

**ISRACANN BIOSCIENCES INC.**

**ANNUAL INFORMATION FORM**

For The Financial Year Ended May 31, 2019

**December 13, 2019**

Suite 1600, 595 Burrard Street  
Vancouver, British Columbia  
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## TERMS OF REFERENCE

In this Annual Information Form (the “AIF”), unless the context otherwise dictates, references to the “Company”, “Isracann”, “we” and “our” refer to Isracann Biosciences Inc.

The information contained in this AIF is current as of May 31, 2019 with subsequent events disclosed to December 13, 2019.

All references to dollars (\$) in this AIF are expressed in Canadian dollars, unless otherwise indicated.

## MARKET DATA

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

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

## CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

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

- the Company’s expectations regarding its revenue, production, operations, costs, cash flows and future growth;
- the Company’s anticipated cash needs and its needs for additional financing;
- the Company’s intention to grow the business and its operations;
- the Company’s intention to establish its first Isracann Facilities;
- the costs of construction of the Isracann Facilities;
- the costs to operate the Isracann Facilities;
- the Company’s expectation with respect to the operational performance of the Isracann Facilities;
- the potential size of markets for the Company’s products;

- expectations with respect to the approval, renewal and/or extension of the Company's licenses, including the expected timing of the export permits;
- expectations with respect to the future growth of its cannabis products, including delivery mechanisms;
- the Company's investments in Israel, the characterization and consequences of those investments under Israeli law, and the framework for the enforcement of cannabis and cannabis related offenses in Israel;
- the grant and impact of any license or supplemental license to conduct activities with cannabis or any amendments thereof;
- the Company's intention to exploit opportunities for the production, distribution and sale of cannabis related products in Israel;
- the Company's intention to exploit opportunities for the distribution and sale of cannabis related products in Germany;
- the competitive conditions of the industry and the competitive and business strategies of the Company;
- the Company's competitive position and the regulatory environment in which the Company operates;
- the Company's plans with respect to the payment of dividends; and
- the Company's ability to obtain additional funds through the sale of equity or debt commitments.

Forward-looking statements contained in certain documents incorporated by reference into this AIF are based on the key assumptions described in such documents. Certain forward-looking statements contained herein and incorporated by reference concerning the medical cannabis industry and the general expectations of the Company concerning the medical cannabis industry and concerning the Company are based on estimates prepared by the Company using data from publicly available governmental sources as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry which the Company believes to be reasonable. However, although generally indicative of relative market positions, market shares and performance characteristics, such data is inherently imprecise. While the Company is not aware of any misstatement regarding any industry or government data presented herein, the medical cannabis industry involves risks and uncertainties and is subject to change based on various factors.

A number of factors could cause actual events, performance or results to differ materially from what is projected in forward looking statements. Although we believe that the assumptions underlying these statements are reasonable, they may prove to be incorrect, and we cannot assure that actual results will be consistent with these forward-looking statements. Given these risks, uncertainties and assumptions, investors should not place undue reliance on these forward-looking statements. Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors, including those listed under "Risk Factors".

If any of these risks or uncertainties materialize, or if assumptions underlying the forward-looking statements prove incorrect, actual results might vary materially from those anticipated in those forward-looking statements. The assumptions referred to above and described in greater detail under "*Risk Factors*" should be considered carefully by readers. Accordingly, readers should not place undue reliance on forward-looking statements. We do not undertake to update or revise any forward-looking statements, except as, and to the extent required by, applicable securities laws in Canada.

**All of the forward-looking statements contained in this AIF are expressly qualified by the foregoing cautionary statements.**

## **GLOSSARY OF TERMS**

Unless otherwise defined in this AIF, the following is a glossary of certain terms used in this AIF:

“**AIF**” means this annual information form of the Company in respect of the year ended May 31, 2019;

“**BCBCA**” means the *Business Corporations Act* (British Columbia), as amended, including the regulations promulgated thereunder;

“**BfArM**” means German Federal Institute for Drugs and Medical Devices;

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

“**BtMG**” means the German Federal Law on Narcotic Drugs;

“**Cannisra**” means Cannisra Holdings Ltd.;

“**CCL**” means Cannisra Crops Ltd.;

“**CEO**” means Chief Executive Officer;

“**CFO**” means Chief Financial Officer;

“**Closing**” means the closing of the Isracann Acquisition;

“**Closing Date**” means the date of closing of the Isracann Acquisition;

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

“**company**” unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual;

“**Computershare**” means Computershare Trust Company of Canada, the Company’s registrar and transfer agent;

“**Consolidation**” means the consolidation of the issued and outstanding pre-consolidated Common Shares at a ratio of three old Common Shares for every one new Common Share;

“**Convertible Loan**” has the meaning ascribed to such term in *“General Development of the Business – Significant Acquisitions – Acquisition of Isracann Holdings Inc. (formerly, Isracann Biosciences Inc.)”*;

“**CSE**” means the Canadian Securities Exchange;

“**Dangerous Drugs Ordinance Amendment**” has the meaning ascribed to such term in *“Overview of Business – Regulatory Overview in Germany”*;

**“Farm Agreement”** means the agreement dated January 27, 2019 between the JV Farmer in Israel and Cannisra;

**“IMCA”** means Israeli Medical Cannabis Agency;

**“Invictus”** means Invictus Investor Relations Inc.;

**“Isracann”** or **“Company”** means Isracann Biosciences Inc. (formerly, Atlas Blockchain Group Inc.);

**“Isracann Acquisition”** means the acquisition of all the issued and outstanding Isracann Holdings Shares by the Company as set out in the Securities Exchange Agreement;

**“Isracann Facilities”** has the meaning ascribed to such term in *“Overview of Business – Facilities”*;

**“Isracann Holdings”** means Isracann Holdings Inc. (formerly, Isracann Biosciences Inc.);

**“Isracann Holdings Options”** means stock options of Isracann Holdings;

**“Isracann Holdings Shareholders”** means the shareholders of Isracann Holdings;

**“Isracann Holdings Shares”** means the common shares in the capital of Isracann Holdings;

**“Isracann Holdings Warrantholders”** means the holder of the Isracann Holdings Warrants;

**“Isracann Holdings Warrants”** means Isracann Holdings Share purchase warrants;

**“Israeli Government Export Approval”** has such meaning ascribed to such term in *“Overview of Business – Regulatory Overview in Israel”*;

**“Joint Venture”** has the meaning ascribed to such term in *“Corporate Structure – Intercorporate Relationships”*;

**“JV Farmer”** means a licensed farm that is a party to the Farm Agreement;

**“Options”** means the stock options of the Company issued pursuant to the Company’s stock option plan;

**“person”** means a company or individual;

**“Replacement Options”** has the meaning ascribed to such term in *“General Development of the Business – Significant Acquisitions – Acquisition of Isracann Holdings Inc. (formerly, Isracann Biosciences Inc.)”*;

**“Replacement Warrants”** has the meaning ascribed to such term in *“General Development of the Business – Significant Acquisitions – Acquisition of Isracann Holdings Inc. (formerly, Isracann Biosciences Inc.)”*;

**“Securities Act”** means the *Securities Act* (British Columbia), as amended;

**“Securities Exchange Agreement”** means the securities exchange agreement dated March 12, 2019 among the Company, Isracann Holdings and securityholders of Isracann Holdings;

**“SEDAR”** means System for Electronic Document Analysis and Retrieval;

“**Subscription Receipt Financing**” means the equity financing of the Company completed in two tranches: (i) the first tranche closed on January 11, 2019 for total gross proceeds of approximately \$5.2 million; and (ii) the second tranche closed on May 15, 2019 for total gross proceeds of approximately \$4.9 million;

“**Subscription Receipts**” means the subscription receipts of the Company whereby each such Subscription Receipt entitles the holder thereof to receive, without payment of additional consideration or taking of further action, one Unit upon satisfaction of the Escrow Release Conditions;

“**UN Single Convention**” means the United Nations Single Convention on Narcotic Drugs of 1961;

“**Units**” means the units of the Company to be issued upon Conversion of the Subscription Receipts. Each Unit consists of one Common Share and one Warrant; and

“**Warrants**” means the Common Share purchase warrants.

## CORPORATE STRUCTURE

### Name, Address and Incorporation

The Company was incorporated under the *Business Corporations Act* (Alberta) on January 21, 2010 under the name “Sypher Resources Ltd.”. On July 23, 2014, in connection with a reverse takeover transaction with Atlas Cloud Enterprises (2013) Ltd., the Company changed its name to “Atlas Cloud Enterprises Inc.” On July 27, 2018, the Company changed its name to “Atlas Blockchain Group Inc.”. The Company continued to the Province of British Columbia on July 18, 2018. On October 7, 2019, the Company changed its name to “Isracann Biosciences Inc.” in connection with the Isracann Acquisition, which resulted in a fundamental change of business under the policies of the CSE. *See “General Development of the Business – Significant Acquisitions – Acquisition of Isracann Holdings Inc. (formerly Isracann Biosciences Inc.)”*

The Company’s head office is at Suite 1600, 595 Burrard Street, Vancouver, British Columbia V7X 1L3 and its registered office is located at Suite 1500, 1055 West Georgia Street, Vancouver, British Columbia V6E 4N7.

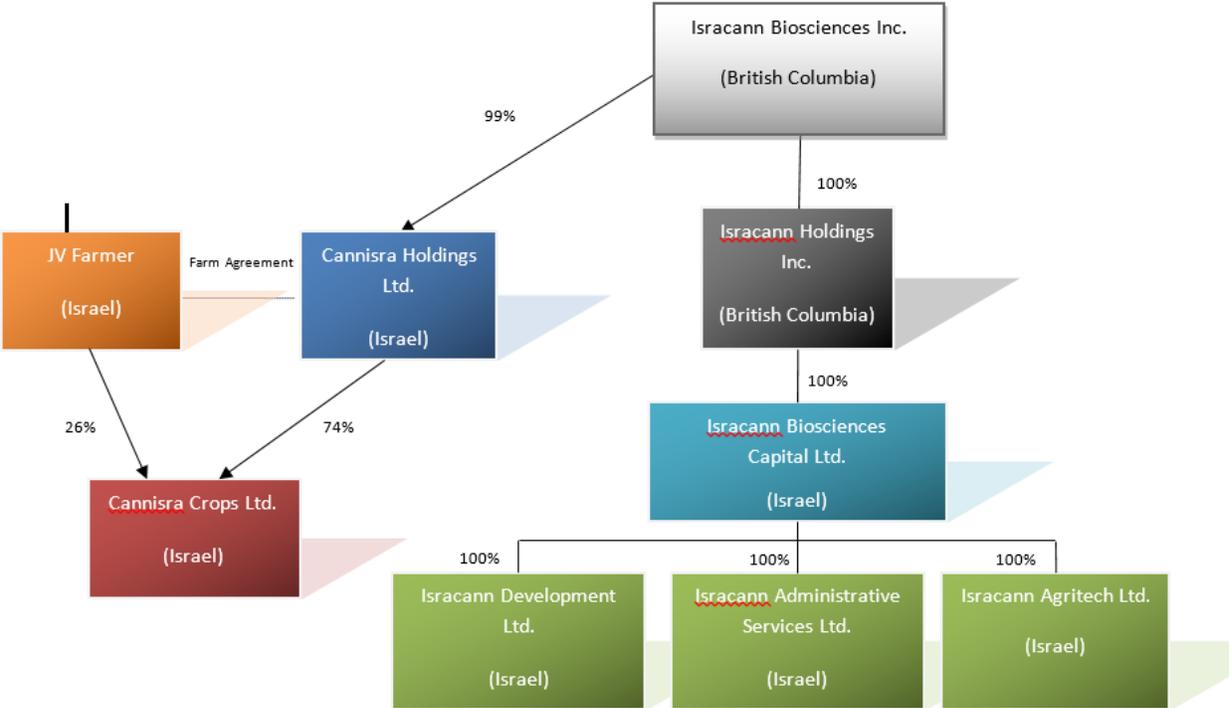
The Common Shares are listed on the CSE under the trading symbol “IPOT”. The Company is a reporting issuer in Canada in the provinces of British Columbia, Alberta, and Ontario.

