

# **TOP STRIKE RESOURCES CORP.**

AMENDED ANNUAL INFORMATION FORM  
FOR THE FINANCIAL YEAR ENDED APRIL 30, 2018

Dated January 21, 2019

This Amended Annual Information Form amends and replaces the Annual Information Form of Top Strike Resources Corp. dated January 8, 2019, which has been amended to include current corporate governance and audit committee disclosure, as required by National Instruments 58-101 and 52-110. The date of this Amended Annual Information Form is January 21, 2019. Except as otherwise indicated, the information contained herein is as at January 8, 2019.

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## GLOSSARY

Certain terms and abbreviations used in this AIF are defined below:

"**ABCA**" means the *Business Corporations Act* (Alberta), including the regulations made thereunder, in each case as now in effect and as may be amended or replaced from time to time;

"**AIF**" means this amended annual information form dated January 21, 2019 for the financial year ended April 30, 2018;

"**Anniversary Date**" means September 24, 2019 for Warrants issued under the Initial Tranches, and October 19, 2019 for Warrants issued under the Second Tranches;

"**BCBCA**" means the *Business Corporations Act* (British Columbia), including the regulations made thereunder, in each case as now in effect and as may be amended or replaced from time to time;

"**Board**" means the board of directors of the Company and, as at the date hereof, includes David McGorman, Jon Sharun, Matt Christopherson, Alan Gertner, Dr. Inbar Maymon-Pomeranchik and W. Scott McGregor;

"**BSA**" means the *Currency and Foreign Transactions Reporting Act of 1970* (United States), as amended by Title III of the *Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001* (United States), commonly known as the *Bank Secrecy Act*;

"**CDS**" means CDS Clearing and Depository Services Inc.;

"**Closing**" means September 24, 2018, being the date of closing of the Transaction;

"**Cole Financial Crime Memo**" means the memorandum dated February 14, 2014, issued by the U.S. Department of Justice regarding cannabis-related financial crimes;

"**Cole Memorandum**" means the memorandum dated August 29, 2013, addressed to "All United States Attorneys" from James M. Cole, Deputy Attorney General of the United States, and having the subject line "Guidance Regarding Marijuana Enforcement";

"**Common Shares**" means the common shares in the capital of the Company;

"**Company**" means Top Strike Resources Corp. d.b.a. "Vencanna Ventures Inc.", a corporation existing under the ABCA;

"**Computershare**" means Computershare Trust Company of Canada;

"**CSA**" means the *U.S. Controlled Substances Act of 1970*, as amended;

"**CSE**" means the Canadian Securities Exchange Inc.;

"**Escrow Agent**" means Computershare, in its capacity as escrow agent pursuant to the Escrow Agreement;

"**Escrow Agreement**" means the escrow agreement entered into between the Company, certain members of the New Management Team and the Escrow Agent at Closing;

"**Escrowed Securities**" means 16,919,970 Common Shares, 16,282,500 Warrants and 318,735 Insider Warrants;

**"Financing"** has the meaning ascribed thereto in *"General Development of the Business – Recent Developments"*;

**"FinCEN Memo"** means the memorandum dated February 14, 2014, issued by the Financial Crimes Enforcement Network, providing guidance to clarify the BSA expectations for financial institutions seeking to provide services to cannabis-related business;

**"Governmental Entity"** means: (a) any international, multinational, national, federal, state, provincial, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, commissioner, board, bureau, ministry, agency or instrumentality, domestic or foreign, including applicable regulatory authorities with oversight of the cannabis industry and any business or operations within the cannabis industry generally; (b) any subdivision or authority of any of the above; (c) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing; or (d) any stock exchange, including, for greater certainty, the CSE;

**"Initial Tranches"** has the meaning ascribed thereto in *"General Development of the Business – Recent Developments"*;

**"Insider Private Placement"** has the meaning ascribed thereto in *"General Development of the Business – Recent Developments"*;

**"Insider Units"** means the units of the Company offered pursuant to the Insider Private Placement at a price of \$0.05 per Insider Unit, each Insider Unit consisting of one Common Share and one Insider Warrant;

**"Insider Warrant Expiry Date"** means September 24, 2023 for Insider Warrants issued under the Initial Tranches, and October 19, 2023 for Insider Warrants issued under the Second Tranches;

**"Insider Warrants"** means the Common Share purchase warrants of the Company issued pursuant to the Insider Private Placement, each whole Insider Warrant entitling the holder to purchase one Common Share at a price of \$0.06 for a period of five years from the date of issuance of the Insider Warrants, provided that if the Common Shares are: (i) listed on the facilities of a stock exchange other than the CSE; (ii) acquired for cash; or (iii) acquired for the securities of a public company not listed on the facilities of the CSE, then each Insider Warrant shall be exercisable for two Common Shares at a price of \$0.06 per Common Share;

**"Investment Company Act"** means the *United States Investment Company Act of 1940* (United States), as amended;

**"IRS"** means the Internal Revenue Service of the United States;

**"New Executives"** means David McGorman, Chief Executive Officer, Jon Sharun, Executive Director and Chief Financial Officer, Jason Ewasuik, Vice President, Originations and Sony Gill, Corporate Secretary;

**"New Management Team"** means, collectively, the New Executives and the Board;

**"NEX"** means the NEX board of the TSXV;

**"NI 51-102"** means National Instrument 51-102 – *Continuous Disclosure Obligations* of the Canadian Securities Administrators;

**"Odyssey"** means Odyssey Trust Company;

**"Options"** means options to acquire Common Shares granted pursuant to the Stock Option Plan;

"**PFIC**" means a passive foreign investment company;

"**PhytoTech**" means MMJ PhytoTech Limited;

"**Phytopharma**" means Phytopharma International Ltd.;

"**Preferred Shares**" means the preferred shares in the capital of the Company;

"**Private Placement**" has the meaning ascribed thereto in "*General Development of the Business – Recent Developments*";

"**SAR**" means a "suspicious activity report" submitted by financial institutions as required by United States federal money laundering laws;

"**Second Tranches**" has the meaning ascribed thereto in "*General Development of the Business – Recent Developments*";

"**Sessions Memorandum**" means the memorandum dated January 8, 2018, issued by the former United States Attorney General Jeff Sessions, rescinding the Cole Memorandum;

"**Shareholders**" means the holders of Common Shares;

"**Stock Option Plan**" means the stock option plan of the Company last approved by the Shareholders on December 8, 2016;

"**TMX MOU**" means the Memorandum of Understanding among TMX Group, Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange and the TSXV signed on February 8, 2018;

"**Transaction**" includes the Initial Tranches of the Financing and the appointment of the New Management Team;

"**TSXV**" means the TSX Venture Exchange;

"**Units**" means the units of the Company offered pursuant to the Private Placement at a price of \$0.06 per Unit, each Unit consisting of one Common Share and one-half of one Warrant;

"**Venexo**" means Venexo Capital Inc.;

"**Warrant Expiry Date**" means September 24, 2021 for Warrants issued under the Initial Tranches and October 19, 2021 for Warrants issued under the Second Tranches, subject to the Company's option to accelerate the expiry date any time after the Anniversary Date; and

"**Warrants**" means the Common Share purchase warrants of the Company issued pursuant to the Private Placement, each whole Warrant entitling the holder to purchase one Common Share at a price of \$0.09 for a period of three years from the date of issuance of the Warrants, provided that the Company may, after one year from the date of issuance of the Warrants, accelerate the expiry date of the Warrants subject to the average trading price of the Common Shares being equal to or exceeding \$0.14 for any consecutive 20-day trading period following the Anniversary Date of issuance of the Warrants.

## CONVENTIONS

Unless otherwise indicated, references herein to "\$" or "dollars" are to Canadian dollars. All financial information with respect to the Company has been presented in Canadian dollars in accordance with International Financial Reporting Standards. The information in this AIF is stated as at April 30, 2018, unless otherwise indicated.

## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this AIF may constitute forward-looking statements. These statements relate to future events or the Company's future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this AIF should not be unduly relied upon by investors. These statements speak only as of the date of this AIF and are expressly qualified, in their entirety, by this cautionary statement.

In particular, this AIF may contain forward-looking statements pertaining to the following:

- expectations as to the Company's business strategy and future operations, including the availability and success of strategic investment opportunities in the cannabis industry;
- the use of proceeds of the Financing;
- treatment under governmental regulatory and taxation regimes;
- the grant and impact of any approvals of Governmental Entities to conduct cannabis-related activities;
- expectations regarding legislation, regulations and licensing relating to the sale of cannabis products for medical or recreational use, and the enforcement thereof;
- the Company's financial position and future development and growth prospects;
- expectations as to the establishment, size and value of medical and recreational cannabis markets in the United States and globally;
- expected operating costs, general and administrative costs, costs of services and other costs and expenses of the Company (or its investees);
- ability of the Company (or its investees) to meet current and future obligations;
- ability of the Company (or its investees) to obtain retail leases, equipment, services and supplies in a timely manner; and
- ability of the Company (or its investees) to obtain and provide financing on acceptable terms or at all.

With respect to forward-looking statements contained in this AIF, the Company has made assumptions regarding, among other things:

- success of the Company's business strategy;
- impact of increasing competition;
- timing and amount of capital expenditures;
- future operating costs;
- effects of regulation by Governmental Entities;
- demand for cannabis products and corresponding forecasted increase in revenues;
- the size of the medical and recreational cannabis markets;
- the legislative and regulatory environments of the jurisdictions where the Company (or its investees) will carry on business;
- the ability of the Company to enter into contracts with companies to provide financing on acceptable terms;
- conditions in general economic and financial markets; and
- the Company's ability to obtain additional financing on satisfactory terms.

The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this AIF:

- success of the operations of the Company;
- ability of the Company to execute its business strategy, including its cannabis-focused investment strategy;
- the Company's dependence on the performance and ongoing employment of management;
- failure to realize the anticipated benefits of investments;
- incorrect assessments of value of potential investments;
- legislative and regulatory environments of the jurisdictions where the Company will carry on business or have operations;
- federal, state and municipal government cannabis regulation and changes thereto;
- actions taken by Governmental Entities, including increases in taxes and changes in government regulations;
- the effect consumer perception of the medical and recreational use of cannabis will have on the price of cannabis and cannabis-related products;
- impact of competition and the competitive response to the Company's business strategy;
- the risks of the cannabis industry, such as regulatory risks and increasing competition;
- timing and amount of capital and other expenditures;
- the effect of any future litigation proceedings on the Company's business; and
- the other factors considered under "*Risk Factors*" below.

The Company has included the above summary of assumptions and risks related to forward-looking information provided herein in order to provide investors with a more complete perspective on the Company's current and future operations and such information may not be appropriate for other purposes.

**Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained herein are expressly qualified by this cautionary statement. Except as required by applicable securities laws, the Company does not undertake any obligation to publicly update or revise any forward-looking statements and readers should also carefully consider the matters discussed under the heading "*Risk Factors*" below.**

**The forward-looking statements or information contained herein are made as of the date hereof and the Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable securities laws.**

## **CORPORATE STRUCTURE**

### **Name, Address and Incorporation**

The Company was incorporated under the BCBCA on October 4, 1989 as "Colossal Resources Corp." On December 13, 2012, the Company continued into Alberta under the ABCA and changed its name to "Top Strike Resources Corp." The Company is currently doing business as "Vencanna Ventures Inc."

The Company is a reporting issuer in British Columbia, Alberta and Ontario. The Common Shares are listed on the CSE under the trading symbol "VENI".

The head office of the Company is located at Suite 310, 250 – 6th Avenue S.W., Calgary, Alberta, T2P 3H7. The registered office of the Company is located at 4000, 421 7th Avenue S.W., Calgary, Alberta, T2P 4K9.

### **Intercorporate Relationships**

The Company does not have any subsidiaries.



## GENERAL DEVELOPMENT OF THE BUSINESS

### Three Year History

On September 24, 2018, the Company completed the Transaction and transitioned from a resource company to a company carrying on business in the cannabis sector. Prior thereto, the Company searched for opportunities in various industries, including the international and domestic oil and gas industries and the cannabis industry. Since the spring of 2006, the Company has not actively engaged in exploration work. All of the Company's mineral properties were written down to Nil on April 30, 2006.

#### *Financial Year Ended April 30, 2016*

No events occurred that influenced the general development of the Company.

#### *Financial Year Ended April 30, 2017*

On September 24, 2016, the Company entered into a letter of intent with PhytoTech, an Australia Stock Exchange listed company, for the purchase of its core cannabis subsidiaries. On November 2, 2016, PhytoTech delivered a notice of termination of the transaction.

On February 1, 2017, the Company entered into a letter of intent with Phytopharma, a life sciences company focused on research, development and commercialization of natural cannabis-based products for the medical cannabis and healthcare markets. The letter of intent contemplated the acquisition by the Company of all of the issued and outstanding shares of Phytopharma.

#### *Financial Year Ended April 30, 2018*

On January 9, 2018, the Company announced that Phytopharma and the Company had mutually agreed that they would not proceed with the transaction to combine the Company and Phytopharma.

### Recent Developments

The Company continued evaluating opportunities for possible transactions until a letter of intent regarding the Transaction was executed on June 29, 2018.

On September 24, 2018, the Company: (a) completed initial tranches (the "**Initial Tranches**") of: (i) its non-brokered private placement of Units (the "**Private Placement**") for gross proceeds of \$5.6 million; and (ii) its non-brokered private placement of Insider Units (the "**Insider Private Placement**" and, together with the Private Placement, the "**Financing**") for gross proceeds of \$1.6 million; (b) appointed the New Management Team; (c) delisted the Common Shares from the NEX and concurrently listed the Common Shares on the CSE; and (d) granted 12,466,740 Options to the New Management Team.

On October 19, 2018, the Company completed second tranches (the "**Second Tranches**") of: (i) its Private Placement for gross proceeds of \$1.3 million; and (ii) its Insider Private Placement for gross proceeds of \$1.1 million. The Company raised aggregate gross proceeds of \$9.6 million from the Financing. The New Management Team intends to use the proceeds from the Financing to become a go-to capital provider for early-stage global cannabis initiatives with an emphasis on state compliant opportunities in limited licensed jurisdictions in the United States. See "*Description of the Business of the Company – Business Objectives and Investment Strategy*" for more information.

