ABACUS HEALTH PRODUCTS, INC.

Annual Information Form

For the Year Ended June 30, 2018

Dated April 12, 2019

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GENERAL MATTERS

This annual information form (this "**AIF**") for the year ended June 30, 2018 is dated April 12, 2019, which is the date it was approved by our board of directors, and, unless specifically stated otherwise, all information disclosed in this AIF is provided as of the date hereof. For an explanation of the capitalized terms and expressions and certain defined terms, please refer to the "Glossary of Terms" at the end of this AIF.

In this AIF, where the context so requires, references to the "Corporation", "it", "its" or similar expressions refer to Abacus Health Products, Inc., an Ontario corporation formerly known as World Wide Inc., and its consolidated subsidiaries, including Abacus U.S., collectively or individually, and references to "Abacus U.S." refer to Abacus Health Products, Inc., a Delaware corporation. In this AIF, unless otherwise indicated, all references to "$", "US$" or "dollars" are to U.S. dollars and all references to "C$" are to Canadian dollars. Amounts are stated in U.S. dollars unless otherwise indicated.

Subsequent to the year ended June 30, 2018, on January 29, 2019, the Corporation completed a reverse takeover transaction with Abacus U.S. as a result of which the security holders of Abacus U.S. became security holders of the Corporation, and Abacus U.S. became a wholly-owned subsidiary of the Corporation. See "Corporate Structure - Business Combination Transaction and Related Transactions". During the year ended June 30, 2018 and prior to the closing of the reverse takeover transaction, the Corporation had no business activity.

FORWARD-LOOKING STATEMENTS

This AIF contains forward-looking statements and forward-looking information (collectively, "**forward-looking statements**") within the meaning of applicable securities legislation, including statements relating to certain expectations, projections, growth plans and other information related to the Corporation's business strategy and future plans. Forward-looking statements can, but may not always, be identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "would", "should", "believe", "objective", "ongoing", "imply", "assumes", "goal", "likely" and similar references to future periods or the negatives of these words and expressions and by the fact that these statements do not relate strictly to historical or current matters. These forward-looking statements are based on management's current expectations and are subject to a number of risks, uncertainties, and assumptions, including market and economic conditions, business prospects or opportunities, future plans and strategies, projections and anticipated events and trends that affect the Corporation and its industry. Although the Corporation and management believe that the expectations reflected in such forward-looking statements are reasonable and are based on reasonable assumptions and estimates as of the date hereof, there can be no assurance that these assumptions or estimates are accurate or that any of these expectations will prove accurate. Forward-looking statements are inherently subject to significant business, economic and competitive risks, uncertainties and contingencies that could cause actual events to differ materially from those expressed or implied in such statements.

Actual results and developments are likely to differ, and may differ materially, from those anticipated by the Corporation and expressed or implied by the forward-looking statements contained in this AIF. Such statements are based on a number of assumptions and risks which may prove to be incorrect. Important assumptions relating to the forward-looking statements contained in this AIF include, among other things, assumptions concerning:

- the regulatory climate in which the Corporation operates and such climate continuing to be favourable to the Corporation's business;
- the continued sales success of the Corporation's products;
- the continued success of sales and marketing activities;
- there being no significant delays in the development and commercialization of the Corporation's products;
- the Corporation continuing to maintain sufficient and effective production and research and development;
- capabilities to compete on the attributes and cost of its products;
- there being no significant reduction in the availability of qualified and cost-effective human resources;
- that new products will continue to be added to the Corporation's portfolio;
- that demand for hemp-based wellness related products will continue to grow in the foreseeable future;
- there will be no significant barriers to the acceptance of the Corporation's products in the market;

- that the Corporation will be able to maintain compliance with applicable contractual and regulatory obligations and requirements;
- there will be adequate liquidity available to the Corporation to carry out its operations;
- that superior products do not develop that would render the Corporation's current and future product transactions undesirable or uncompetitive;
- the Corporation's ability to compete in the CPG industry;
- the Corporation's ability to obtain and retain key personnel;
- the Corporation's expectations regarding the advancement and adoption of new product lines and ingredients;
- the ability to build brand awareness, including securing media coverage, use of subject matter experts, legislative participation and public speaking engagements;
- the ability of the Corporation to optimize search engine results and leverage social media and display advertising platforms;
- the effectiveness of the Corporation's marketing initiatives;
- the Corporation's ability to analyze customer data;
- the Corporation's ability to secure partnerships with manufacturers and/or distributors in international markets and to maintain its existing partnerships;
- future product viability and success;
- the ability to obtain licenses when required;
- continued growth of the CBD industry; and
- success of intellectual property applications.

Many factors could cause the Corporation's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, without limitation, risks and uncertainties discussed under "Risk Factors and Uncertainties". Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievements could vary materially from those expressed or implied by the forward-looking statements contained in this AIF. These factors should be considered carefully, and prospective investors should not place undue reliance on the forward-looking statements. Although the forward-looking statements contained in this AIF are based upon what management currently believes to be reasonable assumptions, the Corporation cannot assure prospective investors that actual results, performance or achievements will be consistent with these forward-looking statements and additional risks and uncertainties discussed in the Corporation's materials filed with the Canadian securities regulatory authorities from time to time, available under the Corporation's profile on SEDAR at www.sedar.com.

These forward-looking statements are made as of the date of this AIF and the Corporation does not intend, and does not assume any obligation, to update these forward-looking statements, except as required by law. The Corporation cannot assure investors that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Investors are cautioned that forward-looking statements are not guarantees of future performance and accordingly investors are cautioned not to put undue reliance on forward-looking statements due to the inherent uncertainty therein.

MARKET AND INDUSTRY DATA

Unless otherwise indicated, information contained in this AIF concerning the industry and the markets in which the Corporation operates, including its general expectations, market position and market opportunity, is based on information from industry publications and reports generated by several third parties and management estimates. Unless otherwise indicated, management estimates are derived from publicly available information released by independent industry analysts and third-party sources, as well as data from the Corporation's internal research, and are based on assumptions made by the Corporation based on such data and its knowledge of such industry and markets, which the Corporation believes to be reasonable. These industry publications and reports generally indicate that the information contained therein was obtained from sources believed to be reliable, but do not guarantee the accuracy and completeness of such information. The Corporation has not independently verified the data in such publications, reports or resources, and such information is inherently imprecise. In addition, projections, assumptions and estimates of the Corporation's future performance and the future performance of the industry in

which the Corporation operates are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described under "Forward-Looking Statements" and "Risk Factors and Uncertainties".

CORPORATE STRUCTURE

Name, Address and Incorporation

The Corporation is a corporation governed by the provisions of the *Business Corporations Act (Ontario)* ("**OBCA**") and results from the amalgamation under the OBCA of 1194137 Ontario Inc. and Silver Circle Compact Disc Books Inc. completed on October 30, 1996. The Corporation was then known as World Wide Interactive Discs Inc. and changed its name to World Wide Co-Generation Inc. on February 13, 2004 and to World Wide Inc. on July 17, 2007. On January 28, 2019, in connection with the Transaction, the Corporation changed its name to Abacus Health Products, Inc. The Corporation's head and registered office is located at 10 Wanless Avenue, Suite 201, Toronto, Ontario, M4N 1V6.

Business Combination Transaction and Related Transactions

As a result of the Transaction, the Corporation directly wholly owns Abacus U.S. Prior to the closing of the Transaction, the Corporation was a largely inactive mineral exploration company. Details regarding the Transaction, including the background to, reasons for, details and effect of the Transaction are set forth in this AIF.

Summary of Transaction

On December 21, 2018, the Corporation, Abacus U.S. and MergerSub entered into the Merger Agreement pursuant to which Abacus U.S. and MergerSub agreed that MergerSub would merge with and into Abacus U.S. under the DGCL, with Abacus U.S. being the surviving corporation. As a result of the Merger and the transactions contemplated under the Merger Agreement (collectively, the "**Transaction**"), upon closing, the security holders of Abacus U.S. became securityholders of the Corporation and Abacus U.S., as the surviving corporation under the merger, became the operating subsidiary of the Corporation.

Pre-Transaction Steps

On December 18, 2018, the Corporation consolidated its common shares on the basis of one (1) post-consolidation common share for every 100 common shares existing immediately before such consolidation (the "**Consolidation**"), and on January 28, 2019, before the completion of the Transaction, the Corporation filed articles of amendment providing for the re-designation of its common shares as the Subordinate Voting Shares and the amendment of their terms, the creation of the Proportionate Voting Shares and the deletion of its preference shares (the "**Share Structure Amendment**"). On January 28, 2019, in connection with the Transaction, the Corporation changed its name to Abacus Health Products, Inc.

Concurrent Financing

In connection with the Transaction, Abacus U.S. issued under two tranches completed on December 21, 2018 and January 7, 2019 an aggregate of 4,000,000 Subscription Receipts pursuant to the Abacus U.S. Private Placement for gross proceeds of approximately US$15.0 million, which proceeds, less certain expenses of the Agents and 50% of the cash commission payable in connection with the Abacus U.S. Private Placement and 50% of the fee payable under the Fiscal Advisory Agreement, were initially held in escrow pursuant to the terms of the Subscription Receipt Agreement. Following the satisfaction of the Escrow Release Conditions on January 29, 2019, each Subscription Receipt was converted, immediately prior to the closing of the Transaction and without any additional payment by the holder thereof, into one Abacus U.S. Subordinate Voting Share.

The Abacus U.S. Private Placement included 2,385,450 Subscription Receipts sold on a brokered basis pursuant to the Agency Agreement for gross proceeds of US$8,945,437.50 and also included 1,614,650 Subscription Receipts sold on a non-brokered basis for gross proceeds of US$6,054,562.50.

Under the Agency Agreement, the Agents were entitled to an aggregate cash fee equal to 6% of the gross proceeds of the Abacus U.S. Private Placement, representing a total cash fee of US$536,726.25, and a number of warrants to

acquire Abacus U.S. Subordinate Voting Shares ("**Abacus U.S. Compensation Warrants**") equal to 6% of the number of Subscription Receipts issued pursuant to the Abacus U.S. Private Placement, representing an aggregate of 143,127 Abacus U.S. Compensation Warrants.

Under the Fiscal Advisory Agreement, the Advisors were entitled to a success fee of US$200,000, half of which was payable at the closing of the Abacus U.S. Private Placement and the balance of which was payable following the satisfaction of the Escrow Release Conditions, and to receive 52,800 Abacus U.S. Compensation Warrants prior to the closing of the Transaction, following the satisfaction of the Escrow Release Conditions.

Each Abacus U.S. Compensation Warrant became exercisable following the satisfaction of the Escrow Release Conditions and, pursuant to the Merger Agreement and the transactions contemplated therein, each Abacus U.S. Compensation Warrant outstanding became a compensation warrant of the Corporation (a "**Corporation Compensation Warrant**"), the holder thereof becoming entitled to receive Subordinate Voting Shares at a price of US$3.75 per Subordinate Voting Share at any time in whole or from time to time in part for a period of 24 months following the closing of the Transaction.

The Merger Agreement

The following is a summary of certain material provisions of the Merger Agreement and is not comprehensive but is qualified in its entirety by reference to the complete text of the Merger Agreement, a copy of which is available under the Corporation's SEDAR profile at www.sedar.com.

Overview

Pursuant to the terms of the Merger Agreement, the Corporation acquired, by way of a merger transaction and the transactions contemplated under the Merger Agreement, all of the issued and outstanding securities of Abacus U.S. As an initial step of such merger transaction, the Corporation incorporated MergerSub under the DGCL for the purpose of participating in the Merger. Pursuant to the Merger Agreement and the transactions contemplated therein:

(a) MergerSub was merged with and into Abacus U.S., with Abacus U.S. surviving as a wholly-owned subsidiary of the Corporation (Abacus U.S. after the merger being the Surviving Corporation);

(b) each outstanding share of MergerSub held by the Corporation was exchanged for and the Corporation received, on a one-for-one basis, Surviving Corporation Class C Shares, which after the completion of the Transaction continue to be held by the Corporation and are the only shares of the Surviving Corporation outstanding;

(c) each outstanding Abacus U.S. Subordinate Voting Share (including Abacus U.S. Subordinate Voting Shares issued upon conversion of the Subscription Receipts) and each outstanding Abacus U.S. Non-Voting Share was exchanged for and the holder thereof received, on a one-for-one basis, Surviving Corporation Class A Shares, and such Surviving Corporation Class A Shares were exchanged for Subordinate Voting Shares of the Corporation on a one-for-one basis pursuant to step (e) below;

(d) each outstanding Abacus U.S. Multiple Voting Share was exchanged for and the holder thereof received, on a one-for-one basis, Surviving Corporation Class B Shares, and such Surviving Corporation Class B Shares were exchanged for Proportionate Voting Shares of the Corporation on a one-for-one basis pursuant to step (f) below;

(e) immediately after the issuance of Surviving Corporation Class A Shares described in the foregoing clause (c), the Surviving Corporation and the Corporation caused each outstanding Surviving Corporation Class A Share to be exchanged and the holder thereof received, on a one-for-one basis, Subordinate Voting Shares (and the Corporation acquired such Surviving Corporation Class A Share) pursuant to the A&R Surviving Corporation COI;

(f) immediately after the issuance of Surviving Corporation Class B Shares described in the foregoing clause (d), the Corporation caused each outstanding Surviving Corporation Class B Share to be

exchanged and the holder thereof received, on a one-for-one basis, Proportionate Voting Shares (and the Corporation acquired such Surviving Corporation Class B Share) pursuant to the A&R Surviving Corporation COI;

(g) the Abacus U.S. Legacy Equity Incentive Plan was amended to provide that existing options under the Abacus U.S. Legacy Equity Incentive Plan will be exercisable for Proportionate Voting Shares following the Transaction and such Abacus U.S. Legacy Equity Incentive Plan was assumed by the Corporation;

(h) each Abacus U.S. Warrant outstanding was exchanged for a Corporation Warrant, and the holders thereof became entitled to receive Subordinate Voting Shares upon payment of the exercise price thereof;

(i) each Abacus U.S. Compensation Warrant outstanding was exchanged for a Corporation Compensation Warrant, and the holders thereof became entitled to receive Subordinate Voting Shares upon the payment of the exercise price thereof; and

(j) each Abacus U.S. Debenture outstanding was exchanged for a Corporation Debenture, and the holders thereof became entitled to receive Subordinate Voting Shares upon conversion of their Corporation Debenture.

The number of securities of the Corporation issued in connection with the Transaction consisted of: (a) 5,261,351 Subordinate Voting Shares issued at closing of the Transaction, (b) 117,319.64 Proportionate Voting Shares issued at closing of the Transaction, (c) 887,520 Subordinate Voting Shares issuable upon exercise of options under Abacus U.S. Legacy Equity Incentive Plan, (d) 195,927 Subordinate Voting Shares issuable upon exercise of Abacus U.S. Compensation Warrants, (e) 1,048,371 Subordinate Voting Shares issuable upon conversion of Corporation Debentures, and (f) 1,048,371 Subordinate Voting Shares issuable upon exercise of Corporation Warrants. In addition, the Corporation had, immediately prior to the closing of the Transaction, 302,980 Subordinate Voting Shares outstanding.

Implementation of the Transaction

On January 29, 2019, following the satisfaction of all conditions precedent to the Merger set forth in the Merger Agreement, the Corporation and Abacus U.S. filed with the Secretary of State of the State of Delaware in accordance with the relevant provisions of the DGCL the Certificate of Merger and other ancillary documents to give effect to the Merger pursuant to the DGCL. The Merger became effective on January 29, 2019 in accordance with the DGCL.

Intercorporate Relationships

The activities of the Corporation are conducted either directly or through its subsidiaries. The table below lists the subsidiaries of the Corporation as at the date of this AIF, as well as their jurisdiction of organization. Each of the subsidiaries is directly or indirectly wholly-owned by the Corporation.

Name	Jurisdiction where organized
Abacus Health Products, Inc.	Delaware
CBD Pharmaceuticals LTD.	Israel

GENERAL DEVELOPMENT OF THE BUSINESS

The Corporation prior to the Transaction

Prior to the closing of the Transaction, the Corporation was a largely inactive mineral exploration issuer. On August 14, 2018, the Corporation completed a private placement of 28,200,000 common shares (on a pre-Consolidation basis) at a price of C$0.02 per common share for gross proceeds of C$564,000. On August 30, 2018, the Corporation entered into a letter of intent in respect of the Transaction, and on December On December 21, 2018,

the Corporation entered into the Merger Agreement. See "Corporate Structure - Business Combination Transaction and Related Transactions".

Abacus U.S.

Abacus U.S. was formed in September 2014 as a subsidiary of Aidance Skincare & Topical Solutions, LLC ("**Aidance**"), a developer and manufacturer of topical dermatology products founded in 2004 and providing skincare solutions for physicians and customers in over 150 countries. Leveraging the resources and know-how of Aidance under licensing rights and manufacturing and services agreements, Abacus U.S. pursued in 2015 the development of a line of topical pain relief medications with the goal of securing FDA-registration of its products. Abacus U.S. reached its goal in 2016 when its CBD CLINIC line of products were registered with the FDA. The commercialization of products under the CBD CLINIC line started in the third quarter of 2016 to healthcare practitioners throughout the United States that specialize in pain management, particularly in the chiropractic industry. Additional members had then invested in Abacus U.S.'s capital.

By January 2017, Abacus U.S. was selling CBD CLINIC products directly to approximately 100 practitioners. During the year, Abacus U.S. also began selling its CBD CLINIC products through national distributors that sell to practitioners, mainly chiropractors and massage therapists. By December 2018, an estimated 10,000 practitioners had become customers and resellers of CBD CLINIC products. Based on the positive testimonials received from practitioners and reorders of CBD CLINIC products, which underscored the potential for significant growth, Abacus U.S. started to expand its product offerings.

In 2017, Abacus U.S. introduced three analgesic massage oils under the CBD CLINIC line and, later in 2017, Abacus U.S. developed a pain stick that allowed the user to apply the medication without needing to touch the ointment with one's hands. Sales for the pain stick grew quickly from the moment it was launched in the fourth quarter of 2017.

In 2017, Abacus U.S. began developing its CBDMEDIC line of products, to be sold to retailers and directly to consumers. Abacus U.S. secured FDA registration for the products under the CBDMEDIC line in 2017 and launched the commercialization of such products in the third quarter of 2018. Abacus U.S. then began selling its CBDMEDIC products to retail pharmacy chains and fitness locations, and directly through its e-commerce platform.

To support its growth, Abacus U.S. completed a US$3.1 million private placement of senior secured convertible debentures on August 31, 2018. For more information on the private placement, see "Market for Securities - Prior Sales" and "Description of Share Capital - Stock Options and Warrants".

Abacus U.S. has been advertised in key national industry magazines, including on the front cover of Drug Store News (September 2018) and Chain Drug Review (October 2018), and Abacus U.S. is preparing to roll-out an extensive marketing campaign to support its leadership position in the CBD-infused topical pain relief market.

The Corporation After the Transaction

As a result of the closing of the Transaction on January 29, 2019, Abacus U.S. became a wholly-owned operating subsidiary of the Corporation, and the Corporation now pursues, through Abacus U.S., the business of Abacus U.S.

Following the closing of the Transaction, the Corporation announced on February 6, 2019 the launch of an advanced skincare line within the CBDMEDIC line of products for the treatment of acne, eczema, and itch and rash. This new line includes four topical products, including ointments, creams and face cleansers, utilizing FDA-monograph active pharmaceutical ingredients formulated with natural and emollient ingredients, including cannabinoids such as CBD from hemp oil.

On February 28, 2019, the Corporation announced that it began selling its CBDMEDIC line of products in a national pharmacy grocery chain to be available to consumers in a retail store format. As of April 12, 2019 the Corporation's products were sold to five pharmacy and supermarket retailer chains with a combined total of over 1,100 locations.

On April 12, 2019, the Corporation announced it had entered into an engagement letter with Eight Capital, under which Eight Capital agreed to purchase, as sole bookrunner and lead underwriter, on behalf of a syndicate of underwriters (collectively, with Eight Capital, the "**Underwriters**"), 2,143,000 units (the "**Units**") of the

Corporation on a "bought deal" basis pursuant to a filing of a short form prospectus, at a price per Unit of C$14.00 (the "**April 2019 Offering Issue Price**") for gross proceeds of C$30,002,000 (the "**April 2019 Offering"**). Each Unit will be comprised of one Subordinate Voting Share and one-half of one Subordinate Voting Share purchase warrant (each whole warrant, a "**Warrant**"). Each Warrant shall entitle the holder thereof to purchase one Subordinate Voting Share at an exercise price of C$18.00, for a period of 36 months following the closing of the April 2019 Offering. The Corporation has agreed to grant the Underwriters an over-allotment option to purchase up to an additional 15% of the Units at the April 2019 Offering Issue Price, exercisable in whole or in part, at any time on or prior to the date that is 30 days following the closing of the April 2019 Offering. If this option is exercised in full, an additional approximately C$4,500,000 will be raised pursuant to the April 2019 Offering and the aggregate proceeds of the April 2019 Offering will be approximately C$34,502,000.

DESCRIPTION OF THE BUSINESS

During the year ended June 30, 2018 and until the closing of the Transaction on January 29, 2019, the Corporation had no business activity. As a result of the closing of the Transaction on January 29, 2019, Abacus U.S. became a wholly-owned operating subsidiary of the Corporation, and the Corporation now pursues, through Abacus U.S., the business of Abacus U.S. The business described in this section is the business of the Corporation after giving effect to the Transaction.