### Intercorporate Relationships

As at the date of the AIF, the Company has the following material wholly-owned subsidiaries:

Name of Subsidiary	Jurisdiction of Incorporation	Shareholders and Interest held
Isracann Holdings Inc.	British Columbia	Isracann Biosciences Inc. (100%)
Cannisra Holdings Ltd.	Israel	Isracann Biosciences Inc. (99%)
Isracann Biosciences Capital Ltd.	Israel	Isracann Holdings Inc. (100%)

Isracann Development Ltd.	Israel	Isracann Biosciences Capital Ltd. (100%)
Isracann Agritech Ltd.	Israel	Isracann Biosciences Capital Ltd. (100%)
Isracann Administrative Services Ltd.	Israel	Isracann Biosciences Capital Ltd. (100%)
Cannisra Crops Ltd.	Israel	Cannisra Holdings Ltd. (74%)



The following subsidiaries were organized in order to enable the Company to implement its business plan in Israel, as follow:

**Isracann Holdings Inc.**

Isracann Holdings was incorporated under the BCBCA on July 12, 2018 as “Isracann Biosciences Inc.”. On October 7, 2019, Isracann Holdings changed its name to “Isracann Holdings Inc.”.

**Isracann Biosciences Capital Ltd.**

Isracann Biosciences Capital Ltd., a company incorporated on February 18, 2019 under Israeli law, acts as Isracann Holdings’ Israeli holding company for the following three wholly-owned subsidiaries:

*Isracann Development Ltd.*

Isracann Development Ltd. was incorporated on February 18, 2019 under Israeli law and focuses on property development services.

*Isracann Agritech Ltd.*

Isracann Agritech Ltd. was incorporated on February 18, 2019 under Israeli law and it holds the Company's proprietary cultivation technology and intangible assets, including, but not limited to, lighting technologies, soil and fertilizer improvements and technologies, watering technologies, optimization of the growing technique through automatization and cannabinoid extraction techniques. In addition, Isracann Agritech Ltd. intends to offer offtake agreements for the license of its brand or any established brand associated with Isracann Agritech Ltd.

*Isracann Administrative Services Ltd.*

Isracann Administrative Services Ltd. was incorporated on February 18, 2019 under Israeli law and focuses on administrative services. It provides administrative services to CCL, including, but not limited to, billing and collections functions, management of all cash receipts and disbursements, preparation and management of administrative and financial records and books of account relating to the business and financial affairs, preparation of tax reports, assistance with insurance application and administration, management of human resources (including making determinations as to the size, nature and identity of those employees to staff the business), administration of benefits plans, management of payroll and screening of employees and contractors.

***Cannisra Holdings Ltd.***

On January 27, 2019, Cannisra entered into an agreement (the "**Farm Agreement**") with a licensed farm (the "**JV Farmer**") to form a joint venture, focusing on the development of a cannabis cultivation operation in Nir, Israel (the "**Joint Venture**"). The Joint Venture, CCL, is set up so that the JV Farmer holds 26% ownership interest and Cannisra holds 74% ownership interest, which is the maximum foreign ownership allowed under Israeli law. Pursuant to the Farm Agreement, Cannisra and the JV Farmer will jointly establish a cannabis commercial operation. The Company acquired 99% ownership interest in Cannisra pursuant to a convertible loan agreement. See "*General Development of the Business – Significant Acquisitions – Acquisition of Isracann Holdings Inc. (formerly, Isracann Biosciences Inc.)*".

## **GENERAL DEVELOPMENT OF THE BUSINESS**

### **Summary**

During the three most recently completed financial years, the Company was engaged in the business of co-location and cloud computing services and Bitcoin mining. Due to the decline of, and instability in, the prices of cryptocurrencies globally in 2018, the Company was not able to profitably execute on its mining model and does not believe that prevailing market conditions and sentiment will adequately return shareholder value on any future expenditure in that business. Accordingly, the Company determined to shift its focus to the growing global cannabis sector, and accordingly completed the Isracann Acquisition. The Company has ceased its cloud computing business and all operations related to Bitcoin mining. The Company intends to dispose these assets in the near future.

## Three Year History

### During the Year ended May 31, 2017

On May 12, 2016, the Company substantially completed Phase 1 of a facility operating at a “Tier 2 data centre” level, including a major power upgrade, adding a generator and transfer switch, and adding power distribution and cooling connections.

On June 29, 2016 and July 22, 2016, the Company closed two tranches of a private placement of an aggregate of \$1,023,000 of convertible debentures (the “**Debentures**”). The Debentures bear interest at a rate of 9% per annum, calculated and payable semi-annually, mature 36 months from the date of issuance, and are convertible until maturity, at the option of the holder, into Common Shares at a conversion price of \$0.25 per Common Share. In connection with the private placement of Debentures, the Company issued 401,800 finders’ warrants to a finder. The proceeds of this private placement were used for Phase 2 of the buildout of the Tier 2 data centre, including the purchase and installation of 30 high density racks, fire suppression system, a security system, and a redundant cooling condenser.

### During the Year ended May 31, 2018

On October 30, 2017, the Company completed a non-brokered private placement of 49,999,997 special warrants (each a “**Special Warrant**”) at \$0.06 per Special Warrant, for aggregate gross proceeds of \$3,000,000 (the “**Special Warrants Financing**”). Each Special Warrant entitled the holder to receive, without payment of any additional consideration one unit of the Company on the earlier of: (i) four months and a day after closing; and (ii) the day a receipt is issued by the applicable securities commissions for a final prospectus which qualifies the issuance of the units. Each Unit consists of one Common Share and one Common Share purchase warrant. Each Common Share purchase warrant entitles the holder to acquire one additional Common Share at \$0.08 per Common Share for a period of 24 months following the date of issuance. On March 1, 2018, the Special Warrants were deemed exercised (under condition (i) above) and the Company issued an aggregate of 49,999,997 Units under the terms of the Special Warrants Financing.

On October 30, 2017, the Company issued 4,217,647 Common Shares to settle the aggregate principal of \$1,023,000 plus accrued interest of \$31,361.72 outstanding under the Debentures on June 29, 2016 and July 22, 2016.

On November 15, 2017, the Company announced a non-brokered private placement offering of up to 40,000,000 units of the Company, at a price of \$0.35 per unit for gross proceeds of up to \$14,000,000. Each unit consists of one Common Share and one Warrant. Each Warrant entitles the holder to acquire one additional Common Share at \$0.75 per Common Share for a period of 24 months from the date of issuance.

On December 5, 2017, the Company announced that it has engaged Invictus to provide investor relations services pursuant to an investor relations consulting agreement dated December 1, 2017 and granted Options to acquire up to 300,000 Common Shares at an exercise price of \$1.00 per Common Share.

On January 24, 2018, the Company acquired 1000 Antminer S9 bitcoin mining devices from Bitmain Technologies Ltd. for a total purchase price of USD\$2,380,000. Such bitcoin mining devices were installed in a co-location facility in Montana pursuant to the terms of a co-location agreement dated January 25, 2018 between the Company and an industry partner. As at the date hereof, mining operations have

ceased due to market conditions, unfavourable price of Bitcoin and rapid increase in mining difficulty rate. At the end of November 2018, all mining operation assets have been fully impaired.

On March 15, 2018, the Company announced that it closed its acquisition of all the issued and outstanding shares of MKH Electric City Holdings, LLC along with all its assets, including a 6,600-square-foot facility, located in Electric City, Washington, is less than five kilometres from the Grand Coulee dam, which impounds a sizable portion of the Columbia River. The Company acquired all the issued and outstanding shares of MKH Electric City Holdings, LLC for USD\$300,000, and the Company spent USD\$2.6 million in facility infrastructure costs and related expenses to retrofit the existing warehouse into a data centre.

#### **During the Year Ended May 31, 2019 and to the date of this AIF**

On July 18, 2018, the Company continued into the province of British Columbia and changed its name to “Atlas Blockchain Group Inc.” on July 27, 2018.

On October 11, 2018, the Company announced its intention to acquire all the issued and outstanding Isracann Holdings Shares from Isracann Holdings Shareholders. See “- *Significant Acquisitions - Acquisition of Isracann Holdings Inc. (formerly, Isracann Biosciences Inc.)*” below.

On October 16, 2019, the Company announced that it entered into agreements for marketing, communication, shareholder engagement and social media communications with the following service providers: CFN Media, Stonebridge Partners, Investing News Network, Business Television (BTV), Equity Guru, BlackX Management, Mountain Capital, and Invictus.

On November 6, 2019, the Company announced that it entered into an agreement for a marketing campaign with CDMG Inc. to raise public awareness of the Company.

#### *Isracann Holdings Inc. (formerly, Isracann Biosciences Inc.)*

From the date of incorporation (July 8, 2018) to the date of this AIF, Isracann Holdings has been largely engaged in completion of its initial corporate organization and financings and taking the initial steps to implement its business plan through the commencement of initial operations in Israel. Significant milestones during this period are as follows:

- Isracann Holdings entered into memorandums of understanding for the development of medical cannabis cultivation projects with three farms in Israel which all held preliminary breeding and cultivation licenses issued by the Israeli Ministry of Health. In January 2019, Isracann Holdings determined the memorandum of understanding with the JV Farmer would be the most feasible for the development of Isracann Holdings’ initial cannabis commercial operations in Israel and negotiated the Joint Venture and Convertible Loan structure. See “*General Development of the Business – During the Year Ended May 31, 2019 and to the date of this AIF – Cannisra Crops Ltd.*”;
- Isracann Holdings completed initial seed round financings in early 2019, raising \$630,000;
- Isracann Holdings has spent approximately \$189,000 towards the following work done on the Joint Venture in connection with building the Isracann Facilities and the various components of the final license application:

- *Architectural Design.* AgroPlan was retained to prepare the preliminary architectural design and engineering drawings, at a cost of \$27,000, for the cultivation and harvest facilities. To complete the work, AgroPlan completed a site survey to assess the topography, drainage, access to water, roads and electricity. Using this information, AgroPlan engineered site specific/project specific architectural plan.
- *Security Consultant.* AR Factor was retained, at a cost of \$28,000, to prepare the security design of the cultivation and harvest facilities. They reviewed the AgroPlan architectural plans and offered input to ensure the plans are suitable for and compliant with Israeli Medical Cannabis – Good Security Practices code (Yakar Directive 150). In addition to reviewing the architectural design, AR Factor was also contracted to write the required security plan for the site and as of the date of this AIF, the security plan is substantially completed.
- *Good Agriculture Practice/Good Manufacturing Practices Consultant.* Pinchas Danziger was retained, at a cost of approximately \$14,000, to prepare the Israeli Medical Cannabis – Good Agricultural Practices and Israeli Medical Cannabis – Good Manufacturing Practices design of the cultivation and harvest facilities. They reviewed the AgroPlan architectural plans and offered input to ensure the plans are suitable for and compliant with Israeli Medical Cannabis – Good Agricultural Practices code (Yakar Directive 151) and Israeli Medical Cannabis – Good Manufacturing Practices code (Yakar Directive 152). Pinchas Danziger was also contracted to write the growing and harvesting standard operating procedures and, as of the date of this AIF, the standard operating procedures are substantially complete.
- *Land Authority Permit.* The architectural design, made by AgroPlan and reviewed by AR Factor and Pinchas Danziger, was submitted to the Israeli Land Authority along with the application to use the land as a joint venture. The land was inspected by the Israeli Land Authority and any deficiencies were noted. The deficiencies included the existence of a legacy warehouse and outbuilding. The outbuilding was required to be demolished and the warehouse required permit payments. Total costs for rectification of these issues was approximately \$80,000. The work and the payment have been completed and the Israeli Land Authority has granted CCL the required permit to use the land.
- *Project Characterization.* LinC by Growing-Smart Technologies Ltd. was retained, at a cost of \$40,000, to complete the project characterization. The project characterization is an in depth and detailed document that describes the site specific seasonal climate conditions, including daily hours of sun, average daily/nightly high and low temperatures, daily humidity levels, and UV index levels. With that information, the project characterization determines necessary greenhouse environmental controls and equipment for dehumidification, air circulation, shading screens, active heating and cooling, and carbon dioxide enrichment. The project characterization was completed in July 2019.
- *Greenhouse Construction Proposals.* Two preliminary greenhouse construction proposals have been received, one from Yamko and one from Eisenberg Agri. The completion of the project characterization will ensure that the proposals include all of the project specific requirements.

