(TSX: LABS)

ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2019

March 30, 2020

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ANNUAL INFORMATION FORM

In this annual information form (this "**AIF**") unless otherwise noted or the context indicates otherwise, the terms "the Company", "we", "us" and "our" mean MediPharm Labs Corp. and its subsidiaries. All financial information in this AIF is prepared in Canadian dollars and using International Financial Reporting Standards. The information contained herein is dated as of March 30, 2020, unless otherwise stated.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This AIF, and certain documents incorporated by reference in this AIF, contain forward-looking information and forward-looking statements within the meaning of Canadian securities legislation ("forward-looking statements"). All statements other than statements of historical fact contained in this AIF and in documents incorporated by reference in this AIF, including, without limitation, those regarding the future financial position and results of operations, strategy, plans, objectives, goals, targets and future developments of the Company in the markets where the Company participates or is seeking to participate, and any statements preceded by, followed by or that include the words "considers", "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology, are forward-looking statements.

Forward-looking statements and information include, without limitation, the information concerning possible or assumed future results of operations of the Company set out under "General Development of the Business" and "Description of the Business", including statements regarding:

- assumptions and expectations described in the Company's critical accounting policies and estimates;
- the Company's expectations regarding the adoption and impact of certain accounting pronouncements;
- the Company's expectations regarding the market for cannabis concentrates;
- the Company's expectations regarding legislation, regulations and licensing related to the import, export, processing and sale of cannabis products by the Company's subsidiaries;
- the ability to enter and participate in international market opportunities;
- the ability to secure dried cannabis inventory through long-term supply contracts or otherwise;
- product diversification and future corporate development;
- anticipated results of research and development;
- production capacity expectations including discussions of plans or potential for expansion of capacity at existing or new facilities;
- expectations with respect to future expenditures and capital activities; and
- statements about expected use of proceeds from fund raising activities, including the Bought Deal Financing.

These statements are not historical facts, but instead represent only the Company's expectations, estimates and projections regarding future events. These statements are not guarantees of future

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

The forward-looking statements in this AIF and in documents incorporated by reference in this AIF are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future, including assumptions regarding business and operating strategies, and the Company's ability to operate on a profitable basis. The Company does not undertake any obligation to update or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this report, except as may be required by law.

Risks which could affect future results and could cause results to differ materially from those expressed in the forward-looking statements contained herein include, among others disclosed from time-to-time in the Company's filings with the Canadian Securities Administrators:

- limited operating history;
- regulatory compliance risks;
- change of cannabis laws, regulations and guidelines;
- reliance on licences and authorizations;
- lack of long-term client commitments;
- COVID-19 pandemic;
- supply chain;
- credit facility risk and risk of default;
- client risks;
- realization of growth targets including expansion of facilities and operations;
- management of growth;
- history of net losses;
- difficulty to forecast;
- competition;
- inability to sustain pricing and inventory models;
- conflicts of interest;
- legal proceedings;
- product liability;
- product recall;
- environmental regulation and risks;
- insurance risks;

- unfavourable publicity or consumer perception;
- reliance on a single facility;
- dependence on supply of cannabis and other key inputs;
- maintenance of effective quality control systems;
- retention and acquisition of skilled personnel;
- clinical trials;
- failure to comply with laws in all jurisdictions;
- perceived reputational risk for third parties;
- risks related to intellectual property;
- marketing constraints;
- research and development;
- shelf life of inventory;
- scheduled maintenance, unplanned repairs, equipment outages and logistical disruptions;
- risks as a result of international expansions;
- operations in foreign jurisdictions;
- reliance upon international advisors and consultants;
- foreign currency risk;
- access to capital;
- estimates or judgments relating to critical accounting policies;
- tax risks;
- market for the Common Shares (as defined below);
- investment in the cannabis sector;
- no history of payment of cash dividends;
- reporting issuer status;
- significant sales of Common Shares;
- analyst coverage; and
- tax issues related to the Common Shares.

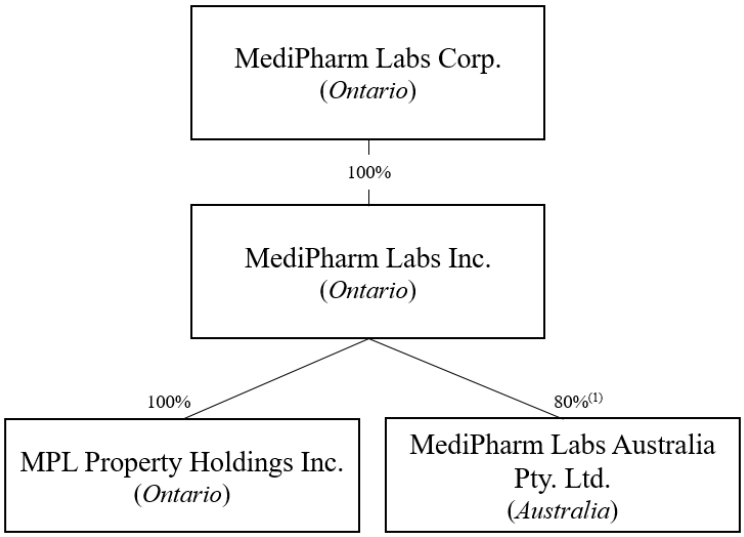
In addition to the factors set out above, and those identified in this AIF under "Risk Factors", other factors not currently viewed as material could cause actual results to differ materially from those described in the forward-looking statements. Although the Company has attempted to identify important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

CORPORATE STRUCTURE

The Company was incorporated on January 23, 2017 as "POCML 4 Inc." pursuant to articles of incorporation filed under the *Business Corporations Act* (Ontario) (the "**OBCA**"). On October 1, 2018, the Company filed articles of amendment to consolidate its common shares (the "**Common Shares**") by a ratio of 2:1 and change its name to "MediPharm Labs Corp.". The registered and head office of the Company is 151 John Street, Barrie, Ontario, Canada L4N 2L1. The Company is currently a reporting issuer in all of the provinces of Canada, excluding Québec and its Common Shares are publicly traded on

the Toronto Stock Exchange (the "**TSX**") under the symbol "LABS", on the OTCQX in the US under the ticker symbol "MEDIF", and on the Frankfurt Stock Exchange ("**FSE**") trading under the ticker symbol "MLZ".

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



Note:

(1) Warren Everitt, the Chief Executive Officer of MediPharm Labs Australia, beneficially owns the remaining 20% of MediPharm Labs Australia.

GENERAL DEVELOPMENT OF THE BUSINESS

Overview

We are a specialized, research-driven cannabis extraction business focused on downstream extraction methodology, distillation, and derivative product development. Our mission is to become a global leader specialized in providing pharmaceutical quality derivative cannabis products and to drive future cannabis product innovation.

Our operations are primarily conducted at our Barrie, Ontario facility through our wholly owned subsidiary MediPharm Labs Inc. ("**MediPharm Labs**"), which holds a standard processing licence and a research licence under the *Cannabis Act* (Canada) (the "**Cannabis Act**"). Through our 80% owned Australian subsidiary, MediPharm Labs Australia Pty. Ltd. ("**MediPharm Labs Australia**"), we also hold a manufacturing licence under the *Australian Narcotics Drugs Act 1967* (the "**Australian Act**") authorizing the manufacture of certain limited cannabis products and during the last quarter of 2019 we completed construction of our Australian extraction facility.

Three-year History

MediPharm Labs was founded in 2015 by pharmaceutical and healthcare industry experts. While initially exploring options to cultivate cannabis plants, the founders of MediPharm Labs came to recognize the opportunity for a select focus on cannabis concentrates. Accordingly, MediPharm Labs set out to master this area of production and rely on third-party cultivation experts to provide quality raw materials for its cannabis concentrates.

The Company was incorporated under the OBCA on January 23, 2017 as "POCML 4 Inc." and classified as a capital pool company as defined in TSX Venture Exchange (the "**TSXV**") Policy 2.4. The Common Shares of the Company commenced trading on the TSXV on February 9, 2018. From its incorporation until the completion of the Qualifying Transaction (as defined below), the principal business of the Company was to identify and evaluate opportunities for the acquisition of an interest in assets or businesses and, once identified and evaluated, to negotiate an acquisition or participation subject to acceptance by the TSXV.

Upon the completion of the Qualifying Transaction, the business of the Company became the business of MediPharm Labs.

The following is the history of material developments of the Company and MediPharm Labs' business during the three-year period prior to December 31, 2019 and up to the date of this AIF.

Stock Exchange Listings

Listing on the TSXV

On July 13, 2018, the Company entered into a master agreement (the "**Master Agreement**") with MediPharm Labs and 2645354 Ontario Inc. ("**Newco**"), a wholly-owned subsidiary of the Company, pursuant to which MediPharm Labs and Newco would amalgamate (the "**Qualifying Transaction**").

On October 1, 2018, MediPharm Labs amalgamated with Newco pursuant an amalgamation agreement (the "**Amalgamation Agreement**") and the Company thereby acquired all the issued and outstanding class A common shares in the capital of MediPharm Labs ("**MediPharm Shares**") in exchange for Common Shares on the basis of 12.68 (the "**Exchange Ratio**") Common Shares for every one MediPharm Share then issued and outstanding. The amalgamation resulted in the reverse take-over of the Company by MediPharm Labs and constituted the Company's Qualifying Transactions pursuant to the policies of the TSXV.

In connection with and immediately prior to the Qualifying Transaction, the Company filed articles of amendment to: (i) change its name from "POCML 4 Inc." to "MediPharm Labs Corp."; and (ii) consolidate its Common Shares on the basis of one "new" Common Share for every two "old" Common Shares then outstanding.

On October 4, 2018, the Common Shares commenced trading on a post-consolidation basis on the TSXV under the symbol "LABS".

OTCQX Best Markets Listing

On April 9, 2019, we announced that the Common Shares commenced trading on the OTCQB under the new ticker symbol "MEDIF". The Common Shares had previously traded on the OTCQB under the ticker symbol "MLCPF". On May 2, 2019, the Common Shares were qualified to trade on the OTCQX Best

Market. MediPharm Labs graduated to OTCQX from the OTCQB and continues to trade under the symbol "MEDIF".

TSX Listing

On July 29, 2019, the Common Shares were voluntarily delisted from the TSXV and began trading on the TSX under the symbol "LABS".

Debt and Equity Financings

As all issued and outstanding securities of MediPharm Labs were exchanged pursuant to the Amalgamation Agreement for securities of the Company at the Exchange Ratio, all references to numbers and prices of securities in this section are presented on a post-Exchange Ratio basis unless otherwise noted.

On January 2, 2017, MediPharm Labs completed a private placement of 4,961,600 Common Shares at a price of $0.158 per share for aggregate gross proceeds of $740,000, and issued 570,600 Common Shares at $0.158 per share in exchange for services valued at an aggregate of $90,000.

On October 6, 2017, MediPharm Labs issued $1,315,000 principal of convertible notes (the "**Notes**"). The Notes carried an interest rate of 8% per annum compounded monthly with a maturity date of December 31, 2018. The Notes were automatically converted into MediPharm Shares immediately prior to the completion of the Qualifying Transaction.

On December 27, 2017, MediPharm Labs completed a private placement of 10,572,470 Common Shares at a price of $0.236 per share for aggregate gross proceeds of approximately $2,500,000, and issued 1,720,387 Common Shares with a fair value of approximately $418,000 in exchange for services. Upon receipt of funds in January 2018, MediPharm Labs issued an additional 2,659,731 Common Shares for gross proceeds of approximately $629,000 in connection with such private placement.

On March 22, 2018, MediPharm Labs completed a private placement of 10,102,270 units at a price of $0.293 per unit for aggregate gross proceeds of $2,963,757.48, each unit comprising one Common Share and one common share purchase warrant (each, a "**March Warrant**"). Each March Warrant entitles the holder to acquire one Common Share at an exercise price of $0.473 until October 1, 2020. In connection with the March Private Placement, certain finders received a cash fee of $175,000 and an aggregate of 596,505 warrants in consideration for their services, each entitling the holder to acquire one Common Share and one March Warrant at an exercise price of $0.293 until the date which is 24 months following completion of the Qualifying Transaction.

On June 1, 2018 and June 29, 2018, MediPharm Labs completed a private placement of 26,254,840 units at a price of $0.85 per unit for aggregate gross proceeds of $22,316,582, each unit comprising one Common Share and one-half of one common share purchase warrant (each whole warrant, a "**June Warrant**"). Each June Warrant entitles the holder to acquire one Common Share at an exercise price of $1.20 until October 1, 2020. The June Warrants are governed by a common share purchase warrant indenture (the "**Warrant Indenture**") dated October 1, 2018 between the Company and TSX Trust Company, as warrant agent. In connection with the brokered portion of the June Private Placements, certain agents received a cash fee of $1,282,161 and an aggregate of 1,508,413 broker warrants in consideration for their services, each entitling the holder to acquire one Common Share and one-half a

June Warrant at an exercise price of $0.85 until the date which is 24 months following completion of the Qualifying Transaction.