Pursuant to the Financing, a total of 169,324,740 Common Shares, 61,029,524 Warrants and 53,552,577 Insider Warrants were issued. The New Management Team, together with additional subscribers identified by such persons, subscribed for a total of 53,552,577 Insider Units at a price of \$0.05 per Insider Unit, each Insider Unit consisting of one Common Share and one Insider Warrant. The remaining subscribers subscribed for a total of 115,772,163 Units at a price of \$0.06 per Unit, each Unit consisting of one Common Share and one half of one Warrant.

Each Warrant entitles the holder thereof to purchase one Common Share at a price of \$0.09 per Common Share until the Warrant Expiry Date. Provided that the average trading price of the Common Shares is equal to or exceeds \$0.14 for any consecutive 20-day trading period following the Anniversary Date, the Company will be entitled to accelerate the expiry date of the Warrants. Each Insider Warrant entitles the holder thereof to purchase one Common Share at a price of \$0.06 per Common Share until the Insider Warrant Expiry Date, provided that if the Common Shares are: (i) listed on the facilities of a stock exchange other than the CSE; (ii) acquired for cash; or (iii) acquired for the securities of a public company not listed on the facilities of the CSE, then each Insider Warrant shall be exercisable for two Common Shares at a price of \$0.06 per Common Share. The Insider Warrants and Warrants issued under the Financing have fully vested and become exercisable.

Since September 24, 2018, the Company has been executing a diversified, high-growth, cannabis investment strategy, seeking strategic investment opportunities focused through-out the cannabis value chain (cultivation, processing, distribution and ancillary businesses) under the name "Vencanna Ventures Inc.".

### **Significant Acquisitions**

The Company did not complete any significant acquisitions during its most recently completed financial year for which disclosure is required under Part 8 of NI 51-102.

## **DESCRIPTION OF THE BUSINESS OF THE COMPANY**

### **General**

The Transaction has transitioned the Company from an oil and gas issuer to a merchant capital firm, rebranded as "Vencanna Ventures Inc.". The recapitalized Company aims to be a go-to capital provider for early-stage global cannabis initiatives with an emphasis on state compliant opportunities in limited licensed jurisdictions in the United States. The Company looks to provide investors with a diversified, high-growth, cannabis investment strategy through strategic investments focused through-out the value chain (cultivation, processing and distribution, and including ancillary businesses).

The Company is currently seeking strategic investment opportunities, targeting vertically-integrated participants in the U.S. cannabis industry.

### **Business Objectives and Investment Strategy**

The Company looks to provide accelerator capital to early stage opportunities in the cannabis sector. The investments are intended to create a growth catalyst for companies unable to access conventional capital markets. The Company focuses on state compliant opportunities in the United States. Potential investments also include global opportunities, with a focus on jurisdictions with oligopolistic markets and higher barriers to entry, which span across the cannabis value chain, including cultivation, propagation, processing, distribution, and ancillary products. All investments will be fully compliant with jurisdictional laws and regulations.

#### *Investment Criteria and Portfolio Plan*

The Company targets investments with the potential for three to five times return on investment within two to five years. The Company's investment criteria includes:

- (a) **Quality Team:** Top-tier management teams with proven track records and equity alignment.
- (b) **Profitable Markets:** Large feasible market with projected strong operating margins.
- (c) **Risk Assessment:** Identify operational, market and jurisdictional risks, and the mitigants thereof.

- (d) **Cash Flow:** Invest in businesses with existing top line revenues, or a clear visibility to revenues, at or near positive free cash flow.
- (e) **Competitive Edge:** Invest in businesses that possess competitive advantages, including barriers to entry due to jurisdictional restrictions, unique technologies, products and/or methods.
- (f) **Scalability:** Look for businesses with the ability to quickly create scale in the business and profitably gain market share.
- (g) **Valuation:** Invest in businesses with reasonable and justifiable valuations.
- (h) **Exit Strategy:** Invest in businesses with the potential to be an attractive acquisition target and/or a public market candidate.

With these investment criteria, the Company intends to build an initial investment portfolio, with a majority of the capital raised pursuant to the Financing to be invested within the next 12 months. The portfolio will focus on primarily private long (buy) majority or minority equity positions in global-based opportunities, but may also include a wide range of investments, including cannabis streaming arrangements, secured or unsecured loans, asset acquisitions, bare land acquisitions, joint ventures and licensing arrangements, among other forms of investment or alternative financing. It is expected that approximately 80% of the initial investment portfolio will consist of investments in private companies. The Company intends to expand this initial investment portfolio through additional investments available through investment crystallization, use of leverage and further funding from the public markets. The nature and timing of the Company's investments will depend, in part, on available capital at any particular time and the investment opportunities identified and available to the Company.

#### *Implementation of Investment Strategy*

From a procedure and implementation perspective, management and the Board identify potential investment opportunities. These individuals have a broad range of business experience and their own networks of business partners, financiers, venture capitalists and finders through whom potential investments are identified.

Prospective investments are channeled through management. Management assesses whether the proposal fits with the investment and corporate strategy of the Company in accordance with the Company's investment criteria, and then proceeds with preliminary due diligence, leading to a decision to reject or move the proposal to the next stage of detailed due diligence. This process may involve the participation of the Board, or outside professional advisors or consultants. Due diligence includes an analysis of the relevant industry, as well as the specific investment opportunity, its management team (where applicable), quality of assets and risks associated, including legal, regulatory or jurisdictional risks, as applicable.

Once an investment portfolio is established, management will monitor the Company's investment portfolio on an ongoing basis and report to the Board on the state of the investment portfolio on a regular basis.

In certain cases, the Company may require that investee companies provide status reports, including in relation to financial performance, to management on a periodic basis or require more activity monitoring. To assist with the monitoring of its investments, in addition to observing each investment's financial performance, the Company may seek to appoint a director to the board of its investee companies or take a more active role in management where it deems it appropriate.

For more information, see "*General Development of the Business – Recent Developments*", "*Description of the Business of the Company – General*", "*Description of the Business of the Company – Lending*" and "*Industry Conditions*".

## Specialized Skill and Knowledge

All aspects of the Company's business requires specialized skills and knowledge. Such skills and knowledge include, among other things, business operations, regulatory compliance and finance. The New Executives have been extremely engaged in the legal cannabis sector – actively investing in Canada and the United States – and have developed a deep network of contacts within the legal cannabis sector in North America and Europe. The New Executives have significant investment banking and direct investing experience, and are skilled at identifying, evaluating and adding value to start-up companies. On top of this, the new Board has strong track records, distinguished careers and prominent lead positions within a range of successful companies, including in the cannabis sector.

The Company believes that commercial success will be driven by financial acumen, creative innovation and a steadfast commitment to excellence in all aspects of the Company's operations. The members of the New Management Team have experience in the cannabis sector through investments, founding companies and direct operational management and possess the following core strengths:

- (a) **Deal Sourcing:** Specialists in evaluating opportunities and helping set strategic goals with a large and growing network throughout North America consisting of industry, regulatory, buy-side and sell-side contacts.
- (b) **Transaction Experience:** Participated in raising over \$7.0 billion in equity and debt and have advised on transactions aggregating over \$5.0 billion in transaction value and secured over \$1.7 billion in project bids.
- (c) **Capital Markets:** Bring over 100 years of combined corporate finance, capital markets, direct investing, operational and legal advisory experience.
- (d) **Operational Expertise:** Operating experience with both Canadian and U.S. cultivators and possess a full understanding of the value chain, ranging from cultivation to processing, product placement and distribution.
- (e) **Industry Knowledge:** Actively involved in the cannabis sector as investors, financial advisors and principals of cannabis-related businesses.

For more information, see "*Directors and Officers*".

## Competitive Conditions

The cannabis industry is rapidly expanding and includes a large number of regulated producers. There is also a growing demand for cannabis as various jurisdictions are increasing access to cannabis for both medical and recreational purposes. This is a relatively new industry that is tightly controlled by, and subject to, extensive regulation. Further, the existing regulation is subject to change.

The fast-growing market for legalized cannabis in the U.S., and internationally, has created a competitive environment for cannabis producers as well as other types of companies who provide goods and services to the cannabis industry. However, there remains a significant lack of traditional sources of bank lending and equity capital available to fund the operations of companies in the cannabis sector, particularly in the United States, where cannabis is classified as a Schedule I drug and is illegal at a federal level. Management believes that the Company can build a strong portfolio of cannabis-related holdings by providing creative, tailored, state law compliant and financially attractive sources of funding and/or equity investment to cannabis and cannabis-connected companies, utilizing the New Management Team's track record and experience in the industry.

In the United States, as more U.S. states pass legislation allowing recreational use of cannabis, the Company expects an increased level of competition amongst unconventional capital providers. A number of investment companies listed on the CSE have already begun expanding operations and investments to

states that have decriminalized cannabis consumption. These include, but are not limited to, Australis Capital Inc., Cannabis Growth Opportunity Corp., CannaRoyalty Corp., Cannex Capital Holdings Inc., Capitor Capital Corp., FinCanna Capital Corp., High Hampton Holdings Corp., iAnthus Capital Holdings Inc., Liberty Health Sciences Inc., TGOD Acquisitions Corp. and Quinsam Capital Corporation. The increasingly competitive U.S. and international markets may adversely affect the financial conditions and operations of the Company and the Company's investments. See "*Risk Factors – Risk Factors Related to the Company's Cannabis Business Strategy*".

### **Intangible Properties**

Through the implementation of the Company's strategic investment strategy, the New Management Team expects to obtain interests in license holders or applicants for licenses in the United States cannabis industry. The Company looks to acquire interests in companies with valuable, vertically-integrated license portfolios spanning across the cannabis value-chain.

### **Cycles**

The Company's business is not cyclical or seasonal.

### **Employees**

As at April 30, 2018, the Company had no employees. As at the date hereof, the Company has four employees.

### **Lending**

While the Company expects to provide mostly equity capital to future strategic investments, the Company may also provide debt financing, depending on the needs of the investee. Debt financing may include straight debt securities (secured or unsecured), convertible debt instruments and/or common or preferred equity securities. The Company may also provide debt financing at interest rates currently prevailing in the U.S. cannabis market. If utilized, such loans will typically be secured by real estate and/or leasehold interests and collateral including cultivation, processing and dispensary equipment. The Company may also enter into management services agreements with license holders, thereby enhancing the financial return on its investments.

In the majority of states where for-profit license holders are permitted, the Company may make direct equity investments in license applicants or existing license holders, working closely with the local operators on its strategy and operating plan, developing a financing and business plan, and coming to agreement on mutually-beneficial terms of the Company's equity investment. The Company may seek a control position in such investments by purchasing 51.0% or more of a company's voting shares, or by entering into management services contracts whereby the Company can elect and/or remove the majority of board members. See "*Description of Business – Business Objectives and Investment Strategy*" and "*Industry Conditions – Access to Public and Private Capital*".

### **Reorganizations**

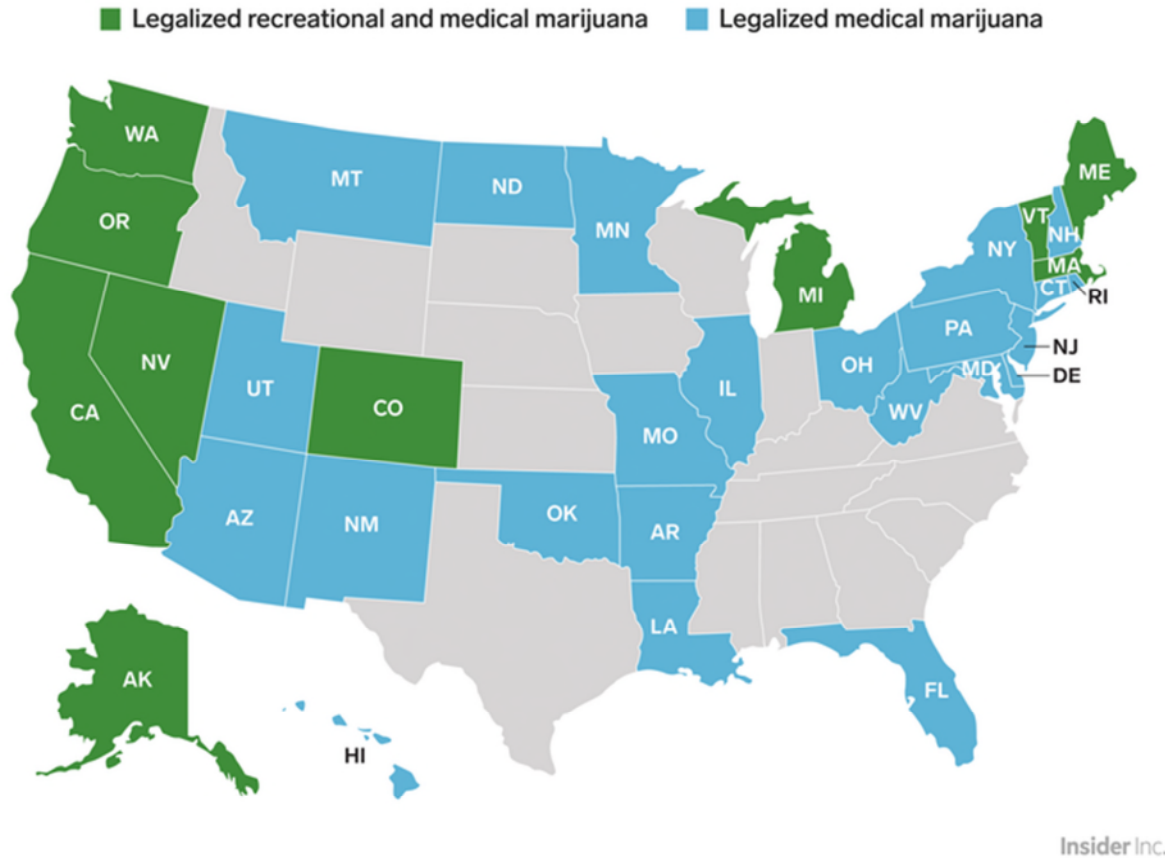
Other than as disclosed in "*General Development of the Business – Recent Developments*", there have been no material reorganizations of the Company within the three most recently completed financial years or completed during or proposed for the current financial year.