## *Cannisra Crops Ltd.*

Isracann Holdings, through its subsidiaries, provides property development services, management and administrative services to CCL. CCL was formed on January 27, 2019 pursuant to the Farm Agreement. Pursuant to the Farm Agreement, the JV Farmer and Cannisra will work together to establish a cannabis commercial operation. CCL intends to build up to 230,000 ft<sup>2</sup> of outdoor greenhouses on the JV Farmer's 270,000 square feet of land. The JV Farmer is a seasoned farming company who holds breeding and cultivation licenses issued by the Israeli Ministry of Health expiring on November 13, 2019 and August 2, 2020, respectively. The JV Farmer is required to renew these licenses each year. Under the Farm Agreement, the JV Farmer agreed to bear the cost of hydro, electricity, property tax and other taxes associated with the licensed farm; while, Cannisra has agreed to finance the cost of the joint venture, other than the expenses that the JV Farmer has agreed to pay. Both the JV Farmer and Cannisra have agreed to work together to obtain the required licenses and to construct the greenhouses. On October 7, 2019, the Company converted the Convertible Loan under which it acquired a 99% ownership interest in Cannisra.

## **Significant Acquisitions**

### **Acquisition of Isracann Holdings Inc. (formerly, Isracann Biosciences Inc.)**

#### Securities Exchange Agreement

Effective March 12, 2019, the Company, Isracann Holdings and securityholders of Isracann Holdings entered into the Securities Exchange Agreement. On October 7, 2019, the Company acquired all of the outstanding Isracann Holdings Shares pursuant to which Isracann Holdings Shareholders received Common Shares in exchange for their Isracann Holdings Shares. Following the Isracann Acquisition, the Company became the sole registered owner of all of the outstanding Isracann Holdings Shares.

Pursuant to the Securities Exchange Agreement, Isracann Holding Shareholders received one Common Share for each Isracann Holding Share held at the closing of the Isracann Acquisition, on a post-Consolidation basis. In addition, on the Closing Date, all outstanding Isracann Holdings Warrants and Isracann Holdings Options were cancelled in exchange for replacement warrants of the Company (the "**Replacement Warrants**") and replacement options (the "**Replacement Options**") of the Company, as applicable. The Replacement Warrants and the Replacement Options allow the holder to purchase Common Shares and the number of Common Shares and the exercise price were adjusted in accordance with the terms governing the Isracann Holdings Warrants and Isracann Holdings Options, as applicable, and in accordance with the Securities Exchange Agreement. Subject to the above, the Replacement Warrants and the Replacement Options have the same terms and conditions of the Isracann Holdings Warrants and Isracann Holdings Options, as applicable, that were in effect on the Closing Date.

The Isracann Acquisition was subject to the closing of the Subscription Receipt Financing, the completion of the Consolidation, receipt of all applicable approvals, including shareholder approval and conditional approval from the CSE, and other customary closing conditions.

On July 5, 2019, the Company obtained shareholder approval for the Isracann Acquisition at the annual general and special meeting of shareholders. On September 23, 2019, the Company received conditional approval from the CSE for the Isracann Acquisition.

The Company issued an aggregate of 46,680,000 Common Shares to the Isracann Holdings Shareholders, 28,000,000 Replacement Warrants to the holders of Isracann Holdings Warrants and 4,000,000 Replacement Options to the holders of Isracann Holdings Options.

Certain Common Shares issued to the Isracann Holdings Shareholders were subject to escrow conditions and applicable resale restrictions as required by applicable securities laws and applicable stock exchange rules. See "*Escrowed Securities*".

The description of the Securities Exchange Agreement in this AIF contains a summary of the material terms of the Securities Exchange Agreement, but it is not exhaustive and is qualified in its entirety by reference to the terms of the Securities Exchange Agreement, which is available on the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com) and which is incorporated by reference herein.

#### Subscription Receipt Financing

Prior to entering into the Securities Exchange Agreement, the Company announced a non-brokered private placement of Subscription Receipts at a price of \$0.17 per Subscription Receipt for total gross proceeds of at least \$5 million. Each Subscription Receipt entitles the holder to receive, without payment of additional consideration or taking of further action, one Unit upon the occurrence of the Escrow Release Conditions. Each Unit consisted of one Common Share and one Warrant. Each Warrant entitles the holder thereof to acquire an additional Common Share at \$1.02 any time for two years from the date of issuance. The Subscription Receipt Financing closed in two tranches: (i) the first tranche closed on January 11, 2019 for total gross proceeds of approximately \$5.2 million; and (ii) the second tranche closed on May 15, 2019 for total gross proceeds of approximately \$4.9 million.

The gross proceeds from the Subscription Receipt Financing were deposited with Computershare in escrow and were released to the Company on September 30, 2019 upon the Company meeting all the of the escrow release conditions. The holders of Subscription Receipts were issued the Units on September 30, 2019.

#### Consolidation

On October 7, 2019, the Company consolidated its issued and outstanding share capital at a ratio of three old Common Shares for every one new Common Share. The Common Shares that were issued in connection with the Isracann Acquisition were issued on a post-Consolidation basis.

#### Convertible Loan and Acquisition of Cannisra

On July 16, 2019, the Company entered into a convertible loan agreement with Cannisra for the loan of up to CAD\$3,000,000 (the "**Convertible Loan**"). The Convertible Loan had a maturity date on December 31, 2020 and bear interest at a rate of 6% per annum accruing on a daily basis on the loan amount outstanding. The Convertible Loan was convertible at any time, at the option of the Company, into Ordinary Shares of Cannisra comprising approximately 99% of the equity of Cannisra in lieu of partial or whole repayment of the outstanding loan amount. The Company converted the Convertible Loan on October 7, 2019, prior to the Closing of the Isracann Acquisition.

#### Bridge Loan

On March 6, April 17, 2019 and August 29, 2019, the Company entered into a bridge loan agreement with Isracann Holdings in the aggregate principal amount of \$200,000, \$300,000 and \$150,000, respectively.

The bridge loan was secured by a promissory note and upon closing of the Isracann Acquisition, the bridge loan was forgiven.

## OVERVIEW OF BUSINESS

The principal business carried on by the Company, through its operating subsidiaries, is medical cannabis cultivation to provide products to the Israeli medical cannabis market. The Company may consider exporting medical cannabis products to Germany when the Israeli government begin granting medical cannabis export permits, which the Israeli government has advised to occur in early 2020. There is no guarantee that the Israeli government shall begin issuing medical cannabis export permits on the timeline anticipated, or at all. See *“Overview of Business - Regulatory Overview in Israel”*.

### Facilities

The Company intends to build four greenhouses (the **“Isracann Facilities”**). Phase I involves the build out of two Isracann Facilities that total 115,000 square feet. Phase II involves another two Isracann Facilities that total 115,000 square feet. Each of the Isracann Facilities is 57,500 square feet with an estimated annual production capacity of 5,750 kg of dried cannabis flower. The Isracann Facilities will be built to comply with the Israeli Medical Cannabis Good Agricultural Practices and Good Security Practices.

With respect to Phase I, Isracann is planning the construction of two outdoor Isracann Facilities in Nir, Israel. Isracann estimates that it will take six months to complete Phase I. Isracann has secured finalized engineering drawings from Agroplan Israel, an architectural cannabis design firm, and cost estimates from multiple cannabis specialty greenhouse construction firms within Israel and abroad that specialize in the design, constructing, implementing and supporting agricultural projects in cannabis.

Each Isracann Facility will be a highly ventilated model with curtains on all four sides of the structure featuring vaulted roofs. The structural designs are in accordance with the Israeli standards (steel structure code 1225, load standards 412/1992 and 414/1982). The preliminary design was approved by the Israeli Ministry of Agriculture & Rural Development. The two Isracann Facilities for Phase I will have an eight foot tall fence surrounding the facilities with an electronic gate for vehicular access for added security. A closed circuit television system will be installed to comply with Israeli Medical Cannabis Agency regulations. The scope of the project will also include a packing facility with offices and a post-harvest area totaling 6,500 square feet. The office area will also include a built-in kitchen for employees. The post-harvest warehouse facility includes a drying room and a curing and trimming room.

The roof of the Isracann Facilities will be made of polyethylene sheets designed specifically for cannabis cultivation and takes advantage of the sunlight exposure in Israel. The Isracann Facilities’ cooling and ventilation system utilizes three types of fans that help control temperature, humidity, and radiation in the Isracann Facilities. Within each Isracann Facility approximately 50% of the square footage will be allotted to propagation and vegetation. The propagation section of the facility will have designated areas for cloning and mother plants. The propagation section of the greenhouses will be equipped with a signal lighting system. The fixtures will be LED lights hung on electricity cables with spacing of two meters apart.

The Company expects to begin construction of Phase I in the fourth quarter of 2019 and cultivation is expected to begin by the end of the first quarter of 2020. The Company’s first harvest is expected for the fourth quarter of 2020.

## Principal Products or Services

Through CCL, the Company plans to use the Isracann Facilities for the cultivation of cannabis plants. The Company is focused on becoming a supplier of high-quality dried cannabis flowers in Israel.

In addition, the Company, through its wholly-owned subsidiaries, will provide a range of services to CCL, including property development services, facility design and construction services, cultivation and processing services, administrative services and technology licensing. See *“Corporate Structure – Intercorporate Relationships”*.

## Intangible Properties

The Company currently relies on trade secrets and proprietary knowledge with respect to cultivation methods.

## Cycle

The output of the Isracann Facilities may be affected by seasonable changes in weather.

## Environmental Protections

The operation of the Company’s business has no extraordinary environmental protection requirements. As a result, the Company does not anticipate that any environmental regulations or controls will materially affect its business.

## Branding and Marketing

The Company intends to establish individual sales representatives to approach manufacturers and through building relationships with these firms, convert them into long-term contract customers.

The main target market for the Company are manufacturers or processors of cannabis products, which require a legal, safe, high-quality and consistent supply of product. The Company’s marketing efforts will be focused on educating manufacturers and processors of the Company’s product quality.

The Company plans to create an information-based website on the topic of dried cannabis flower and the unique characteristics of different strains, which will aim to educate its customers on the content, potency, and quality of the Company’s product.

The Company anticipates the marketing strategy and tactics will evolve over time as its product line gains momentum in sales and identify appropriate channels and media that align with the Company’s long-term objectives. In all of its efforts, the Company will focus on educating its customers on the benefits that differentiate the Company’s products from those of its competitors.

The Company’s marketing strategies are described as follows:

- ✓ **Direct Sales:** To address and penetrate a large group of manufacturers/processors, the Company plans to establish a sales force that will allow the Company to initiate connections with them. By working with manufacturers and processors, the Company can better focus on developing different strains that are suitable for various illnesses/conditions. The direct sales strategy plays a significant role in creating distribution channels and acquiring sales partners as the Company’s quality cannabis flower can be made into various products that address patients’ needs and boost the manufacturers’ sales.

- ✓ **Earned Media:** The Company intends to provide media releases/kits and undertake media relations initiatives to begin getting the Company concept into the public consciousness.
- ✓ **Conferences and trade shows:** The Company will attend industry-related trade shows and conferences to benefit from latest news and emerging trends in the industry. Furthermore, conferences and trade shows may serve as a great network for seeking further distribution channels and partnerships.

## Market Overview

### Israel

Israel has a rich background in cannabis research. In the 1990's, the Israeli government allowed medical cannabis licenses to be issued following petitions by patients to the Supreme Court. In August, 2011, the Israeli Medical Cannabis Agency ("IMCA"), was established as the government body responsible for regulatory oversight of all medical aspects of the cannabis sector, including any related licensing program. IMCA is an agency overseen by the Ministry of Health.

Until April, 2018, medical cannabis patients were required to obtain a permit from IMCA and then purchase cannabis directly from licensed suppliers. IMCA would also review and approve each prescription before distribution was authorized. However, during the last year, IMCA has overseen a transition in regulatory oversight of distribution and patients may now receive a prescription directly from a physician and then have it filled at a pharmacy. The intention is to have only pharmacies provide the product, with the exception of licensed entities shipping directly to the patient.

Israel has a population of approximately 9-million with an estimated 30,000 to 38,000 medical cannabis patients.<sup>1</sup> That number is expected to grow but estimates regarding the final number vary significantly, between 65,000 and 250,000 patients by 2024 (assuming current population).<sup>2</sup> Medical cannabis protocols in Israel are strict and physicians are being trained to understand better the medical benefits of cannabis, a challenge in all western countries. However, Israel is also increasing the range of medical conditions which may be treated by this substance which could also increase the domestic market size.

In January 2019, the Israeli government approved the export of medical cannabis products from Israel. This much-anticipated development has led to renewed foreign interest in the Israeli domestic market.

In 2017, the Ministry of Finance and the Ministry of Health estimated exports would generate annual revenues between \$362.1 million to \$1.4 billion.<sup>3</sup> The bill received approval from Israeli cabinet ministers and Prime Minister Benjamin Netanyahu on January 27, 2019, during a cabinet meeting. Reportedly, the Ministry of Health has also received over 1,000 applications from individuals and businesses waiting to work in Israel's cannabis export industry.<sup>4</sup> Regulatory provisions relating to export impact several

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<sup>1</sup> The Times of Israel, "Israeli regulation sputters as Canada gives green light to cannabis", (2018), online: <<https://www.timesofisrael.com/israeli-regulation-sputters-as-canada-gives-green-light-to-cannabis/>>.

