common Shares to drop.

DIVIDENDS AND DISTRIBUTIONS

The Company has not paid dividends or made distributions on its Common Shares since its inception and through the date of this AIF. The Company has no present intention of paying dividends in the near future. It will pay dividends when, as and if declared by the Board. The Company expects to pay dividends only out of retained earnings in the event that it does not require its retained earnings for operations and reserves. There are no restrictions in the Company’s articles of incorporation or bylaws that prevent it from declaring dividends. The Company has no shares with preferential dividend and distribution rights authorized or outstanding.

DESCRIPTION OF CAPITAL STRUCTURE

The Company is authorized to issue an unlimited number of Common Shares without par value. As of the date of this AIF, there were 209,201,883 Common Shares issued and outstanding as fully paid and non-assessable common shares.

Common Shares

Holders of Common Shares are entitled to receive notice of, and to attend and vote at, all meetings of the shareholders of the Company, and each Common Share confers the right to one vote, provided that the shareholder is a holder on the applicable record date declared by the Board. The holders of Common Shares, subject to the prior rights, if any, of any other class of shares of the Company with special rights as to dividends, are entitled to receive such dividends in any financial year as the Board may determine. In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, the holders of the Common Shares are entitled to receive, subject to the prior rights, if any, of the holders of any other class of shares of the Company, the remaining property and assets of the Company. The Common Shares are not subject to call or assessment rights, redemption rights, rights regarding purchase for cancellation or surrender, or any pre-emptive or conversion rights.

MARKET FOR SECURITIES

Trading Price And Volume

On November 25, 2019, the Common Shares began trading on the CSE under the trading symbol “HOLL”. The table below sets forth the reported high and low closing prices and the aggregate volume of trading of the Company’s Common Shares on the for each of the months (or, if applicable, partial months) indicated:

Month	CSE Price Range (\$)		Total Volume
	High	Low	
November 2019	0.19	0.09	3,239,380
December 2019	0.18	0.11	4,993,376
January 2020	0.17	0.115	10,484,283

Month	CSE Price Range (\$)		Total Volume
	High	Low	
February 2020	0.215	0.09	16,586,824
March 2020	0.115	0.04	13,591,088
April 2020	0.135	0.04	33,527,571
May, 2020	0.16	0.09	22,537,255
June, 2020	0.15	0.09	21,115,337
July, 2020	0.175	0.95	20,350,614
August 4 - 27, 2020	0.15	0.125	10,411,677

Prior Sales

During the financial year ended December 31, 2019, the Company issued the following securities exercisable into Common Shares.

Date of Grant	Class of security	Number of securities issued	Exercise price per security
July 8, 2019	Special Warrants	375,000 ⁽¹⁾⁽⁴⁾	\$0.05
July 11, 2019	Special Warrants	61,570,998 ⁽²⁾⁽⁴⁾	\$0.07
July 11, 2019	Finder's Warrants	2,873,313 ⁽³⁾	\$0.105
November 25, 2019	Stock Options	7,933,333 ⁽⁵⁾	\$0.105
December 12, 2019	Stock Options	333,333 ⁽⁵⁾	\$0.135

Notes:

1. Issued in connection with the \$0.05 Special Warrant Offering and deemed to be exercised into 375,000 Common Shares on November 9, 2019.
2. Issued in connection with the \$0.07 Special Warrant Offering and deemed to be exercised into 61,570,998 Common Shares on November 12, 2019.
3. Issued in connection with the \$0.07 Special Warrant Offering.
4. On a pre-consolidation basis. Consolidated on a 1.5:1 basis pursuant to the Consolidation.
5. Exercisable for a period of five years from date of grant.

Subsequent to the financial year ended December 31, 2019, the Company issued the following securities exercisable into Common Shares.

Date of Grant	Class of security	Number of securities issued	Exercise price per security
August 10, 2020	Warrants	17,646,889 ⁽¹⁾	\$0.10
August 10, 2020	Finder's Warrants	1,272,959 ⁽²⁾	\$0.085

Notes:

1. Issued in connection with the \$0.085 non-brokered private placement of units, each unit consisting of one common share at \$0.085 and one full warrant at \$0.10.
2. Issued in connection with the \$0.085 non-brokered private placement of units. Each finder's warrant is exercisable into one unit of the Company for a period of two years from date of issue.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

As at December 31, 2019, to the Company's knowledge, 26,533,080 shares were held in escrow pursuant to the Escrow Agreement.