## INDUSTRY CONDITIONS

### Summary of the Regulatory Landscape in the United States

In the United States, 33 states and Washington D.C. have legalized medical cannabis and ten states and Washington, D.C. have also legalized recreational cannabis. The following diagram provides a map of the states that have legalized medical or recreation cannabis:

### States where marijuana is legal



Source: [Business Insider](#) (Skye Gould)

Although cannabis currently remains a Schedule I drug and controlled substance under federal law, the U.S. Department of Justice issued the Cole Memorandum on August 29, 2013 to the U.S. Attorneys' offices (federal prosecutors) directing that individuals and businesses that rigorously comply with state regulatory provisions in states that have strictly-regulated legalized medical or recreational cannabis programs should not be a prosecutorial priority for violations of federal law. This federal policy was reinforced by the passage of a 2015 federal budget bill amendment (passed in 2014) known as the Rohrabacher-Farr Amendment that prohibits the use of federal funds to interfere in the implementation of state medical cannabis laws. This bill targets Department of Justice funding, which encompasses the Drug Enforcement Agency and Offices of the United States Attorneys. This bill shows the development of bipartisan support in the U.S. Congress for legalizing the use of cannabis. It is anticipated that the federal government will eventually repeal the federal prohibition on cannabis and thereby leave the states to decide for themselves whether to permit regulated cannabis cultivation and sale, just as states are free

today to decide policies governing the distribution of alcohol or tobacco. However, on January 4, 2018, the U.S. Department of Justice rescinded the Cole Memorandum. Given that the Cole Memorandum was never legally binding, the U.S. Department of Justice continues to have discretion to enforce federal drug laws.

Under U.S. federal law, it may potentially be a violation of federal money laundering statutes for financial institutions to take any proceeds from cannabis sales or the sale of any other Schedule I substance. Canadian banks are also hesitant to deal with cannabis companies operating in the U.S., due to the uncertain legal and regulatory framework of the industry. Banks and other financial institutions could be prosecuted and possibly convicted of money laundering for providing services to cannabis businesses, such as checking accounts, debit or credit cards, small business loans, or any other service. Despite these laws, the U.S. Treasury Department (through its bureau, the Financial Crimes Enforcement Network) issued the FinCEN Memo in February of 2014 outlining the pathways for financial institutions to fund cannabis businesses in compliance with federal law. Under these guidelines, financial institutions must submit a SAR as required by federal money laundering laws. These cannabis related SARs are divided into three categories: (i) cannabis limited; (ii) cannabis priority; and (iii) cannabis terminated, depending on whether the cannabis business follows state law, is operating out of compliance with state law, or the banking relationship has been terminated. In the United States, cannabis-related transactions involving banks and other financial institutions are difficult and unpredictable under the current legal and regulatory landscape.

Political and regulatory risks also exist due to the presidential administration of Donald Trump. President Trump's positions regarding cannabis are difficult to discern; however, former Attorney General Sessions has been a consistent opponent of cannabis legalization efforts throughout his political career. Given the recent resignation of Attorney General Sessions on November 9, 2018, it remains unclear what stance the U.S. Department of Justice might take toward legalization efforts in U.S. states, but federal enforcement of the CSA and other applicable laws is possible.

Immediately after the U.S. Department of Justice rescinded the Cole Memorandum on January 4, 2018, a bipartisan collection of members of the United States Congress and state officials pushed back on Attorney General Sessions' plan to rescind Obama-era guidance that has generally allowed states to implement their own cannabis laws without federal interference, including the Governor and Attorney General of Nevada and members of Congress from the State of Nevada. However, in April 2018 while speaking to the U.S. Senate Appropriations Subcommittee on Commerce, Justice, Science and Related Agencies, Attorney General Sessions told legislators that "there may well be some benefits from medical cannabis," and added that such benefits are "perfectly appropriate to study." It is yet to be determined how acting Attorney General Matthew Whitaker will approach the issue.

Despite the legal, regulatory and political obstacles the cannabis industry currently faces, the industry has continued to grow.

### **Ongoing Compliance Procedures**

The Company will continue to review, with assistance from U.S. counsel (from time to time and as necessary), the documents referenced above, and any updates thereto, in order to confirm such information and identify any deficiencies.

### **Cole Memorandum and Continued Review of Changes in Law**

Despite the rescission of the Cole Memorandum on January 4, 2018, the U.S. Department of Justice continues to have discretion to enforce federal drug laws. Further, given former Attorney General Sessions' recent resignation, the Cole Memorandum still serves as the leading guidance for companies operating, or looking to operate, in the U.S. cannabis industry.

Pursuant to the Cole Memorandum, enforcement priorities are to prevent:

- (a) the distribution of cannabis to minors by using scanners to confirm each customer's legal age and the validity of each customer's driver's license;
- (b) revenue from cannabis from going to criminal enterprises, gangs, and cartels by conducting background checks on each owner of a licensee, employee and/or prospective employee and by ensuring that all cannabis inventory and proceeds from the sale of such cannabis are properly accounted for and tracked;
- (c) the diversion of cannabis from states where it is legal under state law in some form to other states by only dispensing cannabis through licensed dispensaries located in states where cannabis is legal under state law in some form and not dispensing any quantity of cannabis to a customer in excess of the legal limits under applicable state law;
- (d) state-authorized cannabis activity from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity by prohibiting the sale of any inventory other than cannabis inventory and accessories;
- (e) violence and the use of firearms in the cultivation and distribution of cannabis by ensuring that cannabis inventory and/or proceeds from the sale of such inventory is monitored by video surveillance, prohibiting employees from bringing firearms on the premises and ensuring that safes are used to store large amounts of proceeds from the sale of cannabis inventory;
- (f) drugged driving and the exacerbation of other adverse public health consequences associated with cannabis use by prohibiting the consumption of cannabis on the premises, prohibiting the usage of harmful pesticides on cannabis inventory and testing cannabis inventory to confirm a lack of harmful pesticides and ideal cannabinoid levels;
- (g) the growing of cannabis on federal lands and the attendant public safety and environmental dangers posed by unregulated cannabis production on federal lands by only cultivating, possessing or dispensing cannabis on private property with all requisite licenses and permits to cultivate, possess and/or distribute cannabis on such private property; and
- (h) cannabis possession or use on federal property by only cultivating, possessing and dispensing cannabis on private property with all requisite licenses and permits to cultivate, possess and/or distribute cannabis on such private property.

The Company will continue to review, with assistance from U.S. counsel (from time to time and as necessary), its procedures with respect to the Cole Memorandum in order to confirm if its operations are conducted in a manner consistent with the guidelines noted in the Cole Memorandum.

In addition, the Company, with assistance from U.S. counsel and other professional advisors (from time to time and as necessary), regularly monitors the activities of the U.S. government for evidence and/or indications of current or anticipated cannabis policy and guidance and governs its actions accordingly.

### **Ability to Access Public and Private Capital**

Commercial banks, private equity firms and venture capital firms have approached the U.S. cannabis industry cautiously to date. Although there has been an increase in the amount of private financing available over the last several years, there is neither a broad nor deep pool of institutional capital that is available to cannabis license holders and license applicants.

Certain financial institutions in Canada and the U.S. will not allow companies who generate funds from the sale of cannabis and cannabis-related products in the U.S. to open bank accounts or process the transfer of funds from the sale of cannabis. Specifically, the federal illegality of cannabis in the U.S. means that financial transactions involving proceeds generated by cannabis-related conduct can form the basis for prosecution under the money laundering statutes (18 U.S.C. § 1956 and 1957), the unlicensed



money transmitter statute (18 U.S.C. § 1960) and the BSA. Consequently, businesses involved in the cannabis industry often have difficulty finding a bank willing to accept their business. Banks who do accept deposits from cannabis-related businesses in the U.S. must do so in compliance with the Cole Financial Crime Memo which states that prosecutors should apply the enforcement priorities of the Cole Memorandum in determining whether to charge individuals or institutions with crimes related to financial transactions involving the proceeds of cannabis-related conduct and the FinCEN memo which provides guidelines to banks on how to accept deposits from cannabis-related businesses while remaining compliant with the BSA. The Financial Crime Enforcement Network has not rescinded the FinCEN Memo following the rescission of the Cole Memorandum.

## **RISK FACTORS**

Investors should carefully consider the risk factors set out below and consider all other information contained herein and in the Company's other public filings before making an investment decision. The risks set out below are not an exhaustive list and should not be taken as a complete summary or description of all the risks associated with the Company's business and the cannabis business generally.

### **Risk Factors Generally Related to the Company**

#### *Limited Operating History*

The Company has, and its future investments may have, varying and limited operating histories, which can make it difficult for investors to evaluate the Company's operations and prospects and may increase the risks associated with investment into the Company.

The Company has not generated significant profits or revenues in recent financial periods and, as a result, has a very limited operating history upon which its business and future prospects may be evaluated. Many of the Company's future investments will not generate revenues until future periods and, accordingly, the Company is expected to remain subject to many of the risks common to early-stage enterprises for the foreseeable future, including: challenges related to laws, regulations, licensing, integrating and retaining qualified employees; making effective use of limited resources; achieving market acceptance of existing and future solutions; competing against companies with greater financial and technical resources; acquiring and retaining customers; and developing new solutions. There is no assurance that the Company will be successful in achieving a return on Shareholders' investments and the likelihood of success must be considered in light of the early stage of operations.

#### *Difficulty Implementing Business Strategy*

The growth and expansion of the Company is heavily dependent upon the successful implementation of its business strategy. There can be no assurance that the Company will be successful in the implementation of its business strategy.

#### *Operational Risks*

The Company and, more specifically, its investees will be affected by a number of operational risks and may not be adequately insured for certain risks, including: labour disputes; catastrophic accidents; fires; blockades or other acts of social activism; changes in the regulatory environment; impact of non-compliance with laws or regulations; natural phenomena, such as inclement weather conditions, floods, earthquakes and ground movements. There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, the properties, grow facilities and extraction facilities of the Company's investments, personal injury or death, environmental damage, adverse impacts on the operations of the Company's investments, costs, monetary losses, potential legal liability and adverse governmental action, any of which could have an adverse impact on the Company's future cash flows, earnings and financial condition. The Company may also be subject to or affected by liability or sustain loss for certain risks and hazards against which the Company cannot insure or which the Company may

elect not to insure because of the cost. This lack of insurance coverage could have an adverse impact on the Company's future cash flow, earnings, results of operations and financial condition.

#### *Investments May be Pre-Revenue*

The Company may make investments in entities that have no significant sources of operating cash flow and no revenue from operations. As such, the Company's investments will be subject to risks and uncertainties that new companies with no operating history may face. In particular, there is a risk that the Company's investments will not be able to:

- implement or execute their current business plan, or create a business plan that is sound;
- maintain their anticipated management team; and/or
- raise sufficient funds in the capital markets or otherwise to effectuate their business plan.

If the Company's investments cannot execute any one of the foregoing, their businesses may fail, which could have a materially adverse impact on the business, financial condition and operating results of the Company.

#### *Operation Permits and Authorizations*

The Company's investments may not be able to obtain or maintain licenses, permits, authorizations or accreditations necessary for their respective businesses, or may only be able to do so at great cost. In addition, the Company's investments may not be able to comply fully with the wide variety of laws and regulations applicable to the cannabis industry. Failure to comply with or to obtain the necessary licenses, permits, authorizations or accreditations could result in restrictions on an investment's ability to operate in the cannabis industry, which could have a material adverse effect on the Company's business.

#### *Product Liability*

It is expected that the Company's investments will manufacture, process and/or distribute products designed to be ingested by humans. Such businesses face an inherent risk of exposure to product liability claims, regulatory action and litigation if products are alleged to have caused significant loss or injury. In addition, previously unknown adverse reactions resulting from human consumption of cannabis alone or in combination with other medications or substances could occur. A product liability claim or regulatory action against an investee of the Company could: result in increased costs; adversely affect the Company's reputation; and have a material adverse effect on the results of operations and financial condition of the Company.

#### *Reliance on Key Inputs*

The cultivation, extraction and processing of cannabis and derivative products is dependent on a number of key inputs and their related costs including raw materials, electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Company's investments. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a sole source supplier was to go out of business, the relevant investee might be unable to find a replacement for such source in a timely manner or at all. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of an investment and, consequently, the Company.

### *Intellectual Property*

The success of the Company will depend, in part, on the ability of the Company's investments to maintain and enhance trade secret protection over the various existing and potential proprietary techniques and processes of the Company's investments. The Company's investments may be vulnerable to competitors who develop competing technology, whether independently or as a result of acquiring access to the proprietary products and trade secrets of the Company's investments. In addition, effective future patent, copyright and trade secret protection may be unavailable or limited in certain foreign countries and may be unenforceable under the laws of certain jurisdictions.

In addition, other parties may claim that an investee's products infringe on their proprietary and 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.

### *Lack of Control Over Operations of Investments*

The Company will rely on its investments to execute on their business plans and produce medical and/or recreational cannabis products, services and technologies, and may hold contractual rights and minority equity interests relating to the operation of the Company's investments. The operators of the Company's investments will still have significant influence over the results of operations of the Company's investments. Further, the interests of the Company and the operators of the investee may not always be aligned. As a result, the cash flows of the Company will be dependent upon the activities of third parties which creates the risk that at any time those third parties may: (i) have business interests or targets that are inconsistent with those of the Company; (ii) take action contrary to the Company's policies or objectives; (iii) be unable or unwilling to fulfill their obligations under their agreements with the Company; or (iv) experience financial, operational or other difficulties, including insolvency, which could limit or suspend a third party's ability to perform its obligations. In addition, payments may flow through the Company's investments and there is a risk of delay and additional expense in receiving such revenues. Failure to receive payments in a timely fashion, or at all, under the agreements to which the Company will be entitled may have a material adverse effect on the Company. In addition, the Company must rely, in part, on the accuracy and timeliness of the information it receives from the Company's investments. The Company will use such information in its analyses, forecasts and assessments relating to its own business. If the information provided by investees contains material inaccuracies or omissions, the Company's ability to accurately forecast or achieve its stated objectives, or satisfy its reporting obligations, may be materially impaired.

### *Private Companies and Illiquid Securities*

The Company may invest in securities of private companies. In some cases, the Company may be restricted by contract or generally by applicable securities laws from selling such securities. Such securities may not have a ready market and the inability to sell such securities or to sell such securities on a timely basis or at acceptable prices may impair the Company's ability to exit such investments when the Company considers it appropriate.