<sup>2</sup> The Jerusalem Post, "Ready to Grow: Israeli Companies Eager to Join Global Cannabis Boom", (2018), online: <https://www.jpost.com/Israel-News/Ready-to-grow-Israeli-companies-eager-to-join-global-cannabis-boom-567850>>.

<sup>3</sup> State of Israel Ministry of Health - The Interministerial Committee of the Ministry of Finance and the Ministry of Health recommends allowing the export of cannabis for medical purposes, (2017).

<sup>4</sup> The Times of Israel, "Israeli regulation sputters as Canada gives green light to cannabis", (2018), online: <<https://www.timesofisrael.com/israeli-regulation-sputters-as-canada-gives-green-light-to-cannabis/>>.

ministries and the government has indicated that it will take at least eight months to phase in all aspects, anticipating initial medical cannabis exports to occur at the end of 2019, earliest.

## **Germany**

In Europe, the primary market for cannabis exports is Germany, a sizable market with a population of 82.7 million<sup>5</sup>. High Times<sup>6</sup> notes an estimated 40,000 patients are currently prescribed cannabis by doctors in Germany. Industry participants estimate this number could eventually reach 1.0 million in Germany and 5.0 million across the European Union.<sup>7</sup> Patients are estimated to spend anywhere from \$6,817 (€4,500) to \$45,447 (€30,000) a year on medical cannabis, which would place the European Union market somewhere between \$6.8 billion and \$227.2 billion.<sup>8</sup>

According to Marijuana Business Daily<sup>9</sup>, total cannabis sales covered by health insurance in Germany exceeded \$75 million (€50 million) for the first nine months of 2018.

Currently, Germany imports cannabis from the Netherlands and Canada, the two other countries in the world that allow cannabis exports. With the approval of the medical cannabis export law, Israel is set to become the third country in the world to allow medical cannabis exports.

Germany legalized medical marijuana in March of 2017. Prohibition Partners estimates the German medical cannabis market reached \$201 million in 2018 and has the potential to grow to \$11.6 billion by 2028, increasing up to \$24.5 billion if recreational cannabis is factored in.<sup>10</sup> The German Federal Institute for Drugs and Medical Devices (“BfArM”) launched a second cannabis tender in July 2018, calling for cannabis growers to apply for Germany’s first legal cultivation licenses. The BfArM aims to select at least three suppliers that will in total provide 10,400 kg of cannabis for the country. According to the Financial Post<sup>11</sup>, 118 companies had applied to the first cannabis tender before it was cancelled due to rumored mishandling of applications. Industry participants estimate fewer than 10 companies qualified through to the second stage of the bid. Many applicants included large Canadian licensed cultivators and their German subsidiaries. In May 2019, BfArM announced the final results of the domestic cultivation application process and awarded the licenses to three companies.

## **Regulatory Overview in Israel**

In March 2017, the Israeli Health Ministry announced a new cannabis licensing regime, under which new market entrants were encouraged to apply for various licenses which were no longer vertically integrated. Previously, in June 2016, alongside the growing use and demand for medical cannabis, the Israeli government published Resolution No. 1587, which established a new regulatory framework for the “medicalization” of cannabis. The competent regulatory authority in Israel is the Yakar, the medical cannabis unit within the Israeli Health Ministry.

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<sup>5</sup> Worldometers – Germany Population

<sup>6</sup> High Times, “Canadian companies lighting up the German cannabis market”, (2018), online: <<https://www.handelsblatt.com/today/companies/high-times-canadian-companies-lighting-up-the-german-cannabis-market/23583794.html?ticket=ST-18415703-BvBtbNuWnFq1IMLe59P3-ap3>>.

<sup>7</sup> *Ibid.*

<sup>8</sup> *Ibid.*

<sup>9</sup> Marijuana Business Daily, “Growth slows for German medical cannabis market in third quarter”, (2018), online: <<https://mjbizdaily.com/growth-slows-german-medical-cannabis-third-quarter/>>.

<sup>10</sup> Prohibition Partners - THE EUROPEAN CANNABIS REPORT™ 4TH EDITION

<sup>11</sup> Financial Post - Germany relaunches cannabis tender after scuttling first bid

Since March 2017, the Yakar has issued a number of provisional cultivation licenses to applicants to develop production facilities. Final approvals for all stages of the cultivation, production, marketing and distribution of cannabis products are subject to compliance with all regulatory requirements. This process involves agricultural, security and production protocols and standards. Once applicants have completed construction of their production facilities and meet all required agricultural and security rules, the Yakar will grant approval to commence and conduct actual cannabis operations.

In December 2018, the Knesset approved an amendment to the Dangerous Drugs Ordinance – 1973, which, amongst other matters, regulates medical cannabis (the “**Dangerous Drugs Ordinance Amendment**”) and came into force on May 1, 2019. The Dangerous Drugs Ordinance Amendment sets the authorities and enforcement responsibilities of each of the Israeli Health Ministry and the Israeli Police relating to the matter. The Dangerous Drugs Ordinance Amendment provides that the Director General of the Israeli Health Ministry (or his or her designee) has the authority to grant licenses to engage in the various stages of cultivating, developing and commercializing cannabis, based on his/her discretion. The grant of any such licenses will be conditioned upon meeting certain security and protection conditions to be set by an authorized officer of the Israeli Police. Further, the Director General of the Israeli Health Ministry (or his or her designee) may grant any license for cannabis operations only after the authorized officer of the Israeli Police has recommended and approved the grant of such license.

In order to enforce the provisions of the Dangerous Drugs Ordinance Amendment, the Israeli Police has the authority, in respect of any given license holder, to enter into its place of business, carry out necessary examinations, demand documents from and, if needed, act in order to halt the activity of the license holder’s operations.

In January 2019, the Israeli government approved the export of medical cannabis products from Israel (the “**Israeli Government Export Approval**”). As part of the Israeli Government Export Approval, the Israeli government decided to allow medical cannabis license holders that meet the quality standards set forth in Resolution No. 1587 for the applicable stages (cultivation, production, storage, distribution and security) for which they received a license, to export medical cannabis products under the strict supervision of the Israeli authorities. Export licenses may be granted for a limited period and may be canceled at any time or not extended upon expiration. Pursuant to the Israeli Government Export Approval a medical cannabis license holder may apply for an export license, provided that such holder meets all the export requirements (including the requirement applicable to the export of dangerous drugs and plant substances). The Israeli Health Ministry will only allow the export of products that meet the standards relating to products that can be directly marketed to patients (including smoking products, such as dried cannabis flowers, oils, and vaporizer products). Export of plant substances (i.e. seeds, tissue cultures) will not be permitted. As of the date of the AIF, the Israeli government has not granted any medical cannabis export permits as the affected ministries need to incorporate the changes to their regulations.

The Israeli Government Export Approval sets forth that export will only be permitted to those countries that have signed the United Nations Single Convention on Narcotic Drugs of 1961 (the “**UN Single Convention**”), and that have explicitly approved the import of cannabis.

On July 27, 2018, a bill to decriminalize the adult-use of cannabis, imposing fines rather than criminal penalties for first- and second-time possession offenses, was passed by the Knesset. The bill came into force on April 1, 2019 and will be in effect until March 31, 2022.

## Licensing and Authorization

An entity that wants to operate in the medical cannabis field may operate exclusively in one of the following sectors (and shall obtain a specific license for such sector): (i) breeding of medical cannabis; (ii) cultivation of medical cannabis; (iii) manufacturing of medical cannabis related products; or (iv) distribution of medical cannabis products. The Company has applied for breeding and cultivation licenses.

A summary of the authorization process is provided below. However, each regulatory step or certification may require the applicant to provide Yakar with additional information, authorizations, permits and/or approvals from different governmental bodies.

### 1. Application and approval for preliminary licenses and permits to act in the cannabis field

As a preliminary step prior to applying for any of the licenses detailed below, an applicant must first apply for a preliminary license and a permit to act in the cannabis field in which the applicant is required to declare for which licenses it intends to apply for. These preliminary licenses are granted to successful applicants who may construct facilities for cannabis operations. Applicants at this stage are not yet officially permitted to propagate, cultivate, process or distribute cannabis until the nursery, cultivation and manufacturing facilities are constructed and pass inspections by the Yakar.

Yakar granted the JV Farmer preliminary licenses for breeding and cultivation licenses for medical cannabis. The issuance of the preliminary licenses does not guarantee that the JV Farmer will receive the final licenses and there is no assurance that the JV Farmer will be able to obtain such licenses on commercially reasonable terms.

### 2. Application for land use approval

The CCL needs to obtain an approval of "exceptional use of the land" pursuant to Israel's Agricultural Settlement Law (Restrictions on the Use of Agricultural Land and Water). The approval allows CCL to construct the cultivation facilities on the licensed farm. The time estimate for receiving such an approval is about 45 days from the date of submission. CCL has submitted its application on September 23, 2019.

### 3. Transfer of Preliminary Licenses

Pursuant to the Farm Agreement, upon receiving the land use approval, the JV Farmer will submit an application to Yakar to transfer the licenses to CCL. This involves a review of the ownership structure and a series of background and security checks of the Company's management team. It is estimated that approval will take four months.

### 4. Planning, design and construction of the medical cannabis site

After receiving the approval of the application for the preliminary license, the applicant will be able to initiate the process of planning, design and construction/adjustment of the medical cannabis site for which the preliminary license has been issued.

The preliminary design has been completed and approved by the Ministry of Agriculture.

## 5. Construction of Isracann Facility

After construction of the Isracann Facility (for breeding and cultivation operations), the Isracann Facility will be inspected by the Yakar against various requirements and protocols set out in the directives promulgated under Resolution No. 1587. The Isracann Facility will need to comply with Directive 151 - Good Agricultural Practices Standard, which sets the norms and standards for growing medical cannabis, and Directive 150 – Good Security Practices Standard, which sets the norms and standards for the security and protection measures that must be undertaken throughout the entire supply chain of medical cannabis.<sup>12</sup> It is estimated that it would take about three months to obtain approval.

## 6. Obtain final approval for license.

Once the above steps have been completed, CCL will submit its final documents to Yakar. It is expected approval will take about six weeks.

Based on the foregoing summary, the time estimate for CCL's license process from the current preliminary license to a final permit, is approximately 10 months. The actual time estimate may be longer if the review process takes longer or there are unexpected delays. There is no assurance that CCL will be able to meet the timeline as noted above.

### **Regulatory Overview in Germany**

On March 10, 2017, significant changes to the German Federal Law on Narcotic Drugs (“**BtMG**”) as well as changes of other related legal rules entered into force. The new standards now allow the prescription of medical cannabis in Germany. This changes the overall legal framework for importing, trading and cultivating cannabis as well as the import and trade of cannabinoids into and within Germany. For the import of cannabis into Germany, various permits under German drug and narcotics law are required.

The current regulatory regime in Germany permits the import of cannabis plants and plant parts for medical purposes under state control subject to the requirements under the UN Single Convention. Current German legislation does not set up quantitative restrictions on imports, but requires importers to be licensed under the BtMG. A person wishing to cultivate, produce or trade in narcotic drugs, or without engaging in their trade, to import, export, supply, sell, otherwise place on the market, or acquire narcotic drugs, requires a license issued by the BfArM. In addition to a narcotics import license, an importer is required to submit an application for import authorization to the BfArM. Import permits are issued on a shipment-specific basis and usually have a three-month validity period (six months for seaborne import). Medical cannabis imported under the UN Single Convention subject to a license under the BtMG is placed on the market for the final consumer by pharmacists as individual preparation upon individual prescription.

The Company intends to export medical cannabis products to companies that have import licenses under the BfArM once the Israeli government begins granting medical cannabis export permits. Israeli government has indicated that it will take at least eight months for the regulatory provisions relating to export to be phased into all affected ministries. There is no guarantee that the Israeli government will begin granting medical cannabis export permits in the timeframe anticipated, or at all.

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<sup>12</sup> Directive 150 [Hebrew] – [https://www.health.gov.il/hozer/mmk150\\_2016.pdf](https://www.health.gov.il/hozer/mmk150_2016.pdf)

## **No U.S. Cannabis-Related Activities**

The Company does not currently have, and is not in the process of developing, cannabis-related practices or activities in the United States, including the cultivation, possession or distribution of cannabis.