On June 17, 2019, the Company closed its bought deal offering of 13,514,000 Common Shares at a price of $5.55 per share for aggregate gross proceeds of approximately $75 million (the "**Bought Deal Financing**"). The Bought Deal Financing was underwritten by a syndicate of underwriters led by Scotia Capital Inc., GMP Securities L.P. and BMO Nesbitt Burns Inc.

On October 10 ,2019, the Company closed a credit agreement (the "**Credit Facility**") with a Schedule 1 bank (the "**Bank**") for an aggregate credit availability of $38,700,000. The Credit Facility is comprised of a revolving term facility, a nonrevolving term facility and a non-revolving delayed draw term facility. The revolving term facility is for up to $25,000,000 subject to the Company's borrowing base and Lender imposed reserves, can be drawn in Canadian or Australian dollars, has a 1-year term and is to be used for Canadian and Australian working capital. The $5,700,000 non-revolving term facility was fully drawn on closing, has a 3-year term and was used to refinance and reduce the interest expense of an existing $6,000,000 mortgage payable. The non-revolving delayed draw term facility of up to $8,000,000 has a 3-year term and is to be used to fund capital expenditures.

The Credit Facility bears interest at the Bank's prime lending rate plus a certain per cent per annum dependent upon the Company's debt to EBITDA ratio. The Credit Facility has a first ranking general security interest in the Company's assets and can be repaid without penalty.

Licensing History

In 2016, MediPharm Labs submitted its application to become a licenced producer under the *Access to Cannabis for Medical Purposes Regulations* (the "**ACMPR**") to Health Canada.

On March 29, 2018, MediPharm Labs received its oil production licence pursuant to the ACMPR (the "**Licence**") and became the first company in Canada to receive a production licence for cannabis oil production under the ACMPR without first receiving a cannabis cultivation licence.

On October 17, 2018, the Cannabis Act came into force, and MediPharm Labs' Licence was then transitioned from a producer's licence under the ACMPR to a standard processing licence under the Cannabis Act. On November 9, 2018, the Licence was amended to permit the sale and distribution of cannabis oil and derivatives to the following authorized classes of purchasers:

- a holder of a licence for processing under the Cannabis Act;
- a holder of a licence for analytical testing under the Cannabis Act;
- a holder of a licence for research under the Cannabis Act;
- a holder of a cannabis drug licence under the Cannabis Act;
- the Minister of Health;
- a person to which an exemption has been granted under section 140 of the Cannabis Act in relation to the cannabis or a class of cannabis that is sold or distributed; or
- certain individuals who are involved in testing cannabis at laboratories operated by the Government of Canada or accredited laboratories under the *Seeds Act*.

On June 7, 2019, the Licence was further amended to permit the sale of cannabis products to the following authorized classes of purchasers:

- a holder of a licence for sale of medicinal cannabis products under the Cannabis Act; and
- a person authorized to sell cannabis under a provincial Act, such as a provincially authorized retailer or distributor.

On October 21, 2019, the Licence was amended to permit the activity of production and sale of additional cannabis products included in the Cannabis Act, including cannabis extracts, cannabis edibles and cannabis topicals.

On October 25, 2019, MediPharm Labs received its research licence under the Cannabis Act. This licence permits MediPharm Labs to conduct controlled human administration trials for sensory testing of cannabis extracts and derivative products at its Barrie facility. Cannabis companies with a research licence can use sensory experiments with taste, aroma and touch thus expanding their understanding of the sensory response profiles and thus consumer preferences for raw material, in-process material and finished products.

Our 10,000 sq. ft. Australian facility received its Australian Office of Drug Control manufacturing licence (the "**Australian Licence**") under the Australian Act on May 21, 2019 with respect to the certain limited manufacturing activities involving cannabis. Products manufactured under the Australian Licence must be only for the purpose of medical and research purposes. The Australian facility was built to the same Good Manufacturing Practice ("**GMP**") standards as our Canadian facility and MediPharm Labs Australia is seeking a GMP certificate under the Australian *Therapeutic Goods Act 1989*, which will expand its domestic manufacturing authorizations.

The current terms of the Licence and the Australian Licence end on March 29, 2021 and May 21, 2020, respectively. It is anticipated by our management that Health Canada and the Australian Office of Drug Control will extend or renew the Licence and the Australian Licence, as applicable, at the end of their respective terms. See "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors".

Production and Operational History

On June 18, 2018, MediPharm Labs Australia commenced the construction of its cannabis extraction facility on a plot of industrial land owned by MediPharm Labs Australia in Wonthaggi, Australia.

On July 31, 2018, MediPharm Labs entered into a cannabis concentrate program agreement with James E. Wagner Cultivation Corporation ("**JWC**"), a licensed producer under the ACMPR, pursuant to which MediPharm Labs agreed to process dried cannabis for JWC.

On September 4, 2018, MediPharm Labs entered into a cannabis concentrate program agreement with INDIVA Limited ("**INDIVA**"), a licensed producer under the ACMPR, pursuant to which MediPharm Labs agreed to process dried cannabis for INDIVA.

On October 5, 2018, MediPharm Labs entered into a cannabis concentrate program agreement with Emerald Health Therapeutics Inc. ("**Emerald**") pursuant to which MediPharm Labs agreed to process dried cannabis for Emerald.

On November 7, 2018, the Company announced that it had completed the extraction of 150,000 grams of cannabis extract at its Barrie, Ontario location.

On November 13, 2018, MediPharm Labs entered into a cannabis concentrate program agreement with The Supreme Cannabis Company, Inc. ("**Supreme Cannabis**"), a licensed cultivator under the *Cannabis Act*, pursuant to which MediPharm Labs agreed to process a minimum of 1,000 kg of dried cannabis per year for the next three years.

On November 29, 2018, MediPharm Labs entered into a strategic supply agreement with Canopy Growth Corporation ("**Canopy**"), pursuant to which MediPharm Labs agreed to supply up to 900 kilograms of cannabis extract to Canopy and its subsidiaries over a term of 18 months.

In December 2018, the Company completed its first shipments of cannabis oil having an aggregate value of over $10 million.

On February 12, 2019, the Company entered into a private label supply agreement with a *Cannabis Act* licenced cultivator where the Company committed to delivering an aggregate of $27 million of cannabis oil within a 12-month period.

On February 20, 2019, we entered into our first international export agreement, being a private label agreement to supply purified, pharmaceutical-grade cannabis oil concentrates, or resin, to AusCann Group Holdings Ltd. in Australia. We completed various shipments of product under this agreement in 2019 after the required import and export authorizations were received.

On May 13, 2019, MediPharm Labs entered into a multi-year supply agreement with Cronos Group Inc., through its wholly owned subsidiary Peace Naturals Project Inc. ("**Peace Naturals**"). Under this agreement, we agreed to supply Peace Naturals with approximately $30 million of high-quality private label cannabis concentrate over 18-months, and, subject to certain renewal and purchase options, potentially up to $60 million over 24-months. On the same day we also agreed to process on a fee for service basis bulk dried cannabis supplied by Peace Naturals into bulk resin or other premium cannabis oil derivative products under a two-year tolling agreement.

On June 18, 2019, we entered into our first white label vaporizer pen agreement with AV Cannabis Inc. (d/b/a Ace Valley), to launch their branded cannabis extract-based vaporizer pens to Canadian consumers. The initial term of the agreement is three years and relates to the production of a minimum of approximately two million Ace Valley-branded vaporizer pens. Under the agreement, the Company will receive certain fees for services related to procurement, quality assurance, manufacturing and distributing to provincial retailers, along with a portion of revenue from sales of the Ace Valley-branded vaporizer pens.

On September 18, 2019 we entered into a contract manufacturing agreement with Cronos Group Inc., through its wholly owned subsidiary Peace Naturals. Under this agreement we will provide filling, labelling and packaging services for branded- vaporizer products for Peace Naturals to distribute under its own licence. The initial term of the agreement is two years.

On September 18, 2019, we received an organic certification from Pro-Cert Organic Systems Ltd. with respect to the production of cannabis extracts and oil. The certification was based on an evaluation of our

organic production plan, an inspection of our operation, production records and other information required by our certifying agent. The certificate expires on September 18, 2020 unless renewed.

On September 20, 2019, we entered into a supply agreement with ADREXpharma GmbH with respect to the export of formulated cannabis oil bottles to Germany. ADREXpharma GmbH is a German pharmaceutical company specialized in the development and distribution of medicinal cannabis products in Europe. Sales under the agreement remain subject to receipt of applicable regulatory approvals, including EU GMP certification and import and export permits.

On September 24, 2019, MediPharm Labs entered into a multi-year supply agreement with TerrAscend Canada Inc. ("**TerrAscend**"). Under this agreement, we agreed to supply TerrAscend with approximately $27 million of high-quality private label cannabis concentrate over 24-months, with various options to increase.

On September 26, 2019, MediPharm Labs entered into an 18-month supply agreement pursuant to which it will supply Olli Brands Inc., upon its commercial licensing, with bulk cannabis extracts. Olli Brands Inc. currently holds a processing licence under the Cannabis Act and is awaiting final approval for its authorization to sell to provincial distributors.

On November 4, 2019, the Company announced that it appointed Robert (Bobby) Kwon as its Chief Financial Officer as of November 18, 2019. As of such date, the Company's former Chief Financial Officer, Christopher Hobbs, stepped down. Mr. Hobbs continues to serve on the Company's board of directors.

On November 5, 2019, the Company announced that it applied to cross-list its Common Shares on the NASDAQ Stock Market (the "**NASDAQ**"). In the event of a NASDAQ listing, the Company would continue to maintain the listing of its Common Shares on the TSX under the symbol "LABS". The NASDAQ cross-listing remains subject to the approval of the NASDAQ, the filing of a Form 40-F Registration Statement with the United States Securities and Exchange Commission (the "SEC") and the satisfaction of all applicable listing and regulatory requirements, including the SEC declaring the Form 40-F Registration Statement effective. Though the Company received a favourable listing indication from NASDAQ in early January 2020, as a result of ongoing market conditions, the Company is continually monitoring the suitability of a US listing. As at the date of this AIF, the Company's current share price does not meet minimum price requirements of NASDAQ and the Company would be required to seek shareholder approval for a reverse stock split to meet such price requirement.

On December 6, 2019, we announced the successful completion of the first phase of our GMP-built Australian facility. In addition, MediPharm Labs Australia received its State Licences for cannabis substances from the Department of Health and Human Services in Victoria, Australia that allow the storage, testing and supply of cannabis for research purposes at its newly built facility.

On December 13, 2019, we announced that, following an intensive audit process, the Australian Therapeutic Goods Administration notified us that our Canadian manufacturing facility met the requirements for GMP for Medicinal Products. This GMP certificate provides regulatory authorization for the supply of APIs and final medicinal products to the Australian medical cannabis market from our Canadian facility.

On December 30, 2019, we announced the receipt of an expansion to the authorizations under our Cannabis Act processing licence allowing for various cannabis-related activities in an expanded footprint, now totalling approximately 25,000 sq. ft. The expanded licensed space included new manufacturing rooms, a quality control laboratory, additional secure storage and various infrastructure updates.

Subsequent to Period End

On January 24, 2020, MediPharm Labs filed a statement of claim (the "**Statement of Claim**") in the Ontario Superior Court of Justice against one of its long-term purchasers of cannabis concentrates. The claim relates to, among other things, the payment of outstanding amounts as of the date of the claim of approximately $9.8 million for product shipped to and received by the customer. On February 26, 2020, the defendant filed a statement of defence and counterclaim for $35 million. MediPharm Labs has served a reply and defence to the counterclaim. We believe that our claim is meritorious, and the counterclaim is without merit. We served a motion for summary judgment on March 27, 2020.

On January 31, 2020, we announced that MediPharm Labs Australia received an importation licence with respect to the importation of drugs listed in Schedule 4 of the Australian *Customs (Prohibited Imports) Regulations 1956*, which includes cannabis, cannabinoids and cannabis resin. Upon the receipt of the applicable import permits, this licence will allow for the importation of cannabis, cannabinoids and cannabis resin from MediPharm Labs in Canada, and other global authorized exporters.

On February 20, 2020, we announced that Shoppers Drug Mart and MediPharm Labs entered into a supply agreement. Under the agreement, MediPharm Labs will provide Shoppers Drug Mart with medical cannabis products, including under its own house brand, for distribution through the online Medical Cannabis by Shoppers platform.