### *Risks Associated with Investments*

As part of the Company's overall business strategy, the Company intends to pursue select, strategic investments which will provide product offering diversification and stronger industry presence in jurisdictions where it plans to invest. While the Company intends to conduct reasonable due diligence in connection with such strategic investments, there are risks inherent in any investment. Specifically, there could be unknown or undisclosed risks or liabilities of such companies for which the Company is not sufficiently indemnified. Any such unknown or undisclosed risks or liabilities could materially and adversely affect the Company's financial performance and results of operations. The Company could encounter additional transaction and integration related costs or other factors such as the failure to realize all of the benefits from the investment. All of these factors could cause dilution to the Company's earnings

or decrease or delay the anticipated accretive effect of the investment and cause a decrease in the market price of the Common Shares.

#### *Passive Foreign Investment Company*

There is a risk that the Company may, in the future, be construed as a PFIC. If the Company is determined to be a PFIC, its Shareholders in the U.S. are likely subject to adverse U.S. tax consequences. Under U.S. federal income tax laws, if a company is a PFIC for any year, there could be adverse U.S. federal income tax consequences for a U.S. Shareholder with respect to its investment in the Common Shares. The Company plans to earn significant investment and royalty revenue which may be treated as passive income unless the investment and royalty revenue is derived in the active conduct of a trade or business. Assessing whether investment or royalty revenue received by the Company is derived in the active conduct of a trade or business involves substantial factual and legal ambiguity. Based on current business plans and financial expectations, the Company expects that it will not be a PFIC for its current tax year. PFIC classification is fundamentally factual in nature and generally cannot be determined until the close of the tax year in question. Furthermore, because PFIC determinations are made annually, it is possible that the Company will meet the requirements to be treated as a PFIC in one or more years, but not meet such requirements in other years. U.S. Shareholders should consult their own tax advisors regarding the potential adverse tax consequences to owning PFIC stock and whether they are able to and should make any elections or take other actions to mitigate such potential adverse tax consequences.

If the Company is deemed to be an investment company under the Investment Company Act, it may be required to institute burdensome compliance requirements and its activities may be restricted. The Company intends to conduct its operations so that it is not required to register as an investment company under the Investment Company Act. Section 3(a)(1)(C) of the Investment Company Act defines an investment company as any issuer that is engaged or proposes to engage in the business of investing, reinvesting, owning, holding or trading in securities and owns or proposes to acquire investment securities having a value exceeding 40.0% of the value of the issuer's total assets (exclusive of government securities and cash items) on an unconsolidated basis. However, any issuer primarily engaged, directly or through a wholly-owned subsidiary or subsidiaries, in a business or businesses other than that of investing, reinvesting, owning, holding or trading in securities is exempt from the requirements of the Investment Company Act under Section 3(b)(1). The Company's business model consists of making investments in a broad portfolio of cannabis-related assets and, in some cases, taking minority stakes in business ventures, which may have resembled certain aspects of an investment company within the definition of the Investment Company Act. However, the Company plans to build a mix of strategic investments in operations and brands, with the intent of its business to evolve towards controlled holdings and as such will not be an investment company. As a result, the Company believes that it is not "primarily engaged" in the business of investing, reinvesting, owning, holding or trading in securities and thus qualifies for the exemption under Section 3(b)(1) of the Investment Company Act. Nevertheless, the Company's future investments, including those in minority companies, may leave it vulnerable to being classified as an investment company. If the Company is deemed to be an investment company under the Investment Company Act, its activities may be restricted, including restrictions on the nature of the Company's investments and restrictions on the issuance of securities. In addition, the Company may have imposed upon it burdensome requirements, including:

- registration as an investment company;
- adoption of a specific form of corporate structure; and
- reporting, record keeping, voting, proxy and disclosure requirements and other rules and regulations.

In sum, if the Company were to be characterized as an investment company, the inability of the Company to satisfy such regulatory requirements, whether on a timely basis or at all, could, under certain

circumstances, have a material adverse effect on the Company and its ability to continue pursuing its business plan could be limited.

#### *Bankruptcy or Insolvency of Investments*

There is no guarantee that the Company will be able to effectively enforce any interests it may have in the Company's investments. A bankruptcy or other similar event related to an investment of the Company that precludes a party from performing its obligations under an agreement may have a material adverse effect on the Company. Further, as an equity investor, should an investment have insufficient assets to pay its liabilities, it is possible that other liabilities would be satisfied prior to the liabilities owed to the Company. In addition, bankruptcy or other similar proceedings are often a complex and lengthy process, the outcome of which may be uncertain and could result in a material adverse effect on the Company.

#### *Competition*

The Company competes with other companies for financing and investment opportunities in the cannabis industry. Some of these companies may possess greater financial resources than the Company. Such competition may result in the Company being unable to: (i) enter into desirable strategic agreements or similar transactions; (ii) recruit or retain qualified employees; or (iii) acquire the capital necessary to fund its investments. Existing or future competition in the cannabis industry, including, without limitation, the entry of large multinational entities into the industry, could materially adversely affect the Company's prospects for entering into additional agreements in the future. In addition, the Company competes with other cannabis investment companies, some of which may possess greater financial resources than the Company.

There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and experience than the Company. Increased competition by larger and better financed competitors, including competitors to the Company's investments, could materially and adversely affect the business, financial condition and results of operations of the Company.

It is possible that larger competitors could establish price setting and cost controls which would effectively "price out" certain of the Company's investments.

Because of the early stage of the industry in which the Company operates, the Company faces additional competition from new entrants. To become and remain competitive, the Company (and its investees) will require research and development, marketing, sales and support. The Company (or its investees) may not have sufficient resources to maintain research and development, marketing, sales and support efforts on a competitive basis, which could materially and adversely affect the business, financial condition and results of operations of the Company.

#### *Political and Other Risks in Emerging Markets.*

The Company may make investments in various emerging markets in the future. Such investments expose the Company to the socioeconomic conditions as well as the laws governing the cannabis industry in such markets. Inherent risks with conducting foreign operations include, but are not limited to: high rates of inflation; extreme fluctuations in currency exchange rates; military repression; war or civil war; social and labor unrest; organized crime; hostage taking; terrorism; violent crime; expropriation and nationalization; renegotiation or nullification of existing licenses, approvals, permits and contracts; changes in taxation policies; restrictions on foreign exchange and repatriation; and changing political norms, currency controls and governmental regulations that favor or require the investees to award contracts in, employ citizens of, or purchase supplies from, the jurisdiction.

Governments in certain foreign jurisdictions intervene in their economies, sometimes frequently, and occasionally make significant changes in policies and regulations. Changes, if any, in cannabis industry or investment policies or shifts in political attitude in the countries in which the Company may invest may

adversely affect the Company's profitability. Operations of the Company's investments may be affected in varying degrees by government regulations with respect to, among other things, restrictions on production, price controls, export controls, currency remittance, importation of product and supplies, income and other taxes, royalties, the repatriation of profits, expropriation of property, foreign investment, maintenance of licenses, approvals and permits, environmental matters, land use, land claims of local people, water use and workplace safety. Failure to comply strictly with applicable laws, regulations and local practices could result in loss, reduction or expropriation of licenses or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

Generally, expansion by the Company into new geographic areas could increase regulatory, compliance, reputational and foreign exchange rate risks.

#### *Reliance on Management*

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of the New Management Team. While employment agreements or management agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Qualified individuals are in high demand and the Company may incur significant costs to attract and retain them. In addition, the Company's lean management structure may be strained as the Company pursues growth opportunities in the future. The loss of the services of such individuals, or an inability to attract other suitably qualified persons when needed, could have a material adverse effect on the Company's ability to execute on its business plan and strategy and the Company may be unable to find adequate replacements on a timely basis, or at all.

The Company's future success depends substantially on the continued services of its executive officers, its key research and development personnel and its key growth and extraction personnel. If one or more of its executive officers or key personnel becomes unable or unwilling to continue in their present positions, the Company may not be able to replace them easily, or at all. In addition, if any of its executive officers or key employees joins a competitor or forms a competing company, the Company may lose know-how, key professionals and staff members. These executive officers and key employees could compete with the Company, which could have a material adverse effect on the Company.

#### *Conflicts of Interest*

Certain of the Company's directors and officers are, and may continue to be, involved in other business ventures through their direct and indirect participation in, among other things, corporations, partnerships and joint ventures that may become potential competitors of the technologies, products and services the Company's investments intend to provide. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors and officers conflict with or diverge from the Company's interests. In accordance with the ABCA, directors who have a material interest in, or who are parties to a material contract or a proposed material contract with, the Company are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the transaction. In addition, the directors and officers are required to act honestly and in good faith with a view to the Company's best interests. However, in conflict of interest situations, the Company's directors and officers may owe the same duty to another company and will need to balance their competing interests with their duties to the Company. Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavourable to the Company.

#### *Liability, Enforcement, Complaints, etc.*

The Company's participation in the cannabis industry may lead to litigation, formal or informal complaints, enforcement actions, and inquiries by various federal, state, provincial or local governmental authorities against the Company or its investments. Litigation, complaints, and enforcement actions involving either the Company or its investments could consume considerable amounts of financial and other corporate resources, which could have an adverse effect on the Company's future cash flows, earnings, results of operations and financial condition.

### *Resale of Shares*

Although the Common Shares are currently listed on the CSE, there can be no assurance that an active and liquid market for the Common Shares will develop or be maintained and an investor may find it difficult to resell any securities of the Company. In addition, there can be no assurance that the publicly-traded stock price of the Company will be high enough to create a positive return for investors. Further, there can be no assurance that the Common Shares will be sufficiently liquid so as to permit investors to sell their position in the Company without adversely affecting the stock price.

### *Price Volatility of Publicly Traded Securities*

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continuing fluctuations in price will not occur. It may be anticipated that any quoted market for the Common Shares will be subject to market trends generally, notwithstanding any potential success of the Company in creating revenues, cash flows or earnings. The value of the Common Shares will be affected by such volatility. If an active public market for the Common Shares is not sustained, the liquidity of a Shareholder's investment may be limited and the share price may decline.

### *Additional Financing*

The Company may require equity and/or debt financing to undertake capital expenditures, investments, acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to the Company when needed or on terms that are commercially viable. The Company's inability to raise financing to fund capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon future profitability.

If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential investments.

### *Dividends*

The Company has not paid dividends in the past and the Company does not anticipate paying any dividends in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings.

Any decision to declare and pay dividends in the future will be made at the discretion of the Board and will depend on, among other things, financial results, cash requirements, contractual restrictions and other factors that the Board may deem relevant. As a result, investors may not receive any return on an investment in the Common Shares unless they sell their Common Shares for a price greater than that which such investors paid for them.

### *Potential future acquisitions and/or strategic alliances may have an adverse effect on the Company's ability to manage its business*

The Company may acquire companies, businesses or assets that are complementary to its business and/or strategic alliances in order to leverage its position in the cannabis cultivation, retail, extraction and/or distribution markets. Future acquisitions or strategic alliances would expose the Company to potential risks, including risks associated with the integration of new companies, businesses and personnel, unforeseen or hidden liabilities, the diversion of management attention and resources from its existing business and the inability to generate sufficient revenues to offset the costs and expenses of

acquisitions or strategic alliances. Any difficulties encountered in the acquisition and strategic alliance process may have an adverse effect on the Company's ability to manage its business.

#### *General Economic Trends*

The worldwide economic slowdown and tightening of credit in the financial markets may impact the business of the Company's investments, which could have an adverse effect on the Company's business, financial condition or results of operations. Adverse changes in general economic or political conditions in the United States and states within the United States could adversely affect the Company's business, financial condition or results of operations.

#### *Asset Location and Legal Proceedings*

Substantially all of the Company's assets are anticipated to be located outside of Canada and certain of its directors (and their assets) are outside of Canada. Serving process on those directors may be difficult or time consuming. Additionally, it may be difficult to enforce a judgment obtained in Canada against the Company, its subsidiaries and any directors and officers residing outside of Canada.

#### *Electronic Communication Security Risks*

A significant potential vulnerability of electronic communications is the security of transmission of confidential information over public networks. Anyone who is able to circumvent the Company's security measures could misappropriate proprietary information or cause interruptions in its operations. The Company may be required to expend capital and other resources to protect against such security breaches or to alleviate problems caused by such breaches.

#### *Tax Risk*

The provisions of Internal Revenue Code section 280E are being applied by the IRS to businesses operating in the medical, retail, extraction and distribution cannabis industry. Section 280E provides that "no deduction or credit shall be allowed for any amount paid or incurred during the taxable year in carrying on any trade or business if such trade or business (or the activities which comprise such trade or business) consists of trafficking in controlled substances (within the meaning of Schedule I and II of the CSA) which is prohibited by federal law or the law of any State in which such trade or business is conducted."

Even though several states have legalized medical and recreational cannabis use, the IRS is applying section 280E to deny business deductions. Businesses operating legally under state law argue that section 280E should not be applied because Congress did not intend the law to apply to businesses that are legal under state law. The IRS asserts that it was the intent of Congress to apply the provision to anyone "trafficking" in a controlled substance, as defined under federal law (as stated in the text of the statute). Section 280E is at the center of the conflict between federal and state laws with respect to medical and recreational cannabis which may apply to the business conducted by the Company's investments.

#### *Currency Fluctuations*

Due to the Company's anticipated investments in the United States and internationally, the Company is expected to be exposed to significant currency fluctuations. Recent events in the global financial markets have been coupled with increased volatility in the currency markets. All or substantially all of the Company's revenue will be earned in U.S. dollars, but operating expenses are incurred in both U.S. and Canadian dollars. The Company does not have currency hedging arrangements in place. Fluctuations in the exchange rate between the U.S. dollar and Canadian dollar may have a material adverse effect on the Company's business, financial condition and operating results. The Company may, in the future, establish a program to hedge a portion of its foreign currency exposure with the objective of minimizing



the impact of adverse foreign currency exchange movements. However, even if the Company develops a hedging program, there can be no assurance that it will effectively mitigate currency risks.

#### *Forward-Looking Information May Prove to be Inaccurate*

Investors are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate.