## **RISK FACTORS**

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

### **Risks Related to the Company's Business**

#### *New Business Area and Geographic Market, and the Company's Ability to Implement the Business Strategy in this Area or Market*

The Company's growth strategy is dependent upon expanding its product and service offerings into a new business area or a new geographic market. There can be no assurance that the new business area and geographic market will generate the anticipated clients and revenue. In addition, any expansion into a new business area or geographic market could expose the Company to new risks, including compliance with applicable laws and regulations, changes in the regulatory or legal environment; different customer preferences or habits; adverse exchange rate fluctuations; adverse tax consequences; differing technology standards or end-user requirements and capabilities; difficulties staffing and managing foreign operations; infringement of third-party intellectual property rights; adapting its products for new markets; difficulties collecting accounts receivable; or difficulties associated with repatriating cash generated or held abroad in a tax-efficient manner.

When Israeli government begins granting medical cannabis export permits, the Company intends to apply for such permit to export medical cannabis to Germany. However, until such time export permits are granted, the Company expects that all of its future revenue will be derived from its business operations in Israel. Execution of this business strategy is subject to a variety of risks, including operating and technical problems, regulatory uncertainties and possible delays.

The growth and expansion of the Company's business is heavily dependent upon the successful implementation of the Company's business strategy. There can be no assurance that the Company will be successful in the implementation of its business strategy. These factors could cause the Company's expansion into a new business area or into Israel to be unsuccessful or less profitable or could cause the Company's operating costs to increase unexpectedly or its sales to decrease, any of which could have a material adverse effect on the Company's prospects, business, financial condition or results of operations. In addition, there can be no assurance that laws or administrative practices relating to taxation, foreign exchange or other matters in Israel within which the Company intends to operate will not change. Any such change could have a material adverse effect on the Company's business, financial condition and results of operations.

### *New Industry and Market*

The cannabis industry and market are relatively new in Israel, and this industry and market may not continue to exist or grow as anticipated or the Company may ultimately be unable to succeed in this new industry and market. These licensed producers are operating in a relatively new cannabis industry and market. The licensed producers are subject to general business risks, as well as risks associated with a business involving an agricultural product and a regulated consumer product. The Company holds a controlling interest in an applicant to be a licensed cultivation and breeding facility in Israel. Within Israel, the Company intends to sell and market its cannabis products. To this extent the Company needs to build brand awareness in this industry, and in the markets it operates in through significant investments in its strategy, its production capacity, quality assurance, and compliance with regulations. These activities may not promote the Company's brand and products as effectively as intended, or at all. Competitive conditions, consumer tastes, patient requirements and spending patterns in this new industry and market are relatively unknown and may have unique circumstances that differ from existing industries and markets. There are no assurances that this industry and market will continue to exist or grow as currently estimated or anticipated, or function and evolve in a manner consistent with management's expectations and assumptions. Any event or circumstance that affects the medical cannabis industry and market could have a material adverse effect on the Company's business, financial condition and results of operations.

### *Reliance on Licenses and Authorizations*

The Company's ability to grow, store and sell cannabis in Israel is dependent on the Company's ability to sustain and/or obtain the necessary licenses and authorizations by certain authorities in Israel. The impact of the compliance regime, any delays in obtaining, or failure to obtain or keep the regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the business, results of operations and financial condition of the Company.

The licenses and authorizations are subject to ongoing compliance and reporting requirements and the ability of the Company to obtain, sustain or renew any such licenses and authorizations on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable authorities or other governmental agencies in Israel and potentially in other foreign jurisdictions. Failure to comply with the requirements of the licenses or authorizations or any failure to maintain the licenses or authorizations would have a material adverse impact on the business, financial condition and operating results of the Company.

Although the Company believes that it will meet the requirements to obtain, sustain or renew the necessary licenses and authorizations, there can be no guarantee that the applicable authorities will issue these licenses or authorizations. Should the authorities fail to issue the necessary licenses or authorizations, the Company may be curtailed or prohibited from the production and/or distribution of cannabis or from proceeding with the development of its operations as currently proposed and the business, financial condition and results of the operation of the Company may be materially adversely affected.

*There is no assurance that the Isracann Facilities will operate as intended or that the projected revenues will be achieved.*

The Company's initial state of its business operation is to obtain its permit and licenses to construct its initial Isracann Facility. However, the Company has yet to complete construction of any Isracann Facilities. Accordingly, this component of the Company's business plan is subject to considerable risks, including:

- there is no assurance that the Isracann Facilities will achieve the intended cannabis production rates;
- the costs of constructing and operating the Isracann Facilities may be greater than anticipated and the Company may not be able to recover these greater costs through increases in cannabis production;
- the potential distribution or manufacturer partners who have indicated a willingness to purchase our cannabis products may withdraw if our first crop of cannabis plant is not harvested by the anticipated timeline; and
- the revenues from the sales of the cannabis products may be less than anticipated.

#### *Change of Cannabis Laws, Regulations, and Guidelines*

Cannabis laws and regulations are dynamic and subject to evolving interpretations which could require the Company to incur substantial costs associated with compliance or alter certain aspects of its business plan. It is also possible that regulations may be enacted in the future that will be directly applicable to certain aspects of the Company's business. The Company cannot predict the nature of any future laws, regulations, interpretations or applications, nor can it determine what effect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on the Company's business. Management expects that the legislative and regulatory environment in the cannabis industry in Israel and internationally will continue to be dynamic and will require innovative solutions to try to comply with this changing legal landscape in this nascent industry for the foreseeable future. Compliance with any such legislation may have a material adverse effect on the Company's business, financial condition and results of operations.

Public opinion can also exert a significant influence over the regulation of the cannabis industry. A negative shift in the public's perception of the cannabis industry could affect future legislation or regulation in different jurisdictions, including in Israel and other European countries that Company plans to distribute its cannabis products.

#### *Uncertain Demand for Cannabis and Derivative Products*

The legal cannabis industry in Israel is at an early stage of its development. Consumer perceptions regarding legality, morality, consumption, safety, efficacy and quality of medicinal cannabis are mixed and evolving and can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medicinal cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the medicinal cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or

that question, earlier research reports, findings or publicity, could have a material adverse effect on the demand for medicinal cannabis and on the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding cannabis in general, or associating the consumption of medicinal cannabis with illness or other negative effects or events, could have such a material adverse effect. Public opinion and support for medicinal cannabis use has traditionally been inconsistent and varies from jurisdiction to jurisdiction. The Company's ability to gain and increase market acceptance of its business may require substantial expenditures on investor relations, strategic relationships and marketing initiatives. There can be no assurance that such initiatives will be successful and their failure to materialize into significant demand may have an adverse effect on the Company's financial condition.

### *Product Liability*

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

### *Product Recalls*

Distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure. If any of the Company's products are recalled due to an alleged product contamination or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin, or at all. In addition, a product recall may require significant management attention. Although the Company has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if the Company's products are subject to recall, the reputation of the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by regulatory

agencies, requiring further management attention, potential loss of applicable licenses, and potential legal fees and other expenses.

### *Regulatory Compliance Risks*

Achievement of the Company's business objectives is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Company may not be able to obtain or maintain the necessary licenses, permits, quotas, authorizations or accreditations to operate its business, or may only be able to do so at great cost. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by local governmental authorities.

The officers and directors of the Company must rely, to a great extent, on the Company's Israeli legal counsel, local consultants retained by the Company and its management team in Israel, including its COO and Chief Agronomist, in order to keep abreast of material legal, regulatory and governmental developments as they pertain to and affect the Company's business operations, and to assist the Company with its governmental relations.

The Company will also rely on the advice of local experts and professionals in connection with any current and new regulations that develop in respect of banking, financing and tax matters in Israel. Any developments or changes in such legal, regulatory or governmental requirements or in local business practices in Israel are beyond the control of the Company and may adversely affect its business.

The Company will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The Company may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

### *Retention and Acquisition of Skilled Personnel*

The loss of any member of the Company's management team, could have a material adverse effect on its business and results of operations. In addition, the inability to hire or the increased costs of hiring new personnel, including members of executive management, could have a material adverse effect on the Company's business and operating results. The expansion of marketing and sales of its products will require the Company to find, hire and retain additional capable employees who can understand, explain, market and sell its products. There is intense competition for capable personnel in all of these areas and the Company may not be successful in attracting, training, integrating, motivating, or retaining new personnel, vendors, or subcontractors for these required functions. New employees often require significant training and in many cases, take a significant amount of time before they achieve full productivity. As a result, the Company may incur significant costs to attract and retain employees, including significant expenditures related to salaries and benefits and compensation expenses issued in connection to equity awards, and may lose new employees to its competitors or other companies before

it realizes the benefit of its investment in recruiting and training them. In addition, as the Company moves into new jurisdictions, it will need to attract and recruit skilled employees in those new areas.

#### *Risks Inherent in an Agricultural Business*

The Company's business involves the growing of cannabis, which is an agricultural product. The occurrence of severe adverse weather conditions, especially droughts or floods is unpredictable, may have a potentially devastating impact on agricultural production, and may otherwise adversely affect the supply of cannabis. Adverse weather conditions may be exacerbated by the effects of climate change and may result in the introduction and increased frequency of pests and diseases. The effects of severe adverse weather conditions may reduce the Company's yields or require the Company to increase its level of investment to maintain yields. Additionally, higher than average temperatures and rainfall can contribute to an increased presence of insects and pests, which could negatively affect cannabis crops. Future droughts could reduce the yield and quality of the Company's cannabis production, which could materially and adversely affect the Company's business, financial condition and results of operations.

The occurrence and effects of plant disease, insects and pests can be unpredictable and devastating to agricultural operations, potentially rendering all or a substantial portion of the affected harvests unsuitable for sale. Even when only a portion of the production is damaged, the Company's results of operations could be adversely affected because all or a substantial portion of the production costs may have been incurred. Although some plant diseases are treatable, the cost of treatment can be high and such events could adversely affect the Company's operating results and financial condition. Furthermore, if the Company fails to control a given plant disease and the production is threatened, the Company may be unable to adequately supply its customers, which could adversely affect its business, financial condition and results of operations. There can be no assurance that natural elements will not have a material adverse effect on production.

#### *Supply of Cannabis Seeds*

If for any reason the supply of cannabis seeds is ceased or delayed, the Company would have to seek alternate suppliers and obtain all necessary authorization for the new seeds. If replacement seeds cannot be obtained at comparable prices, or at all, or if the necessary authorizations are not obtained, the Company's business, financial condition and results of operations would be materially and adversely affected.

#### *Limited Operating History*

The Company was previously in the business of cloud computing and Bitcoin mining. Upon completion of the Isracann Acquisition, the Company continued the business of Isracann Holding. As a result, the Company has a limited operating history in the cannabis commercial cultivation space upon which its business and future prospects may be evaluated. The Company will be subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that it will not achieve its operating goals. In order for the Company to meet its future operating requirements, the Company will need to be successful in its growing, marketing and sales efforts of its cannabis products. Additionally, where the Company experiences increased sales, the Company's current operational infrastructure may require changes to scale the Company's business efficiently and effectively to keep pace with demand, and achieve long-term profitability. If the Company's products are not accepted by new partners, the Company's operating results may be materially and adversely affected.

### *Managing Growth*

In order to manage growth and changes in strategy effectively, the Company must: (a) maintain adequate systems to meet customer demand; (b) expand sales and marketing, distribution capabilities, and administrative functions; (c) expand the skills and capabilities of its current management team; and (d) attract and retain qualified employees. While it intends to focus on managing its costs and expenses over the long term, the Company expects to invest its earnings and capital to support its growth, but may incur additional unexpected costs. If the Company incurs unexpected costs it may not be able to expand quickly enough to capitalize on potential market opportunities.

### *Legal and Regulatory Proceedings*

From time to time, the Company may be a party to legal and regulatory proceedings, including matters involving governmental agencies, entities with whom it does business and other proceedings arising in the ordinary course of business. The Company will evaluate its exposure to these legal and regulatory proceedings and establish reserves for the estimated liabilities in accordance with generally accepted accounting principles. Assessing and predicting the outcome of these matters involves substantial uncertainties. Unexpected outcomes in these legal proceedings, or changes in management's evaluations or predictions and accompanying changes in established reserves, could have an adverse impact on the Company's financial results.

The Company's participation in the cannabis industry may lead to litigation, formal or informal complaints, enforcement actions, and inquiries by third parties, other companies and/or various governmental authorities against the Company. Litigation, complaints, and enforcement actions involving the Company 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.