Industry Overview and Trends

The products of the Corporation are aimed at the rapidly growing market for topical pain relief and skincare and are based on proprietary patent-pending technologies developed by the Corporation. Its OTC topical pain-relieving products mixed with CBD-rich hemp oil address the large unmet need for the treatment of chronic pain.

Pain

Pain is generally categorized by its duration as either acute or chronic, by its severity, as either mild, moderate or severe, and its type and/or causality, such as postoperative or neuropathic. Acute pain is typically caused by an injury resulting in nerve, tissue or bone damage and is expected to subside in severity when the injury heals. Postoperative pain is a subset of the acute pain market. Chronic pain, on the other hand, is prolonged, and can be the long-term result of an acute injury or an ongoing disease condition. According to the American Academy of Pain Medicine's "AAPM Facts and Figures on Pain", chronic pain affects far more Americans (est. 100 million) than diabetes (est. 26 million), coronary heart disease (est. 16 million) and cancer (est. 15 million) combined. Recent studies report that chronic pain affects over 1.5 billion people globally.[1]

Pain is the most common symptom for patients seeking medical attention. The annual national economic cost associated with chronic pain is estimated to be US$560-635 billion in the US (Institute of Medicine, Relieving Pain in America, 2011). The global market for pain management products, including prescription and non-prescription analgesics, reached over US$50 billion in 2009 according to an August 2010 article published in the journal Nature Reviews Drug Discovery. According to a 2016 report published by Transparency Market Research, the global pain management therapeutics market is expected to reach US$83 billion by 2024.

The severity of pain is the key factor in determining the appropriate therapy. Mild or mild-to-moderate pain is generally treated with nonopioid products, such as oral formulations of nonsteroidal anti-inflammatory drugs, or NSAIDs (e.g., ibuprofen, naproxen), aspirin, and acetaminophen. Moderate-to-severe pain, on the other hand, is typically treated with products containing traditional mu opioids. Mu opioid analgesics are effective to some degree for many patients, but have poor side effect and abuse liability profiles, which limit or preclude their use in treating less severe pain. For many people with moderate-to-severe pain, opioid analgesics are the only effective method of treating pain. As a result, these opioid analgesics are among the largest prescription drug classes in the United States.

Opioid analgesics decrease the perception of pain by stimulating mu, delta and/or kappa opioid receptors. All of these receptors are involved in modulating pain signals. The most widely used opioid analgesics, including hydrocodone, oxycodone, morphine, and fentanyl, act primarily through the activation of mu opioid receptors in the

[1] See "Chronic Pain and the Health of Populations", Boston University School of Medicine, September 24, 2017.

central nervous system. However, because of the wide distribution of mu opioid receptors throughout the brain, morphine and other mu opioid analgesics also trigger a characteristic pattern of adverse "central" side effects, including nausea and vomiting, itching and respiratory depression. Mu opioids are also known to cause euphoria, which can lead to misuse, abuse and addiction.

The most common causes of moderate-to-severe chronic pain are musculoskeletal and inflammatory conditions. Injuries from accidents resulting in fractures, dislocations or soft tissue injury, as well as lower back pain, are the most frequent causes of musculoskeletal pain. Although these injuries are mostly non-fatal, the cost in terms of long-term disability, medical expense and lost productivity is significant. Moderate-to severe chronic pain is typically treated with prescription products including immediate release and long-acting opioids, and combination products that include an opioid combined with an NSAID or acetaminophen. Prescription products for chronic pain are usually in oral tablet or capsule form because most of these patients are taking them outside of the hospital setting.

On April 7, 2005, the FDA announced a decision to require boxed warnings of potential cardiovascular risk for all NSAIDs. The 2005 FDA warning related to cardiovascular adverse events associated with NSAIDs and the increased awareness of the risk of liver toxicity associated with high doses of acetaminophen have led to increased use of mu opioid analgesics for the treatment of chronic pain. However, the use of mu opioid analgesics carries significant additional risks. Chronic opioid use causes patients to develop tolerance for the opioid, which results in the patient needing increasing opioid doses to achieve the same level of pain relief. For the most commonly prescribed analgesic combination products, the need for increasing doses to achieve the same level of pain relief means exposure to increasing amounts of NSAIDs or acetaminophen, which carry the risks attendant to these therapeutics. Moreover, due to their centre nervous system activity, mu opioids produce feelings of euphoria, which can give rise to misuse, abuse and addiction. As a reflection of the increasing awareness of the severity of this issue, in September 2013, the FDA announced class-wide safety labeling changes and new post-market study requirements for all extended-release and long-acting mu opioid analgesics intended to treat pain. In support of this action, the FDA Commissioner stated that "[t]he FDA is invoking its authority to require safety labeling changes and post-market studies to combat the crisis of misuse, abuse, addiction, overdose, and death from these potent drugs that have harmed too many patients and devastated too many families and communities." In addition, as a result of their potential for misuse, abuse and addiction, currently approved mu opioids are strictly regulated by the DEA under the Controlled Substances Act, which imposes strict registration, record keeping and reporting requirements, security control and restrictions on prescriptions, all of which significantly increase the costs and the liability attendant to prescription opioid analgesics.

Despite the size of the pain management market, there has been little innovation in the development of new analgesics, with nearly all recent new drug approvals limited to reformulations and improved methods of delivery of existing therapeutics. Mu opioids continue to be the most prescribed drugs for pain management, despite their side effects and the potential for misuse, abuse and addiction. These concerns often cause healthcare providers to administer or prescribe less than optimal doses of mu opioids and patients to take lower than prescribed doses, resulting in inadequate pain relief.

Consequently, the Corporation believes that the pain management market represents a therapeutic area with substantial unmet needs for patients in pain, for physicians who must balance pain control with risks of causing severe adverse events, and for healthcare organizations that bear the costs of managing the consequences of undertreated pain and drug-related adverse events. The Corporation's products are an attractive solution for chronic pain because they provide pain relief without causing opioid-related adverse events or increasing the risk of misuse, abuse and addiction issues that are associated with currently approved mu opioid analgesics.

Market growth in the topical pain therapeutics market has been driven by the demographics of the growing geriatric population and increasing emphasis of the baby boom generation on anti-aging and longevity. Topical pain remedies target such illnesses as rheumatoid arthritis, diabetic neuropathy, sports injuries and common muscle strains. Allied Market Research reports that sales in the topical pain therapeutics market will grow at compound annual growth rate of 7.4% from US$7.4 billion in 2017 to US$13.26 billion by 2025 (Allied Market Research. (2018). Global Topical Pain Relief Market: Opportunities and Forecasts, 2018-2025. Portland, OR: Allied Analytics, LLP).

Public awareness of the harmful side effects of opioid painkillers has grown significantly, and, in the US, many states have initiated litigation against drug makers claiming that they misrepresented the risks of opioid painkillers (See Oklahoma Sues Opioid Drugmakers; New Hampshire Presses Epidemic Probe, by Heide Brandes and Nate

Raymond, Reuters, available at https://www.reuters.com/article/us-oklahoma-drugs-idUSKBN19L2HJ). As patients seek to cut back their use of opioid painkillers and look for alternatives, the Corporation believes that its products can offer an alternative solution.

With pain ranging from mild to debilitating forms, individuals that suffer from chronic pain need effective and safe solutions to alleviate their pain. When standard OTC medications do not provide adequate pain relief, individuals often turn to medical professionals. In many instances, doctors prescribe medications that either have unwanted side effects or are known to be addictive, including opioids. The Corporation believes there is a void in the pain relief market, as individuals who suffer from medium to intense pain often and prefer to avoid taking systemic medications have limited treatment options. The Corporation believes its current products provide an alternative and unique solution for this segment of the market.

Historically, the health and wellness benefits of hemp-based products focused on protein and nutritional oil content. Hemp seeds are known to provide both protein and valuable omega fatty acids. However, beginning with the publication of United States Patent No. 6,630,507 (cannabinoids as antioxidants and neuro-protectants) issued to the United States Department of Health and Human Services on October 7, 2003, consumer interest surrounding the health and wellness benefits of cannabinoids grew significantly. This interest continued until the adoption of the 2014 Farm Bill which allowed consumers to purchase CBD with greater ease. Hemp extracts contain an assortment of naturally-occurring substances, including phytocannabinoids, terpenes (e.g. camphor), flavonoids and other minor but valuable hemp compounds.

Based on the growth of large CPG brands developing natural product lines, the Corporation believes that consumers are increasingly searching for topical products made with high quality, natural ingredients. The Corporation is well positioned to capitalize on these consumer trends due to its commitment to quality throughout the supply chain as well as its natural product formulations that are intended to maximize pain relief. Total estimated September 2017 to September 2018 sales of OTC external analgesics in the US food, drug and mass retailer channels was approximately US$800 million.[2]

Skincare

Skincare treatment is defined and separated into two major categories: medicated and non-medicated treatments. For the purpose of the Corporation, and the sizing of the potential skincare market, “medicated skincare” means OTC drug products that consumers use to treat skin irritations. It does not include prescription medication or OTC oral ingestible medications. Non-medicated treatment covers both cosmetic and homeopathic forms of topical treatment but is not referenced in this market sizing

When focusing in on medicated skincare, the Corporation has considered four categories of the market. These categories are inclusive of acne treatment and medication, anti-itch creams/treatments, lip treatments and skin growth removers.

As defined by IBISworld in their January 2018 report, *Acne Treatment Manufacturing OTC in the US*, the acne treatment industry “manufactures OTC acne treatment and medication. Industry products include active ingredients such as benzoyl peroxide, salicylic acid, sulfur, resorcinol or a combination of such ingredients, in addition to a range of inactive ingredients like emollients and surfactants.”[3] OTC acne treatments are mostly topical and are manufactured as gels, moisturizers lotions, creams, soaps and pads. Between 40-50[3] million Americans suffer from symptoms of acne, making it the most common skin condition in the US. Further, 85%[3] of adolescents have acne, and ages 10-19 have the largest incidence of acne per age segment. In 2016, industry revenue for this category was US$586.4 million[3] and 76[3] businesses actively participated in this space. OTC acne treatments have maintained the same product segments for many years. Based on the aforementioned revenue, facial cleaners and scrubs account for 43.1%[3] of OTC acne treatments and are the largest segment within the industry primarily due to the importance

[2] See IRi Worldwide, Infoscan, Latest 52 Weeks Ending 09-09-18.

[3] Oliver, K. (2018). IBISWorld Industry Report OD4125

placed on acne facial care. Facial lotions and creams make up 28.2%[3] of OTC acne treatments by helping clear acne while moisturizing the skin. Body care products account for 7.5%[3] of OTC acne treatments and help prevent breakouts on the back, chest, and should areas. Other acne treatments account for 21.2%[3] of the category revenue which consists of a variety of products including acne spot treatments, toners, facial masks, medicated pads and wipes.

This acne treatment category is expected to see annual growth of 1.4%[3] between 2018 and 2023. Mintel has defined the other three categories in their July 2018 report, *Medicated Skincare*, as such:

- **"Anti-itch creams/treatments** – itching of the skin caused by dry skin, cracked skin, eczema, psoriasis, poisonous plants, jock itch, ringworm, skin rashes, bug bites, and other causes; insect first aid products are included in this segment.
- **Lip treatments** – cold sore treatments.
- **Skin growth removers** – common warts (hand), plantar (foot), and flat warts (clusters). Does not include genital warts."[4]

These three categories together are expected to grow approximately 3%[4] between 2018 and 2023. Sales estimates for 2018 were US$1.1 billion.[4] The fastest growing category within the three is anti-itch treatments with sales of approximately $US600 million[4] in 2013 and forecasted sales of over $800 million[4] in 2023. This growth is being driven by conditions like eczema and psoriasis which flare up frequently and require more consistent use by consumers. Increased usage or daily use is a major driver of sales growth for products with anti-itch.

Based on the presented information above, the Corporation believes it is well positioned to take advantage of some of the market growth drivers with the introduction of its skincare products.

Products

The Corporation believes that it is the first company to commercialize a family of FDA-registered topical pain relief products blended with CBD hemp oil. The Corporation's products are made with OTC active ingredients, natural ingredients and hemp extracts. Hemp extract used by the Corporation is sourced from Industrial Hemp, which contains generally non-detectable levels of THC. Generally, THC causes psychoactive effects when consumed. However, products containing Industrial Hemp, such as the Corporation's topical products, have no noticeable psychoactive effects.

The Corporation's CBD-infused formulations combine science with organic and natural ingredients and provide safe and effective pain relief and therapeutic skincare. All products commercialized by the Corporation are registered with the FDA and utilize FDA-approved active ingredients, including Lidocaine, menthol, and camphor for pain relief products, and allantoin, colloidal oatmeal, lidocaine, and salicylic acid for skincare products. Hemp oil with CBD is used to provide emollient benefit in Corporation's topical products. The Corporation currently offers two branded lines of products, namely (i) CBD CLINIC, marketed to the professional practitioner market and (ii) CBDMEDIC, marketed to the consumer market. The Corporation is also developing a pipeline of other CBD products addressing additional medical indications in the health and wellness sectors.

The Corporation's products are not prescription drugs and have not been the subject of clinical trials. Feedback received from health care practitioners over a two-and-a-half-year period suggest that the Corporation's pain relief products offer stronger, faster and long-lasting pain relief than competing products.

[4] Rosenburg, J. (2018). Mintel, Us Medicated Skincare Market Report

CBD CLINIC

The CBD CLINIC line of products includes a line of analgesic ointments, creams and oils which provide practitioners with a new class of products for safe and temporary relief from acute musculoskeletal and joint pain. The CBD CLINIC products are sold to registered health practitioners, including but not limited to chiropractors, acupuncturists, massage therapists, physical therapists, naturopaths and osteopaths. The CBD CLINIC products are formulated to support temporary relief from joint and muscle pain.

CBD CLINIC Analgesic Ointments, Creams and Pain Stick

CBD CLINIC analgesic ointments and creams are available in 5 formulations, each generally in 44-gram jars, to address incremental levels of pain, with the level 5 formulation having the highest concentrations of active analgesic ingredients permitted by the FDA in an OTC pain relief product. Each level also has increasing concentrations of CBD. The 5-level system allows the medical professional to recommend the appropriate formulation to the matching symptoms.

The level 1 formulation (green label) is an odor-free water-based cream with Lidocaine 4% (active ingredient), natural emollients and 25mg CBD (per 44-gram jar). The level 2 formulation (aqua blue label) is a water-based cream formulated for mild pain and discomfort with camphor 3% (active ingredient), natural emollients and 50mg CBD (per 44-gram jar). The level 3 formulation (orange label) is a water-based cream formulated for moderate pain and discomfort with menthol 4% (active ingredient), natural emollients and 75mg CBD (per 44-gram jar). The level 4 formulation (red label) is an ointment formulated for severe pain and discomfort with 7% menthol and 5% camphor (active ingredients), natural emollients and 100mg CBD (per 44-gram jar). The level 5 formulation (dark blue label), also called Pro Sport™, is an ointment formulated for extreme pain and discomfort with menthol 16% and camphor 11% (active ingredients), natural emollients and 200mg CBD (per 44-gram jar).

The CBD CLINIC products are available in 44 gram and 200-gram jars. CBD CLINIC level 5 formulation is also available as 3-gram sample packets, and a 30-gram pain stick.

CBD CLINIC Analgesic Massage Oils

The CBD CLINIC analgesic massage oils provide massage therapists and pain specialists with a new class of products for treating discomfort and pain. The Corporation believes that these are the first FDA-registered massage oils, that combined topical analgesics with CBD.

The CBD CLINIC analgesic massage oils are formulated to facilitate deep and rapid absorption of pain-relieving analgesic compounds with hemp oil. The formulation contains all-natural cotton seed oil, jojoba oil, peppermint oil, and many other natural ingredients that help support absorption into the skin.

The analgesic massage oils are available in three formulations, each level having an increasing concentration of active analgesic ingredients and hemp oil.

The level 1 massage oil (green label) is formulated with organic jojoba seed oil infused with camphor 2% (active ingredient), hemp extract (400mg CBD/128 oz. bottle), and essential oils. This product is for mild to moderate musculoskeletal pain.

The level 2 massage oil (blue label) is formulated with organic jojoba seed oil infused with menthol 8% (active ingredient), hemp extract (800mg CBD/128 oz. bottle), and essential oils. This product is for moderate musculoskeletal pain.

The level 3 massage oil (orange label) is formulated with organic jojoba seed oil infused with menthol 15% and camphor 5% (active ingredients), and hemp extract (1200mg CBD/ 128 oz. bottle). This product is for moderate to severe musculoskeletal pain.

Each level is available in three different size containers: 12 oz., 64 oz., and 128 oz.

CBDMEDIC

The CBDMEDIC line of pain products is segmented into five product categories: Active Sport, Back & Neck, Muscle & Joint, Arthritis and Massage Therapy, each of which is marketed to a different demographic segment suffering from various types of pain. The CBDMEDIC products are sold directly to consumers at retail pharmacy chains and fitness locations, online through the e-commerce platform of the Corporation, and as recently announced, through several national pharmacy and grocery chains.

CBDMEDIC pain products are marketed to consumers and retailers. There are currently eight pain formulations: an ointment and pain stick for Active Sport, an ointment for Back & Neck, a cream and an ointment for Arthritis, an ointment and spray for Muscle & Joint, and a Massage Therapy oil.

The CBDMEDIC line of therapeutic skincare products is segmented into two product categories: First Aid (a product for eczema and one for itch & rash) and Beauty (medicated acne cream and foaming facial cleanser).

CBDMEDIC skincare products are marketed to consumers and retailers. There are currently four skincare formulations:

1) CBDMEDIC Itch, Rash & Pain Medicated Ointment

2) CBDMEDIC Acne Treatment Medicated Cream

3) CBDMEDIC Acne-Prone Facial Cleanser

4) CBDMEDIC Eczema Therapy Medicated Ointment

Depending on the item, CBDMEDIC products are available in tubes, pump bottles, spray bottles, solid sticks and single use packets.

<u>CBDMEDIC Active Sport Ointment and Pain Stick</u>

The CBDMEDIC Active Sport ointment and pain stick are formulated to provide temporary relief from sports-related pain. The ointment and the stick are excellent for strains, muscle pulls, joint distress and general muscle soreness, and can be used before, during and after workouts. Recognizing the need for a “hands-free” application method, the Corporation markets its pain stick as the ideal solution for on-the-go individuals. Quick and easy to apply, the pain stick is built for utility. It is compact, durable, and can be taken almost anywhere.

The CBDMEDIC Active Sport ointment is available in 40-gram tubes.

The CBDMEDIC Active Sport ointment is formulated with menthol 15% and camphor 10% (active ingredients) and beeswax (organic), honeysuckle oil, sorbic acid, cottonseed oil, jojoba seed oil, frankincense oil, myrrh oil and CBD.

The CBDMEDIC Active Sport pain stick is available in 30-gram stick.

The CBDMEDIC Active Sport pain stick is formulated with menthol 15% and camphor 10% (active ingredients), beeswax (organic), honeysuckle oil, sorbic acid, cottonseed oil, jojoba seed oil, frankincense oil, myrrh oil, Shea butter and CBD.

CBDMEDIC Muscle & Joint Ointment and Medicated Pain Spray

The CBDMEDIC Muscle & Joint ointment and pain spray are formulated to provide temporary relief from muscle and joint pain. The ointment and the spray are excellent for strains, muscle pulls, joint distress and general muscle and joint soreness.

The CBDMEDIC Muscle & Joint ointment is available in ten single use packets (3-gram packets).

The CBDMEDIC Muscle & Joint ointment is formulated with menthol 15% and camphor 10% (active ingredients) and beeswax (organic), clove oil, sorbic acid, cottonseed oil, eucalyptus oil, jojoba seed oil, peppermint oil, tea tree oil and CBD.

The CBDMEDIC Muscle & Joint medicated pain spray is available in 50 mL (1.7 Oz) spray bottle.

The CBDMEDIC Muscle & Joint medicated pain spray is formulated with menthol 10% and camphor 3% (active ingredients) and coconut oil, chamomile oil, eucalyptus oil, glycerin, isopropyl alcohol, palmarosa oil, purified water and CBD.

CBDMEDIC Back & Neck Ointment

The CBDMEDIC Back & Neck ointment is formulated for temporary relief from acute and chronic back & neck pain.

The CBDMEDIC Back & Neck ointment is available in a 40-gram tubes (1.4 oz.).

The CBDMEDIC Back & Neck ointment is formulated with menthol 15% and camphor 10% (active ingredients) and beeswax (organic), clove oil, sorbic acid, cottonseed oil, eucalyptus oil, jojoba seed oil, peppermint oil, tea tree oil and CBD.

CBDMEDIC Arthritis Hand Cream and Arthritis Ointment

The CBDMEDIC arthritis hand cream and arthritis ointment formulations are optimized for deep and fast relief from the painful inflammation of arthritic symptoms. They are formulated to be used on joint pain, stiffness, and swelling for increased comfort and flexibility.

The CBDMEDIC arthritis hand cream is available in 50-gram pump bottles.

The CBDMEDIC arthritis hand cream is formulated with menthol 4% (active ingredients) and clove oil, cottonseed oil, eucalyptus oil, emulsifying wax, jojoba seed oil, peppermint oil, purified water, shea butter, sorbic acid, tea tree oil and CBD.

The CBDMEDIC arthritis ointment is available in 40-gram tubes (1.4 oz)

The CBDMEDIC arthritis ointment is formulated with menthol 10% and camphor 10% (active ingredients) and beeswax (organic), clove oil, cotton seed oil, eucalyptus oil, frankincense oil, jojoba seed oil, lavender oil, sorbic acid and CBD.