### **Risk Factors Related to the Company's Cannabis Business Strategy**

#### *U.S. Federal Regulation*

As at the date hereof, 33 states of the United States plus the District of Columbia, Puerto Rico and Guam have laws and/or regulations that recognize, in one form or another, legitimate medical uses for cannabis and consumer use of cannabis in connection with medical treatment and ten states of the United States have legalized recreational cannabis. Many other states are considering similar legislation. However, the position of the federal government and its agencies is that cannabis has no medical benefit and, accordingly, a range of activities including cultivation and the personal use of cannabis are prohibited. Unless and until Congress amends the CSA with respect to medical and recreational cannabis, there is a risk that federal authorities may enforce current federal law and the Company may be deemed to be producing, cultivating or dispensing cannabis in violation of federal law or facilitating the selling or distribution of drug paraphernalia in violation of federal law. Active enforcement of the current federal regulatory position on cannabis may thus indirectly and adversely affect the Company's future cash flows, earnings, results of operations and financial condition.

#### *Variation in Regulation*

Individual state laws do not always conform to the federal standard or to other states' laws. States have: (i) decriminalized cannabis to varying degrees; (ii) created exemptions specifically for medical cannabis; (iii) decriminalized cannabis or created medical cannabis exemptions; and (iv) legalized the recreational use of cannabis. Variations exist among states that have legalized, decriminalized or created medical cannabis exemptions. For example, Alaska and Colorado have limits on the number of cannabis plants that can be home grown. Active enforcement of state laws that prohibit personal cultivation of cannabis may indirectly and adversely affect the Company's future cash flows, earnings, results of operations and financial condition.

#### *Cannabis Remains Illegal Under United States Federal Law*

Cannabis is categorized as a Schedule I controlled substance under the CSA and, as such, is illegal under U.S. federal law. Under United States federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States and a lack of accepted safety for the use of the drug under medical supervision.

As such, cannabis-related practices or activities, including, without limitation, the manufacture, importation, possession, use or distribution of cannabis remains illegal under United States federal law. Even in those states in which the use of cannabis has been legalized, its use remains a violation of U.S. federal law.

Although the Company's activities will be in compliance with applicable United States state and local law, strict compliance with state and local laws with respect to cannabis may neither absolve the Company of liability under United States federal law, nor provide a defence to any federal proceeding which may be brought against the Company. Any such proceedings brought against the Company (or its investees) may adversely affect the Company's operations and financial performance.

*There is uncertainty surrounding the Trump administration and its influence and policies in opposition to the cannabis industry as a whole*

As a result of the conflicting views of state legislatures and the United States federal government regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation. The inconsistency was addressed in August 2013 when then Deputy Attorney General, James Cole, issued the Cole Memorandum acknowledging that, notwithstanding the designation of cannabis as a controlled substance at the federal level in the United States, several U.S. states have enacted laws relating to cannabis for medical purposes. The Cole Memorandum outlined certain priorities for the Department of Justice relating to the prosecution of cannabis offences. In particular, the Cole Memorandum noted that conduct in compliance with the laws and regulations of jurisdictions that have enacted laws legalizing cannabis in some form and implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, was less likely to be a priority at the federal level.

However, on January 4, 2018, Jeff Sessions, the former United States Attorney General, issued the Sessions Memorandum, which rescinded the Cole Memorandum in its entirety. The Sessions Memorandum provided that, in deciding which cannabis activities to prosecute under United States federal laws, prosecutors should follow the same principles that govern all federal prosecutions. Since the release of the Sessions Memorandum, the basis for interpreting how to treat state legalized cannabis has been uncertain. Even if a state in which the Company operates or holds assets permits cannabis-related activities, the United States district attorney can determine that such activities are in contravention of United States federal law and initiate prosecution against the Company.

There is no certainty as to how the new United States Attorney General, Department of Justice, Federal Bureau of Investigation and other government agencies will handle cannabis matters in the future. There can be no assurance that the Trump administration will not change the current enforcement policy and decide to strongly enforce federal laws. The Company regularly monitors ongoing developments in this regard.

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

Since the Company is listed on the CSE, it has access to the Canadian capital markets on a public and private basis and any capital raised may be utilized for the ongoing operations of its United States holdings that operate in the cannabis industry. There is no assurance that the Company will be successful, in whole or in part, in raising funds in the future, particularly if the United States federal authorities change their position toward enforcing the CSA. Further, access to funding from residents of the United States may be limited due to their unwillingness to be associated with activities that violate United States federal laws.

#### *Change of Cannabis Laws*

Local, state and federal medical cannabis laws and regulations in the United States are broad in scope 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. In addition, violations of these laws, or allegations of such violations, could disrupt certain aspects of the Company's business plan and

result in a material adverse effect on certain aspects of the Company's planned operations. In addition, it is possible that regulations may be enacted in the future that will be directly applicable to certain aspects of the Company's cannabis business. The Company cannot predict the nature of any future laws, regulations, interpretations or applications, nor can it determine what affect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on the Company's business.

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

The Company is subject to a variety of laws and regulations domestically and in the United States that involve money laundering, financial record keeping and proceeds of crime, including the BSA, the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada), as amended, and the rules and regulations thereunder, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada.

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

*The Company (or its investees) may have difficulty accessing the services of banks and processing credit card payments in the future, which may make it difficult to operate*

In February 2014, the FinCEN Memo provided guidance (which is not law) to banks seeking to provide services to cannabis-related businesses, including burdensome due diligence expectations and reporting requirements. The FinCEN Memo states that, in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. However, banks and other financial institutions may, nevertheless, not provide banking services to cannabis-related businesses, including because this guidance could be revoked at any time by the Trump administration. In addition, banks may refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis-related businesses. As a result, the Company's investments may have limited or no access to banking or other financial services in the U.S. and may have to operate on a cash-only basis. The inability or any limitations on the ability of the Company's investments to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments, may make it difficult for the Company's investments to operate and conduct their business as planned.

*The Company's Investments in the United States May Be Subject to Heightened Scrutiny*

The Company's future interests in the United States cannabis market may become the subject of heightened scrutiny by regulators, stock exchanges, clearing agencies or other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that such heightened scrutiny would not lead to the imposition of certain restrictions on the Company's ability to invest in the United States or any other jurisdiction.

Given the heightened risk profile associated with cannabis in the United States, it was previously reported by certain publications in Canada that the Canadian Depository for Securities Limited may implement policies that would see its subsidiary, CDS, refuse to settle trades for cannabis issuers that have investments in the United States. The TMX Group, the owner and operator of CDS, subsequently issued a statement on August 17, 2017 clarifying that there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States, despite media reports to the contrary and that the TMX Group was working with regulators to arrive at a solution that will clarify this matter, which would be communicated at a later time.

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

#### *Public Perception of the Company's Industry*

Public opinion may result in a significant influence over the regulation of the cannabis industry in Canada, the United States and elsewhere. Even though more jurisdictions continue to pursue cannabis legalization (medical and/or recreational), including many U.S. states, a negative shift in the public's perception of cannabis in the United States or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize cannabis (medical or recreational), thereby limiting the number of new state jurisdictions into which the Company could expand. Any limits on future expansion may have a material adverse effect on the Company's business, financial condition and results of operations.

*State and local laws and regulations may heavily regulate brands and forms of cannabis products and there is no guarantee that the Company's investments' proposed brands and products will be approved for sale and distribution in any state*

States generally only allow the manufacture, sale and distribution of cannabis products that are grown in that state and may require advance notice of such products. Certain states and local jurisdictions have promulgated certain requirements for approved cannabis products based on the form of the products and the concentration of the various cannabinoids in the products. While the Company intends to invest in companies that follow the guidelines and regulations of each applicable state and local jurisdiction in preparing products for sale and distribution, there is no guarantee that such products will be approved and, if approved, there is a risk that any state or local jurisdiction may revoke its approval.

Additional information on the risks, assumptions and uncertainties are found in this AIF under the heading "*Forward-Looking Statements*" above.

### **DIVIDENDS**

The Company has not declared or paid any dividends since incorporation. Any decision to pay dividends on the Common Shares or the Preferred Shares, if issued, will be made by the Board on the basis of the Company's earnings, financial requirements and other conditions existing at the relevant time.

### **DESCRIPTION OF SHARE CAPITAL**

The Company is authorized to issue an unlimited number of Common Shares and Preferred Shares. As at April 30, 2018, there were 16,431,428 Common Shares, 900,000 Options and nil Preferred Shares issued and outstanding.

As at January 18, 2019, being the last trading day before the filing of this AIF, there were 185,956,168 Common Shares, nil Preferred Shares, 12,466,740 Options, 53,552,577 Insider Warrants and 61,029,524 Warrants issued and outstanding. All outstanding Options were issued in connection with the Transaction. See "*General Development of the Business – Three Year History*" and "*General Development of the Business – Recent Developments*" above.

## Common Shares

The holders of Common Shares are entitled to notice of and to one vote per Common Share at all meetings of Shareholders. Holders of Common Shares are entitled to receive, if, as and when declared by the Board, such dividends as may be declared thereon by the Board from time to time, subject to the rights of holders of Preferred Shares and any other class of shares of the Company entitled to receive dividends in priority to or concurrently with the holders of the Common Shares. In the event of the liquidation, dissolution or winding-up of the Company or other distribution of property or assets of the Company among its shareholders, holders of Common Shares are entitled to share pro rata in the distribution of the property or assets, subject to the rights of holders of Preferred Shares or shares of any other class ranking in priority to the Common Shares.

## Preferred Shares

The holders of Preferred Shares are entitled, in priority to the holders of Common Shares and the shares of any other class ranking junior to the Preferred Shares, to receive, if, as and when declared by the Board, such dividends as may be declared thereon by the Board from time to time, to be paid ratably with the other holders of the Preferred Shares of the same series and every other series. In the event of the liquidation, dissolution or winding-up of the Company, or any other distribution of assets among its shareholders for the purpose of winding-up its affairs, holders of Preferred Shares are entitled, in priority to the holders of the Common Shares and the shares of any other class ranking junior to the Preferred Shares, to share equally, share for share, in the property of the Company.

The Preferred Shares are issuable in one or more series and each series of the Preferred Shares will have such rights, restrictions, conditions and limitations as the Board may from time to time determine.

## MARKET FOR SECURITIES

### Trading Price and Volume

Prior to the Transaction, the Common Shares were listed on the NEX under the name "Top Strike Resources Corp." and the symbol "TSR.H". On September 24, 2018, upon completion of the Transaction, the Common Shares were delisted from the NEX and concurrently listed on the CSE. The Common Shares are currently listed on the CSE under the name "Top Strike Resources Corp." and the symbol "VENI".

The following table sets the price range and trading volume of the Common Shares for the period from September 24, 2018 to January 18, 2019, as reported by the CSE:

<u>Month</u>	<u>High (\$)</u>	<u>Low (\$)</u>	<u>Volume</u>
<b>2018</b>			
September	0.250	0.135	379,971
October	0.195	0.105	970,016
November	0.175	0.090	206,994
December	0.195	0.105	393,573
<b>2019</b>			
Up to January 18, 2019	0.170	0.110	249,628

### Prior Sales

No securities of the Company that are outstanding but not listed or quoted on a marketplace were issued during the most recently completed financial year of the Company.

## ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

The following table summarizes details of the Company's securities of each class held in escrow or that are subject to a contractual restriction on transfer as of the date hereof:

<u>Designation of Class</u>	<u>Number of Securities Held in Escrow</u>	<u>Percentage of Class<sup>(1)</sup></u>
Common Shares	16,919,970	9.10%
Insider Warrants	16,282,500	28.13%
Warrants	318,735	0.52%

**Note:**

(1) Based on 185,956,168 Common Shares, 61,029,524 Warrants and 53,522,577 Insider Warrants issued and outstanding as of the date hereof.

In addition to the resale restrictions of applicable securities laws, the Escrowed Securities are held in escrow by the Escrow Agent, Computershare, pursuant to the Escrow Agreement. Pursuant to the Escrow Agreement, the Escrowed Securities will be held in escrow and released in accordance with Section 2.2.1 of National Policy 46-201F1 – *Escrow Agreement*.

## DIRECTORS AND OFFICERS

The names, municipality of residence and principal occupation during the last five years of each of the directors and officers of the Company as of the date hereof are as follows:

<u>Name and Municipality of Residence</u>	<u>Principal Occupation During the Past 5 years</u>	<u>Director and/or Officer Since</u>	<u>Position(s) Presently Held</u>
David McGorman <i>Calgary, Alberta</i>	Managing Director of Black Spruce Merchant Capital from September 2016 to November 2018. Prior thereto, Vice Chairman of Mackie Research Capital Corp. from December 2014 to June 2016, President and Chief Executive Officer of Jennings Capital Inc. from September 2013 to December 2014 and Senior Managing Director of Jennings Capital Inc. from April 2006 to September 2013.	September 24, 2018	Chief Executive Officer and Director
Jon Sharun <i>Vancouver, British Columbia</i>	Chairman and Managing Partner of Venexo, an independent private equity and advisory firm, since January 2011.	September 24, 2018	Executive Director, Chief Financial Officer and Chair
Jason Ewasuik <i>Calgary, Alberta</i>	Director of Healthcare for Venexo since January 2017. Prior thereto, a Trader for Auspice Capital Advisors from October 2010 to December 2016.	September 24, 2018	Vice President, Originations
Sanjib (Sony) Gill <i>Calgary, Alberta</i>	Partner at McCarthy Téroult LLP, a national law firm.	September 24, 2018	Corporate Secretary

Matt Christopherson <sup>(1)(2)</sup> <i>Vancouver, British Columbia</i>	Vice President, Business Development and Partner of Keirton Inc., a crop harvesting product development company; Co-Founder of SteviaOne Peru; Director of Humankind Holding Co. Ltd.; Director of Ruben's Shoes since March 2016; Certified Analyst at The Predictive Index since December 2016; and Member of TEC Canada since February 2016. Prior thereto, roles in the Business Development department of Bloodline Design from 2011 to 2014.	September 24, 2018	Director
Alan Gertner <sup>(1)</sup> <i>Toronto, Ontario</i>	Chief Executive Officer of Hiku Brands Co. Ltd., a cannabis branding company, since January 2018; Chief Executive Officer and Co-Founder of TS Brandco Holdings Inc. since 2015; Advisor at Lift Co. Ltd. since 2016; and Partner of rg2 & co. since May 2016. Prior thereto, Regional Head, Large Customer Sales at Google from May 2014 to 2015.	September 24, 2018	Director
W. Scott McGregor <sup>(1)(2)</sup> <i>Calgary, Alberta</i>	Executive Vice President of Merrco Payments Inc., a payment services company, since March 2017. Prior thereto, Managing Director of Mackie Research Capital Corp. from January 2015 to March 2016 and Director of Blackhawk Resources Corp. from February 2014 to May 2015.	September 24, 2018	Director
Dr. Inbar Maymon-Pomeranchik <sup>(2)</sup> <i>Sgula, Israel</i>	Founder and Biotech Investment Consultant at BioDiligence Partners Inc., a scientific evaluation and due diligence service company, since October 2016; Director of Ananda Development Plc since June 2018; Member of the Advisory Board of iaso corporation since November 2017; and Consultant for LatinoameriCANNA since June 2017. Prior thereto, a researcher at Morflora Israel Ltd.	September 24, 2018	Director

**Notes:**

- (1) Member of the Company's Audit Committee. Mr. McGregor is the Chair of the Audit Committee.  
(2) Member of the Company's Corporate Governance and Compensation Committee. Mr. Christopherson is the Chair of the Corporate Governance and Compensation Committee.