### *Insurance Coverage*

The Company's production is, in general, subject to different risks and hazards, including adverse weather conditions, fires, plant diseases and pest infestations, other natural phenomena, industrial accidents, labour disputes, changes in the legal and regulatory framework applicable to the Company and environmental contingencies.

The Company's insurance may cover only part of the losses it may incur and does not cover losses on crops due to drought or floods. Furthermore, certain types of risks may not be covered by the policies that the Company may holds. Additionally, any claims to be paid by an insurer due to the occurrence of a casualty covered by the Company's policies may not be sufficient to compensate the Company for all of the damages suffered. The Company may not be able to maintain or obtain insurance of the type and amount desired at a reasonable cost. If the Company were to incur significant liability for which it were not fully insured, it could have a materially adverse effect on the Company's business, financial condition and results of operations.

### *Inter-company Transfers of Funds*

As the Company's operations will be carried on through its subsidiaries, it will be dependent on cash flows from its subsidiaries. The Company is not currently subject to or aware of any limitations on the repatriation of funds from the subsidiaries in Israel. The Company will develop a cash management

system to provide for the flow of funds between the Company and the subsidiaries. It is expected that such a system will provide for:

- the structuring and documentation of fund transfers as loan arrangements, capital investments and/or management services arrangements between relevant entities;
- internal approval process by the controller and the general manager at the subsidiary level, and for certain transactions exceeding the subsidiary's authority limits, by the Company's CFO; and
- compliance with internal procedures and applicable local regulations.

If any issues arising with the repatriation of funds it may have an adverse effect on the Company.

### *Changes in Corporate Structure*

Israeli cannabis licenses are granted on a non-transferable, non-exchangeable and non-assignable basis. Any breach of this restriction may give rise to unilateral termination of the license by the governmental authority.

Israeli authorities require notice and disclosure of any change at or above 5% of the equity of a licensed company. Prior approval is required for such changes. Notwithstanding the above, Israeli laws do not provide for specific regulations or restrictions regarding the effects of a change in control, modification of the corporate structure, issuance of shares, or any changes in holders or final beneficiaries of cannabis licenses.

### *Emerging Market Risks*

Emerging market investment generally poses a greater degree of risk than investment in more mature market economies because the economies in the developing world are more susceptible to destabilization resulting from domestic and international developments. All of the Company's operations are in Israel. While Israel's credit rating is current "-AA" (see "*Narrative Description of the Business – Description of the Business – Foreign Operations*"), it has a history of geopolitical instability and crises including those related to terrorism. Although there is no current major political instability in Israel, this could be subject to change in the future and could adversely affect the Company's business, financial condition and results of operations.

### *Global Economy*

Financial and securities markets in Israel are influenced by the economic and market conditions in other countries, including other emerging market countries in the Middle East. Although economic conditions in these countries may differ significantly from economic conditions in Israel, international investors' reactions to developments in these other countries, may substantially affect capital inflows into the Israeli economy, and the market value of securities of issuers with operations in Israel.

Economic downturn or volatility could have a material adverse effect on the Company's business, financial condition and results of operations. In addition, weakening of economic conditions could lead to reductions in demand for the Company's products. For example, its revenues can be adversely affected by high unemployment and other economic factors. Further, weakened economic conditions or a recession could reduce the amount of income customers are able to spend on the Company's products.

In addition, as a result of volatile or uncertain economic conditions, the Company may experience the negative effects of increased financial pressures on its clients. For instance, the Company's business, financial condition and results of operations could be negatively impacted by increased competitive pricing pressure, which could result in the Company incurring increased bad debt expense. If the Company is not able to timely and appropriately adapt to changes resulting from a weak economic environment, its business, results of operations and financial condition may be materially and adversely affected.

#### *Additional Risks Relating to Doing Business Internationally*

The Company may be subject to risks generally associated with doing business in international markets when it expands into the international markets, specifically Germany. Several factors, including legal and regulatory compliance and weakened economic conditions in any of the international jurisdictions in which the Company may do business could adversely affect such expansion and growth.

Additionally, if the Company enters into new international jurisdictions, such entries would require management attention and financial resources that would otherwise be spent on other parts of the business.

International business operations expose the Company to risks and expenses inherent in operating or selling products in foreign jurisdictions. In addition to the risks mentioned elsewhere, these risks and expenses could have a material adverse effect on the Company's business, results of operations or financial condition and include without limitation:

- adverse currency rate fluctuations;
- risks associated with complying with laws and regulations in the countries in which the Company intends to sell its products, and requirements to apply for and obtain licenses, permits or other approvals and the delays associated with obtaining such licenses, permits or other approvals;
- multiple, changing and often inconsistent enforcement of laws, rules and regulations;
- the imposition of additional foreign governmental controls or regulations, new or enhanced trade restrictions or non-tariff barriers to trade, or restrictions on the activities of foreign agents, and distributors;
- increases in taxes, tariffs, customs and duties, or costs associated with compliance with import and export licensing and other compliance requirements;
- the imposition of restrictions on trade, currency conversion or the transfer of funds or limitations on the Company's ability to repatriate non-Canadian and/or non-Israeli earnings in a tax effective manner;
- the imposition of Canadian, Israeli and/or other international sanctions against a country, company, person or entity with whom the Company may do business that would restrict or prohibit the Company's business with the sanctioned country, company, person or entity;
- downward pricing pressure on the Company's products in the Company's international markets, due to competitive factors or otherwise;
- laws and business practices favouring local companies;
- political, social or economic unrest or instability;
- expropriation and nationalization and/or renegotiation or nullification of necessary licenses, approvals, permits and contracts;
- greater risk on credit terms, longer payment cycles and difficulties in enforcing agreements and collecting receivables through certain foreign legal systems;
- difficulties in enforcing or defending intellectual property rights; and

- the effect of disruptions caused by severe weather, natural disasters, outbreak of disease or other events that make travel to a particular region less attractive or more difficult.

Governments in certain foreign jurisdictions intervene in their economies, sometimes frequently, and occasionally make significant changes in policies and regulations. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on doing business, price controls, import controls, currency remittance, income and other taxes, royalties, the repatriation of profits, foreign investment, licenses and approvals and permits.

The Company's international efforts may not produce desired levels of sales. Furthermore, the Company's experience with selling products in Israel may not be relevant or may not necessarily translate into favourable results if it sells in other international markets. If and when the Company enters into new markets in the future, it may experience different competitive conditions, less familiarity by customers with the Company's brand and/or different customer requirements. As a result, the Company may be less successful than expected in expanding sales to new international markets. Sales into new international markets may take longer to ramp up and reach expected sales and profit levels, or may never do so, thereby affecting the Company's overall growth and profitability. To build brand awareness in these new markets, the Company may need to make greater investments in legal compliance, advertising and promotional activity than originally planned, which could negatively impact the expected profitability of sales in those markets.

### **Risks Related to Investment in an Israeli Company**

#### *Potential Political, Economic and Military Instability in Israel*

The Company's operations are located in Israel. Consequently, the Company is dependent upon Israel's economic, political and military conditions. As a result, the Company's business, financial position and results of operations may be affected by the general conditions of the economy, price instabilities, currency fluctuations, inflation, interest rates, regulation, taxation, social instabilities, political unrest and other developments in or affecting Israel, over which the Company has no control. In the past, Israel has experienced periods of weak economic activity and deterioration in economic conditions. The Company cannot assure that such conditions will not return or that such conditions will not have a material adverse effect on the Company's business, financial condition or results of operations.

Since the State of Israel was established in 1948, a number of armed conflicts have occurred between Israel and its neighbors. Terrorist attacks and hostilities within Israel; the hostilities between Israel and Hezbollah and between Israel and Hamas; the conflict between Hamas and Fatah; as well as tensions between Israel and Iran, have also heightened these risks, including extensive hostilities in November 2012 and from July to August 2014 along Israel's border with the Gaza Strip, which resulted in missiles being fired from the Gaza Strip into Israel. There can be no assurance that attacks launched from the Gaza Strip will not reach our facilities, which could result in a significant disruption of our business. In addition, there are significant ongoing hostilities in the Middle East, particularly in Syria and Iraq, which may impact Israel in the future. Any hostilities involving Israel, a significant increase in terrorism or the interruption or curtailment of trade between Israel and its present trading partners, or a significant downturn in the economic or financial condition of Israel, could materially adversely affect the Company's operations. Ongoing and revived hostilities or other Israeli political or economic factors could have a material adverse effect on the Company's business, operating results and financial condition.

It is unknown as to how the volatile climate currently hinders Israel's international trade relations and whether they still may limit the geographic markets where the Company can operate. Any resumption of hostilities involving Israel or threatening Israel, or the interruption or curtailment of trade between Israel and its present trading partners, could have a material adverse effect on the Company's operations albeit that there is no direct evidence of this having been the case over the past conflicts. Security and political instability in the Middle East and Israel in particular may harm the Company's business. Any armed conflicts or political instability in the region, including acts of terrorism or any other hostilities involving or threatening Israel could have a negative effect on business conditions and could make it more difficult for the Company to conduct its operations in Israel and/or increase its costs and adversely affect its financial results. Furthermore, some neighbouring countries, as well as certain companies and organizations continue to participate in a boycott of Israeli firms and others who do business with Israel or with Israeli companies. However, generally this is not the case with the major corporations in the industry that deal with Israel. Restrictive laws, policies or practices directed towards Israel or Israeli businesses could have an adverse impact on the expansion of the Company's business.

The Company's operations could be disrupted by the absence for significant periods of one or more of its senior management, key employees or a significant number of other employees because of military service. Israeli male under the age of 45 are obliged to perform military reserve duty, which accumulates annually from several days to up to two months in special cases and circumstances. The length of such reserve duty depends, among other factors, on an individual's age and prior position in the military. In addition, if a military conflict occurs, these persons could be required to serve in the military for extended periods of time. Any disruption in the Company's operations as the result of military service by key personnel, including Mr. Moseson, could harm its business.

#### *Crime and Business Corruption Risk*

The Company and its personnel are required to comply with applicable anti-bribery laws, including the *Canadian Corruption of Foreign Public Officials Act*, as well as local laws in all areas in which the Company does business. These, among other things, include laws in respect of the monitoring of financial transactions and provide a framework for the prevention and prosecution of corruption offences, including various restrictions and safeguards. However, there can be no guarantee that these laws will be effective in identifying and preventing money laundering and corruption. While corruption does not appear to be institutionalized and businesses can largely operate and invest in Israel without interference from corrupt officials, there is evidence that corruption exists in Israel. The failure of the Israeli government to fight corruption or the perceived risk of corruption could have a material adverse effect on the local economies. Any allegations of corruption or evidence of money laundering in Israel could adversely affect the ability of Israel to attract foreign investment and thus have a material adverse effect on its economy which in turn could have a material adverse effect on the Company's business, results of operations, financial condition and prospects. Moreover, findings against the Company, the directors, the officers or the employees of the Company, or their involvement in corruption or other illegal activity could result in criminal or civil penalties, including substantial monetary fines, against the Company, the directors, the officers or the employees of the Company. Any government investigations or other allegations against the Company, the directors, the officers or the employees of the Company, or finding of involvement in corruption or other illegal activity by such persons, could significantly damage the Company's reputation and its ability to do business and could have a material adverse effect on its financial condition and results of operations.

### *Operational Risks*

Operations in Israel are subject to risk due to the potential for social, political, economic, legal and fiscal instability. The government in Israel faces ongoing problems including but not limited to inflation, unemployment and inequitable income distribution. In addition, Israel experiences terrorist-related violence, a prevalence of kidnapping activities and civil unrest in certain areas of the country. Such instability may require the Company to suspend operations on its properties. Although the Company is not presently aware of any circumstances or facts which may cause the following to occur, other risks may involve matters arising out of the evolving laws and policies in Israel, any future imposition of special taxes or similar charges, as well as foreign exchange fluctuations and currency convertibility and controls, the unenforceability of contractual rights or the taking or nationalization of property without fair compensation, restrictions on the use of expatriates in the Company's operations, or other matters.

### *Operations in Hebrew*

As a result of the Company conducting its operations in Israel, the books and records of the Company, including key documents such as material contracts and financial documentation are principally negotiated and entered into in the Hebrew language and English translations may not exist or be readily available.

### *Enforcement of Judgments*

The Company was continued under the laws of the Province of British Columbia, however all of its assets are located outside Canada. As a result, investors may not be able to effect service of process within Canada upon the Company's potential future Israeli directors or officers or enforce against them in Canadian courts judgments predicated on Canadian securities laws. Likewise, it may also be difficult for an investor to enforce in Canadian courts judgments obtained against these persons in courts located in jurisdictions outside Canada. As a result, shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of the Board or controlling shareholders than they would as public shareholders of a Canadian company.