CBDMEDIC Massage Therapy Oil

CBDMEDIC Massage Therapy Oil is formulated to facilitate deep and rapid absorption of pain-relieving analgesic compounds in order to alleviate soreness and pain in muscle and joints.

The CBDMEDIC Massage Therapy Oil is available in 3.5 Oz bottles.

The CBDMEDIC Massage Therapy Oil is formulated with menthol 4% and camphor 3% (active ingredients) and argan oil, coconut oil (MCT oil), cotton seed oil, frankincense oil, jojoba seed oil, honeysuckle oil, myrrh oil and CBD.

CBDMEDIC Itch, Rash & Pain Medicated Ointment

CBDMEDIC Itch, Rash & Pain Medicated Ointment is formulated to facilitate relief from itching, rash and/or pain.

The CBDMEDIC Itch, Rash & Pain Medicated Ointment is formulated with Beeswax, cotton seed oil, hemp extract, jojoba seed oil, glycerin, palmarosa oil, peppermint oil, silver oxide, sorbic acid, stearic acid and zinc oxide.

The CBDMEDIC Itch, Rash & Pain Medicated Ointment is available in 40g tubes.

CBDMEDIC Acne Treatment Medicated Cream

CBDMEDIC Acne Treatment Medicated Cream is formulated to help clear acne and blackheads.

The CBDMEDIC Acne Treatment Medicated Cream is formulated with Bentonite clay, eucalyptus oil, hemp extract, jojoba seed oil, peppermint oil, purified water, silver oxide, sorbic acid, stearic acid, tea tree oil and zinc oxide.

The CBDMEDIC Acne Treatment Medicated Cream is available in 40g tubes.

CBDMEDIC Acne-Prone Facial Cleanser

CBDMEDIC Acne-Prone Facial Cleanser is formulated to help clean the face and is ideal to use prior to using CBDMEDIC Acne Treatment Medicated Cream.

The CBDMEDIC Acne-Prone Facial Cleanser is formulated with purified water, potassium oleate, potassium cocoate, glycerin, potassium citrate, citric acid, jojoba oil, hemp extract, tea tree oil, lavender oil, peppermint oil and cotton seed oil.

The CBDMEDIC Acne-Prone Facial Cleanser is available in 50ml bottles.

CBDMEDIC Eczema Therapy Medicated Ointment

CBDMEDIC Eczema Therapy Medicated Ointment is formulated to facilitate relief from symptoms associated with Eczema.

The CBDMEDIC Eczema Therapy Medicated Ointment is formulated with Beeswax, chamomile oil, cotton seed oil, eucalyptus oil, hemp extract, jojoba seed oil, peppermint oil, silver oxide, sorbic acid, stearic acid and zinc oxide.

The CBDMEDIC Eczema Therapy Medicated Ointment is available in 40g tubes.

Development of Additional Products

The Corporation is also developing a pipeline of other OTC products infused with CBD addressing additional medical indications and the health and wellness sectors. See “Risk Factors and Uncertainties”.

Intellectual Property and Research and Development

The intellectual property and proprietary rights of the Corporation, as well as its R&D efforts, are very important to its business. In efforts to secure, maintain and protect its intellectual property and proprietary rights, the Corporation relies on a combination of trademark, trade secret and other rights in the United States, Europe and Canada, and has a patent application pending for its proprietary product compositions in the United States. The patent application covers formulations and methods that combine CBD and analgesic compounds for effectively alleviating arthritis, muscle and joint aches, sprains, strains and pain. The Corporation also has confidentiality and/or license agreements with certain employees, contractors and other third parties, which limit access to and use of the Corporation's proprietary intellectual property.

The Corporation has filed applications for trademark rights or trademark registrations on the "CBD CLINIC" and "CBDMEDIC" names and leaf logos in the United States and Canada., "CBD CLINIC" and "CBDMEDIC" names and leaf logos have been approved for trademark registration in Europe. Trademark applications are in-process in other countries.

The Corporation seeks to develop new OTC topical products infused with CBD addressing additional medical indications and the health and wellness segments and continues to invest in R&D efforts. Key members of the Corporation's leadership team have significant formulation and product development expertise. R&D efforts are conducted with the support of external consultants and companies, including Aidance, under third-party contract research agreements.

The Corporation's internal R&D efforts are focused on the development of additional CBD-infused topical products for different medical conditions as well as reformulations of existing products to offer a wider range of delivery methods, including sprays, gels and roll-on products.

The Corporation has established an Israel-based subsidiary to support, amongst other goals, its efforts to identify and secure unique technologies that have been or are being developed in Israel, a country recognized to be highly active in R&D of technologies involving CBD. The Corporation has an ongoing program in Israel whereby it seeks to maintain ties to key institutions and researchers and thereby give it an earlier window and opportunity to secure those technologies, which it believes offer good potential for commercialization. The Corporation's operations in Israel are limited to digital marketing efforts and R&D of new products, and no commercial sales or activity is occurring in Israel. The Corporation's R&D efforts in Israel are limited to building and formulating relationships, intelligence gathering, and identifying potential new alliances or new products/applications/packaging and delivery solutions with other organizations and researchers in the field. The Corporation does not manufacture any products in Israel, and does not have a laboratory or conduct any physical experimentation in Israel.

Sales, Customers and Distribution Strategy

The Corporation employs different sales strategies for its CBD CLINIC and CBDMEDIC product lines.

The CBD CLINIC product line is sold only to professional practitioners through a distributor network by an inside sales team and the Corporation's e-commerce platform. The Corporation's sales activities in this market are focused on maximizing the breadth and quality of its distributor network as well as maximizing direct sales to practitioners who have registered with the Corporation through an inside-sales team. The Corporation believes its dual channel approach to healthcare practitioners will allow it to efficiently reach the majority of healthcare practitioners in the United States. The Corporation continues to evaluate additional distributors to further broaden availability of its products to this market.

The CBDMEDIC product line is sold directly to consumers through retail chains and fitness locations (such as gyms, or athletic competition events) and online through the e-commerce platform of the Corporation. The Corporation's sales strategy for its CBDMEDIC products is focused on establishing strong relationships with, and distribution by, retail pharmacy and grocery stores and mass retailers, and to support sales through the e-commerce platform. The Corporation is using an internal sales team, and selling through various brokers and distributors, and also distribute its products through fitness locations such as gyms.

There are approximately 67,000 retail pharmacy stores in the United States, a significant proportion of which are made up by chains with over 500 stores. The Corporation has directly engaged in discussions with some of the

largest retail pharmacy chains and has entered into an agreement with a leading national firm that represents consumer health care products to different segments of the retail pharmacy, mass and grocery store market (e.g. CVS, Walgreens, Albertson's, Ahold) and mass market retailers (e.g., Wal-Mart, Target).. The Corporation believes that working with sales partner organizations will allow it to efficiently and effectively sell its product in this market. The Corporation also established an online sales team and expects to further invest in its capabilities to sell to consumers using its e-commerce platform. The Corporation recently announced that it has started selling through five national pharmacy and grocery chains. The Corporation expects the retail pharmacy channel to be a key distribution channel and a driver of sales; the Corporation applies significant effort in establishing this channel.

The Corporation's marketing strategy is focused on supporting its varied sales efforts and growing the CBD CLINIC and CBDMEDIC brands as the most trusted names in the industry as synonyms for effective and safe topical pain relief and skincare. The CBD CLINIC and CBDMEDIC products include FDA-registered topical products for which the Corporation can make specific health claims permitted for OTC monograph active ingredients on its packaging. The Corporation's marketing, thus, aims to build consumer confidence in its highly effective and safe pain-relieving products.

The Corporation directs its marketing efforts to the three segments of the market that it is initially targeting: Arthritis, Back & Neck and Active Sport. For each of these segments, the Corporation is developing unique messaging and collateral materials and choosing the optimal communication channels and mediums through which to connect with and communicate to consumers. For example, within the Active Sport line, the Corporation has sponsored a series of sports events within the CrossFit market and operates an active social media program dedicated to this segment. The Corporation follows a similar approach for the marketing of its four new skincare products.

The Corporation plans to promote its brands and products through a combination of owned, earned and paid media and marketing opportunities, and to continue to invest in the packaging and collateral materials of its products to ensure that they best represent its brand values of effectiveness, safety and credibility. The Corporation's internal and external sales teams act as brand champions that facilitate the day-to-day conversations with key wholesale and distributor accounts necessary to increase brand recognition. The CBDMEDIC and CBD CLINIC websites play an integral role both in serving as additional points of sale and educating consumers and business owners.

The Corporation plans to engage social media influencers, as well as traditional and digital marketing partners to support its marketing efforts. The Corporation is currently in the process of selecting a leading North American advertising agency to support its marketing efforts.

Additionally, the Corporation is building out a digital marketing department to connect with its consumers online. By hiring specialists in traditional and experimental social media campaigns, pay-per-click advertising, media buying opportunities, search engine optimization, and online written/video content creation, the Corporation intends to capitalize on the curiosity surrounding alternative pain relief methods as well as CBD.

The Corporation benefits from various public relation opportunities and will continue to seek these opportunities to support its brands. The Corporation benefits from social media mentions, word of mouth dialogue between consumers, and written articles by industry experts and publications.

Growth Strategy & Business Objectives

The Corporation is a leader in the development, production and marketing of FDA-registered topical analgesics infused with CBD. The Corporation strives to offer its customers improved pain-relief and skincare all while meeting their demands for stringent product quality, efficacy and safety. The Corporation's business objectives include:

- to become a global leader in the development and commercialization of CBD-infused consumer health products addressing varied medical indications;
- to establish its brands so that they are synonymous with the highest quality products that provide superior pain relief to customers;
- to participate in the rapid growth of the industry and grow both its revenues and cash flow; and

- to maintain the primacy of R&D as a driver of the Corporation's growth, whether the R&D is carried out internally or in partnership with third parties which have unique technologies that have the potential for commercialization.

The Corporation plans to achieve its objectives through the implementation of various strategies as described below:

Building Brand Awareness

The Corporation has invested significant effort in the development of its two current brands, CBD CLINIC and CBDMEDIC. The Corporation believes that the strength of its brands is a key factor in the successful introduction and growing interest in its products by both the professional practitioner market as well as the end consumer market. Furthermore, the Corporation also believes that the strength of its brands is a key reason that trade partners, who are taking their first steps into the CBD-infused market, agree to take on the Corporation's products. The Corporation intends to promote the awareness of its brands through significant investment in marketing programs and continued participation in events that offer wide exposure to both trade partners and consumer retail markets. Such events include industry conferences, media events, email, social media and blogs, and the use of subject matter experts.

Increasing Market Share of its of B2B and B2C Markets

The Corporation has to date primarily sold its CBD CLINIC products into the practitioner market comprising chiropractors, acupuncturists, physical and massage therapists, and has recently launched its CBDMEDIC products. The market for the CBD CLINIC products can be characterized as a B2B market and is primarily served through national distributors. The Corporation currently works with nine national distributors to supply this market. The Corporation believes that it can capture significant market share in this market by increasing its sales and marketing efforts targeted at this market.

The Corporation recently began to sell into the consumer retail market, of which it has identified two main segments: the fitness segment and the retail/mass market segment. The Corporation's initial efforts targeted the fitness segment through the build-out of a distribution network across gyms as well as direct engagement at sports events, at conferences, and on social media. The Corporation's efforts to sell to the retail /mass market segment were based on a comprehensive sales and marketing program that will be completed through a mix of efforts, including potential partnerships with major national distributors and independent pharmacies.

Improve B2B and B2C Distribution

The Corporation has established several distribution channels for its products and views the expansion of these channels and the establishment of new ones as important for its future growth.

The Corporation's CBD CLINIC products are directly and indirectly sold to over 10,000 practitioners, many of which sell products to their patients. Given that there are over 800,000 practitioners in the United States that treat pain, the Corporation believes it has significant an additional opportunity to increase the number of points of sale. The Corporation is working with its existing distribution partners as well as bringing on additional distribution partners to further penetrate the practitioner market and increase the number of points of sale for its products.

The Corporation recently began marketing its products to national and regional retail chains in the food, drug and mass market sectors and expects this distribution channel to be the primary channel through which it will sell CBDMEDIC products. This sector comprises over 100,000 retail locations across the United States, including approximately 67,000 pharmacy, 39,000 supermarket and 8,000 mass market stores.

The Corporation operates an e-commerce platform for its B2B channel at www.cbd-medic.com. Traffic to the site is driven by social media, digital advertising, word of mouth, event sponsorships, college campus marketing programs and other marketing initiatives. The Corporation expects the volume of sales through its e-commerce platform to grow as it expands its traditional and online marketing programs.

International Expansion

The Corporation believes that global distribution offers significant opportunity to grow in the next 24 months with near-term focus on the Canadian, European Union and Latin American markets. To achieve this international reach,

the Corporation is planning to partner with distributors and/or manufacturers in these territories or establish a local presence to undertake business. The Corporation plans to secure the required regulatory certification to allow it to distribute in in these markets and is currently in the process of determining its international regulatory strategy.

Investment in R&D

The Corporation will continue to invest in R&D which it views as a growth engine for its long-term success. R&D efforts are undertaken both internally and externally, in partnership with third parties. The Corporation has an active scouting program by which it seeks to put itself in position to secure technologies before others have the opportunity to do so. While the Corporation's initial focus is on additional topical products, it intends to explore and pursue R&D across the spectrum of CBD-infused products where it believes there is good likelihood of therapeutic benefit.

Competition

The Corporation faces competition from competitors within the CBD space by companies such as CV Sciences, Isodiol, Elixinol, Mary's Nutritionals and Charlotte's Web. The Corporation believes it has several key advantages over competitors within the CBD space, the most significant being that the vast majority of the Corporation's products are FDA-registered, allowing the Corporation to make specific pain claims unlike the majority of competing products which are cosmetics and, per FDA regulations, are unable to legally make health claims. Pain claims on labelling such as "to alleviate muscle and joint pain" is a significant reason that drives customer purchase decisions. Additionally, the manufacturing of the Corporation's products in accordance with cGMP manufacturing standards, which ensures consistent high quality of product, as well as doctor recommendations, further differentiates the Corporation's products by providing consumers with the confidence that they are purchasing a highly effective and safe product. The Corporation believes it is the leader in the CBD-infused topical analgesic market.

The Corporation also faces competition from traditional topical analgesic products such as BenGay, Icy Hot, Salonpas and Biofreeze and dermatological products such as Aveeno Eczema Therapy Moisturizing Cream, Hydrocortisone creams and Proactiv Acne Treatment Creams. The Corporation's products attract significant consumer attention as a result of the strong demand and curiosity regarding the benefits of CBD. The Corporation's products are positioned and perceived as premium pain-relieving products that are generally more expensive than traditional analgesic products; as a result, the Corporation's products attract those consumers willing to pay a premium for effective and long-lasting pain relief. Additionally, the strong endorsement received from the practitioner market, where sales of CBD CLINIC products continue to grow, reinforces the Corporation's strong competitive position.

Arrangements with Suppliers and Manufacturers

The Corporation currently uses a single manufacturer, Aidance, to manufacture its products in an FDA inspected manufacturing facility, located in the United States and operating in accordance with cGMP requirements. The Corporation believes that its relationship with Aidance has supported the Corporation's rapid growth in sales and provides it with a unique advantage in the speed with which the Corporation is able to develop and commercialize new products.

The Corporation currently contracts its entire supply chain management, including formulating, manufacturing, production, packaging and order fulfillment, to Aidance, under a manufacturing, fulfillment and business services agreement entered into on June 29, 2018 (the "**Aidance Manufacturing and Services Agreement**"). The Corporation is currently investigating expanding its sources for these functions, initially through new third-party suppliers and, in the future, through investment in company-owned operations. The Corporation believes that Aidance has sufficient capacity to meet its production requirements in the short to mid-term. Nonetheless, the Corporation is actively pursuing discussions with potential contract manufacturers to ensure that it has additional resources and redundancy in the supply chain to meet demand in the event consumer demand ends up being considerably higher than projected.

The Aidance Manufacturing and Services Agreement encompasses a mutual three-year commitment for Aidance to supply, and for the Corporation to purchase, certain products commercialized by the Corporation. Aidance also offers product development, inventory management, order fulfillment, regulatory, customer service and administrative services, as required by the Corporation under the Aidance Manufacturing and Services Agreement.

The Aidance Manufacturing and Services Agreement enables the Corporation to gradually reduce its reliance on Aidance during the term of the agreement. During the first year of the agreement, the Corporation is required to purchase from Aidance at least 80% of the products purchased from Aidance the year before. During the second and third years of the agreement, the Corporation is required to purchase from Aidance at least 70% and 50%, respectively, of the products purchased during the year preceding the applicable year. The Corporation also has the option to terminate the Aidance Manufacturing and Services Agreement by paying a termination fee in accordance with the terms of the agreement.

The hemp extract, including CBD (CBD oil and CBD isolate), and the other raw materials used in the Corporation's products are procured from various suppliers. Under its contract with one of its suppliers, the Corporation is required during an exclusivity period ending on December 31, 2019 to purchase minimum quantities of hemp extract per year in order to maintain the exclusive right to use hemp extract from such supplier in its OTC products.

Employees and Consultants

As of March 31, 2019, the Corporation had 36 full-time employees, 2 part-time employees, and 10 contractors, of which 26 are based in the United States and 22 are based in Israel. Of these, 19 were employed/contracted in sales and customer service positions, 14 were employed/contracted in marketing, 4 in product development, 6 in finance and accounting, 3 in executive management positions, and the remaining 2 employees were engaged in other aspects of the business. The Corporation prides itself in hiring talented individuals with a complementary mix of professional experience and industry knowledge. The Corporation believes it has an advantage in attracting these employees with its strong reputation as a leader in the CBD medical sector. The Corporation continues to develop a working environment wherein everyone is valued for their contribution to the team and rewarded for their accomplishments. As of March 31, 2019, all of the Corporation's employees were non-unionized. The Corporation's management team and senior officers are located in the United States and Israel.

Facilities

The headquarters of the Corporation are located at 25 John A Cummings Way, Woonsocket, Rhode Island, USA in premises leased from a landlord dealing at arm's length with the Corporation. The Corporation does not own any real property. The Corporation believes that its facilities are not material to its business and are adequate to meet its ongoing needs for the near and mid-term and that, if it requires additional space, it will be able to obtain additional facilities on commercially reasonable terms.

United States Regulatory Matters

General Overview

The following overview is subject to and qualified by the more detailed descriptions in the following sections entitled "- State Regulation of Industrial Hemp", "- FDA Regulation", "- Future Uncertainty of Legal Status" and "- The Corporation's Regulatory Compliance Activities".

The Corporation does not produce or sell medicinal or recreational marijuana or products derived therefrom. It sells hemp-based CBD products. While such products come from the same plant genus and species, hemp and marijuana are legally distinct and are generally regulated, respectively, by three separate overarching bodies of law: the 2014 Farm Bill, the 2018 Farm Bill and the CSA. Hemp, by legal definition, contains less than 0.3% THC on a dry weight basis, which is not a sufficient level to create a psychoactive effect like marijuana. Further, the Corporation's current products are entirely topical, and not consumable, further eliminating the potential for a psychoactive effect.

Consequently, the Corporation's products are not sold pursuant to the rules and regulations governing the cultivation, transportation and sale of medicinal or recreational marijuana. The Corporation processes, develops, manufactures and sells its products pursuant to the 2014 Farm Bill and the 2018 Farm Bill and in accordance with applicable state and local laws. All products produced and sold by the Corporation constitute hemp under the 2018 Farm Bill, as well as the laws of the states in which it produces and sells such hemp. If sold internationally, products are sold in accordance with the laws of the importing and exporting jurisdiction.

On December 20, 2018, the 2018 Farm Bill was signed by President Trump, and it permanently removed hemp and hemp derivatives such as CBD from the purview of the CSA. Prior to its enactment, the 2014 Farm Bill allowed

Industrial Hemp to be cultivated under agricultural pilot programs conducted by state departments of agriculture and institutions of higher education. The Statement of Principles published by the USDA, the DEA and the FDA in 2016 confirmed that state departments of agriculture, and persons licensed, registered, or otherwise authorized by them to conduct research under an agricultural pilot program in accordance with the 2014 Farm Bill, or persons employed by or under a production contract or lease with them to conduct such research, may grow or cultivate Industrial Hemp as part of the agricultural pilot program. In addition, in connection with a federal court settlement resulting from *Kentucky Dept. of Agriculture v. Drug Enforcement Administration*, No. 3:14-cv-372 (W.D.Ky. 2014) (the "**2014 KDA Decision**") the DEA has conceded that a fair reading permits cultivation by nominees. In that case, the DEA tried to block the importation of hemp seed for Kentucky's pilot program and the Kentucky Department of Agriculture sued, asking for a temporary restraining order. The case was settled, and it was established that the Kentucky Department of Agriculture could contract out with private farmers to grow and cultivate the hemp crops. The Omnibus Appropriations Law (as defined below) prohibited the federal government from using congressionally appropriated funds in contravention of the 2014 Farm Bill or to "prohibit the transportation, processing, sale, or use of industrial hemp, or seeds of such plant, grown or cultivated in accordance with the **[**Farm Bill**]** within or outside the State in which the industrial hemp is grown and cultivated." The 2014 Farm Bill further authorized the cultivation of Industrial Hemp conducted in accordance with the 2014 Farm Bill, notwithstanding the CSA or any other federal law.