On January 30, 2020, the World Health Organization ("**WHO**") declared the ongoing COVID-19 outbreak a global health emergency and on March 11, 2020, the WHO expanded its classification of the outbreak to a worldwide pandemic. Federal, state, provincial and municipal governments in North America and Australia have begun enacting measures to combat the spread of COVID-19. The COVID-19 outbreak continues to rapidly evolve, and is causing business disruptions across the entire global economy and society. The extent of the impact on COVID-19 on the Company's operational and financial performance will depend on various developments, including the duration and magnitude of the outbreak, an the impact on customers, employees and vendors, all of which are uncertain and can not be predicted at this point. (See "*Risk Factors - Risks Related to the COVID-19 Pandemic*".)

Significant Acquisitions or Dispositions

The Company has not completed any significant acquisitions or dispositions during the financial year ended December 31, 2019 for which disclosure is required under Part 8 of National Instrument 51-102 – *Continuous Disclosure Obligations*.

DESCRIPTION OF THE BUSINESS

Summary

We are a specialized, research-driven cannabis extraction business focused on downstream extraction methodology, distillation, and derivative product development. Our mission is to become a global leader specialized in providing pharmaceutical quality derivative cannabis products and to drive future cannabis product innovation.

At our 70,000 sq. ft. Barrie, Ontario facility, we currently operate supercritical CO_2 primary extraction lines for crude resin production, secondary distillation lines and finished packaged good lines for oil bottles and vaporizer products. The facility has been built to GMP standards and received its Australian GMP certificate in the third quarter of 2019 and, subject to various third-party audits, we are expecting to receive a European GMP certificate in the second half of 2020, which will facilitate our entrance into the European market via export. We expect that international sales will ramp-up slowly and incrementally during 2020.

Our 10,000 sq. ft. Australian facility received its Australian Licence under the Australian Act on May 21, 2019 with respect to the certain limited manufacturing activities involving cannabis. Products manufactured under the Australian Licence must be only for the purpose of medical and research purposes. The facility was built to the same GMP standards as our Canadian facility and MediPharm Labs Australia is seeking a GMP certificate under the Australian *Therapeutic Goods Act 1989*, which will expand its domestic manufacturing authorizations. We intend to initially source and process dried cannabis at our Canadian facility for export to MediPharm Labs Australia for further distribution of the processed product. We currently expect MediPharm Labs Australia to commence generating revenue in the second quarter of 2020, subject to importation of manufactured product from MediPharm Labs and receipt of purchaser orders.

Industry and Market Overview

Products that are based on cannabis extracts can have multiple benefits as compared to dried flower, including: more precise dosing for a more consistent consumer experience; micro-dosing which gives trust and assurance to new consumers interested in low-effect product trial; a wide range of formulations including oil-soluble, water-soluble, dry-powdered and odourless-flavourless which opens up a broad range of potential infused-product categories, which in turn provides approachability for new consumers uncomfortable with the traditional methods of consumption.

Extraction of cannabinoids can be broken down into primary extraction, which results in the production of (i) cannabis resin or oil suitable for formulated oil bottles and soft gels (or gel capsules), (ii) distillates suitable for use in vapeables, edibles and topicals and (iii) isolates suitable for active pharmaceutical ingredients (or APIs).

During 2019, the Canadian market saw rapid expansion of demand in the B2B market for bulk extracts. However, the Canadian demand for such products began to slow in the fourth quarter of 2019. We believe this trend reflects an ongoing supply and demand imbalance in the Canadian market for bulk extracts, given the slower than expected roll-out of cannabis retail channels, licensing of new and specialized

cannabis 2.0 businesses, and conversion of bulk extract inventory into finished goods by existing domestic market participants.

Operations and Facilities

As of the date of this AIF, our business generates revenue through one reportable segment, the production and sale of cannabis extracts and finished products. Business related activities conducted within this reportable segment include the sale of bulk and either white label or private label finished products, contract manufacturing services and toll processing. Since we commenced commercial sales in the last quarter of 2018, over 85% of our sales have been attributable to the sale of bulk cannabis extracts within the domestic Canadian market.

Wholesale Bulk Extracts (Private Label) Production

We currently process our own inventory of dried cannabis through primary supercritical CO_2 extraction lines and secondary distillation lines and sell the resulting bulk cannabis concentrates to our licensed clients. The Company has historically procured the majority of bulk shipments of dried cannabis for its wholesale production lines in the spot market and from various licenced cultivators under the Cannabis Act. Our clients can then formulate and package the bulk concentrates into final cannabis products for sale, most typically to either their own medicinal clients or provincially authorized retail distributors, under their own brands. Below is an overview of certain long-term private label contracts that the Company has entered in to:

Long-term Bulk Extracts Agreements		
Customer	**Date**	**Description and Status**
Canopy Growth Corporation	November 29, 2018	Originally the agreement was for up to 900 kilograms over a term of 18 months. As of December 31, 2019, all amounts remaining under the agreement are optional purchases.
Undisclosed licence holder under the Cannabis Act	February 11, 2019	Approximately $35 million within a 12-month period. In addition, the licence holder has the option to increase its purchase commitment by $13.5 million within the same period. See “Subsequent to Period End” above with respect to details of the Statement of Claim issued by MediPharm Labs.
AusCann Group Holdings Ltd.	February 20, 2019	First international export agreement, with multiple exports to Australia completed during fiscal 2019.
Peace Naturals Project Inc. (subsidiary of Cronos Group Inc.)	May 13, 2019	Approximately $30 million over 18-months, and, subject to certain renewal and purchase options for up to $60 million over 24 months.
ADREXpharma GmbH	September 20, 2019	Agreement for export to Germany, subject to applicable regulatory approvals and EU GMP certification.
TerrAscend Canada Inc.	September 24, 2019	Approximately $27 million, over 24-months, and, subject to certain renewal and purchase options, potentially up to $192 million over 36 months.

Olli Brands Inc.	September 26, 2019	Under the 18-month supply agreement, MediPharm Labs will provide high-quality cannabis distillate and crude to Olli Brands Inc. upon its commercial licensing.

White Label and Contract Manufacturing of Branded Products

As part of our white label platform, we provide high-quality cannabis concentrates, filling services and national distribution of formulated client-branded cannabis derivative products. Our clients leverage their branding and product expertise to design, brand and market the products. We believe that demand for lawful cannabis derivative products will continue to expand in the long-term as authorized provincial distributors and retailers continue to come online.

Under existing white label contracts, we distribute client-branded products directly to authorized distributors, and then typically pay our clients a portion of net revenues generated from those sales or a fixed fee per unit sold. Under our existing contract manufacturing agreements, our clients pay us a manufacturing fee for the production of their product.

The Company commenced shipping of its initial white label products in December 2019, such white label products being comprised of formulated vaporizer cartridges.

Below is an overview of the certain white label and contract manufacturing contracts that the Company has entered in to:

White Label and Contract Manufacturing Agreements			
Customer	**Date**	**Description and Status**	**Initial Term**
AV Cannabis Inc. (d/b/a Ace Valley)	June 28, 2019	We will receive fees for various services including filling, labelling, packaging and distribution, along with a portion of revenue from sales of branded vaporizer pens, subject to finalization of vaporizer hardware and orders from provincial distributors.	Three years
Peace Naturals Project Inc. (subsidiary of Cronos Group Inc.)	September 18, 2019	We will receive fees for services related to filling, labelling and packaging branded vaporizer cartridges. Peace Naturals has not yet procured any services under this agreement	Two years
1193269 B.C. Ltd. (d/b/a Shelter Brands)	December 12, 2019	We receive revenue from the sale of branded vaporizer cartridges, net of a fee paid to Shelter Brands	One year
H. Collingwood And Co. Ltd.	November 6, 2019	We will receive revenue from the sale of branded formulated oil bottles, net of a fee paid to H. Collingwood And Co. Ltd., subject to receipt of orders from provincial distributors.	One year

Tolling Processing

The Company provides tolling services to various licensed cultivators throughout Canada. As part of this program, the Company receives dried cannabis from its clients and then processes the cannabis through

its extraction lines on behalf of its clients. We may also turn the clients' extracts into value added products such as client-branded formulated cannabis oil bottles. We collect fees for services and do not take ownership of the source or refined product. As of the date of this AIF, we have the following cannabis concentrate program agreements:

Cannabis Concentrate Program Agreement		
Customer	**Date**	**Initial Term**
James E. Wagner Cultivation Corporation	July 31, 2018	Three years
INDIVA Limited	September 4, 2018	Three years
Emerald Health Therapeutics Inc.	October 5, 2018	Three years
The Supreme Cannabis Company, Inc.	November 13, 2018	Three years
TerrAscend Canada Inc.	January 8, 2019	Three years
Peace Naturals Project Inc. (subsidiary of Cronos Group Inc.)	May 13, 2019	Two years

For the twelve-month period ended December 31, 2019, each of James E. Wagner Cultivation Corporation, INDIVA Limited, Emerald Health Therapeutics Inc. and The Supreme Cannabis Company, Inc. sent dried cannabis to MediPharm Labs for processing pursuant to their respective agreements.

New Product Offerings and Research & Development (R&D)

During fiscal 2019, we continued to move up the value chain from primary extraction to the roll-out of commercial scale distillation and finished derivative products. We intend to continue developing our valued-added product line, including additional bulk and finished products. Further, in order to increase the conversion of bulk extracts into the finished goods market, we launched our own MediPharm Labs line of branded products in the first quarter of 2020.

We have successfully completed the isolation and fractionation of specific cannabinoids at our facility on an R&D scale, with the intention to commercialize some of these actives in the second half of 2020. Such isolated cannabinoids are intended to form part of both our bulk and finished product offerings.

Further, we expect that industrial scale chromatography capabilities will permit the Company to address the market for active pharmaceutical ingredients (APIs) that require cannabinoid isolates and purity of at least 99.9%. Initial investigations and R&D and methodology has been completed. We have ordered additional chromatography equipment and will then continue our R&D activities in the second half of 2020.

The planned development and licencing of new product lines and capabilities and commercialization of R&D are forward-looking statements. See "Cautionary Note Regarding Forward Looking Statements" and "Risk Factors", including "Realization of Growth Targets", "Reliance on Licenses and Authorizations" and "Research and Development".

Distribution

The Company has historically arranged periodic (under long-term agreements) and one-off (spot) wholesale shipments of cannabis concentrates and related finished products from its facility in Barrie, Ontario to various licenced cultivators under the *Cannabis Act*. Typically risk of loss for all shipped products typically transfers at the Company's shipping dock, and the purchaser is responsible for arranging all shipping and transportation. From time-to-time we may also provide secure and licensed storage space for our customers, given the regulatory requirements and restraints with respect to storage and transportation.

During fiscal 2019, the Company also commenced selling consumer-packaged cannabis products, specifically vaporizer cartridges, to various provincially authorized distributors throughout Canada in accordance with the requirements of each province. As of the date of this AIF, we have completed shipment of such products to distributors in Alberta, British Colombia, Ontario, Manitoba and Saskatchewan.

Specialized Skills and Knowledge

Unlike vertically-integrated producers and distributors of cannabis in the Canadian industry, the Company does not grow its own cannabis. Instead, the Company has strategically focused its efforts on the highly-specialized processes required for efficient extraction and refinement of cannabis derivatives and utilizes third-party cultivators for its raw material inputs.

The Company has assembled a high caliber leadership, scientific research and operational team with proven experience in bio-pharmaceutical extraction, chromatography, quality systems, research and development, regulatory affairs, legal, packaging, project management, supply chain management, as well as sales and marketing from consumer-packaged goods (CPG) and pharmaceutical industries. The Company has successfully recruited many professionals and technicians with deep cannabis and complementary secondary industry experience. The Company's combined experience in cannabis as well as complementary secondary industries is a key differentiator.

See "*Risk Factors – Retention and Acquisition of Skilled Personnel*."

Competitive Conditions

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

The Company believes that navigating the various regulatory regimes in Canada and globally will continue to serve as the primary barrier on new operators entering the extraction portion of the cannabis industry. The Company also believes that a higher number of approved commercial cultivators will be beneficial to its business as it will increase the supply and thereby potentially lower the wholesale cost of dried cannabis, the Company's biggest expense in the ordinary course of business.

However, as additional Cannabis Act licence holders continue to scale their businesses and produce greater volumes of cannabis concentrates, and as the market for finished goods requiring cannabis concentrates continues to roll out slowly, the Company believes the market for bulk extracts will likely become characterized by structural oversupply until these supply and demand imbalances are corrected

and sell through into consumer channels improves. We expect that the principal aspects of competition between the Company and its competitors will continue to be price and quality of extracted and refined products.