As at the date hereof, the directors and officers of the Company and their associates and affiliates, as a group, whether beneficial, direct or indirect, own 18,799,967 Common Shares, representing approximately 10.11% of the currently outstanding Common Shares.

The directors listed above will hold office until the next annual meeting of Shareholders or until their successors are elected or appointed.

**Cease Trade Orders**

Except as disclosed herein, no director or executive officer of the Company is, or within ten years prior to the date of this AIF has been, a director, a chief executive officer or a chief financial officer of any company (including the Company), that:

- (a) was subject to: (i) a cease trade order; (ii) an order similar to a cease trade order; or (iii) an order that denied the relevant company access to any exemption under securities legislation,

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

- (b) was subject to 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.

The British Columbia Securities Commission (the "**BCSC**") issued a cease trade order against Global Stevia Corp. ("**Global Stevia**") on September 14, 2012 while Mr. Christopherson was the President, Chief Executive Officer, Secretary, Treasurer, Chief Financial Officer and a director. Global Stevia was a Nevada corporation trading on the over-the-counter bulletin board and the BCSC issued the cease trade order for failure to file the required disclosure documents on SEDAR as required by Multilateral Instrument 51-105 – *Issuers Quoted in the U.S. Over-The-Counter Markets*. Mr. Christopherson resigned from Global Stevia on October 19, 2012. The cease trade order has not been revoked.

### **Bankruptcies**

No director, executive officer or, to the best of the Company's knowledge, any shareholder holding a sufficient number of securities of the Company to affect materially control of the Company, is, or within ten years prior to the date of this AIF has been, 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.

No director or executive officer of the Company or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has, within the past ten years prior to the date of this AIF, become 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 the assets of such person.

### **Penalties or Sanctions**

No director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to: (i) 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 (ii) any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor in making an investment decision.

### **Conflicts of Interest**

Certain of the directors and officers of the Company are also directors and/or officers of other reporting and non-reporting issuers, which may give rise to conflicts of interest. In accordance with corporate laws, directors who have an interest in a contract or a proposed contract with the Company are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors are required to act honestly and in good faith with a view to the best interests of the Company. Some of the directors of the Company have other employment or other business or time restrictions placed on them and accordingly, these directors of the Company will only be able to devote part of their time to the affairs of the Company. In particular, certain of the directors and officers are involved in managerial and/or director positions with other cannabis companies whose operations may, from time to time, provide financing to, or make equity investments in, competitors of the Company. Conflicts will be subject to the procedures and remedies available under the ABCA. The ABCA provides that in the event that a director has an interest in a contract or proposed contract or agreement,



the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the ABCA. Except as disclosed herein, the Company is not aware of any existing or potential material conflicts of interest between the Company and any director or officer of the Company as of the date hereof.

Mr. Gill, Corporate Secretary of the Company, is a partner of the national law firm McCarthy Tétrault LLP, which law firm renders legal services to the Company.

#### **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

To the best of the Company's knowledge, since the beginning of the most recently completed fiscal year, there have not been any legal proceedings to which the Company has been a party or of which any of its properties have been the subject matter, nor are any such proceedings known to the Company to be contemplated.

To the best of the Company's knowledge, since the beginning of the most recently completed fiscal year, there have not been any penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority, nor have there been any other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decisions, and the Company has not entered into any settlement agreements before a court relating to securities legislation or with a securities regulatory authority.

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

To the best of the Company's knowledge, there are no material interests, direct or indirect, of directors or executive officers of the Company, any shareholder who beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding Common Shares, or any known associate or affiliate of such persons, in any transaction within the three most recently completed financial years of the Company or during the current financial year which has materially affected, or is reasonably expected to materially affect, the Company.

#### **TRANSFER AGENT AND REGISTRAR**

The Company's transfer agent and registrar is Odyssey at its principal office in Calgary, Alberta.

#### **MATERIAL CONTRACTS**

No material contracts entered into by the Company within the most recently completed financial year or before the most recently completed financial year are still in effect.

#### **INTERESTS OF EXPERTS**

There is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made under NI 51-102 by the Company during, or related to, the year ended April 30, 2018 other than K.R. Margetson Ltd., the auditors of the Company.

As at the date hereof, to the knowledge of the Company, K.R. Margetson Ltd. did not have any registered beneficial interests, direct or indirect, in any securities or other property of the Company or of the Company's associates or affiliates either at the time they prepared the statement, report or valuation nor at any time thereafter, and the Company does not plan to provide any such interests to the above-mentioned persons.

K.R. Margetson Ltd. are independent with respect to the Company within the meaning of the relevant rules and related interpretations prescribed in the relevant professional bodies in Canada and any applicable legislation or regulation.

In addition, none of the aforementioned persons or companies, nor any director, officer or employee of any of the aforementioned persons or companies, is or is expected to be elected, appointed or employed as a director, officer or employee of the Company or any associate or affiliate of the Company.

### **CORPORATE GOVERNANCE PRACTICES**

In accordance with National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("**NI 58-101**") and National Policy 58-201 – *Corporate Governance Guidelines* ("**NP 58-201**"), issuers are to disclose the corporate governance practices that they have adopted. NP 58-201 provides guidance on corporate governance practices. The Company is also subject to National Instrument 52-110 – *Audit Committees* ("**NI 52-110**"), which has been adopted in each of the Canadian provinces and territories and which prescribes certain requirements in relation to audit committees.

The Board is responsible for the governance of the Company. The Board and the Company's management consider good corporate governance to be central to the effective and efficient operation of the Company. Below is a discussion of the Company's approach to corporate governance.

The following information relates to the Company's corporate governance philosophy and practices both prior and subsequent to the Transaction.

#### **Corporate Governance and Compensation Committee**

Prior to the Transaction, the Board had not appointed a compensation committee as the Board determined compensation matters as a whole.

The Board established a Corporate Governance and Compensation Committee on November 15, 2018. The members of the Corporate Governance and Compensation Committee are Matt Christopherson (Chair), W. Scott McGregor and Dr. Inbar Maymon-Pomeranchik. The members of the Corporate Governance and Compensation Committee are independent. The Corporate Governance and Compensation Committee convenes at least two times annually and otherwise as deemed appropriate by the Chair of the Corporate Governance and Compensation Committee.

#### *Mandate of the Corporate Governance and Compensation Committee*

On November 15, 2018, the Board adopted a written mandate that sets forth the responsibilities of the Corporate Governance and Compensation Committee, which include:

- (a) developing and reviewing the Company's approach and procedures in relation to governance matters;
- (b) reviewing the competencies and skills of the Board and its individual members to identify and recommend new director nominees annually;
- (c) establishing a process for direct communications with Shareholders, including through the whistleblowing policy;
- (d) reviewing and approving compensation, including salary and bonuses in the form of cash or other compensation, for the Company's staff, including the officers of the Company but not the Chief Executive Officer;
- (e) reviewing and providing recommendations to the Board on the compensation of the Chief Executive Officer; and

- (f) reviewing and, as appropriate, approving employment contracts or other major agreements for the Company's employees.

#### *Nomination of Directors*

During the financial years ended April 30, 2018 and 2017, the Board sought and determined new nominees to the Board, although no formal process was adopted. Nominees were generally the result of recruitment efforts by the Board members, including both formal and informal discussions among the Board members and officers.

Effective November 15, 2018, the Corporate Governance and Compensation Committee has the responsibility to propose to the Board, annually, the members proposed for re-election to the Board and identify and recommend new nominees for the Board. New candidates will be identified having regard to: (a) the competence and skills that the Board considers to be necessary for the Board, as a whole, to possess; (b) the competence and skills that the Board considers each existing director to possess; (c) the competencies and skills that each new nominee will bring to the boardroom; and (d) whether or not each new nominee can devote sufficient time and resources to his or her duties as a member of the Board. The Corporate Governance and Compensation Committee will also assess what competencies and skills the Board, as a whole, should possess and the appropriate size of the Board in order to facilitate effective decision making. The Corporate Governance and Compensation Committee has the power to retain outside advisors as it considers necessary for the proper functioning of the committee, at the Company's expense.

#### *Assessments*

Prior to the Transaction, the Board had not implemented a process for assessing its effectiveness. As a result of the Company's size, its stage of development and the limited number of individuals on the Board, the Board considered a formal assessment process to be unnecessary.

Effective November 15, 2018, the Corporate Governance and Compensation Committee has become responsible for establishing and administering a process (including a review by the full Board and discussion with management) for: (a) assessing the effectiveness of the Board as a whole and the committees of the Board; (b) establishing, in consultation with the Board, criteria for Board membership and recommending Board composition, and (c) as circumstances require, assessing the performance and contribution of individual directors. The review will identify any areas where the directors of the Company or management believe that the Board could make a better collective contribution to overseeing the affairs of the Company.

#### **Compensation Policies and Practices**

The Company's compensation policies and practices are intended to align management incentives with the long term interests of the Company and its Shareholders and to attract and retain qualified personnel. In each case, the Company seeks an appropriate balance of risk and reward. On November 15, 2018, the Board adopted the following practices that are designed to avoid inappropriate or excessive risks:

- **Anti-Hedging Policy:** The Company has adopted a written anti-hedging policy (the "**Anti-Hedging Policy**") that prohibits an executive officer or director, among others, from purchasing financial instruments, including prepaid variable forward contracts, instruments for the short sale or purchase or sale of call or put options, equity swaps, collars, or units of exchangeable funds, that are designed to or that may reasonably be expected to have the effect of hedging or offsetting a decrease in the market value of any securities of the Company.

The Anti-Hedging Policy has been implemented to ensure that directors, executive officers and employees of the Company are prohibited from hedging or monetizing transactions in order to lock in the value of their securities of the Company. Examples would include the entry into prepaid variable forward contracts, instruments for the short sale or purchase or sale of call or put

options, equity swaps, collars, or units of exchangeable funds that have the effect of offsetting a decrease in the market value of securities held in the Company.

In addition, pursuant to the Anti-Hedging Policy governing insider trading, short term speculative trading of the Common Shares by officers, directors and employees is strongly discouraged as it conflicts with the best interests of the Company and its Shareholders. Consequently, insiders including the Company's executive officers, directors and their related persons, are not only discouraged from frequently trading the Common Shares, but are also specifically prohibited from short selling any Common Shares and from trading in any derivative instruments involving the Company's securities.

- **Clawback Policy:** The Company has implemented a written clawback policy for situations where a director, executive officer or other employee receives additional incentive compensation as a result of his or her own misconduct (the "**Clawback Amounts**"). In such situations, the director, executive officer or other employee shall be obligated to reimburse the Company for such Clawback Amounts and the Board shall be given the discretion to determine the steps required to effect such recovery.

### **Independence of Members of Board**

#### *Pre-Transaction*

During the financial years ended April 30, 2017 and 2018, the Board was comprised of three (3) directors: Dale Styner, David Birnie and David Safton. The Board was comprised of a majority of independent directors.

David Birnie and David Safton were independent based upon the tests for independence set forth in NI 52-110, and had no ongoing interest or relationship with the Company other than their security holdings in the Company and serving as directors. Dale Styner, former President, Chief Executive Officer and Secretary of the Company, was a member of management and, as a result, was not an independent director.

The Board was responsible for determining whether a director was an independent director.

#### *Post-Transaction*

The Board currently consists of six directors, four of whom are independent based upon the tests for independence set forth in NI 52-110. David McGorman, the Chief Executive Officer, and Jon Sharun, the Executive Director and Chief Financial Officer, are not independent by virtue of being a senior officer of the Company.

NI 58-101 suggests that the board of directors of a public company should be constituted with a majority of individuals who qualify as independent directors. As disclosed above, 66.67% percent of the Board are independent directors. In addition, the independent judgment of the Board in carrying out its responsibilities is the responsibility of all directors. The Board exercises its independent supervision over the Company's management through a combination of formal meetings of the Board as well as informal discussions amongst the Board members. The independent directors can also hold scheduled meetings at which non-independent directors and members of management are not in attendance. Where matters arise at Board meetings which require decision making and evaluation that is independent of management and interested directors, the meeting breaks into an *in camera* session among the independent and disinterested directors. In addition, the Board has free access to the Company's external auditors, legal counsel and to any of the Company's officers.

## Participation of Directors in Other Reporting Issuers

### *Pre-Transaction*

During the financial years ended April 30, 2017 and 2018, no director of the Company was a director of any other issuer that was a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction.

### *Post-Transaction*

The following table sets out the directors of the Company that are presently a director of other reporting issuers.

<b><u>Name</u></b>	<b><u>Name of Reporting Issuer</u></b>	<b><u>Exchange</u></b>
Alan Gertner	Canopy Growth Corp. Hiku Brands Company Ltd.	TSX CSE
W. Scott McGregor	HAW Capital Corp. GEGS Capital Corp.	TSXV N/A

## Orientation and Continuing Education

### *Pre-Transaction*

During the financial years ended April 30, 2017 and 2018, each new director was given an outline of the nature of the Company's business, its corporate strategy, and current issues with the Company along with a description of the committees constituted by the Board. New directors were also expected to be required to meet with management of the Company to discuss and better understand the Company's business and were advised by counsel to the Company of their legal obligations as directors of the Company.

The introduction and education process was reviewed on an annual basis by the Board and was revised as necessary.