The Corporation's activities related to the marketing and sale of its products comply with the 2014 Farm Bill and the 2018 Farm Bill. However, certain government agencies (such as the DEA and the FDA) and certain federal officials had challenged the scope of commercial activity permitted which may be conducted pursuant to state agricultural pilot programs. Some DEA representatives, for example, previously stated they believed that under the 2014 Farm Bill producers of CBD-based products, including the Corporation, produced and sold their products in violation of the CSA and the Federal Food, Drug, and Cosmetic Act (the "**FDCA**"). While the Corporation disagrees with both the previously stated positions of the DEA and of the FDA, and the 2018 Farm Bill should resolve the concern about violations of the CSA, there is risk that either or both of these agencies could interpret the 2018 Farm Bill differently and take law enforcement actions against the Corporation.

Legal barriers applicable to selling hemp and hemp-derived CBD products result from a number of factors, including the fact that hemp and marijuana are both derived from the Cannabis plant, the rapidly changing patchwork of state laws governing hemp and hemp-derived CBD, the previously stated opinions of some DEA representatives that CBD is a controlled substance, and the lack of FDA approval for CBD as a lawful food ingredient, food additive or dietary supplement. However, pursuant to the 2014 Farm Bill, U.S. businesses are manufacturing and selling a wide array of hemp-derived CBD products in the U.S. and internationally. Stakeholders take different positions regarding the scope of legal activity in light of the interplay of federal and state law, and recent developments such as the passage of the 2018 Farm Bill, the September 30, 2017 decision of the World Anti-Doping Agency to drop CBD from its list of prohibited substances, the World Health Organization Expert Committee on Drug Dependence resolution that CBD is "safe, well-tolerated and non-addictive and that preparations considered to be pure CBD should not be scheduled within the International Drug Control Conventions",[5] a May 2018 FDA letter concluding that CBD and its salts…could be removed from control under the CSA."[6]

The 2014 Farm Bill

Approximately forty-one U.S. states implemented legislation pursuant to the 2014 Farm Bill.[7] The various state Industrial Hemp programs have different requirements regarding the registration of cultivators and processors, the involvement of institutions of higher education and permissible commercialization.[8] The 2014 Farm Bill gives significant discretion to states to adopt regulations governing hemp activity, but narrowly defined "Industrial Hemp"

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5 See http://www.who.int/medicines/access/controlled-substances/ecdd_40_meeting/en/.

6 See https://hempindustrydaily.com/wp-content/uploads/2018/10/DHS-DEA-letter-2018-0014-0002.pdf?_ga=2.205388819.221633313.1538568567-731547511.1538568567.

7 Health and Wellness Versus Non-Health and Wellness Packaged Food and Beverages, Retail Sales 2002-2017; see http://blog.euromonitor.com/2012/11/health-and-wellness-the-trillion-dollar-industry-in-2017-key-researchhighlights.html, page 13.

8 Ibid.

to include any part of the Cannabis plant, whether growing or not, with a delta-9 THC concentration of not more than 0.3% on a dry weight basis (i.e. Industrial Hemp). Any plant found to contain a higher concentration of THC than permitted by the 2014 Farm Bill is considered a Schedule I substance under the CSA (i.e., marijuana) and was not protected by the 2014 Farm Bill. Accordingly, a product derived from the Cannabis plant may only be classified as a Schedule I substance under the CSA to the extent that the product is derived from the parts of the Cannabis plant included in the statutory definition above and/or which are not derived lawfully from Industrial Hemp grown in accordance with the 2014 Farm Bill.

The 2014 Farm Bill's provisions only permitted the cultivation of Industrial Hemp by institutions of higher education or state departments of agriculture (i) for research purposes (which includes market research); (ii) as part of an "agricultural pilot program" or other agricultural or academic research; and (iii) where permitted by state law. The Corporation only uses hemp in its products that is grown and cultivated by farmers licensed with either the Kentucky Department of Agriculture, Oregon Department of Agriculture (the "**ODA**") or the Colorado Department of Agriculture ("**CDA**").

Accordingly, the Corporation has taken the position that if a CBD product is derived from Industrial Hemp cultivated within the framework established by the 2014 Farm Bill, per the DEA, USDA and FDA, the product could legally be sold commercially among states provided such products comply with the FDCA and other applicable law.

Ann Bartuska, acting under Secretary of the USDA, confirmed aspects of this interpretation in an August 25, 2017, letter to Russell Redding, Secretary of Pennsylvania's Department of Agriculture, writing, "We think it is clear that Section 7606 contemplated the sale and transport of Industrial Hemp for purposes of the pilot programs authorized by Section 7606 under a limited set of circumstances; namely, those involving the study of Industrial Hemp marketing." In addition, the 2014 KDA Decision contemplates the transport of seed across state lines. Furthermore, a bipartisan group of 29 congressional members submitted the Amicus Brief (as defined below) arguing the DEA's stance is in contravention of the 2014 Farm Bill and other laws, and that the intent and plain meaning of the 2014 Farm Bill was to open Industrial Hemp to national commercial activity. See "United States Regulatory Matters — State Regulation of Industrial Hemp — DEA Position".

Note, there are differing interpretations with respect to whether states must explicitly permit the sale of Industrial Hemp and hemp products in order to comply with the 2014 Farm Bill or the Statement of Principles. The Corporation takes the position that such activities comply whether or not the state has an agricultural pilot project in place. Certain other stakeholders may take a narrower interpretation, namely that in the absence of explicit state approval or recognition and/or of an agricultural pilot program, such activities are prohibited. Similarly, some DEA spokespersons have taken the position that the interstate commercial sale of consumable CBD products is outside the scope of the 2014 Farm Bill.

These issues should be resolved by the 2018 Farm Bill, enacted in December 2018 and discussed in more detail below, but there is a risk that the DEA will maintain its previous positions on these issues.

The Omnibus Appropriations Law

A key reason why federal agencies have not taken significant enforcement actions against the sale of Industrial Hemp-derived products is Congress' clear intent to prohibit agency interference with state agricultural pilot programs. In 2015, Congress enacted the Consolidated and Further Continuing Appropriations Act, 2015,[9] which contained provisions to block congressionally appropriated funds from being used to interfere with state implementation of the 2014 Farm Bill, stating that "none of the funds made available" to the U.S. Justice Department and DEA "may be used in contravention" of the 2014 Farm Bill.[10] This provision was enacted, in part, in response to DEA enforcement actions, including actions to block seeds imported by some states in order to grow Industrial Hemp and in order to avoid similar DEA actions to stall full implementation of the 2014 Farm Bill.

[9] P.L. 113-235.

[10] P.L. 113-235, Division B, §539.

Similar language was included in the Consolidated Appropriations Act, 2016.[11] The Omnibus Appropriations Law further clarified that agencies including the DEA, are blocked from prohibiting the "transportation, processing, sale, or use of Industrial Hemp, or seeds of such plant, grown or cultivated in accordance with the **[**Farm Bill**]** within or outside the State in which the Industrial Hemp is grown and cultivated".[12] This language was carried into the Consolidated Appropriations Act, 2017[13] and, importantly, provides significant federal protection to compliant hemp activity at the state level.

On March 23, 2018, the Consolidated Appropriations Act, 2018 became law after signature by President Trump. This bill reaffirmed the restrictions imposed by the prior consolidated appropriations acts of 2015, 2016 and 2017.

On September 28, 2018, President Trump signed the second Fiscal Year 2019 appropriations "minibus" (H.R. 6157) into law. The law contained a continuing resolution through December 7, 2018, for any appropriations bills not enacted before October 1, 2018. That list of bills includes the fiscal year 2018 Agriculture Appropriations Act and the Commerce, Justice, Science and Related Agencies Appropriations Act for fiscal year 2018, both of which included protections for the hemp pilot program from illegitimate intrusion from law enforcement agencies. This resolution was extended until December 21, 2018.

These appropriations bills were not extended as a result of a political deadlock that led to the partial government shutdown currently paralyzing federal government. However, as discussed below, the 2018 Farm Bill enactment makes this discussion moot, in that the 2018 Farm Bill itself, now effective law, prohibits federal agency interference with hemp and hemp products.

The Consolidated Appropriations Act, 2015, Consolidated Appropriations Act, 2016, Consolidated Appropriations Act, 2017, and Consolidated Appropriations Act, 2018, are collectively defined herein as the "**Omnibus Appropriations Law**".

For purposes of both the 2014 Farm Bill and the Omnibus Appropriations Law, "industrial-hemp" includes any part of the plant *Cannabis sativa L.* having no more than 0.3% concentration of THC on a dry weight basis.

The Omnibus Appropriations Law ensured the progress of state hemp programs, effectively protecting the transfer, the transport and — most critically — the sale of Industrial Hemp pursuant to the 2014 Farm Bill from federal interference.

DEA Position

In addition to the federal government's guidance with respect to the scope of permissible activity under the 2014 Farm Bill, DEA regulation specific to CBD and other cannabinoids informs the legality of the Corporation's operations. Notwithstanding the Ninth Circuit's holding in HIA v DEA II, which, as discussed above, invalidated previous final rules promulgated by the DEA in the early 2000s, the DEA subsequently published a regulation in 2016 (the "**2016 Final Rule**") also referred to as the "Marihuana Extract Rule," which stated that all extracts from the Cannabis plant are Schedule I controlled substances, regardless of which part of the Cannabis plant the extracts are derived from. Although the DEA subsequently issued a clarification to the 2016 Final Rule, explaining that the 2016 Final Rule includes only extracts that fall within the CSA definition of marijuana, and does not include materials excluded from the CSA definition of marijuana, it makes clear that the DEA did not believe CBD can be derived in commercially viable amounts from the parts of the plant exempted from CSA control, noting that the cannabinoids are concentrated in the flower and that CBD present in stalk is generally due to the presence of resin. As defined above, according to the DEA, resin from any part of the plant is clearly included in the CSA definition of "marijuana."

This position was again emphasized in a 2018 Ninth Circuit Court of Appeals case of *Hemp Industries Association, et al., Petitioners, v. Drug Enforcement Administration, et al., Respondents*, Nos. 03-71336; 03-71603, 2017 WL

[11] P.L. 114-113.

[12] P.L. 114-113, Division A, §763.

[13] P.L. 115-31, Division A, §537.

10721879 (C.A.9) ("***HIA v. DEA III***"). In this case, the Hemp Industries Association ("**HIA**") and other industry petitioners filed a Petition for Review seeking to block the implementation of the DEA's 2016 Final Rule on marihuana extracts, in part, claiming that the 2016 Final Rule conflicted with the 2014 Farm Bill. In response to the case, a bipartisan group of 29 congressional members submitted an amicus brief (the "**Amicus Brief**") arguing the DEA's stance is in contravention of the 2014 Farm Bill and other laws, and that the intent and plain meaning of the 2014 Farm Bill was to open Industrial Hemp to national commercial activity. On April 30, 2018, the Ninth Circuit Court of Appeals denied the HIA's appeal of the 2016 Final Rule based on procedural grounds, but importantly confirmed that the 2014 Farm Bill adequately acknowledges the conflict and pre-empts the CSA, confirming that the 2016 Final Rule does not apply to Industrial Hemp grown lawfully under the 2014 Farm Bill. Therefore, to the extent products are derived lawfully pursuant to the 2014 Farm Bill, the Corporation believes they are pre-empted from CSA control.

On May 22, 2018, the DEA issued an internal directive to its agents concerning the legality of hemp and hemp-derived products. The key language stating:

> "Products and materials that are made from the cannabis plant and which fall outside the CSA definition of marijuana (such as sterilized seeds, oil or cake made from the seeds, and mature stalks) are not controlled under the CSA. Such products may accordingly be sold and otherwise distributed throughout the United States without restriction under the CSA or its implementing regulations. The mere presence of cannabinoids is not itself dispositive as to whether a substance is within the scope of the CSA; the dispositive question is whether the substance falls within the CSA definition of marijuana."

Further, they clarified the controversial "marijuana extract" rule:

> "This directive does not address or alter DEA's previous statements regarding the drug code for marijuana extract and regarding resin. See *Establishment of a New Drug Code for Marihuana Extract, 81 Fed. Reg. 90194 (Dec. 14, 2016); Clarification of the New Drug Code (7350) for Marijuana Extract*. As DEA has previously explained, the drug code for marijuana extract extends no further than the CSA does, and it thus does not apply to materials outside the CSA definition of marijuana."

To be clear, the DEA believed that it had no enforcement authority over hemp or hemp products that were excluded from the CSA. This may include any product derived from hemp grown as part of a 2014 Farm Bill-authorized pilot program, which the 2014 Farm Bill explicitly includes "notwithstanding" the CSA. (The Ninth Circuit Court of Appeals stated the 2014 Farm Bill "contemplates potential conflict between the Controlled Substances Act and pre-empts it".)

Of course, the DEA did not specifically articulate this exception.

Further, despite the DEA's concession that it maintained no jurisdiction with regard to 2014 Farm Bill activities, there remained concern over the extent to which other federal, state and local agencies would defer to the DEA's earlier, negative rhetoric towards the 2014 Farm Bill in the Statement of Principles, thereby causing adverse impacts against those acting pursuant to the 2014 Farm Bill including limited, misguided enforcement by state and local authorities that are confused by DEA's conflicting interpretations of, and misrepresentations of the congressional intent behind, the 2014 Farm Bill's hemp amendment.

The 2018 Farm Bill, discussed below, should eliminate the DEA's role in the regulation of hemp and hemp-derived CBD. However, the DEA has issued no public statements since its enactment on December 20, 2018, so there is a risk that the DEA may maintain some or all of its previously expressed positions.

The 2018 Farm Bill

On April 12, 2018, U.S. Senate Majority Leader Mitch McConnell (R-KY) introduced the HFA, which would permanently legalize hemp, removing it from the purview of the Controlled Substances Act, and classifying it as an agricultural commodity. He was joined as an initial co-sponsor by U.S. Senator Ron Wyden (D-OR).

On April 12, 2018, U.S. Congressmen James Comer (R-KY) and Jared Polis (D-CO) introduced a companion bill, H.R. 5485, in the House of Representatives, sharing the same mission and language as the HFA.

This legislation:

- removed hemp (all parts of the Cannabis plant with a concentration of not more than 0.3% THC) from the purview of the CSA. The bill is more expansive than the 2014 Farm Bill in that it specifically de-schedules all derivatives, extracts, cannabinoids and seeds of hemp as long as those portions of the plant remain below the THC threshold. This means that popular hemp food products like hemp-derived CBD would be more explicitly considered agricultural commodities rather than controlled substances;
- allowed U.S. states (and Native American Tribes) to regulate hemp growth and cultivation in their jurisdictions, building off of the 2014 Farm Bill pilot programs. The states would submit a regulatory plan to the USDA, which plan must demonstrate policies to pinpoint locations of hemp production, to test for THC, and to destroy uncompliant plants. Many states have already developed compliant regulatory structures for their pilot programs which the Corporation believes can be easily transitioned for these purposes;
- made hemp research eligible for competitive grant funding at USDA. Moreover, crop insurance would be made available for hemp farmers; and
- clarified that nothing in the proposed Hemp Faming Act would authorize interference with the interstate transportation or commerce of hemp or hemp products.

The HFA was included in its entirety, with a few technical adjustments, in the Senate version of the 2018 Farm Bill, which was approved by a 20-1 vote by the Senate Agriculture Committee on June 13, 2018. The Senate version of the 2018 Farm Bill was passed on June 28, 2018 by a margin of 86-11. An effort by U.S. Senator Charles Grassley (R-IA) to offer an amendment that would have explicitly excepted hemp extracts like CBD from the Controlled Substances Act exemption was debated and was so unpopular that it was not formally considered.

However, this language was not in the version passed by the House of Representatives. In July 2018, House and Senate leaders appointed members to the joint House/Senate conference committee to resolve the differences between the two versions of the 2018 Farm Bill. The House named 47 conferees, including Congressman James Comer (R-KY), who previously introduced the Hemp Farming Act House companion bill. The Senate named nine members, including U.S. Senate Majority Leader Mitch McConnell, to the conference committee.

Ultimately, the House/Senate conference committee accepted the Senate version of the hemp provisions in its final approved version. On December 12, the U.S. House of Representatives passed the 2018 Farm Bill, by a vote of 369 to 47. The previous day, the U.S. Senate passed the same bill by a vote of 87-13.

On December 20, 2018, President Trump signed the 2018 Farm Bill, and its enactment was immediate.[14]

The impact on the hemp industry is monumental:

- Hemp is now permanently removed from the CSA. It is forever deemed an agricultural commodity, no longer mistaken as a controlled substance, like marijuana.
- By redefining hemp to include its "extracts, cannabinoids and derivatives," Congress explicitly has removed popular hemp products -- such as hemp-derived CBD -- from the purview of the CSA. Accordingly, it is the Corporation's position that the DEA no longer has any possible claim to interfere with the interstate commerce of hemp products. This should also give comfort to federally regulated institutions – pharmacies, banks, merchant services, credit card companies, e-commerce sites and advertising platforms -- to conduct commerce with the hemp and hemp product industry.
- Hemp farmers now may finally access needed crop insurance and can fully participate in USDA programs for certification and competitive grants.
- State and Tribal governments may impose separate restrictions or requirements on hemp growth and the sale of hemp products – however, they cannot interfere with the interstate transport of hemp or hemp products.
- States will now have one year to apply to the USDA for approval of a permanent hemp program. The USDA will have sixty days to act on this.
- The FDA continues to exercise jurisdiction over the regulation of ingestible and topical hemp products including those marketed as animal and human drugs and therapeutic products, dietary supplements, food, and cosmetics.

[14] The Farm Bill can be found in its entirety at https://www.congress.gov/bill/115th-congress/house-bill/2/text.

The 2018 Farm Bill requires that hemp production occur in compliance with plans administered by individual states or tribal governments, or by the USDA. Over a one-year transition period, state hemp plans that document the existence of procedures for tracking properties where hemp is grown, verifying that the crop is hemp, and enforcing against violations of the law will be submitted to the USDA. It is expected that state and tribal hemp plans will be guided by regulations promulgated by the USDA, which the USDA intends to make publicly available for as part of the formal rulemaking process in Fall 2019 to accommodate the 2020 hemp planting season. This rulemaking process will include publishing of a proposed rule, a notice-and-comment period, and promulgation of a final rule. The USDA held an initial listening session via webinar on March 13, 2019. The USDA must act on such plans within sixty days and has no authority to reject any plan that conforms to the relevant provisions. For hemp production in any state or tribal territory for which the USDA has not approved a hemp plan, the USDA will have primary regulatory authority, production must comply with the USDA's hemp plan, and the producer must have a license issued by the USDA. State and tribal governments may impose separate restrictions or requirements on hemp cultivation and the sale of hemp products; however, they cannot interfere with the interstate transportation or shipment of hemp or hemp products.

Prior to enactment of the 2018 Farm Bill, the 2014 Farm Bill regulated the domestic production of hemp at the federal level. Under this regime, states (through their departments of agriculture) and institutions of higher education, and their contractual designees, are authorized to grow or cultivate hemp pursuant to an agricultural pilot program for research purposes. The 2014 Farm Bill sanctions, but does not require, states to establish agricultural pilot programs for the growth and cultivation of hemp for research purposes, including commercial marketing research (i.e. sales). As a result, variances in states' laws and regulations emerged. Federal appropriations riders passed subsequent to the 2014 Farm Bill prohibited federally-appropriated agencies, the DEA, from enforcing against hemp and hemp-derived products in interstate commerce, a protection that the 2018 Farm Bill preserves (and extends to enforcement efforts by states and Native American tribes). At least forty-one states established such programs, including Kentucky, Colorado, and Oregon, some of them with broader permissions (and more sophisticated regulatory frameworks) than others.

The 2014 Farm Bill is limited in that it only protects hemp grown or cultivated as part of an agricultural pilot program established pursuant to the 2014 Farm Bill. Accordingly, the 2014 Farm Bill does not permit the growth or cultivation of hemp outside the context of an agricultural pilot program. The 2014 Farm Bill is also limited in that—like the 2018 Farm Bill—it does not preempt state or local law, leaving up to each state whether to sanction the production of hemp in its jurisdiction. For this reason—under the jurisdiction of state or local law—a handful of states have taken law enforcement or regulatory action against hemp and hemp-derived products, including hemp-derived products that contain CBD.

The 2014 Farm Bill predates the 2018 Farm Bill and remains intact until one (1) year after the USDA establishes a hemp plan under the 2018 Farm Bill or until a state or Native American tribe has approved a hemp plan for its jurisdiction. It is anticipated that many states will rely on their existing pilot program regimes in submitting a 2018 Farm Bill plan to assume primary regulatory authority over hemp production. At least three states, including Kentucky, have submitted a hemp plan for approval by the USDA under the 2018 Farm Bill, but the USDA has not yet approved any hemp plan. Because the 2018 Farm Bill permits state and Native American tribes to regulate hemp and hemp-derived products more restrictively than the 2018 Farm Bill, variances in these jurisdictions' laws and regulations on hemp are likely to persist.

FDA Approval of Epidiolex

On June 25, 2018, the FDA issued to GW Pharmaceuticals plc its approval for Epidiolex, the first Cannabis-derived prescription medicine to be available in the U.S. The active ingredient in Epidiolex is CBD.

As a consequence of the FDA's action, on September 27, 2018 the DEA re-scheduled Epidiolex, and any future FDA-approved CBD drug, under Schedule V of the Controlled Substances Act.[15] In doing so, DEA noted that the drug no longer meets the criteria for Schedule I, following FDA's approval of the drug for certain medical

[15] See https://www.federalregister.gov/documents/2018/09/28/2018-21121/schedules-of-controlled-substances-placement-in-schedule-v-of-certain-fda-approved-drugs-containing.

conditions. DEA also indicated that any material, compound, mixture, or preparation other than Epidiolex that falls within the CSA definition of marijuana set forth in 21 U.S.C. 802(16), including any non-FDA-approved CBD extract that falls within such definition, remains a Schedule I controlled substance under the CSA. The placement of Epidiolex under Schedule V – the least restrictive schedule – recognizes the proven health benefits of CBD and its low potential for abuse. Of note, DEA's scheduling determination is limited only to Epidiolex and generic versions of the same formulation. Therefore, it is our opinion that DEA's announcement and related statements have no bearing on the status of hemp-derived CBD.