See "*Risk Factors – Competition*" for further details.

Components

As part of its wholesale cannabis program, the Company has historically procured dried cannabis inventory from various licenced cultivators throughout Canada. See "*Business Overview – Wholesale (Private and White Label) Production*" for additional details.

In addition, the Company's business is also dependent on a number of non-cannabis related key inputs, including skilled labour, equipment, parts, solvents, non-cannabis consumables forming part of the finished products (for e.g. bottles, packaging and cartons) and other supplies, as well as electricity, water and other local utilities. See "*Risk Factors – Dependence on Supply of Cannabis and Other Key Inputs*" for additional details.

Intellectual Property

The proprietary nature of, and protection for, the Company's products, technologies, processes, and know-how are a key aspect to our business. We rely on a combination of trademarks and contractual restrictions to establish and protect our intellectual property.

The Company has filed for registration of various domestic and international trademarks with respect to, among other things, the words "MediPharm Labs" and the "falling leaf" image from its logo.

The "falling leaf" image.

Cycles

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

The demand for cannabis and its derivatives is not seasonal or cyclical.

Economic Dependence

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

Changes to Contracts

The Company does not expect any aspect of its business as a whole to be affected in the current financial year by the renegotiation or termination of contracts or sub-contracts. As the committed purchases of bulk extract under the Canopy agreement ended in December 2019, and smaller volumes are expected to ship under other current long-term contracts, we expect that the proportion of revenue comprised of spot sales to continue to increase in the near-term.

Environmental Protection

The Company's primary solvent used in its extraction processes is supercritical CO_2, which is non-flammable and non-toxic. However, the Company's winterization process uses ethanol which is subject to various environmental protection requirements. Regardless, the Company does not expect any environmental protection requirements to have a material effect on the Company's expected capital expenditures, profit or loss or competitive position.

Employees

As at December 31, 2019, the Company had 210 employees in Canada and 20 in Australia. The Company engages contractors and consultants to work on specific projects and for administrative, engineering, legal and other services as required.

Foreign Operations

The Company's operations are conducted in Canada and are in the pre-operational stage in Australia.

Social and Environmental Policies

The Company has a training program for all new employees that includes health and safety. The Facilities team also performs internal audits and identifies areas where improvement is needed.

Regulatory Regimes and Licences

Canada

The production, distribution and sale of cannabis is tightly controlled by the Canadian federal and provincial governments. On October 17, 2018, the Cannabis Act, also known as Bill C-45, came into force as law with the effect of legalizing the non-medical use of cannabis by adults across Canada. The Cannabis Act, among other things, replaced the ACMPR and the *Industrial Hemp Regulations* ("**IHR**"), both of which came into force under the *Controlled Drug and Substances Act* (Canada), which previously permitted access to cannabis for medical purposes for only those Canadians who had been authorized to use cannabis by their health care practitioner.

The Cannabis Act permits the non-medical use of cannabis by adults and regulates, among other things, the production, distribution and sale of cannabis and related products in Canada, for both non-medical and medical purposes. Pursuant to the Cannabis Act, subject to provincial and territorial regulations and medical allowances, individuals over the age of 18 are able to purchase fresh cannabis, dried cannabis, cannabis oil, cannabis extracts, cannabis edibles, cannabis topicals and cannabis plants or seeds and are able to legally possess up to 30 grams of dried cannabis (or the prescribed equivalent amount) in public. The Cannabis Act also permits households to grow a maximum of four cannabis plants, which has been restricted by certain provinces. This limit applies regardless of the number of adults that reside in the household. In addition, the Cannabis Act provides provincial and territorial governments the authority to prescribe regulations regarding retail sales and distribution, as well as the ability to regulate certain matters, such as increasing the minimum age for purchase and consumption (see "Regulatory Framework – Canada – Provincial Regulatory Framework" below).

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

In addition to the Cannabis Act, the Federal Government of Canada published regulations, including the *Cannabis Regulations* (the "**Cannabis Regulations**") and the new IHR (together with the Cannabis Regulations, collectively, the "**Regulations**"), along with amendments to the *Narcotic Control Regulations* and certain regulations under the *Food and Drugs Act* (Canada). The Regulations, among other things, outline additional rules for the cultivation, processing, research, analytical testing, distribution, promotion, sale, importation and exportation of cannabis, hemp and related products in Canada, including the various classes of licences that can be granted. The Regulations set standards for these cannabis and hemp products and include strict specifications for the plain packaging and labelling and analytical testing of all cannabis products as well as stringent physical and personnel security requirements for federally licensed sites. The Regulations also maintain a distinct system for access to cannabis. Additional details regarding the Cannabis Act and the Regulations are set out below.

Cannabis for Medical Purposes

With the Cannabis Act coming into force, the medical cannabis regime is no longer governed by the ACMPR and the CDSA. However, the medical cannabis regulatory framework under the Cannabis Act and the Cannabis Regulations remains substantively the same as under the CDSA and the ACMPR, with adjustments to create consistency with rules for non-medical use, improve patient access, and reduce the risk of abuse within the medical access system.

Under the Cannabis Regulations, patients have three options for obtaining cannabis for medical purposes: (i) they can continue to access cannabis by registering with licensed producers; (ii) they can register with Health Canada to produce a limited amount of cannabis for their own medical purposes; or (iii) they can designate someone else to produce cannabis for them. With respect to (ii) and (iii), starting materials, such as marijuana plants or seeds, must be obtained from licensed holders under the Cannabis Act.

Licences, Permits and Authorizations

The Cannabis Regulations establish the following different classes of licences that are required depending on the nature of the activity being undertaken:

- cultivation licences – standard cultivation, micro-cultivation and nursery cultivation;
- processing licences – standard processing (such as the Licence) and micro-processing;
- sale, and sale for medical purposes;
- analytical testing;
- research; and
- cannabis drug licence.

Pursuant to the Cannabis Regulations, any licence issued will be valid for no more than five years. Each class and subclass of licence carries different rules and requirements. The licence, once issued, identifies the specific activities that the licensee is authorized to conduct. The activities permitted under each class or subclass of licence are set out in the Cannabis Regulations.

For example, cultivation licence holders may be authorized to: (i) possess cannabis; (ii) obtain cannabis by cultivating, propagating and harvesting cannabis; (iii) obtain cannabis by altering its chemical or physical properties by any means, for the purpose of testing; and (iv) sell cannabis. Unlike under the ACMPR, the cultivation licence holders are permitted to conduct both indoor and outdoor cultivation of cannabis.

Security Clearances

The Cannabis Act requires that certain individuals associated with a licensee, such as directors, officers, large shareholders and individuals identified by the Minister, obtain security clearances with Health Canada. The Minister grants security clearances if the Minister determines that the applicant does not pose an unacceptable risk to public health or public safety. The Minister may refuse to grant security clearance to individuals with associations to organized crime or with past criminal convictions. Individuals with a record of non-violent, lower-risk criminal activity may still be granted security

clearance at the discretion of the Minister. Security clearances granted under the ACMPR are also considered to be valid security clearances under the Cannabis Regulations.

Cannabis Tracking System

Under the Cannabis Act, the Minister is authorized to establish and maintain a national cannabis tracking system. The cannabis tracking system was established by ministerial order and came into effect on October 17, 2018. The purpose of this system is to track cannabis throughout the supply chain to help prevent diversion of cannabis into, and out of, the legal market. Under the tracking system licence holders are required to submit monthly reports to the Minister relating to inventory of its recreational and medical cannabis products.

Cannabis Products

The Cannabis Regulations set out the product categories that are permitted for sale. Currently, the Cannabis Regulations permit the sale of dried cannabis, cannabis oil, cannabis extracts, cannabis topicals, cannabis edibles, fresh cannabis, cannabis plants, and cannabis seeds, including in such forms as "pre-rolled", pre-filled vaporizer cartridges, formulated cannabis oil bottles and capsule products. The THC content and serving size of cannabis products is limited by the Cannabis Regulations.

For medical cannabis patients, Health Canada requires that medical documents be written to include the amount of dried cannabis in grams per day a patient may consume. This requirement applies equally to oils. To assist patients with determining how much oil they should be consuming per day, licensed producers are required to provide an equivalency factor outlining how much oil is equivalent to one gram of dried cannabis.

Packaging and Labelling

The Cannabis Regulations set out requirements pertaining to the packaging and labelling of cannabis products. The purpose of the packaging and labeling rules is to promote informed consumer choice, allow for the safe handling and transportation of cannabis, and to reduce the appeal of the products to youth. Vendors must package cannabis in a way that is tamper-proof, child-resistant, prevents contamination and ensures dryness. The Cannabis Regulations also require plain packaging, with strict requirements for logos, colours and branding. The packaging must also contain the following product information:

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

Advertising

The Cannabis Act places a general ban on promotion of cannabis, cannabis accessories or any service related to cannabis, unless the promotional activity is specifically authorized under the Cannabis Act, such as when done to other licence holders. Cannabis products may be promoted at their point of sale if

the promotion indicates only its availability and/or price. Further, brand preference and informational promotion is permitted if such promotion is:

- in a communication that is addressed and sent to an individual who is 18 years of age or older and is identified by name;
- in a place where young persons are not permitted; or
- communicated by means of a telecommunication, where the person responsible for the content of the promotion has taken reasonable steps to ensure that the promotion cannot be accessed by a young person.

Import / Export Permits for Medical or Scientific Purposes

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

Provincial Regulatory Framework

The Cannabis Act provides that the provinces and territories of Canada have authority to regulate certain aspects of recreational cannabis (similar to the current regime for liquor and tobacco products), such as sale and distribution, minimum age requirements, places where cannabis can be consumed, and a range of other matters.

All Canadian provinces and territories have enacted regulatory regimes for the distribution and sale of cannabis for recreational purposes within those jurisdictions. There are three general frameworks that the provinces and territories have followed: (i) private cannabis retailers licensed by the province; (ii) government run retail stores and/or e-commerce stores; or (iii) a combination of both frameworks (e.g., privately licensed retail stores, while online retailers are operated by the applicable provincial government).

Regardless of the framework, the recreational cannabis market is supplied by federal Cannabis Act licence holders. In many cases, provinces that follow the licensed private retailer model will still have a government-run wholesale distributor. Such licensed private retail stores are required to obtain their cannabis products from the wholesalers, and the wholesalers in turn, are required to obtain the cannabis products from the federal Cannabis Act licence holders. The minimum age for purchase and possession of cannabis in each Canadian jurisdiction is 19 years old, except for Quebec and Alberta where it is 21 and 18, respectively.

Ontario: In Ontario, cannabis products are sold by private retailers that receive their products from a government-regulated distributor. Only licensed retail outlets are permitted to sell cannabis with online sales run by the Ontario Cannabis Retail Corporation.

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

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

Alberta: In Alberta, cannabis products are sold by private retailers that receive their products from a government-regulated distributor. Only licensed retail outlets are permitted to sell cannabis with online sales run by the Alberta Gaming and Liquor Commission.

Saskatchewan: In Saskatchewan, recreational cannabis is sold by private retailers.

Manitoba: In Manitoba, a private retail model is in place whereby the Manitoba Liquor and Lotteries Corporation manages the supply and distribution of cannabis to licensed private retailers, and the private sector operates the retail locations.

New Brunswick: In New Brunswick, the New Brunswick Liquor Corporation operates cannabis retail stores through a subsidiary, Cannabis NB. The crown corporation Cannabis Management Corporation is responsible for the oversight, organization, conduct, management and control of the retail sales of cannabis.

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

Prince Edward Island: In Prince Edward Island, similar to New Brunswick and Nova Scotia, retail is controlled and operated by the government, and cannabis is sold in government-run stores and online.

Newfoundland and Labrador: In Newfoundland and Labrador, cannabis is sold through licensed private retailers. The crown-owned liquor corporation, the Newfoundland and Labrador Liquor Corp., controls the distribution to private retailers and sets prices for cannabis products. It is also the initial online retailer, although licences may later be issued to private retailers.

Australia

The Company's pre-commercial Australian facility holds the Australian Licence with respect to the manufacture of certain limited cannabis products. The facility was built to the same GMP standards as our Canadian facility and MediPharm Labs Australia is seeking a GMP certificate under the Australian *Therapeutic Goods Act 1989*, which will expand its domestic manufacturing authorizations. The commercialization of the Australian facility remains subject to the importation of manufactured product from MediPharm Labs and receipt of purchase orders for such product.