### *Post-Transaction*

Effective November 15, 2018, the Corporate Governance and Compensation Committee has under its mandate the responsibility to ensure that there is in place an education and orientation program for new members of the Board and a continuing education program for all directors and to maintain a Board manual. At present, each new director is given an outline of the nature of the Company's business, its corporate strategy and current issues with the Company. New directors are also expected to meet with management of the Company to discuss and better understand the Company's business and will be advised by counsel to the Company of their legal obligations as directors of the Company. New directors are also given copies of the Company's policies. While the Corporate Governance and Compensation Committee has not implemented a formal continuing education program for its directors, the Company provides continuing education on an informal basis.

Members of the Board are encouraged to communicate with management, legal counsel and, where applicable, auditors and technical consultants of the Company; to keep themselves current with industry trends and developments and changes in legislation with management's assistance; and to attend related industry seminars and visit the Company's operations. Board members have full access to the Company's records.

## Board Mandate

On November 15, 2018, the Board adopted a written mandate that summarizes, among other things, the Board's duties and responsibilities. The Board is responsible for the overall stewardship of the Company

and dealing with issues which are pivotal to determining the Company's strategy and direction. The Board has directly, and through the appointment of certain committees, put in place an effective system for monitoring the implementation of corporate strategies. The Board is not involved in the day to day operations of the Company, as these operations are conducted by the Company's management. The Board meets regularly to consider and approve the strategic objectives of the Company and management plans designed to accomplish those objectives. Where appropriate, key management personnel and professional advisors are invited to attend Board meetings to speak to these issues. The Board also meets as necessary to consider specific developments and opportunities as they arise, including asset acquisitions and dispositions and financing proposals. The Board approves, among other things, all issuances of securities of the Company, the appointment of officers, the entering into of lines of credit or other significant borrowing activities and all significant transactions. The Board considers, but has no formal policies, concerning management development and succession and risk management.

Essential to strategic planning is assessing and understanding business risks and related control systems. The Board helps set limits with respect to business risks, to the extent they can be managed, and approves strategies for minimizing risks. Implementations of these strategies are then monitored by the Board. The Board, through the Audit Committee, requires management of the Company to put into place systems to address financial risks and to periodically report to the Board on these systems and risks.

Management has implemented procedures to provide reasonable assurance of effective communication with the Company's shareholders and the public. The Company's management is responsible for the issuance of press releases and communications with the financial community. The Board reviews and approves all principal continuous disclosure documents, the release of interim and annual financial statements, annual information forms, prospectuses and information circulars.

The Corporate Governance and Compensation Committee is responsible for monitoring the governance systems of the Company with a view to ongoing improvements, reviewing the composition of the Board and developing criteria for new Board appointments. The Corporate Governance and Compensation Committee also acts as a nominating committee for new directors, oversees and approves the Company's compensation plans and evaluates the overall Board effectiveness.

### **Board Oversight**

The Board exercises its independent supervision over the Company's management through a combination of formal meetings of the Board as well as informal discussions amongst the Board members. The independent directors can also hold scheduled meetings at which non-independent directors and members of management are not in attendance. Where matters arise at Board meetings which require decision making and evaluation that is independent of management and interested directors, the meeting breaks into an in camera session among the independent and disinterested directors.

### **Position Descriptions**

The Board has developed a written position description for the Chair of the Board and the Chief Executive Officer of the Company.

The Board, in conjunction with management, sets the Company's annual objectives which become the objectives against which the Chief Executive Officer's performance is measured. The Board has plenary power; any responsibility which is not delegated to management or a Board committee remains with the Board.

## **Ethical Business Conduct**

### *Pre-Transaction*

During the financial years ended April 30, 2017 and 2018, the Company required the same standards of professional and ethical conduct from its directors, officers and employees as it does currently. See "*Post-Transaction*" below for more information.

### *Post-Transaction*

In establishing its corporate governance practices, the Board has been guided by applicable Canadian securities legislation, including NP 58-201. The Board is committed to a high standard of corporate governance practices. The Board believes that this commitment is not only in the best interests of its Shareholders, but that it also promotes effective decision making at the Board level.

The Board has adopted a code of business conduct and ethics for its directors, executive officers, employees, and consultants to promote a culture of ethical business conduct within the Company. The Board has also adopted a whistleblower policy and a corporate disclosure policy to ensure ethical business conduct and compliance with applicable Canadian securities legislation.

The Board has found that the fiduciary duties placed on individual directors by the Company's governing corporate legislation and the common law and the restrictions placed by applicable corporate legislation on an individual director's participation in decisions of the Board in which the director has an interest have been sufficient to ensure that the Board operates independently of management and in the best interests of the Company.

Under corporate legislation, a director is required to act honestly and in good faith with a view to the best interests of the Company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. In addition, as the directors of the Company also serve as directors and officers of other companies engaged in similar business activities, directors must comply with the conflict of interest provisions of the ABCA, as well as the relevant securities regulatory instruments, in order to ensure that directors exercise independent judgment in considering transactions and agreements in respect of which a director or officer has a material interest. Any interested director would be required to declare the nature and extent of his interest and would not be entitled to vote at meetings of directors which evoke such a conflict.

## **Audit Committee**

Please see the discussion under the heading "*Audit Committee*".

### **AUDIT COMMITTEE**

The Audit Committee is a committee of the Board to which the Board delegates its responsibility for oversight of the financial reporting process. The Audit Committee is also responsible for managing, on behalf of the Shareholders, the relationship between the Company and the external auditor. Pursuant to NI 52-110, the Company is required to disclose certain information with respect to its Audit Committee, as summarized below.

## **Audit Committee Charter**

### *Pre-Transaction*

During the financial years ended April 30, 2017 and 2018, the Company had a written charter which set out the duties and responsibilities of its Audit Committee. The pre-Transaction charter of the Audit Committee is attached hereto as Schedule "A".

*Post-Transaction*

On November 15, 2018, the Board adopted a new Audit Committee charter (the "**Audit Committee Charter**"), attached hereto as Schedule "B". The mandate of the Audit Committee is to oversee and provide assistance in financial reporting, financial policies and internal controls as well as to work with the external auditors to ensure the accuracy of the Company's financial disclosures. The Audit Committee must pre-approve all non-audit services to be provided by an external auditor.

**Composition of the Audit Committee***Pre-Transaction*

During the financial years ended April 30, 2017 and 2018, the Audit Committee was comprised of Dale Styner, David Birnie and David Safton. Messrs. Birnie and Safton were independent based upon the tests for independence set forth in NI 52-110. Mr. Styner was not independent due to his role as a senior officer of the Company. All members of the Audit Committee were financially literate.

*Post-Transaction*

As of November 15, 2018, the Audit Committee is comprised of W. Scott McGregor (Chair), Alan Gertner, and Matt Christopherson. All members of the Audit Committee are independent based upon the tests for independence set forth in NI 52-110. All members of the Audit Committee are financially literate.

**Relevant Education and Experience***Pre-Transaction*

Mr. Styner has extensive capital markets experience, having been an investment banker from 2004 to 2008 and having provided financial advice to private and public companies since 2009. Mr. Styner is a CFA Charterholder and holds a Juris Doctor degree and Bachelor of Commerce degree from the University of Calgary.

Mr. Birnie is a senior Canadian oil and gas consultant with 40 years of industry experience. Mr. Birnie serves as a Principal at Alconsult International Ltd. ("**Alconsult**"), an upstream E&P project management company, and is President of GEOSEIS Inc. ("**GEOSEIS**"), an oil and gas geosciences consulting and technical services company. GEOSEIS and Alconsult specialize in domestic and international onshore and offshore E&P projects, with services including project framing and planning, geosciences and engineering evaluations and due diligence, opportunity portfolio development and evaluation, and project management. Mr. Birnie holds a Bachelor's degree in Geological Engineering from Queen's University, a Master's degree in Geophysics from the University of British Columbia and a Master of Business Administration from the University of Calgary. Mr. Birnie is a registered APEGA Professional Geoscientist as well as a member of various industry technical societies.

Mr. Safton has 30 years of broad oil and gas industry experience in various capacities with both large and small domestic E&P companies. During his tenure as a member of the Audit Committee, Mr. Safton was President and CEO of a private oil and gas company. Mr. Safton holds a B.Sc. Advanced Degree, Geology Major, from the University of Saskatchewan and a M.Sc. in Petroleum Geology (with distinction) from the University of Aberdeen, Scotland.

*Post-Transaction*

Collectively, the Audit Committee has the education and experience to fulfill the responsibilities outlined in the Audit Committee Charter.

Mr. McGregor is a senior investment banking professional with over twenty years of energy and corporate finance experience complemented by undergraduate and master's degrees from two of Canada's highly



respected universities. Most recently Mr. McGregor served as Executive Vice President and director of Merrco Payments Inc., a secure payment gateway that provides a fully customizable method to regulate a direct-to-consumer cannabis mail-order system in Canada. Previously Mr. McGregor was Managing Director of Investment banking at Mackie Research. Mr. McGregor has a B.A. from Queens University and an M.B.A. from Rotman School of Management.

Mr. Gertner is the Chief Executive Officer of HIKU Brands and co-founder of Tokyo Smoke, an award-winning, internationally recognized, cannabis brand with a cross country network of retail stores. Prior to taking the reins of HIKU Brands and founding Tokyo Smoke, he led a plus \$100 million organization at Google in Asia and was a founding member of Google's first Global Business Strategy team while based in Mountain View, California. Mr. Gertner graduated Dean's list from the Richard Ivey School of Business with a Honors Business Administration.

Mr. Christopherson is a founder and is the Vice President of Business Development at Keirton. With over a decade of experience in the cannabis industry, Keirton has made a name for itself providing growers with the world's fastest and most dependable medical cannabis harvesting machines. Twister Trimmer™ is the most recognized and widely used harvesting solution, not only in Canada, but internationally. Mr. Christopherson is a co-founder of Lift. Lift is home to Canada's largest database of comprehensive medical marijuana reviews left by real patients.

Each member of the Audit Committee has:

- (a) an understanding of the accounting principles used by the Company to prepare its financial statements;
- (b) the ability to assess the general application of those principles in connection with the accounting for estimates, accruals and provisions;
- (c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising individuals engaged in such activities; and
- (d) an understanding of internal controls and procedures for financial reporting.

### **Reliance on Certain Exemptions**

Since the effective date of NI 52-110, the Company has not relied on the exemptions contained in sections 2.4 or 8 of NI 52-110. The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as described in the Audit Committee Charter.

The Company is relying on the exemption provided by section 6.1 of NI 52-110 which provides that the Company, as a Venture Issuer, is not required to comply with Part 3 (Composition of the Audit Committee) and Part 5 (Reporting Obligations) of NI 52-110.

### **Audit Committee Oversight**

At no time since the commencement of the Company's financial years ended April 30, 2017 and April 30, 2018 was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

### **Pre-Approval Policies and Procedures**

Prior to the Transaction, the Audit Committee had not adopted specific policies and procedures for the engagement of non-audit services.

Effective November 15, 2018, the Audit Committee is authorized by the Board to review the performance of the Company's external auditors, and approve in advance the provision of services other than audit services and to consider the independence of the external auditors, including reviewing the range of services provided in the context of all consulting services bought by the Company. The Audit Committee is authorized to approve any non-audit services or additional work, which the Chair of the Audit Committee deems as necessary.

### External Auditor Service Fees

In the following table, "audit fees" are fees billed by the Company's external auditors for services provided in auditing the Company's annual financial statements for the subject year. "Audit-related fees" are fees not included in audit fees that are billed by the auditors for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements. "Tax fees" are fees billed by the auditors for professional services rendered for tax compliance, tax advice and tax planning. "All other fees" are fees billed by the auditors for products and services not included in the foregoing categories.

The fees paid by the Company to its auditors in the previous two (2) financial years, by category, are as follows:

<u>Fiscal Period Ended</u>	<u>Audit Fees (\$)</u>	<u>Audit Related Fees (\$)</u>	<u>Tax Fees (\$)</u>	<u>All Other Fees (\$)</u>
April 30, 2018	5,500	-	500	-
April 30, 2017	5,500	-	500	-

### ADDITIONAL INFORMATION

Additional information relating to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com). Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans is contained in the Company's information circular for the Company's most recent Shareholders' meeting that involved the election of directors. Additional financial information is contained in the Company's consolidated financial statements and the related management's discussion and analysis for the year ended April 30, 2018.

## **SCHEDULE "A" – AUDIT COMMITTEE CHARTER (PRE-TRANSACTION)**

### **I. Purpose**

The Audit Committee (the "**Committee**") is appointed by the Board of Directors (the "**Board**") of Top Strike Resources Corp. (the "**Company**") to assist the Board in fulfilling its oversight responsibilities relating to financial accounting and reporting process and internal controls for the Company. The Committee's primary duties and responsibilities are to:

- conduct such reviews and discussions with management and the external auditors relating to the audit and financial reporting as are deemed appropriate by the Committee;
- assess the integrity of internal controls and financial reporting procedures of the Company and ensure implementation of such controls and procedures;
- ensure that there is an appropriate standard of corporate conduct including, if necessary, adopting a corporate code of ethics for senior financial personnel;
- review the quarterly and annual financial statements and management's discussion and analysis of the Company's financial position and operating results and report thereon to the Board for approval of same;
- select and monitor the independence and performance of the Company's external auditors, including attending at private meetings with the external auditors and reviewing and approving all renewals or dismissals of the external auditors and their remuneration; and
- provide oversight to related party transactions entered into by the Company.

The Committee has the authority to conduct any investigation appropriate to its responsibilities, and it may request the external auditors as well as any officer of the Company, or outside counsel for the Company, to attend a meeting of the Committee or to meet with any members of, or advisors to, the Committee. The Committee shall have unrestricted access to the books and records of the Company and has the authority to retain, at the expense of the Company, special legal, accounting, or other consultants or experts to assist in the performance of the Committee's duties.

The Committee shall review and assess the adequacy of this Charter annually and submit any proposed revisions to the Board for approval.

In fulfilling its responsibilities, the Committee will carry out the specific duties set out in Part IV of this Charter.