On October 1, 2018, an FDA communication from May 16, 2018 concerning the Epidiolex re-scheduling was publicly released. The memorandum from FDA Assistant Secretary Brett Giroir concludes that "CBD and its salts…could be removed from control under the CSA." After a thorough scientific review and analysis, FDA argues:

- "There is little indication that CBD has abuse potential or presents a significant risk to the public health."
- "No evidence for a classic drug withdrawal syndrome for CBD, and no evidence that CBD causes physical or psychic dependence."
- "CBD does not appear to have abuse potential under the CSA."
- "There is no signal for the development of substance use disorder in individuals consuming CBD-containing products."
- "It is unlikely that CBD would act as an immediate precursor to THC for abuse purposes."

Nevertheless, the FDA had been advised by the DEA that federally de-scheduling CBD altogether would violate international treaty obligations. Accordingly, the FDA recommended that CBD be placed in the least restrictive category, Schedule V. However, the FDA left the door open to complete de-scheduling in the immediate future: "*If treaty obligations do not require control of CBD, or the international controls on CBD…are removed at some future time, the above recommendation for Schedule V under the CSA would need to be revisited promptly.*"

It is important to understand that this scheduling discussion is limited to marijuana-derived CBD formulations such as Epidiolex. In the Corporation's opinion, hemp-derived CBD was already exempted from the Controlled Substances Act in the 2014 Farm Bill's pilot program regime and was permanently and explicitly exempted from the CSA by the 2018 Farm Bill.

However, as discussed above, federal agencies have issued conflicting statements on this point. The FDA letter is important because it makes clear that the federal agency with primary jurisdiction over the health and welfare of the American public has taken the formal position that CBD should not be treated as a controlled substance.

Furthermore, while there still is some debate over what international treaties require (the Corporation disagrees with DEA's position), all signs point to more clarity soon under international law that CBD should not be scheduled as a controlled substance. As discussed above, the World Health Organization in August 2018 recommended that CBD not be scheduled under international drug conventions.

Shortly after the 2018 Farm Bill signing, a letter was released by FDA Commissioner Scott Gottlieb that restated the FDA's current position, opining that it is a violation of federal law to introduce CBD ingredients into the food supply or market them as dietary supplements. But the letter also contained, for the very first time, new hope for a new path toward the FDA's acceptance of hemp-derived CBD as a food additive or nutritional supplement. For the very first time, the FDA is seriously considering using its authority to issue a regulation that will specifically allow hemp-derived ingredients in foods and supplements:

> [P]athways remain available for the FDA to consider whether there are circumstances in which certain cannabis-derived compounds might be permitted in a food or dietary supplement. Although such products are generally prohibited to be introduced in interstate commerce, the FDA has authority to issue a regulation allowing the use of a pharmaceutical ingredient in a food or dietary supplement. We are taking new steps to evaluate whether we should pursue such a process.

As it makes this decision, the FDA is reaching out to the industry and the public:

> Given the substantial public interest in this topic and the clear interest of Congress in fostering the development of appropriate hemp products, we intend to hold a public meeting in the near future for stakeholders to share their experiences and challenges with these products, including information and views related to the safety of such products. We'll use this meeting to gather additional input relevant to the lawful pathways by which products containing cannabis or cannabis-derived compounds can be marketed, and how we can make these legal pathways more predictable and efficient. We'll also solicit input relevant to our regulatory strategy related to existing products, while we continue to evaluate and take action against products that are being unlawfully marketed and create risks for consumers. At the same time, we recognize the potential opportunities that cannabis or cannabis-derived compounds could offer and acknowledge the significant interest in these possibilities. We're committed to pursuing an efficient regulatory framework for allowing product developers that meet the requirements under our authorities to lawfully market these types of products.

By virtue of its membership in the U.S. Hemp Roundtable, the industry's leading business advocacy association, the Corporation will be represented in these discussions.

On April 2, 2019, the FDA announced it will hold a public hearing on May 31, 2019 to hear comments and receive information relevant to the FDA's regulatory strategy and legal pathways by which Cannabis and Cannabis-derived products can be marketed with predictability and efficiency.

The FDA also issued a statement shortly after the 2018 Farm Bill was signed opining that the agency has no questions about the conclusion that hulled hemp seed, hemp seed protein powder and hemp seed oil are generally recognized as safe ("**GRAS**") under their intended conditions of use. While the GRAS evaluation was made at the request of a specific company, Fresh Hemp Foods, the GRAS conclusions can apply to ingredients from other companies, if they are manufactured in a way that is consistent with the notices and they meet the listed specifications. Some of the intended uses for these ingredients include adding them as source of protein, carbohydrates, oil, and other nutrients to beverages (juices, smoothies, protein drinks, plant-based alternatives to dairy products), soups, dips, spreads, sauces, dressings, plant-based alternatives to meat products, desserts, baked goods, cereals, snacks and nutrition bars.

The Commissioner reiterated his reform efforts on February 26, 2019, at a meeting of state agriculture leaders at the National Association of State Departments of Agriculture. The Commissioner later announced that the FDA will convene its first public meeting on May 31, 2019 to discuss products that contain hemp-derived ingredients, including food and dietary supplement products. Some key excerpts from this announcement:

> The public hearing will give stakeholders an opportunity to provide the FDA with additional input relevant to the agency's regulatory strategy related to existing products, as well as the lawful pathways by which appropriate products containing cannabis or cannabis-derived compounds can be marketed, and how we can make these legal pathways more predictable and efficient…As part of the public hearing and related public comment period, the agency is interested in whether there are particular safety concerns that we should be aware of as we consider the FDA's regulatory oversight and monitoring of these products…We're forming a high-level internal agency working group to explore potential pathways for dietary supplements and/or conventional foods containing CBD to be lawfully marketed. Given the importance of this issue, I've asked Principal Deputy Commissioner Amy Abernethy, M.D., Ph.D. and Principal Associate Commissioner for Policy Lowell Schiller, to co-chair the group and charged them with considering what options might be appropriate under our current authorities, in view of all the evidence before us and our agency's fundamental public health mission. I'm also asking the group to consider whether there are legislative options that might lead to more efficient and appropriate pathways than might be available under current law – again, with the same science-based, public health focus that the FDA endeavors to bring to all matters before it…The working group plans to begin sharing information and/or findings with the public as early as Summer 2019.

This matter is still in active discussion with the FDA and is unresolved as of the date of this AIF. The Commissioner also resigned his office in April 2019. The resignation is not expected to have any significant long-term impact.

State Regulation of Industrial Hemp

At present, the Corporation sources only from proprietary operations and contract suppliers located in Colorado, Kentucky and Oregon that are in compliance with state and federal regulations. All Industrial Hemp purchased by the Corporation constitutes Industrial Hemp under the 2014 Farm Bill and hemp under the 2018 Farm Bill. . There is a risk that state and federal law enforcement officials may read the statutes as a whole differently and that such interpretations may change (both favorably and unfavorably) over time.

The Corporation believes that the 2018 Farm Bill prohibits the DEA from interfering with the interstate sale and transport of hemp and hemp products. However, it permits states to have more restrictive policies when it comes to the growth and sale of hemp and hemp products.

The fifty U.S. states have fifty different laws (or lack thereof) when it comes to this subject. The Corporation has reviewed the laws of all fifty states and has identified no state statutory language which explicitly prohibits the retail sale of hemp-derived CBD in topical form. In a few states, the respective Boards of Pharmacy have declared CBD products cannot be sold through licensed pharmacies.

Accordingly, the sale of CBD at the retail level in most U.S. states remains a gray area of the law. The Corporation has chosen to sell its products in all fifty states, understanding that there is a risk of state or local law enforcement action. See "Risk Factors and Uncertainties - Risks Related to the Regulatory Environment".

The Corporation has no knowledge about or control over which states its products may transit through once delivered to the applicable carrier. However, the 2018 Farm Bill prohibits states, even those with more restrictive hemp regimes, from interfering with the transportation of hemp or hemp products through their jurisdictions.

Regulations with respect to the treatment of Industrial Hemp vary from state to state and continue to evolve. The regulations of the particular states most impactful to the Corporation's business are described below.

The Corporation's contract cultivation supplier in Kentucky has obtained a "Grower License in respect of a Kentucky Department of Agriculture Industrial Hemp Research Pilot Program" issued on March 7, 2018, and its contract cultivation supplier in Oregon has obtained an "Industrial Hemp Certificate" dated March 13, 2018 (all of the foregoing Colorado, Kentucky and Oregon licenses collectively, the "**Licenses**").

Colorado

Passed in 2012, Amendment 64 to the Colorado Constitution directed the General Assembly to enact legislation governing the cultivation, processing and sale of Industrial Hemp by July 1, 2014.[16] In 2013, responsibility for establishing regulations pertaining to the cultivation of Industrial Hemp, including registration and inspection, was delegated to the CDA.[17] The CDA adopted rules and regulations that set forth requirements for registration, inspection, and testing.[18] Registration requirements include but are not limited to: disclosing the name and address of the entity that will hold the registration, and the name of each officer, director, member, partner or owner of at least 10% of the entity and any other person who has managing or controlling authority over the entity; providing the CDA with GPS coordinates and a map of the land area where the Industrial Hemp will be cultivated; listing the intended use of harvested Industrial Hemp materials; and payment of a non-refundable fee.[19] All registrants are subject to routine inspection and sampling by the CDA to verify that the THC concentration of the plants being cultivated does not exceed 0.3% on a dry weight basis, and to ensure registrants are complying with applicable

[16] Colo. Const. art. XVIII, § 16.

[17] Colorado Senate Bill 13-41.

[18] 8 CCR 1203-23.

[19] Id.

reporting requirements.[20] Reporting requirements include a pre-planting report detailing the varieties to be planted, a planting report specifying the exact land areas where planning occurred, and a harvest report documenting the size of the harvest and the anticipated harvest date.[21]

After the passage of the 2014 Farm Bill, the Colorado legislature passed the Colorado Industrial Hemp Regulatory Program Act establishing the Colorado Industrial Hemp Regulatory Program.[22] The Colorado Industrial Hemp Regulatory Program Act expressly authorizes two distinct categories of Industrial Hemp cultivation registration to be issued and administered by the CDA: (i) R&D; and (ii) commercial. "Research and Development" is defined as the "cultivation of Industrial Hemp by an institution of higher education under the pilot program administered by the CDA for purposes of agricultural or academic research in the development of growing Industrial Hemp."[23] In comparison, "Commercial" is defined as "the growth of Industrial Hemp, for any purpose including engaging in commerce, market development and market research, by any person or legal entity other than an institution of higher education or under a pilot program administered by the CDA for purposes of agricultural or academic research in the development of growing Industrial Hemp."[24]

Finally, on May 30, 2018, the governor of Colorado signed House Bill 18-1295 into law. This legislation modifies the Colorado Food and Drug Act to establish that food, cosmetics, drugs, and devices, as those terms are defined in the act, are not adulterated or misbranded by virtue of containing Industrial Hemp. This law codified a policy established in 2017 by the Colorado Department of Health and Environment ("**CDPHE**") that allowed for the production and sale of food products containing Industrial Hemp, so long as certain express conditions were satisfied. Under applicable legislation, food products containing Industrial Hemp must be produced by a wholesale food manufacturing facility that has registered with the CDPHE, and the finished product must contain a delta-9 THC concentration of no more than three-tenths of one percent (0.3%).

While the Corporation itself is not a program participant, it does take steps to ensure that the Colorado-based suppliers with which it contracts are participants in the Colorado agricultural pilot program, including requiring suppliers to represent and warrant their compliance with Colorado law in writing and obtaining a copy of the applicable License issued to such supplier.

Kentucky

Kentucky established a robust agricultural pilot program in 2013,[25] which it expanded in 2017. Program participants may grow, cultivate, handle, process or market Industrial Hemp and Industrial Hemp products. In 2017, the program covered 3,100 acres and included hundreds of participants. For 2018, the program has approved 14,000 acres for the agricultural pilot program. The Kentucky Department of Agriculture has promulgated regulations[26] and issued a policy guide for the program, both of which have served as models for newer Industrial Hemp regimes in other states.

Kentucky adopts the definition of "Industrial Hemp"[27] set forth under federal law. Kentucky's definition of marijuana[28] excludes lawful Industrial Hemp and Industrial Hemp products, as well as the stalks, fiber and oil from seeds of the Cannabis plant.

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[20] Id.

[21] Id.

[22] See C.R.S. §§35-61-101, et seq.

[23] 8 CCR §1203-23(1.12).

[24] 8 CCR §1203-23(1.3).

[25] Ky. Rev. Stat. §§ 260.850-.858.

[26] 302 Ky. Admin. Regs. 50:010-080.

[27] Ky. Rev. Stat. § 260.850(5).

[28] Ky. Rev. Stat. § 218A.010(27).

Kentucky's definition of marijuana specifically exempts Industrial Hemp products that do not contain any living plants, viable seeds, leaf materials or floral materials, as well as CBD products derived from hemp.[29]

While the Corporation itself is not a program participant, it does take steps to ensure that the Kentucky-based suppliers with which it contracts are participants in the Kentucky agricultural pilot program, including requiring suppliers to represent and warrant their compliance with Kentucky law in writing and obtaining a copy of the applicable License issued to such supplier.

Oregon

Oregon's Industrial Hemp laws are also evolving. Industrial Hemp extracts and CBD are referred to or defined in Oregon's Industrial Hemp statutes and the state's hemp regulations,[30] pursuant to which an "industrial hemp commodities or product" includes CBD and other compounds derived from hemp.[31] Further, all cannabinoid products from hemp must be tested for their THC and CBD content and microbiological contaminants.[32] Only a grower registered with the ODA may produce Industrial Hemp, and only a handler registered with the ODA may process Industrial Hemp. A separate registration is required to handle Industrial Hemp seed. There are further restrictions on who an Industrial Hemp registrant can sell to[33] and the Corporation's packaged goods must comply with Oregon's THC, CBD and microbiological testing requirements.

While the Corporation itself is not registered in Oregon, it does take steps to ensure the Oregon-based suppliers with which it contracts are appropriately registered with the ODA, including requiring suppliers to represent and warrant such compliance in writing and obtaining a copy of the applicable License issued to such supplier.

Under the 2018 Farm Bill, the pilot program regime of the 2014 Farm Bill expires in a year after the USDA issues its final regulations. In its place, states are permitted to apply to the USDA for approval of permanent regulatory programs. Kentucky has already submitted its application, and Oregon and Colorado are expected to follow suit shortly. It is expected that each state will obtain USDA approval of their permanent programs, but there is a risk that one or more might not.

FDA Regulation

Non-prescription drug products, referred to as OTC drug products, are regulated by the FDA. To legally market an OTC drug product, the FDCA and FDA regulations promulgated under its authority require FDA approval of a New Drug Application ("**NDA**") that includes substantial evidence of effectiveness based on adequate and well-controlled studies, or an Abbreviated New Drug Application ("**ANDA**"). Alternatively, an OTC drug product may be marketed without an FDA approved NDA or ANDA if the drug product is manufactured in compliance with an OTC drug regulation, referred to as a final monograph, which has been established for that therapeutic class of drug. The OTC drug monographs identify permissible active ingredients, labeling, and claims. OTC monographs generally do not specify inactive ingredients that may be used in the manufacture of OTC drugs. OTC drugs marketed in compliance with a final monograph are GRASE, and are exempt from premarket approval requirements.

The FDA has also issued "tentative final monographs," which are proposed rules that, when finalized, will become final monographs. The FDA allows drugs that comply with the tentative final monograph to be marketed under its enforcement discretion policy. Once the monograph is finalized for that therapeutic class of drug, marketing must then conform to the final monograph or the OTC drug products will be considered adulterated or misbranded under the FDCA and marketing will be prohibited. The active ingredients in the Corporation's products (lidocaine, menthol and camphor) are currently covered by an OTC tentative final monograph for external analgesic drug products, which published in the Federal Register on February 8, 1983 (48 FR 5852). The tentative final monograph

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29 Ky. Rev. Stat. § 218A.010(27)(c)-(f).

30 See Oregon Revised Statutes § 571.300 et seq.; Oregon Administrative Rules § 603-048-0010 et seq.

31 OAR § 603-048-0010 (11)(a).

32 Id. at § 603-048-2320, 603-048-2340.

33 OAR § 603-048-0100.

does not specify what inactive ingredients may be used in the manufacture of such analgesics. This tentative final monograph is part of the FDA's ongoing review of OTC drug products.

The FDA considers any article to meet the definition of a drug under the FDCA if it is marketed or otherwise intended for use in the cure, mitigation, treatment, or prevention of disease or intended to affect the structure or function of a human body. If CBD were marketed for such uses, and because CBD is not GRASE (Generally Recognized as Safe and Effective) or the subject of an OTC final or tentative final monograph, CBD would be considered a new drug for which an approved NDA is required prior to marketing. Introducing or delivering for introduction such CBD products into interstate commerce for such uses would be in violation of the FDCA. In the absence of claims that CBD is intended to cure, mitigate, treat, or prevent disease or affect the structure or function of a human body, the CBD ingredient would not meet the definition of new drug for which preapproval would be required.

The FDA has approved Epidiolex, which contains CBD, for the treatment of seizures associated with Lennox-Gastaut syndrome or Dravet syndrome in patients 2 years of age and older. This means the FDA has concluded that this particular drug product is safe and effective for its intended indication. The FDA also has approved Marinol and Syndros for therapeutic uses, including for the treatment of anorexia associated with weight loss in AIDS patients. Marinol and Syndros include the active ingredient dronabinol, a synthetic delta-9- tetrahydrocannabinol (THC) which is considered the psychoactive component of marijuana. Another FDA-approved drug, Cesamet, contains the active ingredient nabilone, which has a chemical structure similar to THC and is synthetically derived.

The FDA has taken the position that THC and CBD products are excluded from the dietary supplement definition under the FDCA. The FDA has stated if a substance such as THC or CBD is an active ingredient in a drug product that has been approved under an NDA, or has an effective Investigational New Drug application ("**IND**") authorizing clinical studies and the existence of such studies has been made public, then products containing that substance are outside the definition of a dietary supplement and, therefore, cannot be marketed as a dietary supplement. THC (dronabinol) is the active ingredient in the approved drug products, Marinol capsules (and generics) and Syndros oral solution. The existence of clinical investigations involving CBD as an active ingredient has been made public. For example, GW Pharmaceuticals' investigations regarding Sativex and Epidiolex have been the subject of press releases.[34]

The Corporation believes that the FDA approval of Epidiolex, which is an oral medication (not topical) that contains the active drug cannabidiol (CBD), should have no impact on the Corporation's use of CBD because its function in its products is as an inactive ingredient with no health claims ascribed to its presence.

Inactive ingredients do not require individual approval by the FDA. The FDA evaluates an inactive ingredient within the context of an NDA. After approval of the NDA, the FDA will list the inactive ingredients in the approved drug product in the FDA's Inactive Ingredient Database. Based on the listings in this Database, the FDA has not approved an NDA for a new drug containing CBD as an inactive ingredient. FDA does not list OTC inactive ingredients in the Inactive Ingredient Database for OTC drug products manufactured and marketed in accordance with an OTC monograph. It is the drug manufacturer's responsibility to ensure the suitability and safety of the inactive ingredients in its OTC monographed drug products.

There is inherent risk in marketing a drug product containing CBD, whether as an active or inactive ingredient. Regardless of the existence or lack of FDA regulations and laws that may affect a drug product containing CBD, the federal DEA currently takes the position that CBD is regulated as a Schedule I controlled substance. Moreover, FDA policies and regulations may change from time to time, requiring formulation, packaging, or labeling changes or requiring the submission of an NDA for a drug product containing any amount of CBD. Although some states have passed laws that permit certain CBD products despite contrary federal laws, such state laws may also change. The Corporation cannot predict whether new federal or state regulations or legislation affecting the use of CBD in OTC drug products or any of the activities of the Corporation will be enacted or what effect any regulation or legislation

[34] See Sativex Commences US Phase II/III Clinical Trial in Cancer Pain and GW Pharmaceuticals Receives Investigational New Drug (IND) from FDA for Phase 2/3 Clinical Trial of Epidiolex in the Treatment of Dravet Syndrome.

would have on the Corporation's business. See "Risk Factors and Uncertainties - Risks Related to the Regulatory Environment".

Ability to Access Public and Private Capital and Banking Services

The Corporation currently holds a bank account with a regional U.S. institution. The Corporation also currently has a payment processing agreement in place providing for online/credit card payments in connection with its e-commerce sales. Merchant account processors for credit cards in the U.S. have been changing their fees and or willingness to facilitate payments for products containing CBD. The Corporation has received notices of providers looking to exit the processing of payments for CBD related products, processing rate increases, and increases of the rate of holdback and duration of holdback of final sales settlement payments. The Corporation has been actively sourcing alternative and backup providers in the regular course of business. The Corporation has historically, and continues to have, access to equity and debt financing from the prospectus exempt (private placement) markets in Canada and the United States. The Corporation's executive team and Board also have relationships with sources of private capital which the Corporation could investigate. The Corporation has not attempted to obtain bank financing in the U.S. The Corporation anticipates that funding sources may be available pursuant to private and public offerings of equity and/or debt and bank lending. However, if equity and/or debt financing was not available in the public capital markets in Canada or the United States, then the Corporation expects that it would have access to raise equity and/or debt financing privately. Commercial banks, private equity firms and venture capital firms have approached the Cannabis industry cautiously to date. However, there have been an increasing number of meaningful investments from both the private and the public capital markets in companies and projects similar to the Corporation's business. Although there has been an increase in the amount of financing available to companies in the Cannabis industry over the last several years, there is neither a broad nor deep pool of institutional capital that is available to Cannabis industry participants. There can be no assurance that additional financing, if raised privately or publicly, will be available to the Corporation when needed or on terms which are acceptable. The Corporation's inability to raise financing to fund capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon future profitability. See "Risk Factors and Uncertainties - Risks Related to the Regulatory Environment - Anti-money Laundering Laws and Regulations" and "Risk Factors and Uncertainties - Risks Related to the Regulatory Environment - Banking".