Legislation came into effect on October 30, 2016 to allow legal cultivation, production and manufacturing of medicinal cannabis products in Australia. This scheme is administered by the Commonwealth Department of Health through the Therapeutic Goods Administration (the "**TGA**") and the Office of Drug Control. This legislation is designed to work together with the therapeutic goods legislation, and state and territory legislation, to make medicinal cannabis products available to certain patients. The term

"medicinal cannabis products" covers a range of cannabis preparations intended for therapeutic use, including pharmaceutical cannabis preparations, such as oils, tinctures and other extracts. Medicinal cannabis products are regulated as medicines in Australia. Generally, medicines imported into, supplied in, and exported from Australia must be entered in the Australian Register of Therapeutic Goods ("**ARTG**"), which is administered by the TGA.

However, there are other mechanisms for access to medicines that are not registered on the ARTG ("**unapproved therapeutic goods**"). The *Therapeutic Goods Act 1989* establishes the regulatory framework for all medicines in Australia. This legislation provides a number of mechanisms to enable access to unapproved therapeutic goods. These mechanisms maintain the same standards for medicinal cannabis products that apply to any other experimental or emerging medicines.

Medicinal cannabis products supplied in Australia will use the alternative supply pathways available for unapproved therapeutic goods, such as the Authorized Prescriber Scheme and the Special Access Scheme, while evidence to support registration is gathered through clinical trials. The majority of medicinal cannabis in Australia is distributed via the Special Access Scheme. This scheme governs the import and supply of medicinal cannabis for single patients, on a case by case. For medicinal cannabis patients, access is classified as 'SAS Category B', which is supply of unapproved goods for non-threatening conditions and as the last line of treatment. Registered health practitioners must prescribe the unapproved medicine, and then the medicine is dispensed through pharmacies.

The Company cannot give any assurances that any or all products that require TGA (or overseas equivalent) approval or registration on the ARTG will receive such approvals or registrations and the non-approval or non-registration by the TGA may mean that the products cannot be sold in Australia which will or is likely to impact upon the revenue generation and financial performance and prospects of MediPharm Labs Australia.

Restrictions on Business Activities Outside Canada

On October 16, 2017, the TSX provided clarity regarding the application of Sections 306 (Minimum Listing Requirements) and 325 (Management) and Part VII (Halting of Trading, Suspension and Delisting of Securities) of the TSX Company Manual (collectively, the "Requirements") to applicants and TSX-listed issuers with business activities in the cannabis sector. In TSX Staff Notice 2017-0009, the TSX notes that issuers with ongoing business activities that violate U.S. federal law regarding cannabis are not in compliance with the Requirements. These business activities may include (i) direct or indirect ownership of, or investment in, entities engaging in activities related to the cultivation, distribution or possession of cannabis in the US, (ii) commercial interests or arrangements with such entities, (iii) providing services or products specifically targeted to such entities, or (iv) commercial interests or arrangements with entities engaging in providing services or products to US cannabis companies. The TSX reminded issuers that, among other things, should the TSX find that a listed issuer is engaging in activities contrary to the Requirements, the TSX has the discretion to initiate a delisting review.

The Company does not engage in or intend to engage in any US "marijuana-related activities" as defined in Canadian Securities Administrators Staff Notice 51-352 – *Issuers with US Marijuana-Related Activities*. The Company is currently only developing business opportunities in jurisdictions outside of

Canada where such operations are legally permissible in accordance with all of the laws of the foreign jurisdiction, the laws of Canada and our regulatory obligations with the TSX.

RISK FACTORS

There are a number of risk factors that could impact the Company's ability to successfully execute its key strategies and may materially affect future events, performance or results. The risks and uncertainties described herein are not the only ones the Company faces. Additional risks and uncertainties, including those that the Company does not know about now or that it currently deems immaterial, may also adversely affect the Company's business. If any of the following or other risks occur, the Company's business, prospects, financial condition, results of operations and cash flows could be materially adversely impacted. There is no assurance that risk management steps taken will avoid future loss due to the occurrence of the risks described below or other unforeseen risks. Risk factors relating to the Company include, but are not limited to, the factors set out below.

Business Risks

Limited Operating History

The Company is an early stage company having been founded in 2015 and, as a result, it has a limited operating history upon which its business and future prospects may be evaluated. The Company will be subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that it will not achieve its operating goals. In order for the Company to meet future operating and debt service requirements, it will need to be successful in its expansion, marketing and sales efforts. Additionally, where the Company experiences increased sales, the Company's current operational infrastructure may require changes to scale the Company's business efficiently and effectively to keep pace with demand, and achieve long-term and sustainable profitability. If the Company's products and services are not reliably accepted by new clients, the Company's operating results may be materially and adversely affected.

Regulatory Compliance Risks

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

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

The Company will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional

equipment, or remedial actions. The Company may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. In addition, changes in regulations, more vigorous enforcement thereof, or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Change of Cannabis Laws, Regulations and Compliance Policies

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

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

Reliance on Licences and Authorizations

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

The current term of the Licence and Australian Licence ends on March 29, 2021 and May 21, 2020, respectively. Although it is anticipated by management of the Company that Health Canada and the Australian Office of Drug Control will extend or renew the Licence and the Australian Licence, there can be no guarantee that such renewals will occur or, if renewed, that such renewals will be on the same or similar terms. Should Health Canada or the Australian Office of Drug Control not renew either the Licence or the Australian Licence or should either renew such licences on different terms, the business, financial condition and results of the operation of the Company would be materially adversely affected.

The Company operates in a purpose-built facility designed and executed to a current GMP ("**cGMP**") standard, and though the Company has received an Australian GMP certificate, cGMP certification with respect to other jurisdictions is ongoing and there is an inherent risk that these certifications will not take place. For all cGMP certifications achieved, there are ongoing standards and thresholds that must be adhered to in order to maintain certification.

Lack of Long-Term Client Commitment Risk

Sales of the Company's products are often made pursuant to individual purchase orders or contracts and not under long-term commitments. The Company's clients frequently do not provide any assurance of minimum or future sales and are generally not contractually prohibited from purchasing alternative systems from the Company's competitors at any time. Accordingly, the Company is exposed to competitive pricing pressures on each potential order. The Company's clients may also engage in the practice of purchasing products from more than one provider to avoid dependence on sole-source suppliers for certain of their needs. The existence of these practices may make it more difficult for the Company to increase prices, gain new clients and win repeat business from existing clients, and to maintain revenue during periods of declining demand.

Risks Related to the COVID-19 Pandemic

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

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

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

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

Disruption of Supply Chain

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

Credit Facility Risk and Risk of Default

The amount available under the revolving term portion of the Credit Facility is dependent on the borrowing base calculated in accordance with the credit agreement governing the Credit Facility. The borrowing base is determined in accordance with a margining formula based on the accounts receivable of the Company eligible to be margined, less customary reserves for priority payables and reserves that may be established by the Bank. A material decline in the quantum of eligible accounts receivable or material increase in reserves could reduce the borrowing base, and therefore the funds available to the Company under the revolving portion of the Credit Facility. The non-revolving term portion of the Credit Facility is fully drawn and not subject to any margining requirements, and has no further availability. The non-revolving delayed draw term portion of the Credit Facility is available for capital expenditures, subject various conditions precedent, including the Company locating suitable capital expenditures.

The Company is required to comply with certain covenants under the Credit Facility, including certain financial covenants which affect the pricing of funds. In addition, the Credit Facility imposes operating and financial restrictions on the Company that include restrictions on international expansions, the incurrence of additional indebtedness or certain other contingent liabilities, the payment of dividends or other distributions with respect to the Company's securities, the making of capital expenditures, entering into material transactions and handling of material contracts. In the event that the Company does not comply with the covenants (financial or otherwise) contained in the Credit Agreement, which may be affected by events beyond the Company's control, the Company's access to additional amounts under the Credit Facility may be restricted.

In addition, upon a default under the Credit Agreement which is not cured or waived, the Bank is permitted to accelerate and demand full repayment of the entire Credit Facility. If the Credit Facility were to be accelerated, there can be no assurance that the assets of the Company would be sufficient to repay the amount owing in full, or that the Credit Facility will be able to be refinanced. Further, even if the Company is able to obtain new financing to repay the Credit Facility, it may not be on commercially reasonable terms or terms that are acceptable to the Company. If the Company is unable to repay amounts owing , the Bank could proceed to enforce its security or exercise other remedies in respect of the collateral granted to secure the indebtedness.

The degree to which the Company is leveraged could have important consequences to its shareholders, including: (i) the ability to obtain additional financing for working capital, capital expenditures or future acquisitions; (ii) a material portion of the Company's cash flow from operations may need to be dedicated to payment of the principal of and interest on indebtedness, thereby reducing funds available for future operations or growth and to pay dividends; (iii) certain of the borrowings under the Credit Facility are at variable rates of interest, which exposes the Company to the risk of increased interest rates; and (iv) the Company may be more vulnerable to economic downturns and be limited in its ability to withstand competitive pressures.

Client Risks

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

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

The Company may also be exposed to a reputational risk with respect to its business-to-business clients, in particular those for which the Company intends to directly sell products as part of its white labeling program. If the Company's clients are subject to negative publicity, the Company's goodwill, business and operations may be indirectly and negatively impacted.

Realization of Growth Targets Including Expansion of Facilities and Operations

The Company is currently in the early development stage. The Company's growth strategy contemplates, among other things, various construction activities at its current facilities located in Barrie, Ontario and Wonthaggi, Australia**.** There is a risk that these additional resources will not be achieved on time, on budget, or at all, as they are can be adversely affected by a variety of factors, including some that are discussed elsewhere in these risk factors and the following:

(a) delays in obtaining, or conditions imposed by, regulatory approvals;
(b) plant design errors;
(c) environmental pollution;
(d) non-performance by third party contractors;
(e) increases in materials or labour costs;
(f) construction performance falling below expected levels of output or efficiency;
(g) breakdown, aging or failure of equipment or processes;
(h) contractor or operator errors;
(i) labour disputes, disruptions or declines in productivity;
(j) inability to attract sufficient numbers of qualified workers;
(k) disruption in the supply of energy and utilities; and
(l) major incidents and/or catastrophic events such as pandemics, fires, floods, droughts, explosions, earthquakes or storms.

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

Management of Growth

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

History of Net Losses

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

Difficulty to Forecast

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

could have a material adverse effect on the business, results of operations and financial condition of the Company.

Competition

The cannabis production industry is competitive in all of its phases. The Company faces competition from other companies in connection with such matters. Many of these companies may have greater financial resources, operational experience and technical capabilities than the Company. As a result of this competition, the Company may be unable to maintain its operations or develop them as currently proposed, on terms it considers acceptable or at all. Consequently, the revenues, operations and financial condition of the Company could be materially adversely affected.

The Company is facing additional competition from new entrants into the cannabis industry, which is still in a relatively early stage. To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company.

Inability to Sustain Pricing and Inventory Models

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

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

Conflicts of Interest May Arise Between the Company and its Directors and Officers

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

In addition, the Company may also become involved in other transactions which conflict with the interests of its directors and officers who may from time to time deal with persons, firms, institutions or corporations with which the Company may be dealing, or which may be seeking investments similar to those the Company desires. The interests of these persons could conflict with the Company's interests. 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, in the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the Company's directors are required to act honestly, in good faith and in the Company's best interests.

Legal Proceedings

From time to time, the Company may be a party to legal and regulatory proceedings, including matters involving governmental agencies, entities with whom it does business and other proceedings arising in the ordinary course of business. Assessing and predicting the outcome of these matters involves substantial uncertainties. Unexpected outcomes in these legal proceedings, or changes in management's evaluations or predictions and accompanying changes in or establishment of reserves, could have an adverse impact on the Company's financial results.

Product Liability

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

Product Recalls

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

might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Company has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if the Company is subject to recall, the image of the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by regulatory agencies, requiring further management attention, potential loss of applicable licences and potential legal fees and other expenses.

Environmental Regulation and Risks

The Company's operations are subject to environmental regulations that mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which could 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.

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

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

Insurance and Uninsured Risks

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

Unfavourable Publicity or Consumer Perception

The Company believes the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of cannabis and related products distributed to such consumers (both through the legal and illegal channels). Consumer perception of the Company's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis 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 cannabis market or any particular product, or consistent with earlier publicity.

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 cannabis and related products in general, or the Company's products specifically, or associating the consumption of cannabis or related products 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. 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 in regard to 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. Reputational 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.

Reliance on a Single Facility

To date, the Company's activities and resources have been primarily focused on its facility located at 151 John Street in Barrie, Ontario and the Company is expected to continue to be focused on this facility until the commencement of operations in Australia. Disruption of operations at the facility could adversely affect inventory supplies and the Company's ability to meet delivery deadlines. The Company's revenue is dependent on the uninterrupted operation of its production facility. The Company's production is subject to operational risks beyond its control including fire, breakdown, failure or substandard performance of its equipment and machinery, power shortage, labour disruption, natural disasters and any interruption in its operations as a result of any failure to comply with all applicable laws and regulations in the jurisdictions where our production facilities are located. Frequent or prolonged occurrence of any of the aforesaid events may have a material adverse effect on the Company's business, financial condition and results of operation. If there is any damage to the Company's production facilities, it may not be able to alleviate the impact of such damage in a timely and proper manner or at all. Any breakdown or malfunction of any of the Company's information technology systems and equipment could cause a

material disruption of its operations. Adverse changes or developments affecting this facility could have a material and adverse effect on the Company's business, financial condition and prospects.