### *Difficulty Enforcing Canadian Law Against an Israeli Company*

All of the Company's assets and assets of Mr. Moseson and Dr. Arbit, the COO and a Director of the Company, respectively, are located outside of Canada. Therefore, a judgment obtained against the Company, Mr. Moseson or Dr. Arbit, including a judgment based on the civil liability provisions of the Canadian securities laws, may not be collectible in Canada and may not be enforced by an Israeli court. It also may be difficult to effect service of process on Mr. Moseson or Dr. Arbit in Canada or to assert Canadian securities law claims in original actions instituted in Israel. Israeli courts may refuse to hear a claim based on an alleged violation of Canadian securities laws reasoning that Israel is not the most appropriate forum in which to bring such a claim. In addition, even if an Israeli court agrees to hear a claim, it may determine that Israeli law and not Canadian law is applicable to the claim. If the Canadian law is found to be applicable, the content of applicable Canadian law must be proven as a fact by expert witnesses, which can be a time consuming and costly process. Certain matters of procedure will also be governed by Israeli law. There is little binding case law in Israel that addresses the matters described above. As a result of the difficulty associated with enforcing a judgment against the Company or the Company in Israel, it may be difficult to collect any damages awarded by either a Canadian or a foreign court.

### *Non-Operating Parent Corporation Structure*

The Company will be a non-operating parent corporation that will hold assets and carry on its business through Isracann Holdings, its wholly-owned subsidiary. The Company will control Isracann Holdings through its ownership of Isracann Holdings' securities which will entitle it to elect the directors of Isracann Holdings (which entitlement the Company will exercise) and the directors may then appoint the officers of Isracann Holdings. To the extent that there are risks inherent in having a subsidiary hold assets and carry on business, the Company will mitigate those risks by implementing an effective system of corporate governance, internal controls over financial reporting, and disclosure controls and procedures that will apply at all levels of the Company. These systems will be overseen by the board of directors of the Company and will be implemented by the Company's senior management. As a wholly-owned subsidiary, Isracann Holdings is controlled by the Company as a matter of corporate law. The Company will be entitled to appoint and dismiss directors of Isracann Holdings and the directors have the authority to appoint and dismiss officers of Isracann Holdings. Accordingly, the directors and officers of Isracann Holdings will ultimately be accountable to the management of the Company and the Company will have complete control over Isracann Holdings. The books and records of the Company's Israeli subsidiaries are and will be kept at Woolfson Weinstein & Co. Law Offices, Jerusalem Technology Park Malcha, Bldg 1, Entrance Gimel, Agudat Sport HaPo'el 2, 9695801. There will not be any restriction on providing access to the books and records of the Company's Israeli subsidiaries to the board of the Company, as may be required, and such books and records may be maintained in electronic format that can be accessed from Canada, if necessary.

### **Risks Related to Financial and Accounting**

#### *Access to Capital*

The Company makes, and will continue to make, substantial investments and other expenditures related to acquisitions, research and development and marketing initiatives. Since its incorporation, the Company has financed these expenditures through offerings of its equity securities. The Company will have further capital requirements and other expenditures as it proceeds to expand its business or take advantage of opportunities for acquisitions or other business opportunities that may be presented to it. The Company may incur major unanticipated liabilities or expenses. The Company can provide no assurance that it will be able to obtain financing on reasonable terms or at all to meet the growth needs of its operations.

#### *Market for Securities and Volatility of Share Price*

There can be no assurance that an active trading market in the Company's securities will be established or sustained. The market price for the Company's securities could be subject to wide fluctuations. Factors such as announcements of quarterly variations in operating results and acquisition or disposition of properties, as well as market conditions in the industry, may have a significant adverse impact on the market price of the securities of the Company. The stock market has from time to time experienced extreme price and volume fluctuations, which have often been unrelated to the operating performance of particular companies.

#### *Foreign Sales and Currency Fluctuations*

The Company's functional currency is denominated in Canadian dollars. The Company currently expects that sales will be denominated in Israeli new shekels and may, in the future, have sales denominated in the currencies of additional countries in which it establishes operations or distribution. In addition, the

Company incurs the majority of its operating expenses in Israeli new shekels. In the future, the proportion of the Company's sales that are international may increase. Such sales may be subject to unexpected regulatory requirements and other barriers. Any fluctuation in the exchange rates of foreign currencies may negatively impact the Company's business, financial condition and results of operations. The Company has not previously engaged in foreign currency hedging. If the Company decides to hedge its foreign currency exposure, it may not be able to hedge effectively due to lack of experience, unreasonable costs or illiquid markets. In addition, those activities may be limited in the protection they provide the Company from foreign currency fluctuations and can themselves result in losses.

#### *Estimates or Judgments Relating to Critical Accounting Policies*

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The Company bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, as provided in the notes to the Isracann Holdings Annual Financial Statements and the Annual Financial Statements, the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenue and expenses that are not readily apparent from other sources. The Company's operating results may be adversely affected if the assumptions change or if actual circumstances differ from those in the assumptions, which could cause the Company's operating results to fall below the expectations of securities analysts and investors, resulting in a decline in the share price of the Company. Significant assumptions and estimates used in preparing the financial statements include those related to the credit quality of accounts receivable, income tax credits receivable, share based payments, impairment of non-financial assets, fair value of biological assets, as well as revenue and cost recognition.

### **DIVIDENDS AND DISTRIBUTIONS**

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

### **DESCRIPTION OF CAPITAL STRUCTURE**

The Company is authorized to issue an unlimited number of common shares and preferred shares without par value.

Each Common Share ranks equally with all other common shares with respect to distribution of assets upon dissolution, liquidation or winding-up of the Company and payment of dividends. The holders of Common Shares will be entitled to one vote for each share on all matters to be voted on by such holders and are entitled to receive pro rata such dividends as may be declared by the directors of the Company. The holders of Common Shares have no pre-emptive or conversion rights. The rights attaching to the Common Shares can only be modified by the affirmative vote of at least two-thirds of the votes cast at a meeting of shareholders called for that purpose.

All preferred shares of the Company as a class shall, in preference to the Common Shares, be entitled to receive dividends, distribution of assets upon dissolution, liquidation or winding-up of the Company. The holders of preferred shares of the Company will not be entitled to receive notice of, to attend or to vote at any meeting of the shareholders of the Company, other than as required by the BCBCA.

As of the date of this AIF, there were 109,999,958 Common Shares and no preferred shares issued and outstanding.

## MARKET FOR SECURITIES

### Trading Price and Volume

On October 17, 2019, the Company began trading on the CSE under the trading symbol "IPOT". Prior to the Isracann Acquisition, the Company traded under the symbol "AKE". The table below summarizes the range and volume of trading prices for each of the months stated:

Month	CSE Price Range (\$)		Total Volume
	High	Low	
November 2018 – May 2019 <sup>(1)</sup>	0.125	0.125	0
October 2018 <sup>(1)</sup>	0.135	0.105	887,985
September 2018	0.235	0.125	6,266,172
August 2018	0.2	0.13	3,212,122
July 2018	0.27	0.135	3,348,630
June 2018	0.85	0.205	3,524,039
May 2018	0.85	0.85	0

**Note:**

(1) On October 10, 2018, the trading in the Common Shares was halted in connection with the Isracann Acquisition. The Common Shares resumed trading on October 17, 2019.

### Prior Sales

During the financial year ended May 31, 2019, the Company issued the following securities of the Company:

Date of Issue	Description	Number of Securities	Price per Security/Exercise Price
January 11, 2019	Private Placement <sup>(1)</sup>	30,588,236	\$0.17
		Subscription Receipts	
May 15, 2019	Private Placement <sup>(2)</sup>	28,883,596	\$0.17
		Subscription Receipts	

**Notes:**

- (1) Issued pursuant to a private placement of Subscription Receipts. The Company also paid a cash finder's fee of approximately \$221,394 and issued 1,302,321 finder's warrants.
- (2) Issued pursuant to a private placement of Subscription Receipts. The Company also paid a cash finder's fee of approximately \$137,822 and issued 760,034 finder's warrants.

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

<b>Date of Issue</b>	<b>Description</b>	<b>Number of Securities</b>	<b>Price per Security/Exercise Price</b>
September 30, 2019	Private Placement <sup>(1)</sup>	59,471,832 <sup>(2)</sup> Common Shares	\$0.17
September 30, 2019	Private Placement <sup>(1)</sup>	59,471,832 <sup>(2)</sup> Warrants	\$0.34
October 7, 2019	Acquisition of Isracann Holdings	46,680,000 Common Shares <sup>(3)(4)</sup>	\$0.50
October 7, 2019	Acquisition of Isracann Holdings	28,000,000 Warrants <sup>(3)(4)</sup>	\$0.05
October 7, 2019	Acquisition of Isracann Holdings	4,000,000 Options <sup>(3)(4)</sup>	\$0.51
November 7, 2019	Stock Options	3,500,000 Options <sup>(4)</sup>	\$0.51

**Notes:**

- (1) Issued pursuant to the Conversion of the Subscription Receipts.
- (2) Issued on a pre-Consolidation basis.
- (3) Issued pursuant to the Isracann Acquisition.
- (4) Issued on a post-Consolidation basis.

**ESCROWED SECURITIES**

Upon closing of the Isracann Acquisition, as required under the policies of the CSE, principals of the Company entered into an escrow agreement dated October 7, 2019 with Computershare as if the company was subject to the requirements of National Policy 46-201 – *Escrow for Initial Public Offerings*.

The table below includes the details of escrowed securities that are held by Computershare as of the date of this AIF:

<b>Name of Securityholder</b>	<b>Designation of Class Held in Escrow</b>	<b>Number of Securities Held in Escrow</b>	<b>Percentage of Class<sup>(1)</sup></b>
Israel Moseson	Common Shares	3,956,000	3.6%
Darryl Jones	Common Shares	471,000	<1%
	Warrants	396,000	<1%

**Note:**

- (1) The total issued and outstanding Common Shares is 108,509,494 on an undiluted basis.

In addition, an aggregate of 8,604,000 Common Shares of six shareholders are subject to the same restrictions as the escrow agreement described above.

## DIRECTORS AND OFFICERS

### Name, Occupation and Security Holding

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

Name, place of residence and position with Company	Principal occupation during the last five years	Date of appointment as director or officer	Common Shares Beneficially Owned, Directly or Indirectly, or Controlled or Directed as of the date of the AIF <sup>(1)(4)</sup>
Darryl Jones <sup>(2)</sup> Vancouver, British Columbia, Canada President, CEO and Director	President and CEO of Isracann Holdings from July 2018 to present; President of D2J Consulting Corp. from 2015 to present; President and CEO of Voltaic Minerals Corp. from June 2016 to present; Director of Strikepoint Gold Corp. from January 2015 to present; Consultant at Harbor Pacific Capital Corp. from January 2015 to December 2015; Investment Advisor of PI Financial Corp. from October 2012 to January 2015.	October 7, 2019	523,333 (<1%)
Sean Bromley <sup>(2)(3)</sup> Vancouver, British Columbia, Canada Director	Director of the Company since December 19, 2017; Director of White Gold Corp. since 2016; Director of Pacific Rim Cobalt Corp. since 2017; Chief Financial Officer of LoopShare Ltd. from 2015 to 2018; Consultant from 2015 – present; Investment Advisor at Jordan Capital Markets; from 2013 – 2015; Director and CEO of Big Sky Petroleum Corp. since 2018; Director of Triangle	December 19, 2017	185,141 <sup>(5)</sup> (<1%)

Name, place of residence and position with Company	Principal occupation during the last five years	Date of appointment as director or officer	Common Shares Beneficially Owned, Directly or Indirectly, or Controlled or Directed as of the date of the AIF <sup>(1)(4)</sup>
	Industries Inc. since 2018; Director of BMGB Capital Corp. since 2018		
Desmond Balakrishnan <sup>(2)(3)</sup> Vancouver, British Columbia, Canada Director	Partner, McMillan LLP, a commercial and business law firm since January 2004	July 5, 2019	77,666 (<1%)
Yana Popova Vancouver, British Columbia, Canada CFO, Corporate Secretary and Director	CFO of the Company since November 15, 2017; Accountant at Platinum Group Metals (2015-2017); Accountant at PowerOne Capital Markets Limited (2011-2014); Director and CFO of Big Sky Petroleum since 2018; director of Upper Canyon Minerals Corp. since 2018.	CFO and Director since November 15, 2017	20,000 (<1%)
Dr. Irit Arbel Jerusalem, Israel Director	Co-founder and Chairman of Brainstorm Cell Therapeutics Inc. since 2004 and April 2014, respectively; CEO and director of Neurocords Corp. since September 2018; Co-Founder and Executive VP, Research and Development at Savicell Diagnostic Ltd. (July 2012 – July 2018); President and CEO of Pluristem Life Systems Inc. (June 2002 – May 2004).	October 7, 2019	Nil
Israel Moseson Jerusalem, Israel Chief Operating Officer	Director at ISA Inc. since 2017; Consultant providing consulting services in the Israeli cannabis industry	October 7, 2019	4,440,000 (4.1%)

Name, place of residence and position with Company	Principal occupation during the last five years	Date of appointment as director or officer	Common Shares Beneficially Owned, Directly or Indirectly, or Controlled or Directed as of the date of the AIF <sup>(1)(4)</sup>
	since 2016; CEO of ISP Publication (2015 to 2018).		