Future Uncertainty of Legal Status

There remain a number of considerations and uncertainties regarding the cultivation, sourcing, production and distribution of Industrial Hemp and products containing hemp derivatives. Applicable laws and regulations remain subject to change as there are different interpretations among federal, state and local regulatory agencies, legislators, academics and businesses with respect to the treatment of the importation of derivatives from exempted portions of the Cannabis plant and the scope of operation of 2014 Farm Bill-compliant hemp programs relative to the CSA and the emerging regulation of cannabinoids. These different federal, state and local agency interpretations, as discussed above, touch on the regulation of cannabinoids by the DEA and/or the FDA and the extent to which imported derivatives, and/or 2014 Farm Bill-compliant cultivators and processors may engage in interstate commerce, whether under federal and/or state law. **The uncertainties likely cannot be resolved without further federal and state legislation, regulation or a definitive judicial interpretation of existing legislation and rules**.

Numerous states are adopting laws governing Industrial Hemp and CBD. For example, at the state level, on March 21, 2018, Indiana's Governor signed into law Senate Bill 52, which allows the distribution and retail sale of "low-THC hemp extract," defined as a product "(1) derived from Cannabis sativa L. that meets the definition of Industrial Hemp; (2) that contains not more than 0.3% delta-9-THC (including precursors); and (3) that contains no other controlled substances." More recently, on June 1, 2018, Missouri's Governor signed into law House Bill 2034, a comprehensive hemp-legalization measure which explicitly exempted from law enforcement control "industrial hemp commodities and products and topical or ingestible animal and consumer products derived from industrial hemp with a delta-9 tetrahydrocannabinol concentration of not more than three-tenths of one percent on a dry weight basis."

While over 40 other states have legalized some form of medical marijuana or CBD for certain approved conditions or with other restrictions on access, the Indiana and Missouri laws, among others, may set precedent for these and additional states to ease restrictions and expand legal access to CBD products, in particular those with low THC content.

Materially all of the Corporation's assets, liabilities and operations are exposed to U.S. Cannabis-related activities.

The Corporation's Regulatory Compliance Activities

The Corporation's senior management team regularly monitors the development of applicable U.S. laws and the Corporation engages U.S. legal counsel to ensure it is operating in compliance with all applicable laws and permits. These compliance-related activities include efforts affecting the following objectives, when and as applicable:

- ensuring all raw materials are sourced in compliance with the applicable provisions of the 2014 and 2018 Farm Bills and applicable state and local laws;
- evaluating supply chain partners for quality standards;
- setting and maintaining quality standards through raw material specifications; and
- employing qualified quality assurance personnel.

International Regulatory Matters

The Corporation intends to sell its products in other jurisdictions. Regulations to sell OTC's vary considerably in different countries. Similarly, regulations concerning CBD differ from country to country. The Corporation is initially focusing its attention to Europe, Canada, and Latin America. In each country and/or region, the Corporation will be working with third party contractors who specialize in regulatory registrations. The Corporation anticipates that it will make final decisions as to its proposed international expansions after its regulatory reviews are completed. Accordingly, the Corporation will explore potential manufacturing partnerships for local production, manufacturing and/or distribution in selected international markets.

Bankruptcy and Similar Proceedings

There have been no bankruptcy, receivership or similar proceedings against the Corporation or any of its subsidiaries, or any voluntary bankruptcy, receivership or similar proceedings by the Corporation or any of its subsidiaries, within the three most recently completed financial years or during or proposed for the current financial year.

Reorganizations

Other than the Transaction, there have been no material reorganizations of the Corporation or any of its subsidiaries within the three most recently completed financial years or during or proposed for the current financial year.

RISK FACTORS AND UNCERTAINTIES

In addition to all other information set out in this AIF, the following information describes certain significant risks and uncertainties inherent in the Corporation's business and operations. Prospective investors should take these risks into account in evaluating the Corporation and in deciding whether to purchase Subordinate Voting Shares or other securities of the Corporation. Other risks and uncertainties that the Corporation does not presently consider to be material, or of which the Corporation is not presently aware, may become important factors that affect the Corporation's financial condition and results of operations. The occurrence of any of these risks discussed below could materially adversely affect the Corporation's business, prospects, financial condition, results of operations or cash flow.

An investment in the Subordinate Voting Shares or other securities of the Corporation is highly speculative and involves a high degree of risk. Before making any investment decision, prospective investors should carefully consider all the information contained in this document including, in particular, the risk factors described below.

Risks Related to the Regulatory Environment

Changes to State Laws Pertaining to Industrial Hemp

As of the date hereof, forty-one states have authorized Industrial Hemp programs pursuant to the 2014 Farm Bill. Continued development of the Industrial Hemp industry will be dependent upon new legislative authorization of Industrial Hemp at the state level, and further amendment or supplementation of legislation at the federal level. Any

number of events or occurrences could slow or halt progress all together in this space. While progress within the Industrial Hemp industry is currently encouraging, growth is not assured. While there appears to be ample public support for favorable legislative action at the state and federal levels, numerous factors may impact or negatively affect the legislative process(es) within the various states the Corporation has business interests in. Any one of these factors could slow or halt use of Industrial Hemp or CBD, which would negatively impact the Corporation's business or growth, including possibly causing the Corporation to discontinue operations as a whole. Finally, while the Corporation operates using hemp grown under licenses in Oregon, Kentucky, and Colorado, procured under the 2014 Farm Bill pilot program regime, those programs expire within a year, and there is a risk that the USDA does not approve permanent plans that are submitted by those state departments of agriculture.

Risks Associated with Numerous Laws and Regulations

The production, labeling and distribution of the products that the Corporation distributes are regulated by various federal, state and local agencies. These governmental authorities may commence regulatory or legal proceedings, which could restrict the permissible scope of the Corporation's product claims or the ability to sell its products in the future. The FDA regulates the Corporation's products to ensure that the products are not adulterated or misbranded.

Despite the Corporation's opinion that the DEA is permanently removed from the regulation of hemp as defined in the 2018 Farm Bill, the Corporation may still be subject to regulation by the DEA and other agencies as a result of the manufacture and sale of its CBD products. The shifting compliance environment and the need to build and maintain robust systems to comply with different regulations in multiple jurisdictions increases the possibility that the Corporation may violate one or more of the requirements. If the Corporation's operations are found to be in violation of any of such laws or any other governmental regulations, or perceived to be in violation, the Corporation may be subject to penalties or other negative effects, including, without limitation, civil and criminal penalties, damages, fines, the curtailment or restructuring of the Corporation's operations or asset seizures and the denial of regulatory applications (including those regulatory regimes outside of the scope of DEA and FDA jurisdiction, but which may rely on the positions of the DEA and FDA in the application of their respective regimes), any of which could adversely affect the Corporation's business and financial results.

Failure to comply with FDA requirements may result in, among other things, injunctions, product withdrawals, recalls, product seizures, fines and criminal prosecutions. The Corporation's advertising is subject to regulation by the FDA and the Federal Trade Commission ("**FTC**") under the *Federal Trade Commission Act*, which also regulates advertising for dietary supplements. In recent years, the FTC has initiated numerous investigations of dietary and nutritional supplement products and companies based on allegedly deceptive or misleading claims. At any point, enforcement strategies of a given agency can change as a result of other litigation in the space or changes in political landscapes, and could result in increased enforcement efforts, which could materially impact the Corporation's business. Additionally, some states also permit advertising and labeling laws to be enforced by state attorney generals, who may seek relief for consumers, class action certifications, class wide damages and product recalls of products sold by the Corporation. Private litigations may also seek relief for consumers, class action certifications, class wide damages and product recalls of products sold by the Corporation. Any actions against the Corporation by governmental authorities or private litigants could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Incorrect Interpretation of the 2018 Farm Bill

The Corporation's position is that its activities fall within the relief from federal interference provided by the 2018 Farm Bill. A successful challenge to such position by the DEA, the FDA or other state or federal authority could have a material adverse effect on the Corporation, including civil and criminal penalties, damages, fines, the curtailment or restructuring of the Corporation's operations or asset seizures and the denial of regulatory applications.

International Regulatory Risks

The Corporation intends to expand internationally. As a result, it will become further subject to the laws and regulations of (as well as international treaties among) the foreign jurisdictions in which it operates or imports or exports products or materials. In addition, the Corporation may avail itself of proposed legislative changes in certain jurisdictions to expand its product portfolio, which expansion may include business and regulatory compliance risks

as yet undetermined. Failure by the Corporation to comply with the current or evolving regulatory framework in any jurisdiction could have a material adverse effect on the Corporation's business, financial condition and results of operations. If the Corporation's sales or operations were found to be in violation of such international regulations the Corporation may be subject to enforcement actions in such jurisdictions including, but not limited to civil and criminal penalties, damages, fines, the curtailment or restructuring of the Corporation's operations or asset seizures and the denial of regulatory applications.

Uncertainty Caused by Potential Changes to Regulatory Framework

There is substantial uncertainty and different interpretations among federal, state and local regulatory agencies, legislators, academics and businesses as to the importation of derivatives from exempted portions of the Cannabis plant and the scope of 2018 Farm Bill-compliant hemp programs relative to the CSA, the 2018 Farm Bill and the emerging regulation of cannabinoids. These different opinions include, but are not limited to, the regulation of cannabinoids by the DEA and the FDA and the extent to which manufacturers of products containing imported raw materials and/or 2014 Farm Bill-compliant cultivators and processors may engage in interstate commerce. The uncertainties cannot be resolved without further federal, and perhaps even state-level, legislation, regulation or a definitive judicial interpretation of existing legislation and rules. If these uncertainties continue, they may have an adverse effect upon the introduction of the Corporation's products in different markets.

Regulatory Approval and Permits

The Corporation may be required to obtain and maintain certain permits, licenses and approvals in the jurisdictions where its products are licensed. There can be no assurance that the Corporation will be able to obtain or maintain any necessary licenses, permits or approvals. Moreover, the Corporation and/or third-party suppliers of CBD hemp based products could be required to obtain a CSA permit, which would likely not be a feasible option for retail products. Any material delay or inability to receive these items is likely to delay and/or inhibit the Corporation's ability to conduct its business, and would have an adverse effect on its business, financial condition and results of operations.

DEA Jurisdiction Over Hemp Extracts or CBD

DEA representatives have taken the position that CBD is subject to the CSA and classified as a controlled substance thereunder. While the Corporation cannot be certain of the basis of such position, given that compliance with the 2018 Farm Bill exempts hemp from the purview of the CSA, the DEA may determine that the 2018 Farm Bill does not apply as broadly as the Corporation believes. If the DEA takes action against the Corporation or the CBD industry, this could have a material adverse effect on the Corporation's business, financial condition and results of operations including the cessation of operations entirely.

Environmental, Health and Safety Laws

The Corporation is subject to environmental, health and safety laws and regulations in each jurisdiction in which the Corporation operates. Such regulations govern, among other things, emissions of pollutants into the air, wastewater discharges, waste disposal, the investigation and remediation of soil and groundwater contamination, and the health and safety of the Corporation's employees. For example, the Corporation's products and the raw materials used in its production processes are subject to numerous environmental laws and regulations. The Corporation may be required to obtain environmental permits from governmental authorities for certain of its current or proposed operations. The Corporation may not have been, nor may it be able to be at all times, in full compliance with such laws, regulations and permits. If the Corporation violates or fails to comply with these laws, regulations or permits, the Corporation could be fined or otherwise sanctioned by regulators.

As with other companies engaged in similar activities or that own or operate real property, the Corporation faces inherent risks of environmental liability at its current and historical production sites. Certain environmental laws impose strict and, in certain circumstances, joint and several liability on current or previous owners or operators of real property for the cost of the investigation, removal or remediation of hazardous substances as well as liability for related damages to natural resources. In addition, the Corporation may discover new facts or conditions that may change its expectations or be faced with changes in environmental laws or their enforcement that would increase its liabilities. Furthermore, its costs of complying with current and future environmental and health and safety laws, or

the Corporation's liabilities arising from past or future releases of, or exposure to, regulated materials, may have a material adverse effect on its business, financial condition and results of operations.

Anti-money Laundering Laws and Regulations

The Corporation is subject to a variety of laws and regulations domestically and in the United States that involve money laundering, financial recordkeeping and proceeds of crime, including the U.S. *Currency and Foreign Transactions Reporting Act of 1970* (commonly known as the Bank Secrecy Act), as amended by Title III of the *Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001* (USA PATRIOT Act), the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada), the *Criminal Code* (Canada), as amended and the rules and regulations thereunder, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada.

In February 2014, the Financial Crimes Enforcement Network ("**FCEN**") of the U.S. Department of the Treasury issued a memorandum providing instructions to banks seeking to provide services to marijuana related businesses (the "**FCEN Memo**"). The FCEN Memo states that in some circumstances, it may not be appropriate to prosecute banks that provide services to marijuana-related businesses for violations of federal money laundering laws. It refers to supplementary guidance that Deputy Attorney General Cole issued to federal prosecutors relating to the prosecution of money laundering offenses predicated on Cannabis-related violations of the CSA. It is unclear at this time whether the current administration will follow the guidelines of the FCEN Memo. Under U.S. federal law, banks or other financial institutions that provide a Cannabis-related business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering, aiding and abetting, or conspiracy.

If any of the Corporation's investments, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such investments in the United States or Canada were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Corporation to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while the Corporation has no current intention to declare or pay dividends on its Subordinate Voting Shares in the foreseeable future, the Corporation may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

Banking

Since the production and possession of Cannabis is currently illegal under U.S. federal law and the Corporation relies on exemptions promulgated pursuant to the 2014 Farm Bill, it is possible that banks may refuse to open bank accounts for the deposit of funds from businesses involved with the Cannabis industry. The inability to open bank accounts with certain institutions could materially and adversely affect the business of the Corporation.

Denial of Deductibility of Certain Expenses

The Corporation may incur significant tax liabilities if the IRS continues to determine that certain expenses of businesses working with the Cannabis plant are not permitted tax deductions under section 280E of the Code.

Section 280E of the Code prohibits businesses from deducting certain expenses associated with trafficking controlled substances (within the meaning of Schedule I and II of the CSA). The IRS has invoked section 280E in tax audits against various Cannabis businesses in the U.S. that are permitted under applicable state laws. Although the IRS issued a clarification allowing the deduction of certain expenses, the scope of such items is interpreted very narrowly, and the bulk of operating costs and general administrative costs are not permitted to be deducted. While there are currently several pending cases before various administrative and federal courts challenging these restrictions, there is no guarantee that these courts will issue an interpretation of section 280E favorable to Cannabis businesses.

Liability for Actions of Employees, Contractors and Consultants

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

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

Risks Related to the Corporation's Business and Industry

Reliance on Third Party Suppliers, Service Providers and Distributors

The Corporation intends to maintain a full supply chain for the material portions of the production and distribution process of its products. The Corporation's suppliers, service providers and distributors may elect, at any time, to breach or otherwise cease to participate in supply, service or distribution agreements, or other relationships, on which the Corporation's operations rely. Loss of its suppliers, service providers or distributors would have a material adverse effect on the Corporation's business and operational results.

The Corporation currently relies on a single manufacturer, Aidance, to manufacture its products in an FDA-inspected manufacturing facility operating in accordance with cGMP located in the United States. Accordingly, the Corporation is highly dependent on the uninterrupted and efficient operation of Aidance's manufacturing facility. Aidance may not continue to maintain its FDA certification or continue or be willing or able to produce the Corporation's products at reasonable prices or at all. If for any reason Aidance discontinues production of the Corporation's products, it would likely result in significant delays in production of the Corporation's products and interruption of the Corporation's sales as it seeks to establish a relationship and commence production with another manufacturer. The Corporation may be unable to make satisfactory production arrangements with another manufacturer on a timely basis or at all. If operations at Aidance's manufacturing plant were to be disrupted as a result of equipment failures, natural disasters, fires, accidents, work stoppages, power outages or other reasons, the Corporation's business, financial condition and/or results of operations could be materially adversely affected.

In addition, the Corporation will be dependent on third parties to obtain certain raw materials, including CBD, necessary to develop and produce its products. The raw materials required for the production of the Corporation's products, including CBD, may not be available to the Corporation on favorable pricing terms in the future or at all when they are needed. If the Corporation is no longer able to obtain raw materials, including CBD, from one or more of its suppliers on terms reasonable to the Corporation, or at all, the Corporation's revenues, business, financial condition and operations would be negatively affected. This could also have a significant impact on the Corporation's capacity to complete certain of its current or projected R&D projects and, accordingly, would negatively affect its projected commercial and financial growth. Any significant increase in the price of raw materials that cannot be passed on to the Corporation's customers could have a material adverse effect on the Corporation's results of operations or financial condition. While potential alternative suppliers of raw materials may be identified, they must first pass intensive validation tests to ensure their compliance with product specifications. No assurance can be given regarding the successful outcomes of such tests or the Corporation's ability to secure alternate sources of supply at competitive pricing and upon fair and reasonable contractual terms and conditions.

Part of the Corporation's strategy is to enter into and maintain arrangements with third parties related to the development, testing, marketing, manufacture, distribution and commercialization of its products. the Corporation's revenues are dependent on the successful efforts of these third parties, including the efforts of the Corporation's distribution partners. Entering into strategic relationships can be a complex process and the interests of the Corporation's distribution partners may not be or remain aligned with the Corporation's interests. Some of the Corporation's current and future distribution partners may decide to compete with the Corporation, refuse or be unable to fulfill or honour their contractual obligations to the Corporation, or change their plans to reduce their commitment to, or even abandon, their relationships with the Corporation. There can be no assurance that the Corporation's distribution partners will market the Corporation's products successfully or that any such third-party collaboration will be on favourable terms.

The profit margins of the Corporation and the timely delivery of its products are dependent upon the ability of its outside suppliers and manufacturers to supply it with products in a timely and cost-efficient manner. The Corporation's ability to develop its business and enter new markets and sustain satisfactory levels of sales in each market depends upon the ability of its outside suppliers and manufacturers to produce the ingredients and products and to comply with all applicable regulations. The failure of the Corporation's primary suppliers or manufacturers to supply ingredients or produce its products could adversely affect its business operations.

Compliance by Manufacturers with cGMP requirements

All manufacturers and suppliers of OTC products must comply with applicable cGMP regulations for the manufacture of the Corporation's products, which are enforced by the FDA through its facilities inspection program. The FDA may conduct inspections of the Corporation's third-party manufacturers to assure they are in compliance with such regulations. These cGMP requirements include quality control, quality assurance and the maintenance of records and documentation, among other items. The Corporation's manufacturers may be unable to comply with these cGMP requirements and with other regulatory requirements. A failure to comply with these requirements may result in fines, product recalls or seizures and related publicity requirements, injunctions, total or partial suspension of production, civil penalties, warning or untitled letters, import or export bans or restrictions, and criminal prosecution and penalties. Any of these penalties could delay or prevent the promotion, marketing or sale of the Corporation's products. If the safety of any products supplied to the Corporation is compromised due to a third-party manufacturer's failure to adhere to applicable laws or for other reasons, the Corporation may not be able to successfully sell its products. The Corporation cannot assure you that its third-party manufacturers will continue to reliably supply products to the Corporation at the levels of quality, or the quantities, the Corporation requires, and in compliance with applicable laws and regulations, including cGMP requirements.

Reliance on Key Products

The Corporation's near-term success depends largely on the continued commercialization of its CBDMEDIC and CBD CLINIC products. The Corporation's ability to generate revenues in the foreseeable future is primarily based on the commercialization success of its CBDMEDIC and CBD CLINIC products. Although the Corporation may develop other products, all of them are at earlier stages of development and none of them may qualify for marketing authorizations or obtain the required regulatory approvals or, even if authorized or approved, be successfully commercialized. The overall commercialization success of the CBDMEDIC and CBD CLINIC products depends on several factors, including:

(a) continued market acceptance of the CBDMEDIC and CBD CLINIC products;

(b) the amount of resources devoted by the Corporation's distribution partners to continue the commercialization efforts of the CBDMEDIC and CBD CLINIC products in the Corporation's core geographic markets;

(c) maintaining satisfactory production arrangements for the production of the CBDMEDIC and CBD CLINIC products;

(d) maintaining supply agreements to ensure the availability of CBD in order to produce sufficient CBDMEDIC and CBD CLINIC products to meet the order demands of the Corporation's customers and distribution partners;

(e) receipt of regulatory approvals for the CBDMEDIC and CBD CLINIC products from regulatory agencies in certain territories in which the Corporation wishes to expand its commercialization efforts;

(f) the number of competitors in the Corporation's market; and

(g) protecting and enforcing the Corporation's intellectual property and avoiding infringement claims.

Industry Competition

The markets for businesses in the CBD and hemp oil industries are competitive and evolving. In particular, the Corporation faces strong competition from both existing and emerging companies that offer similar products. Some of its current and potential competitors may have longer operating histories, greater financial, marketing and other resources and larger customer bases than the Corporation has.