Dependence on Supply of Cannabis and Other Key Inputs

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

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

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

Maintenance of Effective Quality Control Systems

The Company may not be able to maintain an effective quality control system. The Company ascribes its success to its commitment to quality control and effective quality control system. Quality in terms reliability and stability of the Company's equipment are especially important and the performance failure of any part of the Company's production facility would affect the entire production line of its equipment and lead to severe economic losses. The effectiveness of the Company's quality control system and its ability to obtain or maintain cGMP certification with respect to its facilities depends on a number of factors, including the design of its quality control procedures, training programs, and its ability to ensure that its employees adhere to the Company's quality control policies and guidelines. Any failure or deterioration of the Company's quality control systems may have a material adverse effect on the Company's business, results of operations and financial condition.

Retention and Acquisition of Skilled Personnel

The loss of any member of the Company's management team could have a material adverse effect on its business and results of operations. In addition, an inability to hire, or the increased costs of new personnel, including members of executive management, could have a material adverse effect on the Company's business and operating results. At present and for the near future, the Company will depend upon a relatively small number of employees to develop, market, sell and support its products and services. The expansion of marketing and sales of its products will require the Company to find, hire and retain additional capable employees who can understand, explain, market and sell its products and services. There is intense competition for capable personnel in all of these areas and the Company may not be successful in attracting, training, integrating, motivating, or retaining new personnel, vendors, or subcontractors for these required functions. New employees often require significant training and, in many cases, take significant time before they achieve full productivity. As a result, the Company may incur significant costs to attract and retain employees, including significant expenditures related to salaries and benefits and compensation expenses related to equity awards, and may lose new employees to its competitors or other companies before it realizes the benefit of its investment in recruiting and training them. In addition, as the Company moves into new jurisdictions, it will need to attract and recruit skilled employees in those areas.

The Publication of Negative Results of Clinical Trials

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

Failure to Comply with Laws in all Jurisdictions

The laws, regulations and guidelines generally applicable to the cannabis industry domestically and internationally may change in ways currently unforeseen. The Company's operations are subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage, sale, health and safety and disposal of cannabis, including the *Cannabis Act*. Health Canada inspectors routinely assess the Company's facilities against *Cannabis Act* regulations and provide the Company with follow-up reports noting observed deficiencies. The Company is continuously reviewing and enhancing its operational procedures and facilities, both proactively, and in response to, routine inspections. The Company follows all regulatory requirements in response to inspections in a timely manner. The Company currently incurs, and will continue to incur, ongoing costs and obligations related to regulatory compliance. A failure on the Company's part to comply with regulations may result in additional costs for corrective measures, and/or penalties, or in restrictions on the Company's operations. In addition, changes in regulations, more vigorous enforcement thereof, or other unanticipated events, could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the Company's business, results of operations and financial condition.

Perceived Reputational Risk for Third Parties

The parties with which the Company does business, including various financial institutions, may perceive that they are exposed to reputational risk as a result of the Company's lawful cannabis business activities. Failure to establish or maintain business relationships due to reputational risk arising in connection with the nature of the Company's business could have a material adverse effect on the Company's business, financial condition and results of operations.

Risks Related to Intellectual Property

Currently, the Company relies on technical know-how and proprietary information to protect its intellectual property. The Company also attempts to protect its intellectual property by entering into confidentiality agreements with parties that have access to it, such as business partners, collaborators, employees and consultants. Any of these parties may breach these agreements and the Company may not have adequate remedies for any specific breach. In addition, the Company's trade secrets and technical know-how, which are not protected by patents, may otherwise become known to or be independently developed by competitors, in which event the Company's business, financial condition and results of operations could be materially adversely affected.

Unauthorized parties may attempt to replicate or otherwise obtain and use the Company's products, trade secrets, technical know-how and proprietary information that are not protected by patents. Policing the unauthorized use of the Company's current or future intellectual property rights could be difficult, expensive, time-consuming and unpredictable, as may be enforcing these rights against unauthorized use by others. Identifying unauthorized use of intellectual property rights is difficult as the Company may be unable to effectively monitor and evaluate the products being distributed by its competitors, including parties such as unlicensed dispensaries, and the processes used to produce such products. In addition, in any infringement proceeding, some or all of the Company's current or future trademarks, patents or other intellectual property rights or other proprietary know-how, or arrangements or agreements seeking to protect the same for the benefit of the Company, may be found invalid, unenforceable, anti-competitive or not infringed. An adverse result in any litigation or defense proceedings could put one or more of the Company's current or future trademarks, patents or other intellectual property rights at risk of being invalidated or interpreted narrowly and could put existing intellectual property applications at risk of not being issued. Any or all of these events could materially and adversely affect the business, financial condition and results of operations of the Company.

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

Marketing Constraints

The development of the Company and its client's businesses may be hindered by applicable restrictions on sales and marketing activities imposed by Health Canada and applicable regulatory authorities in other jurisdictions in which it may operate. The regulatory environment in Canada limits the Company and its client's ability to compete for market share in a manner similar to other industries. If the Company or its clients are unable to effectively market their products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Company's sales and operating results could be adversely affected.

Research & Development

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

Shelf Life of Inventory

The Company holds finished goods in inventory and its inventory does not all have the stability data necessary to assess a shelf life. The Company is currently completing shelf life stability tests for various products as they are developed. The Company's inventory may reach its expiration and not be sold. Even though on a regular basis, management reviews the amount of inventory on hand, reviews the remaining shelf life and estimates the time required to manufacture and sell such inventory, write-down of inventory may still be required. Any such write-down of inventory could have a material adverse effect on the Company's business, financial condition, and results of operations.

Scheduled Maintenance, Unplanned Repairs, Equipment Outages and Logistical Disruptions

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

It is also possible that operations may be disrupted due to other unforeseen circumstances such as power outages, explosions, fires, floods, accidents and severe weather conditions. To the extent that lost production could not be compensated for at unaffected facilities and depending on the length of the outage, the Company's sales and unit production costs could be adversely affected. The Company is also exposed to similar risks involving major clients and suppliers such as force majeure events of raw materials suppliers that have occurred and may occur in the future. Delivery of products to clients could be affected by logistical disruptions, such as shortages of barges, ocean vessels, rail cars or trucks, or unavailability of rail lines, highways or bodies of water.

Risks as a Result of International Expansions

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

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

Operations in Foreign Jurisdictions

Certain of the Company's prospective operations are located in foreign jurisdictions, namely Australia. As such, the Company's operations at various times may be exposed to political, economic and other risks and uncertainties associated with operating in a foreign jurisdiction. These risks and uncertainties include, but are not limited to:

a) renegotiation, nullification, termination or rescission of existing concessions, licences, permits and contracts;
b) repatriation restrictions;
c) changing political conditions;
d) currency exchange rate fluctuations;
e) taxation policies;
f) changing government policies and legislation;
g) import and export regulations;
h) infrastructure development policy; and
i) environmental legislation.

Changes, if any, in policies or shifts in political attitude may adversely affect the Company's operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income

taxes, foreign investment, environmental legislation, and land use. The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the Company's operations and profitability.

In addition, in the event of a dispute arising from operations in a foreign jurisdiction, the Company may be subject to the exclusive jurisdiction of foreign courts.

Reliance Upon International Advisors and Consultants

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

Foreign Currency Risk

The Company is commencing operations in foreign jurisdictions and periodically sources products and services from international jurisdictions. As a result, the Company is exposed to foreign currency risk related to cash and cash equivalents, accounts receivable and accounts payable that are denominated in a foreign currency.

Financial and Accounting Risks

Access to Capital

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

Estimates or Judgments Relating to Critical Accounting Policies

The preparation of financial statements in conformity with International Financial Reporting Standards, or IFRS, requires management to make estimates and assumptions that affect the amounts reported in the

financial statements and accompanying notes. The Company bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, as provided in the notes accompanying its financial statements, the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenue and expenses that are not readily apparent from other sources. The Company's operating results may be adversely affected if the assumptions change or if actual circumstances differ from those in the assumptions, which could cause the Company's operating results to fall below the expectations of securities analysts and investors, resulting in a decline in the share price of the Company. Significant assumptions and estimates used in preparing the financial statements include those related to the credit quality of accounts receivable, share based warrant and option payments, as well as revenue and cost recognition.

Tax Risks

The Company will operate and will be subject to income tax and other forms of taxation (which are not based upon income) in multiple tax jurisdictions. Taxation laws and rates which determine taxation expenses may vary significantly in different jurisdictions, and legislation governing taxation laws and rates is also subject to change. Therefore, the Company's earnings may be impacted by changes in the proportion of earnings taxed in different jurisdictions, changes in taxation rates, changes in estimates of liabilities and changes in the amount of other forms of taxation. The Company may have exposure to greater than anticipated tax liabilities or expenses. The Company will be subject to income taxes and non-income taxes in a variety of jurisdictions and its tax structure is subject to review by both domestic and foreign taxation authorities and the determination of the Company's provision for income taxes and other tax liabilities will require significant judgment.

The Company will be subject to different taxes imposed by the Australian government and any changes within such tax legal and regulatory framework may have an adverse effect on the Company's financial results. All current tax legislation is a matter of public record and the Company will be unable to predict which additional legislation or amendments may be enacted. There are two bills being analyzed by the Australian legislative branch that if enacted could have a material adverse impact on the Company and cause increases in expenditures and costs, affect the Company's ability to expand or transfer existing operations or share tenancies.

Risks Related to the Common Shares

Market for the Common Shares

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

(viii) litigation involving the Company, its industry, or both; (ix) regulatory developments in the Canada, Australia and foreign countries; (x) general economic conditions and trends; (xi) major catastrophic events; (xii) escrow releases, sales of large blocks of the Common Shares; (xiii) departures of key employees or members of management; or (xiv) an adverse impact on the Company from any of the other risks cited herein or not yet known to the Company.

Investment in the Cannabis Sector

Cannabis-related financial transactions are subject to a variety of laws that vary by jurisdiction, many of which are unsettled and still developing. While the interpretation of these laws are unclear, in some jurisdictions, financial benefit directly or indirectly arising from conduct that would be considered unlawful in such jurisdiction may be viewed to be within the purview of these laws and regulations, and persons receiving any such benefit, including shareholders in an applicable jurisdiction, may be subject to liability.

No History of Payment of Cash Dividends

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

Reporting Issuer Status

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

Significant Sales of Common Shares

Although Common Shares held by existing shareholders of Common Shares are freely tradable under applicable securities legislation, certain Common Shares held by the Company's directors, executive officers, Control Persons and certain other securityholders of the Company are subject to escrow and seed share resale restrictions pursuant to the policies of the TSXV. Sales of a substantial number of the Common Shares in the public market after the expiry of such restrictions or the perception that these sales

could occur, which could adversely affect the market price of the Common Shares and may make it more difficult for investors to sell Common Shares at a favourable time and price.

Analyst Coverage

The trading market for the Common Shares will, to some extent, depend on the research and reports that securities or industry analysts publish about the Company or its business. The Company will not have any control over these analysts. If one or more of the analysts who covers the Company should downgrade the Common Shares or change their opinion of the Company's business prospects, or if the Company fails to achieve the earnings estimates posted by such analysts, the Company's share price would likely decline. If one or more of these analysts ceases coverage of the Company or fails to regularly publish reports on the Company, the Company could lose visibility in the financial markets, which could cause the Company's share price or trading volume to decline.

Tax Issues

There may be income tax consequences in relation to the Common Shares, which will vary according to circumstances of each investor. Prospective investors should seek independent advice from their own tax and legal advisers.

DIVIDEND RECORD AND POLICY

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

DESCRIPTION OF CAPITAL STRUCTURE

Share Capital

The Company is authorized to issue an unlimited number of Common Shares and an unlimited number of special shares, of which 131,525,068 Common Shares were issued and outstanding as at December 31, 2019 and 134,723,297 Common Shares were issued and outstanding as of the date of this AIF. No special shares are issued and outstanding as at December 31, 2019 or as of the date of this AIF.

The holders of Common Shares are entitled to dividends as and when declared by the board of directors of the Company, to receive notice of and one vote per Common Share at meetings of the shareholders of the Company and, upon liquidation, to share equally in such assets of the Company as are distributable to the holders of Common Shares. There are no pre-emptive, redemption, retraction, purchase or conversion rights attaching to the Common Shares.