DIRECTORS AND OFFICERS

Name, Occupation and Security Holding

The following table sets forth information regarding the Company's directors and executive officers as of the date of this AIF. 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⁽¹⁾	Principal Occupation within the past five years
Carl Saling Hollister, CA	CEO and Director	11/14/2019	Founder and CEO of Hollister since January 2017 and entrepreneur, CEO of The Internet Titans from 2007-2016
Geoffrey Balderson Vancouver, BC	CFO and Corporate Secretary	11/14/2019	President of Harmony Corporate Services Ltd. since 2015
Amasa Lacy Hollister, CA	Vice President of Production and Director	11/14/2019	Officer of Hollister since January 2017, US Army Veteran and Independent Real Estate Broker in California since 2016
Alexander Somjen Toronto, ON	President	12/2/2019	Founder of Blackmane Consulting Inc. since 2019, President and CEO of Global Care Capital Inc. since June 2018; VP of DeJardins Capital Markets from January 2015 to May 2018
Anthony Zelen Kelowna, BC	Director	11/14/2019	Founder and President of Zelen Consulting Inc. since 1997
Patrick Morris Vancouver, BC	Director	12/2/2019	CEO of Eat Beyond Global Investment Fund since 2019, CEO of EuroMed Therapeutics Inc since 2018, Founder and President of Enermetal Ventures since 2006

Notes:

- (1) The term of office of each of the directors expires on the earlier of the Company's next annual general meeting or upon resignation. The term of office of the officers expires at the discretion of the directors.

As of the date of this AIF, the Company's directors and executive officers, as a group, beneficially owned, directly or indirectly, or exercised control of direction over 29,481,200 Common Shares, representing approximately 15.39% of the issued and outstanding Common Shares.

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

No director or executive officer of the Company is, as at the date of this AIF, or has been within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including the Company), that:

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

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

- a) is, as at the date of this AIF, or has been within 10 years before the date of this AIF, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- b) has, within 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

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

- a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a proposed director.

CONFLICTS OF INTEREST

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

To the best of the Company's knowledge, and other than disclosed herein, there are no known existing or potential conflicts of interest among the Company, its promoters, directors and officers or other members of management of the Company or of any proposed promoter, director, officer or other member of management as a result of their outside business interests except that certain of the directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Company and their duties as a director or officer of such other companies. If a conflict of interest arises at a meeting of the Board, any director in a conflict will disclose his interest and abstain from voting on such matter.

PROMOTORS

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.

Other than disclosed below, no person or company has been, within the two most recently completed financial years or during the current financial year, a promoter of the Company or of a subsidiary of the Company.

Carl Saling may be considered to be a Promoter of Hollister for the purposes of applicable securities laws, as he has taken the initiative in reorganizing and financing Hollister. Mr. Saling owns 29,481,200 (14.09%) Common Shares, and 2,000,000 Options. See "Directors and Officers".

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

The Company is not, and was not during the most recently completed financial year, engaged in any legal proceedings and none of its property is or was during that period the subject of any legal proceedings. The Company does not know of any such legal proceedings which are contemplated.

Regulatory Proceedings

During the most recently completed financial year and during the current financial year, the Company is not and has not been the subject of any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority, any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor, or entered into any settlement agreements before a court relating to securities legislation or with a securities regulatory authority.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as described elsewhere in this AIF, none of our directors, executive officers or shareholders, owning or exercising control or direction over more 10% of the Common Shares, or any associate or affiliate of the foregoing, has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year prior to the date of this AIF that has materially affected us or is reasonably expected to materially affect the Company.

TRANSFER AGENTS AND REGISTRARS

The Company's Registrar and Transfer Agent is Olympia Trust Company, located in Vancouver, British Columbia.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, as of the date of this AIF, the only material contracts which the Company entered into within the most recently completed financial year, subsequent to the most recently completed financial year to the date of this AIF, or prior to the most recently completed financial year but which are still in effect are set out below:

1. the Securities Exchange Agreement. See "*General Development of the Business – Acquisition of Hollister*";
2. the Indus Distribution Agreement; and
3. the Facility Lease.

INTERESTS OF EXPERTS

Names of Experts

The following are persons or companies whose profession or business gives authority to a statement made in this AIF as having prepared or certified a part of that document or report described in this AIF:

Davidson & Company is the external auditor of the Company and reported on the Company's audited consolidated financial statements for the years ended December 31, 2019 and 2018, which are filed on SEDAR.

To the knowledge of management, as of the date hereof, no expert, nor any associate or affiliate of such person has any beneficial interest, direct or indirect, in the securities or property of the Company or of an associate or affiliate of any of them, and no such person is or is expected to be elected, appointed or employed as a director, officer or employee of the Company or of an associate or affiliate thereof.

Interests of Experts

Davidson & Company, auditors of the Company, have confirmed that they are independent of the Company within the meaning of the 'CPABC Code of Professional Conduct' of the Chartered Professional Accountants of British Columbia.

ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness, the Company's principal shareholders, and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Company's most recently filed management information circular available on SEDAR at www.sedar.com. Additional financial information is provided in our consolidated financial statements and management's discussion and analysis for the financial year ended December 31, 2019.