**Notes:**

- (1) The information as to principal occupation, business or employment and shares beneficially owned or controlled is not within the knowledge of management of the Company and has been furnished by the respective individuals.
- (2) Member of the audit committee.
- (3) Independent director.
- (4) Based on issued and outstanding Common Shares of 108,509,494.
- (5) 38,475 Common Shares shall be registered to 1129925 B.C. Ltd., a company of which Mr. Sean Bromley is the sole shareholder.

As of the date of the AIF, the Company’s Directors and executive officers, as a group, beneficially owned, directly or indirectly, or exercised control of direction over 5,246,140 Common Shares, representing approximately 4.8% of the issued and outstanding Common Shares.

The following are brief biographies of the above individuals:

***Darryl Jones – President, CEO and Director, Age 36***

Mr. Jones has been the President at D2J Consulting Corp. since 2015, providing consulting services to private cannabis and mineral exploration companies. Mr. Jones has over 15 years of capital market experience and an established financial network. Prior to joining Isracann in 2018, Mr. Jones was an Investment Advisor with PI Financial Corp. (from October 2012 to January 2015) and Raymond James Ltd. (from October 2005 to October 2012) for close to 10 years. He was responsible for raising significant risk capital for growth companies in all sectors, with a particular focus on medical cannabis and natural resources.

In addition, Mr. Jones also served as Consultant at Harbour Pacific Capital Corp. where he worked directly with multiple companies in many roles involving corporate development, management, capital markets advisory and fundraising (from January 2015 to December 2015). He was responsible for liaising between retail brokerage, institutional contacts and management teams to foster growth and development of venture capital companies.

Currently, Mr. Jones serves as President and CEO of Voltaic Minerals Corp. (TSXV: VLT), a lithium exploration company with a project in Utah, since 2016. Mr. Jones has also served as a director of Strikepoint Gold Corp. from January 2015 to present.

Mr. Jones is an independent contractor of the Company pursuant to his management consultant agreement with the Company. In his capacity as CEO and President of the Company, Mr. Jones dedicates approximately 60% of his time to the affairs of the Company. Mr. Jones has entered into a non-competition and confidentiality agreement with the Company.

***Yana Popova, CPA – CFO, Corporate Secretary and Director, Age 37***

Ms. Popova has over 12 years of accounting experience working with private and public companies. Throughout her career, she has acted as an accountant to multiple private and public companies. Ms. Popova was an accountant at PowerOne Capital Markets Limited, a diversified merchant bank focused on providing early stage capital and advisory services to emerging growth companies, from January 2011 to May 2014. She was also an accountant at Platinum Group Metals Ltd., a mining company focused on the production of platinum and palladium in South Africa, from January 2015 to September 2017. Ms. Popova is a current director of Big Sky Petroleum Corporation (since August 2018), a shell company.

Ms. Popova holds a Bachelor of Commerce and Economics degree from the University of Toronto and is a holder of the CPA designation.

Ms. Popova is an independent contractor of the Company, and, in her capacity as CFO, she dedicates approximately 50% of her time to the affairs of the Company. Ms. Popova is not party to any non-competition or confidentiality agreement with the Company.

***Sean Bromley – Director, Age 29***

Mr. Bromley works in corporate finance as a consultant since 2015. He is currently the CEO of Big Sky Petroleum Corporation (since December 2018), an inactive junior oil and gas company. Mr. Bromley was an investment advisor at Jordan Capital Markets Inc., an investment dealer firm that was acquired by Mackie Research Capital Corporation in 2015, from June 2013 to June 2015. He was the CFO of LoopShare Ltd., a transportation as a service company, from November 2015 to June 2016 and June 2017 to November 2018. He was also the CEO of Winston Resources Corp., a mining exploration company, from November 2016 and March 2017.

He is currently a director of Pacific Rim Cobalt Corp. (since October 2017), Triangle Industries Ltd. (since May 2018), Big Sky Petroleum (since December 2018), White Gold Corp. (since October 2016) and BMGB Capital Corp. (since July 2018).

Mr. Bromley holds a Bachelor of Commerce from the University of Calgary.

Mr. Bromley is an independent contractor of the Company, and, in his capacity as director, he dedicates approximately 10% of his time to the affairs of the Company. Mr. Bromley is not party to any non-competition or confidentiality agreement with the Company.

***Desmond Balakrishnan – Director, Age 47***

Mr. Balakrishnan is a Vancouver lawyer and has practiced law as a partner at McMillan LLP since January 2004. His areas of practice focus on mergers, acquisitions, international public listings, cannabis law, gaming and entertainment law. Mr. Balakrishnan is also the co-chair of McMillan LLP's cannabis practice group and was one of the early movers in the Canadian cannabis industry. He acted as counsel to cannabis companies with respect to corporate governance, regulatory compliance, public listing on the Canadian Securities Exchange, the TSX Venture Exchange, the Toronto Stock Exchange, Nasdaq or the New York Stock Exchange, debt or equity financings and strategic acquisitions.

He graduated from the University of Alberta in 1997 with an LL.B (with distinction) and was called to the bar in British Columbia in 1998. Mr. Balakrishnan is now, or has been in the last five years, a director or officer of 13 public companies or reporting issuers.

Mr. Balakrishnan is an independent contractor of the Company, and, in his capacity as director, he dedicates approximately 10% of his time to the affairs of the Company. Mr. Balakrishnan is not party to any non-competition or confidentiality agreement with the Company.

***Dr. Irit Arbel – Director, Age 59***

Dr. Arbel brings over 20 years of management experience in the biotechnology and pharmaceutical industry. She co-founded and is the CEO of Neurocords Ltd., a company focusing on the development of nanographene-based devices for neural tissue regeneration (since September 2018). She co-founded Brainstorm Cell Therapeutics Inc. (NASDAQ:BCLI) in 2004, a company developing stem cell therapies to treat neurodegenerative diseases, and has been the Chairperson of Brainstorm Cell Therapeutics Inc. since April 2014. She co-founded and currently serves as Executive VP, Research and Development at Savicell Diagnostic Ltd., a company that develops blood test designed for the early detection of cell malformation, including cancer (July 2012 – July 2018). Dr. Arbel also served as President and CEO of Pluristem Life Systems Inc. (NASDAQ: PSTI), a company developing cell therapy products to stimulate regenerative mechanisms in the body (June 2002 – May 2004).

Dr. Arbel holds a Post Doctorate degree in Neurology from Hadassah Hospital in Jerusalem and DSC in Neurology from the Faculty of Medicine in the Technion. In addition, Dr. Arbel also holds a Chemical Engineering degree from the Technion, Israel's Institute of Technology.

Dr. Arbel is an independent contractor of the Company, and, in her capacity as director, she dedicates as much of her time as necessary to the affairs of the Company. Dr. Arbel is not party to any non-competition or confidentiality agreement with the Company.

***Israel Moseson – Chief Operating Officer - Israel, Age 30***

Mr. Moseson has comprehensive experience in the field of infrastructure development in Africa, ownership of an advertising company in Israel and entrepreneurship in a number of real estate projects. Mr. Moseson has been an independent consultant in the cannabis sector in Israel over the past three years, providing consulting services relating to regulatory compliance, operations and business expansion to Isracann and another private company that is currently in the process of obtaining its cultivation license under Israeli law. Since November 2017, he has been a director at ISA Inc., an Israeli development group that develops infrastructure projects in African countries with budgets in the range of \$1 - \$100 million. Mr. Moseson has extensive experience with managing operations and personnel from his time as the CEO of Israel Productions (“ISP”) from June 2015 to October 2018, a private Israeli company, principally engaged in the fields of charity fundraising and magazine publications. ISP’s activity with charities involved operating charity lottery productions with budgets between \$1-\$2 million and 50-60 employees per project. ISP also founded, operated and sold an annual tourism and recreation guide for Jewish-Orthodox families called Dacha, which had approximately 150,000 subscribers. He has expertise in local regulatory compliance, mergers and acquisitions, and sourcing partnerships and resources for cannabis cultivator growth and development.

Mr. Moseson is an independent contractor of the Company and, in his capacity as Chief Operating Officer - Israel, he dedicates approximately 85% of his time to the affairs of the Company. Mr. Moseson is not party to any non-competition and confidentiality agreement with the Company.

#### **CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS**

Other than set out below, no Director or executive officer of the Company is, as at the date of this AIF, or has been within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including the Company), that:

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

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

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

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

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

Desmond Balakrishnan, a director of the Company, was a director of Aroway Energy Inc. ("**Aroway**") a TSX Venture Exchange listed company at the time a cease trade order was issued by the British Columbia Securities Commission on January 4, 2016 for not having filed its annual financial statements for the year ended June 30, 2015 and its interim financial report for the financial period ended September 30, 2015 and its management's discussion and analysis for the periods ended June 30, 2015 and September 30, 2015. The cease trade order remains in effect.

Desmond Balakrishnan, a director of the Company, was a director of Probe Resources Ltd. (“Probe”) (now known as Rooster Energy Ltd.), a TSX Venture Exchange listed company, at the time Probe was issued a cease trade order on January 7, 2011, for failure to file its annual financial statements and management’s discussion and analysis for its financial year ended August 31, 2010 in the required time. Probe announced by press release dated November 16, 2010 that the company’s U.S. subsidiaries filed voluntary Chapter 11 petitions in U.S. Bankruptcy Court for the Southern District of Texas in Houston, Texas. Mr. Balakrishnan resigned upon the filing of the Chapter 11 proceeding in November 2012. Probe emerged from its Chapter 11 bankruptcy filing on April 15, 2011 and then brought its filings up to date. On February 6, 2012, the cease trade order was lifted.

### **CONFLICTS OF INTEREST**

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

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

### **PROMOTORS**

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

Darryl Jones, a Director and the President and CEO of the Company, is considered a promoter of the Company as he was instrumental in the founding and organization of the business of Isracann Holdings. Mr. Jones beneficially owns, controls or directs, 523,333 Common Shares representing less than 1% of the issued and outstanding Common Shares as of the date of this AIF, on a non-diluted basis. In addition, Mr. Jones holds 439,999 Warrants and 1,000,000 Options. For the fiscal year ended May 31, 2019, Mr. Jones received from Isracann Holdings an aggregate sum of \$84,000 in cash as compensation for his services with Isracann Holdings.

Israel Moseson, the Chief Operating Officer of the Company, is considered a promoter of the Company as he was instrumental in the founding and organization of the business of Isracann Holdings. Mr. Moseson beneficially owns, controls or directs, 4,440,000 Common Shares representing approximately 4.2% of the issued and outstanding Common Shares as of the date of this AIF, on a non-diluted basis.

## **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

### **Legal Proceedings**

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

### **Regulatory Proceedings**

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

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

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

## **TRANSFER AGENTS AND REGISTRARS**

The Company's registrar and transfer agent, Computershare, located at 510 Burrard Street, 3rd Floor, Vancouver, British Columbia V6C 3B9.

## **MATERIAL CONTRACTS**

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

- Securities Exchange Agreement; and
- Convertible loan agreement dated July 16, 2019 with Cannisra and the Company.

## **INTERESTS OF EXPERTS**

### **Names of Experts**

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

- Manning Elliott Accountants & Business Advisors is the external auditor of the Company and reported on the Company's audited consolidated financial statements for the year ended May 31, 2019 which are filed on SEDAR; and
- MNP LLP was the previous auditor of the Company and reported on the Company's audited consolidated financial statements for the year ended May 31, 2018, which are filed on SEDAR.

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

### **Interests of Experts**

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

## **ADDITIONAL INFORMATION**

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