Special shares may be issued from time to time in one or more series, each series consisting of the number of shares and having the designation, rights, privileges, restrictions and conditions which the board of directors determines in accordance with the articles of Company prior to the issue thereof.

MARKET FOR SECURITIES

Common Shares

On July 29, 2019, the Common Shares were voluntarily delisted from the TSXV and began trading on the TSX under the symbol "LABS". The following table sets out trading information for the Common Shares on the TSX and TSXV, as applicable, for the periods indicated:

Calendar Period (2019)	High ($)	Low ($)	Trading Volume
January	2.16	1.60	8,245,318
February	3.09	1.88	40,167,451
March	3.52	2.60	51,203,372
April	6.52	3.38	212,826,505
May	7.39	5.14	202,813,520
June	5.66	4.51	82,460,409
July	5.65	4.03	61,058,885
August	7.28	4.26	131,870,416
September	5.49	3.73	61,036,896
October	5.13	3.10	108,949,694
November	5.47	3.60	138,787,728
December	4.05	3.32	45,593,284

Prior Sales

During the year ended December 31, 2019, the following securities of the Company, which are not listed or quoted on a marketplace, were issued:

Type of Security	Date of Issuance	Number of Securities	Exercise Price	Expiry Date
Options[(1)]	January 8, 2019	5,300,900	$2.00	January 8, 2024
	February 4, 2019	790,500	$1.96	February 4, 2024
	March 29, 2019	791,000	$3.34	March 29, 2024
	August 13, 2019	1,847,500	$6.47	August 13, 2024
	November 12, 2019	242,250	$4.42	November 12, 2024

Note:

(1) Each option is exercisable for one Common Share.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO RESTRICTION ON TRANSFER

The following table sets forth the securities of the Corporation held in escrow or subject to restriction on transfer as of December 31, 2019.

Designation of Class	Number	Percentage of Class
Common Shares[(1)(2)(3)]	8,528,854	6.5%

Notes:

(1) 1,000,000 of such Common Shares are held by certain shareholders of POCML 4 Inc. (now the Company) and were deposited into escrow with TSX Trust Company, as escrow agent, pursuant to a TSXV CPC Escrow Agreement, to be released from escrow on April 1, 2020.

(2) 4,675,854 of such Common Shares are held by principals of the Company and certain other shareholders and were deposited into escrow with TSX Trust Company, as escrow agent, pursuant to a TSXV Tier 1 Value Security Escrow Agreement to be released on April 1, 2020.

(3) 2,853,000 of such Common Shares were issued with restrictive legends, prohibiting trading in such Common Shares, pursuant to the Seed Share Resale Restrictions ("**SSRRs**") under Policy 5.4 of the TSXV, to become free trading on April 1, 2020.

DIRECTORS AND EXECUTIVE OFFICERS

The table presented below provides the names of the Company's current directors and executive officers, the offices held by them and the date of their first appointment, as of the date hereof:

Name, Place of Residence and Position with the Company	Present Principal Occupation and Positions Held During the Last Five Years	Director Since	Number of Voting Securities Beneficially Owned, Controlled or Directed
Warren Everitt Oakleigh, Victoria, Australia CEO Asia Pacific, MediPharm Labs Australia	Current – CEO Asia Pacific, MediPharm Labs Australia Previous – Executive	-	26,950 Common Shares 49 Ordinary Shares (20%) of MediPharm Labs Australia

Name, Place of Residence and Position with the Company	Present Principal Occupation and Positions Held During the Last Five Years	Director Since	Number of Voting Securities Beneficially Owned, Controlled or Directed
Braden Fenske Mount Albert, Ontario Chief Strategy Officer	Current – Chief Strategy Officer, the Company Previous – Group Product Director, Global Strategic Marketing, Biosense Webster Inc. (Johnson & Johnson) (Nov/2017 to Apr/2019) Product and Technical Services Manager, Johnson & Johnson Medical Devices (Feb/2015 to Nov/2017)	-	11,009 Common Shares
Christopher Hobbs Oakville, Ontario Director	Current – Accountant and Executive	October 1, 2018	634,000 Common Shares
Bobby Kwon Toronto, Ontario Chief Financial Officer	Current – Chief Financial Officer (Nov/2019 to present) Previous – Senior Vice President, Office of Executive Chairman, George Weston Ltd. (June/2012 to Jan/2018)	-	4,100 Common Shares
Miriam McDonald[(1)(2)] Sudbury, Ontario Director	Current – Administrative Director, Pharmacy, Health Sciences North	October 1, 2018	84,537 Common Shares
Pat McCutcheon Oro-Medonte, Ontario Director, Chair of the Board and Chief Executive Officer	Current – Chief Executive Officer, the Company (Oct/2018 to present) Previous – National Account Manager, Hospital Sales, Janssen, Johnson & Johnson (Jan/2013 to Oct/2017)	October 1, 2018	9,333,240 Common Shares
Marufur Raza[(1)] Toronto, Ontario Director	Current – Accountant and Executive	October 1, 2018	114,628 Common Shares

Name, Place of Residence and Position with the Company	Present Principal Occupation and Positions Held During the Last Five Years	Director Since	Number of Voting Securities Beneficially Owned, Controlled or Directed
Keith Strachan Barrie, Ontario Director and President	Current – President, the Company (Feb/2019 to present) Previous – VP Business Development, the Company (Oct/2018 to Feb/2019) Consultant, Government Relations and Healthcare Business Development	October 1, 2018	7,481,200 Common Shares
Dr. Paul Tam[(1) (2)] Toronto, Ontario Director	Current – Medical Specialist	April 30, 2019	-
Sybil Taylor, Innisfil, Ontario Chief Marketing Officer	Current – Chief Marketing Officer, the Company Previous – Chief Marketing Officer, Nuuvera Canada Inc. (Jan/2018 to Apr/2018) Communications Director, Marketing Director, Steam Whistle Brewing Inc. (Aug/1999 to July/2017)	-	159,767 Common Shares

Notes:
(1) Member of Compensation Committee, Audit Committee and the Corporate Governance and Nominating Committee.
(2) Member of Science Committee.

Shareholdings

As of the date of this AIF, the Company's directors and executive officers as a group beneficially owned, or controlled or directed, directly or indirectly 17,849,431 Common Shares, representing approximately 13.5% of the issued and outstanding Common Shares.

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

To the knowledge of the Company, no director or executive officer of the Company is, as at the date of this AIF, or has been within the last ten years, a director, chief executive officer or chief financial officer of any 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, and

which in all cases was in effect for a period of more than 30 consecutive days (an "**Order**"), which Order was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer of such company; or

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

To the knowledge of the Company, no director or executive officer of the Company or any shareholder holding a sufficient number of Common Shares to affect materially the control of the Company:

(a) is, as at the date of this AIF, or has been within the last ten years, a director or executive officer of any 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;

(b) has, within the last ten years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his assets;

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

(d) has been subject to any penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision regarding the Company.

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

CONFLICTS OF INTEREST

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

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

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

To the knowledge of the directors and officers of the Company, there are no legal proceedings material to the Company to which the Company or its subsidiaries, are or were a party to, or of which any of their respective property is or was the subject matter of, during the financial year ended December 31, 2019, nor are any such proceedings known to be contemplated, other than the Statement of Claim.

To the knowledge of the directors and officers of the Company, no penalties or sanctions have been imposed against the Company or its subsidiaries by a court or by a regulatory authority during the financial year ended December 31, 2019, no penalties or sanctions have been imposed against the Company by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision in respect of the Company, and no settlement agreements have been entered into by the Company before a court relating to securities legislation or with a securities regulatory authority during the Company's financial year.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed herein, none of the directors or executive officers of the Company, or persons or companies that beneficially own, or control or direct, directly or indirectly, more than 10% of the outstanding Common Shares, or any associate or affiliate of any of the foregoing, has any material interest, direct or indirect, in any transactions in which the Company has participated within the three most recently completed financial years, which has materially affected or is reasonably expected to materially affect the Company.

Mr. Everitt acquired a plot of industrial land in Victoria, Australia for A$350,000 in October 2017. In July 2018, Mr. Everitt sold such plot of industrial land to MediPharm Labs Australia (which he owns 20% of) for A$350,000 for use as MediPharm Labs Australia's prospective facility location.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares is TSX Trust Company at its principal offices in the city of Toronto, Ontario, Canada.

MATERIAL CONTRACTS

The following are the contracts that are material to the Company that were entered into during the year ended December 31, 2019 or that are still in effect, other than contracts entered into in the ordinary course of business.

(a) the Licence;

(b) the Warrant Indenture; and

(c) the Credit Facility.

Particulars of certain of the above-listed contracts are disclosed under the heading "General Development of the Business" above.

INTERESTS OF EXPERTS

The Company's financial statements for the year ended December 31, 2019 have been audited by KPMG LLP, Chartered Professional Accountants. The Company has been advised that KPMG LLP is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

AUDIT COMMITTEE

Audit Committee's Charter

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

Composition of Audit Committee

As at the date of this AIF, the Audit Committee is composed of Marufur Raza, Miriam McDonald and Dr. Paul Tam, each of whom is a director of the Company.

All of the members of the Audit Committee are "independent" as such term is defined in National Instrument 52-110 – *Audit Committees* ("**NI 52-110**"). The Company is of the opinion that all three members of the Audit Committee are "financially literate" as such term is defined in NI 52-110.

Relevant Education and Experience

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

Marufur Raza – Mr. Raza serves as an advisor to public companies and private companies planning on going public through direct initial public offerings or reverse mergers. Mr. Raza is one of the leaders of

MNP LLP's cannabis team. His principal role has been auditing these companies as well as assisting them in their going-public process. He has also helped in securing financing for some of the companies in this sector. Mr. Raza is considered a thought leader in the practical application of the IFRS biological asset standard and measurement of fair value of the assets. He has experience with the medical marijuana sector internationally and has assisted with these companies listing in Canada. Mr. Raza has helped numerous Canadian and international companies go public in Canada. He has worked around the globe, with a special focus on Latin America and Africa and specializes in helping finance these companies in Canada, either through public or private transactions. Mr. Raza has extensive experience working with clients in the technology, mining, pharmaceutical and gaming sectors. He is also involved with investment funds and Exempt Market Dealers. Mr. Raza is a Chartered Professional Accountant (CPA), qualifying as a Chartered Accountant (CA) in 2001. He currently serves on the PDAC-CPA Canada joint Mining Task Force for IFRS. He also serves as a director to several TSX and TSXV listed companies.

Dr. Paul Tam – In 1996, Dr. Tam founded the Scarborough Regional Nephrology Program where he is currently Medical Director of the largest community nephrology program in Canada. Dr. Tam is also the Medical Quality Advisor for three major Independent Health Facilities that provide hemodialysis care. Dr. Tam leads and serves on multiple professional and executive governance committees. He is an active member and past Section Chair representing the Nephrology Specialty of the Ontario Medical Association, and active member and past Chair of the Ontario Association of Nephrologists. In the past he has also served on the Boards of Directors for pharmaceutical companies, including one listed on the TSX.

Miriam McDonald – Ms. McDonald is currently the Director of Pharmacy at Health Sciences North, Northern Ontario's largest hospital located in Sudbury. She holds a Bachelor of Science in Pharmacy from the University of Toronto and a Master of Science in Pharmacology from Queens University. Her career has encompassed positions as the Executive Director of Community Development at the Northern Ontario School of Medicine, and CEO of the Northeastern Ontario Medical Education Corporation (NOMEC) wherein she worked throughout northern Ontario to facilitate community-based medical clinical education. Ms. McDonald also served as Director of Planning and Development of Cambrian College, Executive Director of Cambrian Foundation, and Director of Pharmacy, Director of Rehabilitation Services and Assistant Executive Director of Therapeutic Services at Laurentian Hospital. Ms. McDonald was Project Coordinator for the planning and construction of the Glenn Crombie Special Needs Centre, the Northern Centre for Advanced Technology (NORCAT), and the Northeastern Cancer Centre. She is the author and co-author of a number of health-related papers and studies and is very active in the community both on a personal and professional level. Ms. McDonald has been recognized by Northern Ontario Business as a "Woman of Influence", was the recipient of the Sudbury Business and Professional Women's Club highest honour – the Bernardine Yackman Award, and has served on the Women's Health Council of Ontario and Ontario Judicial Appointment Advisory Committee. Raised in northern Ontario, her strongest interest is in projects that address accessibility to health, education and information technology in northern Ontario.