Given the rapid changes affecting the global, national, and regional economies generally and the CBD industry, in particular, the Corporation may not be able to create and maintain a competitive advantage in the marketplace. The Corporation's success will depend on its ability to keep pace with any changes in such markets, especially in light of legal and regulatory changes. Its success will depend on the Corporation's ability to respond to, among other things, changes in the economy, market conditions, and competitive pressures. Any failure by the Corporation to anticipate or respond adequately to such changes could have a material adverse effect on its financial condition, operating results, liquidity, cash flow and operational performance.

Intra-Industry Competition

The number of competitors in the Corporation's market segment is expected to increase, both nationally and internationally, which could negatively impact the Corporation's market share and demand for products.

The introduction of a recreational model for marijuana production and distribution in various jurisdictions may cause producers in those jurisdictions to expand beyond the medical marijuana market and compete with the Corporation's products. The impact of this potential development may be negative for the Corporation and could result in increased levels of competition in its existing market and/or the entry of new competitors in the overall Cannabis market in which the Corporation operates.

There is potential that the Corporation will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than the Corporation. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Corporation. Competitors may have an interpretation of the 2018 Farm Bill and other federal and state laws different than the Corporation's interpretation and claim that our products are not legally marketed, potentially giving rise to an unfair competition claim under the Lahnam Act.

The Corporation also faces competition from producers who may not comply with applicable regulations. As a result, such producers may have lower operating costs, make impermissible claims and utilize other competitive advantages based on circumvention of regulatory requirements. To remain competitive, the Corporation will require continued significant investment in research and development, marketing, sales and customer support. The Corporation may not have sufficient resources to maintain research and development, marketing, sales and customer support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Corporation.

As well, the legal landscape for the Corporation's products is changing internationally. More countries have passed laws that allow for the production and distribution of Cannabis in some form or another. Increased international competition might lower the demand for the Corporation's products on a global scale.

Other Conflicts of Interest

Certain of the employees and directors of the Corporation may also be directors, officers, consultants or stakeholders of other companies or enterprises, some of which may be in similar sectors, and conflicts of interest may arise between their duties to the Corporation and their duties to or interests in such other companies or enterprises. Certain

of such conflicts may be required to be disclosed in accordance with, and subject to, such procedures and remedies as applicable under the OBCA and applicable securities laws, however, such procedures and remedies may not fully protect the Corporation. Each of Perry Antelman and Phillip Henderson, respectively Director and Chief Executive Officer and Director and proposed consultant of the Corporation, is a part-owner of Aidance, which currently manufactures all of the Corporation's products, which may create conflicts of interests in the future.

Changing Consumer Preferences and Customer Retention

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

The Corporation's success depends on its ability to attract and retain customers. There are many factors which could impact the Corporation's ability to attract and retain customers, including but not limited to the Corporation's ability to continually produce desirable and effective product, the successful implementation of the Corporation's customer acquisition plan and the continued growth in the aggregate number of people selecting CBD products. The Corporation's failure to acquire and retain customers could have a material adverse effect on the Corporation's business, operating results and financial position.

Maintaining and Promoting the Corporation's Brand

Management believes that maintaining and promoting the Corporation's brand is critical to expanding its customer base. Maintaining and promoting the Corporation's brand will depend largely on its ability to continue to provide quality, reliable and innovative products, which it may not do successfully. The Corporation may introduce new products or services that its customers do not like, which may negatively affect its brand and reputation. Maintaining and enhancing the Corporation's brand may require it to make substantial investments, and these investments may not achieve the desired goals. If the Corporation fails to successfully promote and maintain its brand or if it incurs excessive expenses in this effort, its business and financial results from operations could be materially adversely affected.

Unfavourable Publicity or Consumer Perception

The Corporation believes its industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of its products and perceptions of regulatory compliance. Consumer perception of the Corporation's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity. 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 CBD 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 the Corporation's products and the business, results of operations, financial condition and cash flows of the Corporation. The Corporation's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Corporation, the demand for products, and the business, results of operations, financial condition and cash flows of the Corporation. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of CBD products in general, or the Corporation's products specifically, with illness or other negative effects or events, or lack of effect, could have such a material adverse effect. Consumers, vendors, landlords/lessors, industry partners or third-party service providers may incorrectly perceive hemp products as marijuana thereby applying the unfavourable stigma of marijuana to the Corporation's products. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products legally, appropriately or as directed.

Inability to Sustain Pricing Models

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

Additionally, increasing costs of labour, freight and energy could increase its and its suppliers' cost of goods. If its suppliers are affected by increases in their costs of labour, freight and energy, they may attempt to pass these cost increases on to the Corporation. If the Corporation pays such increases, it may not be able to offset them through increases in its pricing, which could adversely affect its results of operations and financial condition.

Reliance on Key Inputs

The Corporation's business is dependent on a number of key inputs and their related costs. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Corporation. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of the Corporation.

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

Management of Growth

The Corporation may be subject to growth-related risks, including capacity constraints and pressure on its internal systems and controls. The ability of the Corporation to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. Rapid growth of the Corporation's business may significantly strain its management, operations and technical resources. If the Corporation is successful in obtaining large orders for its products, it will be required to deliver large volumes of products to its customers on a timely basis and at a reasonable cost. The Corporation may not obtain large-scale orders for its products and if it does, it may not be able to satisfy large-scale production requirements on a timely and cost-effective basis. The inability of the Corporation to deal with this growth may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

Product Viability

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

Success of Quality Control Systems

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

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the Corporation's products are recalled due to an alleged product defect or for any other reason, the Corporation could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Corporation 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. Recall of products could lead to adverse publicity, decreased demand for the Corporation's products and could have significant reputational and brand damage. Although the Corporation 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. A recall for any of the foregoing reasons could lead to decreased demand for the Corporation's products and could have a material adverse effect on the results of operations and financial condition of the Corporation. Additionally, product recalls may lead to increased scrutiny of the Corporation's operations by regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Product Liability

The Corporation's products are produced for sale directly to end consumers, and therefore there is an inherent risk of exposure to product liability claims, regulatory action and litigation if the products are alleged to have caused loss or injury. In addition, the production and sale of the Corporation's products involves the risk of injury to end users due to tampering by unauthorized third parties or product contamination. The Corporation may be subject to various product liability claims, including, among others, that its products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Corporation could result in increased costs, could adversely affect the Corporation's reputation, and could have a material adverse effect on its business and operational results.

Key Officers and Employees

The Corporation's success and future will depend, to a significant degree, on the continued efforts of its directors, officers and key employees, including certain technical individuals, and sales and marketing personnel, the retention of which cannot be guaranteed. The loss of key personnel could materially adversely affect the Corporation's business. The loss of any such personnel could harm or delay the plans of the Corporation's business either while management time is directed to finding suitable replacements (who, in any event, may not be available), or, if not, covering such vacancy until suitable replacements can be found. In either case, this may have a material adverse effect on the future of the Corporation's business.

Competition for such personnel can be intense, and the Corporation cannot provide assurance that it will be able to attract or retain highly qualified technical, sales, marketing and management personnel in the future. From time to time, share-based compensation may comprise a significant component of the Corporation's compensation for key personnel, and if the price of the Subordinate Voting Shares declines, it may be difficult to recruit and retain such individuals.

Positive Test for THC or Banned Substances

THC is considered a banned substance in many jurisdictions. Moreover, regulatory framework for legal amounts of consumed THC is evolving. There may be adverse consequences to end users who test positive for trace amounts of THC attributed to use of any of the Corporation's products that would contain low levels of THC. Positive drug tests may adversely affect the end user's reputation, ability to obtain or retain employment and participation in certain athletic or other activities. A claim or regulatory action against the Corporation based on such positive test results could adversely affect the Corporation's reputation and could have a material adverse effect on its business and operational results.

Product Returns

Product returns are a customary part of the Corporation's business. Products may be returned for various reasons, including expiration dates or lack of sufficient sales volume. Any increase in product returns could reduce the Corporation's results of operations.

Inability to Protect Intellectual Property

The Corporation's success is heavily dependent upon its intangible property and technology. The Corporation relies upon copyrights, patents, trade secrets, unpatented proprietary know-how and continuing innovation to protect the intangible property, technology and information that is considered important to the development of the business. The Corporation relies on various methods to protect its proprietary rights, including confidentiality agreements with consultants, service providers and management that contain terms and conditions prohibiting unauthorized use and disclosure of confidential information. However, despite efforts to protect intangible property rights, unauthorized parties may attempt to copy or replicate intangible property, technology or processes. There can be no assurances that the steps taken by the Corporation to protect its intangible property, technology and information will be adequate to prevent misappropriation or independent third-party development of the Corporation's intangible property, technology or processes. It is likely that other companies can duplicate a production process similar to the Corporation's. To the extent that any of the above would occur, revenue could be negatively affected, and in the future, the Corporation may have to litigate to enforce its intangible property rights, which could result in substantial costs and divert management's attention and other resources.

The Corporation's ability to successfully implement its business plan depends in part on its ability to obtain, maintain and build brand recognition using its trademarks, service marks, trade dress, domain names and other intellectual property rights, including the Corporation's names and logos. If the Corporation's efforts to protect its intellectual property are unsuccessful or inadequate, or if any third party misappropriates or infringes on its intellectual property, the value of its brands may be harmed, which could have a material adverse effect on the Corporation's business and might prevent its brands from achieving or maintaining market acceptance.

The Corporation may be unable to obtain registrations for its intellectual property rights for various reasons, including refusal by regulatory authorities to register trademarks or other intellectual property protections, prior registrations of which it is not aware, or it may encounter claims from prior users of similar intellectual property in areas where it operates or intends to conduct operations. This could harm its image, brand or competitive position and cause the Corporation to incur significant penalties and costs.

Domestic Supply Risk

The Corporation's business relies on full compliance under applicable laws and regulations relating to the sale of its products across the United States and internationally. The regulation of third party suppliers may have a significant impact upon the Corporation's business. Any enforcement activity or any additional uncertainties which may arise in the future could cause substantial interruption or cessation of the Corporation's business, including adverse impacts to the Corporation's supply chain and distribution channels, and other civil and/or criminal penalties at the federal level.

Intellectual Property Claims

Companies in the retail and CPG industries frequently own trademarks and trade secrets and often enter into litigation based on allegations of infringement or other violations of intangible property rights. The Corporation may be subject to intangible property rights claims in the future and its products may not be able to withstand any third-party claims or rights against their use. Any intangible property claims, with or without merit, could be time consuming, expensive to litigate or settle and could divert management resources and attention. An adverse determination also could prevent the Corporation from commercializing its products to others and may require that the Corporation procure substitute products or services.

With respect to any intangible property rights claim, the Corporation may have to pay damages or stop using intangible property found to be in violation of a third party's rights. The Corporation may have to seek a license for the intangible property, which may not be available on reasonable terms and may significantly increase operating

expenses. The technology also may not be available for license at all. As a result, the Corporation may also be required to pursue alternative options, which could require significant effort and expense. If the Corporation cannot license or obtain an alternative for the infringing aspects of its business, it may be forced to limit product sales and may be unable to compete effectively. Any of these results could harm the Corporation's brand and prevent it from generating sufficient revenue or achieving profitability.

Litigation

The Corporation may from time to time become party to litigation in the ordinary course of business which could adversely affect its business. Should any litigation in which the Corporation becomes involved be determined against the Corporation, such a decision could adversely affect the Corporation's ability to continue operating and the market price for the Subordinate Voting Shares and could use significant resources. Even if the Corporation is involved in litigation and wins, litigation can redirect significant company resources. Litigation may also create a negative perception of the Corporation's brand.

Enforcement of Judgements

The Corporation's operations and assets are located outside of Canada and its officers and the majority of its directors, including its Chief Executive Officer and Chief Financial Officer, reside outside of Canada. It may not be possible for investors to enforce against such person's judgements obtained in Canadian courts predicated on the civil liability provisions of applicable securities laws in Canada. Investors are advised that it may not be possible for them to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.

Trade Secrets may be Difficult to Protect

The Corporation's success depends upon the skills, knowledge and experience of its scientific and technical personnel, consultants and advisors, as well as contractors. Because the Corporation operates in a highly competitive industry, it relies in part on trade secrets to protect its proprietary products and processes. However, trade secrets are difficult to protect. The Corporation generally enters into confidentiality or non-disclosure agreements with its corporate partners, employees, consultants, outside scientific collaborators, developers and other advisors. These agreements generally require that the receiving party keep confidential, and not disclose to third parties, confidential information developed by the receiving party or made known to the receiving party by the Corporation during the course of the receiving party's relationship with the Corporation. These agreements also generally provide that inventions conceived by the receiving party in the course of rendering services to the Corporation will be its exclusive property, and the Corporation enters into assignment agreements to perfect its rights.

These confidentiality, inventions and assignment agreements, where in place, may be breached and may not effectively assign intellectual property rights to the Corporation. The Corporation's trade secrets also could be independently discovered by competitors, in which case the Corporation would not be able to prevent the use of such trade secrets by its competitors. The enforcement of a claim alleging that a party illegally obtained and was using the Corporation's trade secrets could be difficult, expensive and time consuming and the outcome could be unpredictable. The failure to obtain or maintain meaningful trade secret protection could adversely affect the Corporation's competitive position.

Transportation Risk

In order for customers of the Corporation to receive their product, the Corporation relies on third party transportation services. This can cause logistical problems with, and delays in, end users obtaining their orders which the Corporation has no control over. Any delay by third party transportation services may adversely affect the Corporation's financial performance.

Moreover, transportation to and from the Corporation's facilities is critical. A breach of security during transport could have material adverse effects on the Corporation's business, financials and prospects. Any such breach could impact the Corporation's operations and financial performance.

Effectiveness and Efficiency of Advertising and Promotional Expenditures

The Corporation's future growth and profitability will depend on the effectiveness and efficiency of advertising and promotional expenditures, including its ability to (i) create greater awareness of its products; (ii) determine the appropriate creative message and media mix for future advertising expenditures; and (iii) effectively manage advertising and promotional costs in order to maintain acceptable operating margins. There can be no assurance that advertising and promotional expenditures will result in revenues in the future or will generate awareness of the Corporation's technologies or services. In addition, no assurance can be given that the Corporation will be able to manage its advertising and promotional expenditures on a cost-effective basis.

Obtaining Insurance

Due to the Corporation's involvement in the hemp industry, it may have a difficult time obtaining the various insurances that are desired to operate its business, which may expose the Corporation to additional risk and financial liability. Insurance that is otherwise readily available, such as general liability, and directors and officer's insurance, may be more difficult to find, and more expensive, because of the regulatory regime applicable to the industry. There are no guarantees that the Corporation will be able to find such insurance coverage in the future, or that the cost will be affordable. If the Corporation is forced to go without such insurance coverage, it may prevent it from entering into certain business sectors, may inhibit growth, and may expose the Corporation to additional risk and financial liabilities.

Additional Financings

If the Corporation is not able to sustain profitability or if it requires additional capital to fund growth or other initiatives, it may require additional equity or debt financing. There can be no assurances that the Corporation will be able to obtain additional financial resources on favorable commercial terms or at all. Failure to obtain such financial resources could affect the Corporation's plan for growth or result in the Corporation being unable to satisfy its obligations as they become due, either of which could have a material adverse effect on the business, results of operations and the financial condition of the Corporation.

Risks Related to Acquiring Companies

The Corporation may acquire other companies in the future and there are risks inherent in any such acquisition. Specifically, there could be unknown or undisclosed risks or liabilities of such companies for which the Corporation is not sufficiently indemnified. Any such unknown or undisclosed risks or liabilities could materially and adversely affect the Corporation's financial performance and results of operations. The Corporation could encounter additional transaction and integration related costs or other factors such as the failure to realize all of the benefits from such acquisitions. All of these factors could cause dilution to the Corporation's earnings per share or decrease or delay the anticipated accretive effect of the acquisition and cause a decrease in the market price of the Corporation's securities. The Corporation may not be able to successfully integrate and combine the operations, personnel and technology infrastructure of any such acquired company with its existing operations. If integration is not managed successfully by the Corporation's management, the Corporation may experience interruptions in its business activities, deterioration in its employee and customer relationships, increased costs of integration and harm to its reputation, all of which could have a material adverse effect on the Corporation's business, financial condition and results of operations. The Corporation may experience difficulties in combining corporate cultures, maintaining employee morale and retaining key employees. The integration of any such acquired companies may also impose substantial demands on the management. There is no assurance that these acquisitions will be successfully integrated in a timely manner.

Use of Customer Information and Other Personal and Confidential Information

The Corporation collects, process, maintains and uses data, including sensitive information on individuals, available to the Corporation through online activities and other customer interactions with its business. The Corporation's current and future marketing programs may depend on its ability to collect, maintain and use this information, and its ability to do so is subject to evolving international, U.S. and Canadian laws and enforcement trends. The Corporation strives to comply with all applicable laws and other legal obligations relating to privacy, data protection and customer protection, including those relating to the use of data for marketing purposes. It is possible, however,

that these requirements may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another, conflict with other rules, conflict with the Corporation's practices or fail to be observed by its employees or business partners. If so, the Corporation may suffer damage to its reputation and be subject to proceedings or actions against it by governmental entities or others. Any such proceeding or action could hurt the Corporation's reputation, force it to spend significant amounts to defend its practices, distract its management or otherwise have an adverse effect on its business.

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

Data Security Breaches

The Corporation or its third-party service providers collect, process, maintain and use sensitive personal information relating to its customers and employees, including customer financial data (e.g. credit card information) and their personally identifiable information, and rely on third parties for the operation of its e-commerce site and for the various social media tools and websites it uses as part of its marketing strategy. Any perceived, attempted or actual unauthorized disclosure of customer financial data (e.g. credit card information) or personally identifiable information regarding the Corporation's employees, customers or website visitors could harm its reputation and credibility, reduce its e-commerce sales, impair its ability to attract website visitors, reduce its ability to attract and retain customers and could result in litigation against the Corporation or the imposition of significant fines or penalties.

Recently, data security breaches suffered by well-known companies and institutions have attracted a substantial amount of media attention, prompting new foreign, federal, provincial and state laws and legislative proposals addressing data privacy and security. As a result, the Corporation may become subject to more extensive requirements to protect the customer information that it processes in connection with the purchase of its products, resulting in increased compliance costs.

The Corporation's on-line activities, including its e-commerce websites, also may be subject to denial of service or other forms of cyber-attacks. While the Corporation has taken measures to protect against those types of attacks, those measures may not adequately protect its on-line activities from such attacks. If a denial of service attack or other cyber event were to affect its e-commerce sites or other information technology systems, its business could be disrupted, it may lose sales or valuable data, and its reputation may be adversely affected.

Global Economic Uncertainty

Demand for the Corporation's products and services are influenced by general economic and consumer trends beyond the Corporation's control. There can be no assurance that the Corporation's business and corresponding financial performance will not be adversely affected by general economic or consumer trends. In particular, global economic conditions are still tight, and if such conditions continue, recur or worsen, there can be no assurance that they will not have a material adverse effect on the Corporation's business, financial condition and results of operations.

Furthermore, such economic conditions have produced downward pressure on stock prices and on the availability of credit for financial institutions and corporations. If these levels of market disruption and volatility continue, the Corporation might experience reductions in business activity, increased funding costs and funding pressures, as applicable, a decrease in the market price of the Subordinate Voting Shares, a decrease in asset values, additional write-downs and impairment charges and lower profitability.

Emerging Industry

As a pioneer in a new industry, the Corporation has limited access to industry benchmarks in relation to the Corporation's business. Industry-specific data points such as operating ratios, research and development projects, debt structures, compliance and other financial and operational related data is limited and accordingly, management will be required to make decisions in the absence of such data points.

Inability to Renew Leases

The Corporation may be unable to renew or maintain its leases (commercial or real property) on commercially acceptable terms or at all. An inability to renew its leases, or a renewal of its leases with a rental rate higher than the prevailing rate under the applicable lease prior to expiration, may have an adverse impact on the Corporation's operations, including disruption of its operations or an increase in its cost of operations. In addition, in the event of non-renewal of any of the Corporation's leases, the Corporation may be unable to locate suitable replacement properties for its facilities or it may experience delays in relocation that could lead to a disruption in its operations. Any disruption in the Corporation's operations could have an adverse effect on its financial condition and results of operations.

Forward-Looking Information

The forward-looking information included in this AIF relating to, among other things, the Corporation's future results, performance, achievements, prospects, targets, intentions or opportunities or the markets in which it operates (including, in particular, the information contained under "Description of the Business", and the other statements listed in "Forward-Looking Statements") is based on opinions, assumptions and estimates made by the Corporation's management in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that the Corporation believes are appropriate and reasonable in the circumstances. However, there can be no assurance that such estimates and assumptions will prove to be correct. The Corporation's actual results in the future may vary significantly from the historical and estimated results and those variations may be material. The Corporation makes no representation that its actual results in the future will be the same, in whole or in part, as those included in this AIF. See "Forward-Looking Statements".