### **II. Authority of the Audit Committee**

The Committee shall have the authority to:

- (a) engage independent counsel and other advisors as it determines necessary to carry out its duties;
- (b) set and pay the compensation for advisors employed by the Committee; and
- (c) communicate directly with the internal and external auditors. reviewing changes in accounting principles, or in their application, which may have a material impact on the current or future years' financial statements;

**III. Composition and Meeting**

1. The Committee and its membership shall meet all applicable legal, regulatory and listing requirements, and all applicable securities regulatory authorities.
2. The Committee shall be composed of three or more directors as shall be designated by the Board from time to time. The members of the Committee shall appoint from among themselves a member who shall serve as Chair.
3. The Committee shall meet at least quarterly, at the discretion of the Chair or a majority of its members, as circumstances dictate or as may be required by applicable legal or listing requirements. A minimum of two and at least 50% of the members of the Committee present either in person or by telephone shall constitute a quorum.
4. If within one hour of the time appointed for a meeting of the Committee, a quorum is not present, the meeting shall stand adjourned to the same hour on the next business day following the date of such meeting at the same place. If at the adjourned meeting a quorum as hereinbefore specified is not present within one hour of the time appointed for such adjourned meeting, such meeting shall stand adjourned to the same hour on the second business day following the date of such meeting at the same place. If at the second adjourned meeting a quorum as hereinbefore specified is not present, the quorum for the adjourned meeting shall consist of the members then present.
5. If and whenever a vacancy shall exist, the remaining members of the Committee may exercise all of its powers and responsibilities so long as a quorum remains in office.
6. The time and place at which meetings of the Committee shall be held, and procedures at such meetings, shall be determined from time to time by the Committee. A meeting of the Committee may be called by letter, telephone, facsimile, email or other communication equipment, by giving at least 48 hours notice, provided that no notice of a meeting shall be necessary if all of the members are present either in person or by means of conference telephone or if those absent have waived notice or otherwise signified their consent to the holding of such meeting.
7. Any member of the Committee may participate in the meeting of the Committee by means of conference telephone or other communication equipment, and the member participating in a meeting pursuant to this paragraph shall be deemed, for purposes hereof, to be present in person at the meeting.
8. The Committee shall keep minutes of its meetings which shall be submitted to the Board. The Committee may, from time to time, appoint any person who need not be a member, to act as a secretary at any meeting.
9. The Committee may invite such officers, directors and employees of the Company and its subsidiaries as the Committee may see fit, from time to time, to attend at meetings of the Committee.
10. Any matters to be determined by the Committee shall be decided by a majority of votes cast at a meeting of the Committee called for such purpose. Actions of the Committee may be taken by an instrument or instruments in writing signed by all of the members of the Committee, and such action shall be effective as though they had been decided by a majority of votes cast at a meeting of the Committee called for such purpose. All decisions or recommendations of the Committee shall require the approval of the Board prior to implementation.

The Committee members will be elected annually at the first meeting of the Board following the annual general meeting of shareholders.

#### **IV. Responsibilities**

##### **A. Financial Accounting and Reporting Process and Internal Controls**

1. The Committee shall review the annual audited financial statements to satisfy itself that they are presented in accordance with applicable international financial reporting standards ("IFRS") and report thereon to the Board and recommend to the Board whether or not same should be approved prior to their being filed with the appropriate regulatory authorities. The Committee shall also review the interim financial statements. With respect to the annual audited financial statements, the Committee shall discuss significant issues regarding accounting principles, practices, and judgments of management with management and the external auditors as and when the Committee deems it appropriate to do so. The Committee shall satisfy itself that the information contained in the annual audited financial statements is not significantly erroneous, misleading or incomplete and that the audit function has been effectively carried out.
2. The Committee shall review any internal control reports prepared by management and the evaluation of such report by the external auditors, together with management's response.
3. The Committee shall be satisfied that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements, management's discussion and analysis and interim earnings press releases, and periodically assess the adequacy of these procedures.
4. The Committee shall review management's discussion and analysis relating to annual and interim financial statements and any other public disclosure documents, including interim earnings press releases, that are required to be reviewed by the Committee under any applicable laws before the Company publicly discloses this information.
5. The Committee shall meet no less frequently than annually with the external auditors and the Chief Financial Officer or, in the absence of a Chief Financial Officer, with the officer of the Company in charge of financial matters, to review accounting practices, internal controls and such other matters as the Committee, Chief Financial Officer or, in the absence of a Chief Financial Officer, the officer of the Company in charge of financial matters, deem appropriate.
6. The Committee shall inquire of management and the external auditors about significant risks or exposures, both internal and external, to which the Company may be subject, and assess the steps management has taken to minimize such risks.
7. The Committee shall review the post-audit or management letter containing the recommendations of the external auditors and management's response and subsequent follow-up to any identified weaknesses.
8. The Committee shall ensure that there is an appropriate standard of corporate conduct including, if necessary, adopting a corporate code of ethics for senior financial personnel.
9. The Committee shall establish procedures for:
  - a. the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and
  - b. the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
10. The Committee shall provide oversight to related party transactions entered into by the Company.

## **B. Independent Auditors**

1. The Committee shall recommend to the Board the external auditors to be nominated, shall set the compensation for the external auditors, provide oversight of the external auditors and shall ensure that the external auditors report directly to the Committee.
2. The Committee shall be directly responsible for overseeing the work of the external auditors, including the resolution of disagreements between management and the external auditors regarding financial reporting.
3. The Committee shall pre-approve all audit and non-audit services not prohibited by law to be provided by the external auditors in accordance with this Charter.
4. The Committee shall monitor and assess the relationship between management and the external auditors and monitor, support and assure the independence and objectivity of the external auditors.
5. The Committee shall review the external auditors' audit plan, including the scope, procedures and timing of the audit.
6. The Committee shall review the results of the annual audit with the external auditors, including matters related to the conduct of the audit.
7. The Committee shall obtain timely reports from the external auditors describing critical accounting policies and practices, alternative treatments of information within IFRS that were discussed with management, their ramifications, and the external auditors' preferred treatment and material written communications between the Company and the external auditors.
8. The Committee shall review fees paid by the Company to the external auditors and other professionals in respect of audit and non-audit services on an annual basis.
9. The Committee shall review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former auditors of the Company.
10. The Committee shall monitor and assess the relationship between management and the external auditors and monitor and support the independence and objectivity of the external auditors.

## **C. Other Responsibilities**

The Committee shall perform any other activities consistent with this Charter and governing law, as the Committee or the Board deems necessary or appropriate.

## **SCHEDULE "B" – AUDIT COMMITTEE CHARTER (POST-TRANSACTION)**

### **ROLE AND OBJECTIVE**

The Audit Committee (the "**Committee**") is a committee of the board of directors (the "**Board**") of Top Strike Resources Corp. (the "**Corporation**") to which the Board has delegated its responsibility for oversight of the nature and scope of the annual audit, management's reporting on internal accounting standards and practices, financial information and accounting systems and procedures, financial reporting and statements and recommending, for Board approval, the audited financial statements and other mandatory disclosure releases containing financial information. The objectives of the Committee, with respect to the Corporation and its subsidiaries, are as follows:

- To assist directors to meet their responsibilities in respect of the preparation and disclosure of the financial statements of the Corporation and related matters.
- To provide better communication between the Board and external auditors.
- To ensure the external auditors' independence.
- To review management's implementation and maintenance of an effective system of internal control over financial reporting and disclosure control over financial reporting.
- To increase the credibility and objectivity of financial reports.
- To facilitate in-depth discussions between directors on the Committee, management and external auditors.

The primary responsibility for the financial reporting, information systems, risk management and internal and disclosure controls of the Corporation is vested in management and overseen by the Board. At each meeting, the Committee may meet separately with management and will meet in separate, closed sessions with the external auditors and then with the independent directors in attendance.

### **MANDATE AND RESPONSIBILITIES OF COMMITTEE**

#### ***Financial Reporting and Related Public Disclosure***

1. It is a primary responsibility of the Committee to review and recommend for approval to the Board the annual and quarterly financial statements of the Corporation. The Committee is also to review and recommend to the Board for approval the financial statements and related information included in prospectuses, management discussion and analysis, financial press releases, information circular-proxy statements and annual information forms, including financial outlooks and future-oriented financial information included therein. The process should include but not be limited to:
  - a. reviewing changes in accounting principles, or in their application, which may have a material impact on the current or future years' financial statements;
  - b. reviewing significant management judgments and estimates that may be material to financial reporting including alternative treatments and their impacts;
  - c. reviewing the presentation and impact of any significant risks and uncertainties that may be material to financial reporting including alternative treatments and their impacts;
  - d. reviewing accounting treatment of significant, unusual or non-recurring transactions;

- e. reviewing adjustments raised by the external auditors, whether or not included in the financial statements;
  - f. reviewing unresolved differences between management and the external auditors;
  - g. determining through inquiry if there are any related party transactions and ensure the nature and extent of such transactions are properly disclosed; and
  - h. reviewing all financial reporting relating to risk exposure including the identification, monitoring and mitigation of business risk and its disclosure.
2. The Committee shall satisfy itself that adequate procedures are in place for the review of the Corporation's public disclosure of financial information from the Corporation's financial statements and periodically assess the adequacy of those procedures.

***Internal Controls Over Financial Reporting and Information Systems***

1. It is the responsibility of the Committee to satisfy itself on behalf of the Board with respect to the Corporation's internal control over financial reporting and information systems. The process should include but not be limited to:
- a. inquiring as to the adequacy and effectiveness of the Corporation's system of internal controls over financial reporting and review the evaluation of internal controls over financial reporting by external auditors;
  - b. establishing procedures for the confidential, anonymous submission by employees of the Corporation of concerns relating to accounting, internal control over financial reporting, auditing or Code of Business Conduct and Ethics matters and periodically review a summary of complaints and their related resolution; and
  - c. establishing procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters.

***External Auditors***

1. With respect to the appointment of external auditors by the Board, the Committee shall:
- a. be directly responsible for overseeing the work of the external auditors engaged for the purpose of issuing an auditors' report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditors regarding financial reporting;
  - b. review the terms of engagement of the external auditors, including the appropriateness and reasonableness of the auditors' fees;
  - c. review and evaluate annually the external auditors' performance, and periodically (at least every five years) conduct a comprehensive review of the external auditors;
  - d. recommend to the Board appointment of external auditors and the compensation of the external auditors;
  - e. when there is to be a change in auditors, review the issues related to the change and the information to be included in the required notice to securities regulators of such change;
  - f. review and approve any non-audit services to be provided by the external auditors' firm and consider the impact on the independence of the auditors; between scheduled meetings, the Chair



of the Committee is authorized to approve all audit related services and non-audit services provided by the external auditors for individual engagements with estimated fees of \$25,000 and under; and shall report all such approvals to the Committee at its next scheduled meeting;

- g. inquire as to the independence of the external auditors and obtain, at least annually, a formal written statement delineating all relationships between the external auditors and the Corporation as contemplated by *Independence Standards Board Standard No. 1 – Independence Discussions with Audit Committees*;
  - h. review the Annual Report of the Canadian Public Accountability Board ("**CPAB**") concerning audit quality in Canada and discuss implications for the Corporation;
  - i. review any reports issued by CPAB regarding the audit of the Corporation; and
  - j. discuss with the external auditors, without management being present, the quality of the Corporation's financial and accounting personnel, the completeness and accuracy of the Corporation's financial statements and elicit comments of senior management regarding the responsiveness of the external auditors to the Corporation's needs.
2. The Committee shall review with the external auditors (and the internal auditor if one is appointed by the Corporation) their assessment of the internal control over financial reporting of the Corporation, their written reports containing recommendations for improvement of internal control over financial reporting and other suggestions as appropriate, and management's response and follow-up to any identified weaknesses.
  3. The Committee shall also review and approve annually with the external auditors their plan for their audit and, upon completion of the audit, their reports upon the financial statements of the Corporation and its subsidiaries.

### **Compliance**

1. It is the responsibility of the Committee to review management's process for the certification of annual and interim financial reports in accordance with required securities legislation.
2. It is the responsibility of the Committee to ascertain compliance with covenants under loan agreements.
3. The Committee shall review the Corporation's compliance with all legal and regulatory requirements as it pertains to financial reporting, taxation, internal control over financial reporting and any other area the Committee considers to be appropriate relative to its mandate or as may be requested by the Board.

### **Other Matters**

1. It is the responsibility of the Committee to review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and external auditors of the Corporation.
2. The Committee may also review any other matters that the Committee feels are important to its mandate or that the Board chooses to delegate to it.
3. The Committee shall undertake annually a review of this mandate and make recommendations to the Corporate Governance and Compensation Committee as to proposed changes.

## COMPOSITION

1. This Committee shall be composed of at least three individuals appointed by the Board from amongst its members, all of whom shall be independent (within the meaning of section 1.4 and 1.5 of *National Instrument 52-110 Audit Committees ("NI 52-110")*) unless the Board determines to rely on an exemption in NI 52-110.
2. The chair of the Committee (the "**Committee Chair**") shall be appointed by the Board.
3. A quorum shall be a majority of the members of the Committee.
4. All of the members must be financially literate (within the meaning section 1.6 of NI 52-110) unless the Board has determined to rely on an exemption in NI 52-110. Being "financially literate" means members have 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 issues that can reasonably be expected to be raised by the Corporation's financial statements.

## MEETINGS

1. The Committee shall meet (in person or by teleconference) at least four times per year and/or as deemed appropriate by the Committee Chair.
2. The Committee shall meet (in person or by teleconference) not less than quarterly with the auditors, independent of the presence of management.
3. Agendas, with input from management, shall be circulated to Committee members and relevant management personnel along with background information on a timely basis prior to the Committee meetings.
4. The chief executive officer and the chief financial officer of the Corporation or their designates shall be available to attend at all meetings of the Committee upon the invitation of the Committee.
5. Other staff shall attend meetings upon invitation by the Committee should the Committee deem them necessary for the provision of information.

## REPORTING / AUTHORITY

1. Following each meeting, in addition to a verbal report, the Committee will report to the Board by way of providing copies of the minutes of such Committee meeting at the next Board meeting after a meeting is held (these may still be in draft form).
2. Supporting schedules and information reviewed by the Committee shall be available for examination by any director.
3. The Committee shall have the authority to investigate any financial activity of the Corporation and to communicate directly with the internal and external auditors. All employees are to cooperate as requested by the Committee.
4. The Committee may retain, and set and pay the compensation for, persons having special expertise and/or obtain independent professional advice to assist in fulfilling its duties and responsibilities at the expense of the Corporation.

The Committee shall annually review this mandate and make recommendations to the Corporate Governance and Compensation Committee as to proposal changes.