Audit Committee Oversight

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

Reliance on Certain Exemptions

From the commencement of the Company's most recently completed financial year until its listing on the TSX on July 29, 2019, the Company was a "venture issuer" as defined in NI 52-110 and was therefore exempt from compliance with part 3 *(Composition of the Audit Committee)* of NI 52-110 for such period (the "**Venture Exemption**"). Other than the Venture Exemption, the Company has not relied on any of the exemptions set out in NI 52-110 during the most recently completed financial year.

Pre-Approval Policies and Procedures

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

External Auditor Service Fees (By Category)

Audit Fees – The Company's external auditors billed $176,000 and $55,000 for the audit of the financial years ended December 31, 2019 and 2018, respectively.

Audit-Related Fees – The Company's external auditors nil for assurance and related matters during the financial years ended December 31, 2019 and 2018.

Tax Fees – The Company's external auditors billed the Company $7,000 and nil during the financial years ended December 31, 2019 and 2018, respectively, for services related to tax compliance, tax advice and tax planning.

All Other Fees – The Company's external auditors billed the Company $25,500 and $30,133 during the financial years ended December 31, 2019 and December 31, 2018 for other services related to the Bought Deal Financing and the proposed cross-listing on NASDAQ, with respect to 2019, and the Qualifying Transaction, with respect to 2018.

ADDITIONAL INFORMATION

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

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

Additional financial information is provided in the Company's consolidated financial statements and MD&A for the most recently completed year ended December 31, 2019.

EXHIBIT "A"
AUDIT COMMITTEE CHARTER

MEDIPHARM LABS CORP.

(the "Corporation")

AUDIT COMMITTEE CHARTER

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

National Instrument 52-110 – *Audit Committees* (the "**Instrument**") relating to the composition and function of audit committees was implemented for reporting issuers and, accordingly, applies to every Toronto Stock Exchange ("**TSX**") listed company, including the Corporation. The Instrument requires all affected issuers to have a written audit committee charter which must be disclosed, as stipulated by Form 52-110F1 – *Audit Committee Information Required in an AIF*, in the management information circular of the Corporation wherein management solicits proxies from the security holders of the Corporation for the purpose of electing directors to the board of directors.

This Charter has been adopted by the board of directors of the Corporation (the "**Board**") in order to comply with the Instrument, and the applicable laws, the rules and regulations of all exchanges on which the securities of the Corporation are listed for trading and to more properly define the role of the Committee in the oversight of the accounting and financial reporting process of the Corporation. Nothing in this Charter is intended to restrict the ability of the Board or the Committee to alter or vary procedures in order to comply more fully with the Instrument or any other such requirement of the TSX, or any exchange the corporation is traded on, as applicable from time to time.

PART 1

Purpose:

The purpose of the Committee is to:

(a) oversee the accounting and financial reporting processes of the Corporation and the audits of the financial statements of the Corporation;

(b) improve the quality of the Corporation's financial reporting;

(c) assist the Board to properly and fully discharge its responsibilities;

(d) provide an avenue of enhanced communication between the directors and external auditors;

(e) enhance the external auditor's independence;

(f) ensure the credibility and objectivity of financial reports; and

(g) strengthen the role of the directors by facilitating in depth discussions between directors, management and external auditors.

1.1 **Definitions**

"**accounting principles**" has the meaning ascribed to it in National Instrument 52-107 – *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*;

"**Affiliate**" means a Corporation that is a subsidiary of another Corporation or companies that are controlled by the same entity;

"**audit services**" means the professional services rendered by the Corporation's external auditor for the audit and review of the Corporation's financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements;

"**Charter**" means this audit committee charter;

"**Committee**" means the Audit Committee established by and among certain members of the Board for the purpose of overseeing the accounting and financial reporting processes of the Corporation and audits of the financial statements of the Corporation;

"**Control Person**" means any individual or company that holds or is one of a combination of individuals or companies that holds a sufficient number of any of the securities of the Corporation so as to affect materially the control of the Corporation, or that holds more than 20% of the outstanding voting shares of the Corporation except where there is evidence showing that the holder of those securities does not materially affect the control of the Corporation;

"**financially literate**" has the meaning set forth in Section 1.2;

"**immediate family member**" means a person's spouse, parent, child, sibling, mother or father-in-law, son or daughter-in-law, brother or sister-in-law, and anyone (other than an employee of either the person or the person's immediate family member) who shares the individual's home;

"**Instrument**" means National Instrument 52-110 – *Audit Committees*;

"**MD&A**" has the meaning ascribed to it in National Instrument 51-102;

"**Member**" means a member of the Committee;

"**National Instrument 51-102**" means National Instrument 51-102 – *Continuous Disclosure Obligations*; and

"**non-audit services**" means services other than audit services.

1.2 **Meaning of Financially Literate**

For the purposes of this Charter, an individual is financially literate if he or she (i) has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements and (ii) meets the definition of "financially literate", or similar term, as defined under applicable laws and the rules and regulations of all exchanges on which the securities of the Corporation are listed for trading.

PART 2

2.1 Audit Committee

The Board has hereby established the Committee for, among other purposes, compliance with the Instrument and the rules and regulations of all exchanges on which the securities of the Corporation are listed for trading.

The Committee shall have the resources and authority appropriate to discharge its duties and responsibilities.

2.2 Relationship with External Auditors and Other Parties

The Corporation will require its external auditor to report directly to the Committee and its Members shall ensure that such is the case.

Each Member shall be entitled, to the fullest extent permitted by law, to rely on the integrity of those persons and organizations within and outside the Corporation from whom he or she receives information, and the accuracy of the information provided to the Corporation by such other persons or organizations.

2.3 Committee Responsibilities

1. The Committee shall be responsible for:

   (a) the selection of the external auditor; and

   (b) the compensation of the external auditor.

2. The Committee shall be directly responsible for appointing, terminating, compensating, retaining and overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditor regarding financial reporting. This responsibility shall include:

   (a) ensuring receipt from the external auditors of a formal written statement delineating all relationships between the external auditors and the Corporation and actively engaging in a dialogue with the external auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the external auditors;

   (b) reviewing the audit plan with management and the external auditor;

   (c) making appropriate inquires of management and the head of internal audit, if applicable, whether there is inappropriate scope or resource limitations;

   (d) reviewing with management and the external auditor before the filing of financial statements, all critical accounting policies and any proposed changes in major accounting policies, the presentation and impact of significant risks and uncertainties, and key estimates, alternative treatments and judgements of management that may be material to financial reporting;

   (e) questioning management and the external auditor regarding significant financial reporting issues discussed during the fiscal period and the method of resolution;

(f) reviewing any problems experienced by the external auditor in performing the audit, including any restrictions imposed by management or significant accounting issues on which there was a disagreement with management;

(g) reviewing audited financial statements, in conjunction with the report of the external auditor, and obtaining and reviewing an explanation from management of all significant variances between comparative reporting periods;

(h) reviewing the differences that were noted or proposed by the auditors but were passed as immaterial or otherwise and any management or internal control letter, containing the recommendations of the external auditor, and management's response and subsequent follow up to any identified weakness;

(i) reviewing interim unaudited financial statements before release to the public;

(j) reviewing all public disclosure documents containing audited or unaudited financial information before release, including any prospectus, the annual report and management's discussion and analysis;

(k) reviewing the evaluation of internal controls by the external auditor, together with management's response;

(l) reviewing the terms of reference of the internal auditor, if any;

(m) reviewing the reports issued by the internal auditor, if any, and management's response and subsequent follow up to any identified weaknesses; and

(n) reviewing the appointments of the chief financial officer, the Corporation’s head of internal audit, if any, and any key financial executives involved in the financial reporting process, as applicable;

(o) reviewing and reassessing annually the Charter and annually obtain approval from the Board; and

(p) if an internal auditor is appointed, reviewing and annually approving the internal audit charter and the risk based internal audit plan.

3. The Committee shall pre-approve all non-audit services to be provided to the Corporation or its subsidiary entities by the issuer’s external auditor.

4. The Committee shall review the Corporation’s financial statements, MD&A, and annual and interim earnings press releases before the Corporation publicly discloses this information.

5. The Committee shall review and discuss the quality of the Corporation’s accounting principles, internal controls, and financial statements.

6. The Committee shall review and assess the adequacy of risk management policies, procedures, and processes and review updates on risks.

7. The Committee shall ensure that adequate procedures are in place for the review of the Corporation’s public disclosure of financial information extracted or derived from the Corporation's financial statements, and shall periodically assess the adequacy of those procedures.

8. When there is to be a change of auditor, the Committee shall review all issues related to the change, including the information to be included in the notice of change of auditor called for under National Instrument 51-102 and all applicable laws, and the planned steps for an orderly transition.

9. The Committee shall review all reportable events, including disagreements, unresolved issues and consultations, as defined in National Instrument 51-102 and as such terms or similar terms are defined under all applicable laws, on a routine basis, whether or not there is to be a change of auditor.

10. The Committee shall, as applicable, establish procedures for:

    (a) the receipt, retention and treatment of complaints received by the issuer regarding accounting, internal accounting controls, or auditing matters; and

    (b) the confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters.

11. The Committee shall review and oversee potential conflict of interest of situations on an ongoing basis.

12. The Committee shall review and oversee all related party transactions, as such term or similar term is defined under all applicable laws, for potential conflict of interest situations on an ongoing basis.

13. The responsibilities outlined in this Charter are not intended to be exhaustive. Members should consider any additional areas which may require oversight when discharging their responsibilities.

14. While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Corporation's financial statements and disclosures are complete and accurate and in accordance with generally accepted accounting principles and applicable rules and regulations, each of which is the responsibility of management and the Corporation's external auditors.

2.4 ***De Minimis*** **Non-Audit Services**

The Committee shall satisfy the pre-approval requirement in subsection 2.3(3) if:

(a) the aggregate amount of all the non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent (5%) of the total amount of fees paid by the issuer and its subsidiary entities to the issuer's external auditor during the financial year in which the services are provided;

(b) the Corporation or the subsidiary of the Corporation, as the case may be, did not recognize the services as non-audit services at the time of the engagement; and

(c) the services are promptly brought to the attention of the Committee and approved by the Committee or by one or more of its members to whom authority to grant such approvals has been delegated by the Committee, prior to the completion of the audit.

2.5 **Delegation of Pre-Approval Function**

1. The Committee may delegate to one or more independent Members the authority to pre-approve non-audit services in satisfaction of the requirement in subsection 2.3(3).

2. The pre-approval of non-audit services by any Member to whom authority has been delegated pursuant to subsection 2.5(1) must be presented to the Committee at its first scheduled meeting following such pre-approval.

PART 3

3.1 **Composition**

1. The Committee shall be composed of a minimum of three Members.

2. Every Member shall be a director of the issuer.

3. All Members shall not be employees, Control Persons or executive officers of the Corporation or any affiliate of the Corporation.

4. No Member can have participated in the preparation of the Corporation's or any of its subsidiaries' financial statements at any time during the past three years.

5. Every Member shall be financially literate.

6. At least one member of the Committee must have accounting or related financial management expertise, and, if applicable, meet any elevated financial expert criteria in the rules and regulations of all exchanges on which the securities of the Corporation are listed for trading.

7. Every Member shall be "independent" (as such term is defined under applicable laws and in the rules and regulations of all exchanges on which the securities of the Corporation are listed for trading).

8. The Board shall appoint or re-appoint the Members after each annual meeting of shareholders of the Corporation.

9. The composition of the Committee shall, at all times, comply with applicable laws and the rules and regulations of all exchanges on which the securities of the Corporation are listed for trading.

PART 4

4.1 **Authority**

Until the replacement of this Charter, the Committee shall have the authority, and resources necessary, to:

(a) engage independent legal counsel and other advisors as it determines necessary to carry out its duties;

(b) set and pay the compensation for any advisors employed by the Committee;

(c) communicate directly with the internal and external auditors; and

(d) recommend the amendment or approval of audited and interim financial statements to the Board.

PART 5

5.1 Disclosure in Information Circular

If management of the Corporation solicits proxies from the security holders of the Corporation for the purpose of electing directors to the Board, the Corporation shall include in its management information circular the disclosure required by Form 52-110F1 (Audit Committee Information Required in an AIF).

PART 6

6.1 Meetings

10. Meetings of the Committee shall be scheduled to take place at regular intervals and, in any event, not less frequently than quarterly.

11. Opportunities shall be afforded periodically to the external auditor, the internal auditor and to members of senior management to meet separately with the Members.

12. Minutes shall be kept of all meetings of the Committee.

13. The quorum for meetings shall be a majority of the Members, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak to and to hear each other. No business may be transacted by the Committee except at a meeting of its members at which a quorum of the Committee is present.

Currency of this Charter

This Charter was last approved by the Board on August 11, 2019.