Potential Volatility of Subordinate Voting Share Price

The market price of the Subordinate Voting Shares could be subject to significant fluctuations. Some of the factors that may cause the market price of the Subordinate Voting Shares to fluctuate include:

(a) the public's reaction to the Corporation's press releases, announcements and filings with regulatory authorities and those of its competitors;

(b) fluctuations in broader stock market prices and volumes;

(c) changes in market valuations of similar companies;

(d) investor perception of the Corporation, its prospects or the industry in general;

(e) additions or departures of key personnel;

(f) commencement of or involvement in litigation;

(g) changes in the regulatory landscape applicable to the Corporation and/or the hemp industry;

(h) media reports, publications or public statements relating to, or public perceptions of, the regulatory landscape applicable to the Corporation and/or the hemp industry, whether correct or not;

(i) announcements by the Corporation or its competitors of strategic alliances, significant contracts, new technologies, acquisitions, commercial relationships, joint ventures or capital commitments;

(j) variations in the Corporation's quarterly results of operations or cash flows or those of other comparable companies;

(k) revenues and operating results failing to meet the expectations of securities analysts or investors in particular quarter;

(l) changes in the Corporation's pricing policies or the pricing policies of its competitors;

(m) future issuances and sales of Subordinate Voting Shares, including as a result of the conversion of Proportionate Voting Shares and the sale of the Subordinate Voting Shares issuable thereunder;

(n) sales of Subordinate Voting Shares by insiders of the Corporation;

(o) third party disclosure of significant short positions;

(p) demand for and trading volume of Subordinate Voting Shares;

(q) changes in securities analysts' recommendations and their estimates of the Corporation's financial performance;

(r) short-term fluctuation in stock price caused by changes in general conditions in the domestic and worldwide economies or financial markets; and

(s) the other risk factors described under this heading of the AIF.

The realization of any of these risks and other factors beyond the Corporation's control could cause the market price of the Subordinate Voting Shares to decline significantly.

In addition, broad market and industry factors may harm the market price of the Subordinate Voting Shares. Hence, the price of the Subordinate Voting Shares could fluctuate based upon factors that have little or nothing to do with the Corporation, and these fluctuations could materially reduce the price of the Subordinate Voting Shares regardless of the Corporation's operating performance. In the past, following a significant decline in the market price of a company's securities, there have been instances of securities class action litigation having been instituted against that company. If the Corporation were involved in any similar litigation, it could incur substantial costs, management's attention and resources could be diverted and it could harm the Corporation's business, operating results and financial condition.

Dividends to Shareholders

The Corporation does not anticipate paying cash dividends on the Subordinate Voting Shares or Proportionate Voting Shares in the foreseeable future. The Corporation currently intends to retain all future earnings to fund the development and growth of its business. Any payment of future dividends will be at the discretion of the directors and will depend on, among other things, the Corporation's earnings, financial condition, capital requirements, level of indebtedness, statutory and contractual restrictions applying to the payment of dividends, and other considerations that the directors deems relevant.

Holding Company Structure

The Corporation is a holding company and substantially all of its assets consist of shares of Abacus U.S. The Corporation does not have any significant assets and conducts substantially all of its business through Abacus U.S., which will generate all or substantially all of the Corporation's revenues. The ability of Abacus U.S. to distribute funds to the Corporation will depend on its operating results, tax considerations (both domestic and cross-border) and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by Abacus U.S. and contractual restrictions contained in the instruments governing its debt, existing or if incurred. In the event of a bankruptcy, liquidation or reorganization of Abacus U.S. or any other future subsidiary, holders of indebtedness and trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to the Corporation.

Risks Related to Potential Changes in Definition of Foreign Private Issuer

The transactions under the Transaction were structured so that the Corporation would be a foreign private issuer as defined in Rule 405 under the U.S. Securities Act and Rule 3b-4 under the Exchange Act, following the completion of the Transaction. The term "foreign private issuer" is defined as any non-U.S. Issuer, other than a non-U.S. government, *except* any issuer meeting the following conditions as of the last business day of its most recently completed second fiscal quarter for any year:

(a) more than 50 percent of the outstanding voting securities of such issuer (computed by number of shares, without regard to voting power) are, directly or indirectly, held of record by residents of the United States; and

(b) any one of the following: (i) the majority of the Corporation's executive officers or directors are United States citizens *or* residents; (ii) more than 50 percent of the assets of the Corporation are located in the United States; or (iii) the business of the Corporation is administered principally in the United States.

In December 2016, the SEC issued a Compliance and Disclosure Interpretation to clarify that issuers with multiple classes of voting stock carrying different voting rights may, for the purposes of calculating compliance with the 50 percent U.S. resident threshold, examine either (i) the combined voting power of its share classes, or (ii) the number of voting securities, in each case held of record by U.S. residents. Based on this interpretation, each issued and outstanding Proportionate Voting Share is counted as one voting security and each issued and outstanding Subordinate Voting Share is counted as one voting security for the purposes of determining the 50 percent U.S. resident threshold and the Corporation is expected to be a "foreign private issuer" upon completion of the Transaction.

Should the SEC's guidance and interpretation change, the Corporation may lose its foreign private issuer status.

Risks Related to the Corporation's Loss of Foreign Private Issuer Status in the United States

The Corporation is expected to be a foreign private issuer. If, as of the last business day of the Corporation's second fiscal quarter for any year, the Corporation determines that more than 50% of its outstanding voting securities (as determined under Rule 405 under the U.S. Securities Act, as further described under "Risks Related to Potential Changes in Definition of Foreign Private Issuer") are directly or indirectly held of record by residents of the United States, effective on the first day of its fiscal year immediately succeeding such determination the Corporation will no longer meet the definition of a foreign private issuer, which may have adverse consequences on the Corporation's ability to raise capital in private placements or Canadian public offerings. In addition, the loss of the Corporation's foreign private issuer status would result in the Corporation becoming subject to U.S. domestic reporting requirements and, as such, the Corporation would be subject to the increased reporting and disclosure requirements imposed on U.S. domestic reporting companies, likely resulting in increased audit, legal and administration costs and a significant diversion of the Corporation's time and resources. These increased costs may significantly affect the Corporation's business, financial condition and results of operations.

Financial Reporting and Other Public Issuer Requirements

The Corporation is subject to reporting and other obligations under applicable Canadian Securities Laws and rules of any stock exchange on which the Subordinate Voting Shares are then-listed. These reporting and other obligations will place significant demands on the management, administrative, operational and accounting resources. If the Corporation is unable to accomplish any such necessary objectives in a timely and effective manner, the Corporation's ability to comply with its financial reporting obligations and other rules applicable to reporting issuers could be impaired. Moreover, any failure to maintain effective internal controls could cause the Corporation to fail to satisfy its reporting obligations or result in material misstatements in its financial statements. If the Corporation cannot provide reliable financial reports or prevent fraud, its reputation and operating results could be materially adversely affected which could also cause investors to lose confidence in the Corporation's reported financial information, which could in turn result in a reduction in the trading price of the Subordinate Voting Shares.

The Corporation is a "venture issuer" as defined in NI 52-109. In contrast to the certificate required for non-venture issuers under NI 52-109, the certificates filed by the Corporation's officers are not required to include representations relating to the establishment and maintenance of disclosure controls and procedures ("**DC&P**") and

ICFR, as defined in NI 52-109. In particular, the certifying officers are not be required to make any representations relating to the establishment and maintenance of (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and (ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Impact on Resales into the United States

The Subordinate Voting Shares have not been, and will not be, registered under the U.S. Securities Act.

Impact of Future Sales by Existing Shareholders

If the Corporation's shareholders sell substantial amounts of the Subordinate Voting Shares in the public market, the market price of the Subordinate Voting Shares could decrease. The perception among investors that these sales will occur could also produce this effect. All currently outstanding Subordinate Voting Shares other than those subject to lock-up agreements executed by certain existing shareholders will, subject to applicable securities laws, generally be immediately available for resale in the public markets.

Subject to compliance with applicable securities laws and the terms of any lock-up arrangements, the Corporation's officers, directors, the holders of Proportionate Voting Shares and their affiliates may sell some or all of their Subordinate Voting Shares in the future. No prediction can be made as to the effect, if any, such future sales of Subordinate Voting Shares will have on the market price of the Subordinate Voting Shares prevailing from time to time. However, the future sale of a substantial number of Subordinate Voting Shares by the Corporation's officers, directors, the holders of Proportionate Voting Shares and their affiliates, or the perception that such sales could occur, could materially adversely affect prevailing market prices for the Subordinate Voting Shares.

Additional Subordinate Voting Shares issuable upon the exercise of stock options or the conversion of Proportionate Voting Shares may also be available for sale in the public market, which may also cause the market price of the Subordinate Voting Shares to fall. Accordingly, if substantial amounts of Subordinate Voting Shares are sold in the public market, the market price could fall.

Influence of the Significant Shareholders

The Corporation has a small number of shareholders who own, in the aggregate, approximately a 38.8% voting interest of the Corporation, on a non-diluted basis. As a result, although such shareholders may not have any agreement to act in concert, such shareholders will have the ability to exercise significant influence over matters submitted to the Shareholders for approval, whether subject to approval by a majority of the Shareholders or subject to a class vote or special resolution.

Limited Control Over the Corporation's Operations

Holders of the Subordinate Voting Shares will have limited control over changes in the Corporation's policies and operations, which increases the uncertainty and risks of an investment in the Corporation. The Board will determine major policies, including policies regarding financing, growth, debt capitalization and any future dividends to Shareholders. Generally, the Board may amend or revise these and other policies without a vote of the holders of the Subordinate Voting Shares. Holders of the Subordinate Voting Shares will only have a right to vote, as a class, in the limited circumstances described elsewhere in this AIF. The Board's broad discretion in setting policies and the limited ability of holders of the Subordinate Voting Shares to exert control over those policies increases the uncertainty and risks of an investment in the Corporation.

Working Capital and Future Issuances

The Corporation may issue additional Subordinate Voting Shares in the future which may dilute a shareholder's holdings in the Corporation. The Articles permit the issuance of an unlimited number of Subordinate Voting Shares and an unlimited number of Proportionate Voting Shares, and Shareholders will have no pre-emptive rights in connection with any further issuances. The directors of the Corporation have the discretion to determine the provisions attaching to the Subordinate Voting Shares and the Proportionate Voting Shares and the price and the terms of issue of further Subordinate Voting Shares and Proportionate Voting Shares.

Additional equity financing may be dilutive to holders of Subordinate Voting Shares. Debt financing may involve restrictions on the Corporation's financing and operating activities. Debt financing may be convertible into other securities of the Corporation which may result in immediate or resulting dilution. In either case, additional financing may not be available to the Corporation on acceptable terms or at all. If the Corporation is unable to raise additional funds as needed, the scope of its operations or growth may be reduced and, as a result, the Corporation may be unable to fulfil its long-term goals. In this case, investors may lose all or part of their investment. Any default under such debt instruments could have a material adverse effect on the Corporation, its business or the results of operations.

Securities or Industry Analysts

The trading market for Subordinate Voting Shares could be influenced by the research and reports that industry and/or securities analysts may publish about the Corporation, its business, the market or competitors. If any of the analysts who may cover the Corporation's business change their recommendation regarding the Subordinate Voting Shares adversely, or provide more favourable relative recommendations about its competitors, the share price would likely decline. If any analyst who may cover the Corporation's business were to cease coverage or fail to regularly publish reports on the Corporation, it could lose visibility in the financial markets, which in turn could cause the share price or trading volume to decline.

U.S. Domestic Corporation for U.S. Federal Income Tax Purposes

The Corporation intends to take the position that, as a result of the Transaction, the Corporation will be treated as a U.S. domestic corporation for U.S. federal income tax purposes under section 7874 of the Code and this treatment is expected to continue indefinitely. As a result, it is anticipated that the Corporation will be subject to U.S. income tax on its worldwide income and that any dividends paid by the Corporation to shareholders that are not U.S. persons for U.S. federal income tax purposes will generally be subject to U.S. federal income tax withholding at a 30% rate or such lower rate as provided in an applicable treaty. Since the Corporation will remain resident in Canada, any dividend paid by the Corporation to a non-resident of Canada will be subject to Canadian federal withholding tax at a 25% rate or such lower rate as provided in an applicable treaty. For purposes of the U.S. foreign tax credit rules under the Code, dividends paid by the Corporation will be characterized as U.S. source income and, as a result, shareholders who are U.S. persons for U.S. federal income tax purposes will generally not be able to claim a credit for any Canadian tax withheld unless they have other foreign source income that is subject to a low or zero rate of foreign tax and certain other conditions are met. Similarly, Canadian resident shareholders may not be entitled to claim a foreign tax credit for any U.S. federal income tax withheld by the Corporation unless they have U.S.-source income that is not otherwise bearing full tax, although they may be entitled to claim a deduction for such U.S. withholding tax in computing income if certain conditions are met.

Furthermore, the Corporation will be subject to Canadian income tax on its worldwide income. Consequently, it is anticipated that the Corporation will be liable for both U.S. and Canadian income tax, which could have a material adverse effect on its financial condition and results of operations.

U.S. Tax Classification

As noted above, the Corporation is expected to be treated as a U.S. domestic corporation for U.S. federal income tax purposes. As a U.S. domestic corporation for U.S. federal income tax purposes, the taxation of the Corporation's Non-U.S. Holders upon a disposition of Subordinate Voting Shares generally depends on whether the Corporation is classified as a United States real property holding corporation (a "**USRPHC**") under the Code. The Corporation believes that it is not currently, and has never been, a USRPHC. However, the Corporation has not sought and does

not intend to seek formal confirmation of its status as a non-USRPHC from the IRS. If the Corporation were to be or become a USRPHC, its Non-U.S. Holders may be subject to U.S. federal income tax on any gain associated with the disposition of the Subordinate Voting Shares.

Change in Tax Laws

New income, sales, use or other tax laws, statutes, rules, regulations or ordinances could be enacted at any time. Further, existing tax laws, statutes, rules, regulations or ordinances could be interpreted, changed, modified or applied adversely to the Corporation. These enactments and events could require The Corporation or The Corporation to pay additional tax amounts on a prospective or retroactive basis, thereby substantially increasing the amount of taxes the Corporation pay in the relevant tax jurisdictions. Accordingly, these events could decrease the capital of the Corporation or the Corporation has available to operate its business. Any or all of these events could harm the business and financial performance of the Corporation.

DIVIDEND POLICY

The Corporation has never paid any dividends on any of its securities. Abacus U.S. declared two cash distributions to its members prior to its conversion as a corporation on June 29, 2018, the final payment of which is accrued in the financial statements of Abacus U.S. but not yet paid. The Corporation currently intends to reinvest any earnings (including those of Abacus U.S.) to fund the development and growth of its business. Any future payments of dividends will be at the discretion of the Board and will depend on many factors, including, among other things, the Corporation's financial condition, current and anticipated capital requirements, contractual requirements, solvency tests imposed by applicable corporate law and other factors it may deem relevant.

DESCRIPTION OF SHARE CAPITAL

The following describes the material terms of the Corporation's share capital and the number of shares issued and outstanding. The following description may not be complete and is subject to, and qualified in its entirety by reference to, the terms and provisions of the Corporation's articles (as amended, the "**Articles**").

Authorized Share Capital

The Corporation's authorized share capital consists of (i) an unlimited number of Subordinate Voting Shares, and (ii) an unlimited number of Proportionate Voting Shares.

As of March 31, 2019, 6,240,121 Subordinate Voting Shares are issued and outstanding, as fully-paid and non-assessable Subordinate Voting Shares, and 112,169.64 Proportionate Voting Shares are issued and outstanding, as fully-paid and non-assessable Proportionate Voting Shares.

If the Proportionate Voting Shares were converted on March 31, 2019, an equivalent of 11,216,963 Subordinate Voting Shares would be issued and outstanding and no Proportionate Voting Shares would be issued and outstanding. All of the Proportionate Voting Shares are owned or controlled, directly or indirectly, by certain former Abacus U.S. shareholders.

Generally, the Subordinate Voting Shares and Proportionate Voting Shares have the same rights, are equal in all respects and are treated by the Corporation as if they were shares of one class only.

Conversion Rights

Issued and outstanding Proportionate Voting Shares, including fractions thereof, may at any time, subject to the FPI Condition, at the option of the holder, be converted into Subordinate Voting Shares at a ratio of 100 Subordinate Voting Shares per Proportionate Voting Share. Further, the Board of Directors may determine in the future that it is no longer advisable to maintain the Proportionate Voting Shares as a separate class of shares and may cause all of the issued and outstanding Proportionate Voting Shares to be converted into Subordinate Voting Shares at a ratio of 100 Subordinate Voting Shares per Proportionate Voting Share and the Board of Directors shall not be entitled to issue any more Proportionate Voting Shares under the Articles thereafter.

Conversion Conditions

The right of the Proportionate Voting Shares to convert into Subordinate Voting Shares is subject to certain conditions in order to maintain the status of the Corporation as a "foreign private issuer" under U.S. securities laws. Unless otherwise waived by the Corporation, the right to convert the Proportionate Voting Shares is subject to the condition that the aggregate number of Subordinate Voting Shares and Proportionate Voting Shares (calculated as a single class) held of record, directly or indirectly, by residents of the United States (as determined in accordance with Rules 3b-4 and 12g3-2(a) under the Exchange Act may not exceed forty percent (40%) of the aggregate number of Subordinate Voting Shares and Proportionate Voting Shares issued and outstanding after giving effect to such conversions (calculated as a single class) (the "**FPI Condition**")).

No fractional Subordinate Voting Shares will be issued on any conversion of any Proportionate Voting Shares and any fractional Subordinate Voting Shares will be rounded down to the nearest whole number.

Voting Rights

All holders of Shares will be entitled to receive notice of any meeting of shareholders of the Corporation, and to attend, vote and speak at such meetings, except those meetings at which only holders of a specific class of shares are entitled to vote separately as a class under the OBCA. A quorum for the transaction of business at a meeting of shareholders is present if shareholders who, together, hold not fewer than 10% of the votes attaching to the outstanding voting shares entitled to vote at the meeting are present in person or represented by proxy.

On all matters upon which holders of Shares are entitled to vote:

- each Subordinate Voting Share is entitled to one vote per Subordinate Voting Share; and
- each Proportionate Voting Share is entitled to 100 votes per Proportionate Voting Share, and each fraction of a Proportionate Voting Share is entitled to the number of votes calculated by multiplying the fraction by 100.

The number of votes represented by fractional Proportionate Voting Shares will be rounded down to the nearest whole number. Unless a different majority is required by law or the Articles, resolutions to be approved by holders of Shares require approval by a simple majority of the total number of votes of all Shares cast at a meeting of shareholders at which a quorum is present based on the voting entitlements of each class of Shares described above.

Dividend Rights

Holders of Shares are entitled to receive dividends out of the assets available for the payment or distribution of dividends at such times and in such amount and form as the Board of Directors may from time to time determine, on the following basis, and otherwise without preference or distinction among or between the Shares: each Proportionate Voting Share will be entitled to 100 times the amount paid or distributed per Subordinate Voting Share (including by way of share dividends, which holders of Proportionate Voting Shares will receive in Proportionate Voting Shares, unless otherwise determined by the Board of Directors) and each fraction of a Proportionate Voting Share will be entitled to the applicable fraction thereof. See "Description of Share Capital - Authorized Share Capital - Conversion Rights".

Liquidation Rights

In the event of the liquidation, dissolution or winding-up of the Corporation or any other distribution of its assets among its shareholders for the purpose of winding-up its affairs, whether voluntarily or involuntarily, the holders of Shares will be entitled to receive all of the Corporation's assets remaining after payment of all debts and other liabilities, on the basis that each Proportionate Voting Share will be entitled to 100 times the amount distributed per Subordinate Voting Share (and each fraction of a Proportionate Voting Share will be entitled to the amount calculated by multiplying the fraction by the amount otherwise payable in respect of a whole Proportionate Voting Share), and otherwise without preference or distinction among or between the Shares. See "Description of Share Capital - Authorized Share Capital - Conversion Rights".

Pre-emptive and Redemption Rights

Holders of Shares will not have any pre-emptive or redemption rights.

Subdivision or Consolidation

No subdivision or consolidation of any class of Shares may be carried out unless, at the same time, the Subordinate Voting Shares and Proportionate Voting Shares, as the case may be, are subdivided or consolidated in the same manner and on the same basis, so as to preserve the relative rights of the holders of each class of Shares.

Issuance of Additional Proportionate Voting Shares

The Corporation may issue additional Proportionate Voting Shares upon the approval of the Board of Directors. Approval is not required in connection with a subdivision or consolidation on a pro rata basis as between the Subordinate Voting Shares and the Proportionate Voting Shares.

Take-Over Bid Protection

If an offer is being made for Proportionate Voting Shares (a "**PVS Offer**") where: (i) by reason of applicable securities legislation or stock exchange requirements, the offer must be made to all holders of the class of Proportionate Voting Shares; and (ii) no equivalent offer is made for the Subordinate Voting Shares, the holders of Subordinate Voting Shares have the right, pursuant to the Articles, at their option, to convert their Subordinate Voting Shares into Proportionate Voting Shares for the purpose of allowing the holders of the Subordinate Voting Shares to tender to such PVS Offer, provided that such conversion into Proportionate Voting Shares will be solely for the purpose of tendering the Proportionate Voting Shares to the PVS Offer in question and that any Proportionate Voting Shares that are tendered to the PVS Offer but that are not, for any reason, taken up and paid for by the offeror will automatically be reconverted into the Subordinate Voting Shares that existed prior to such conversion.

In the event that holders of Subordinate Voting Shares are entitled to convert their Subordinate Voting Shares into Proportionate Voting Shares in connection with a PVS Offer pursuant to (ii) above, holders of an aggregate of Subordinate Voting Shares of less than 100 (an "**Odd Lot**") will be entitled to convert all but not less than all of such Odd Lot of Subordinate Voting Shares into an applicable fraction of one Proportionate Voting Share, provided that such conversion into a fractional Proportionate Voting Share will be solely for the purpose of tendering the fractional Proportionate Voting Share to the PVS Offer in question and that any fraction of a Proportionate Voting Share that is tendered to the PVS Offer but that is not, for any reason, taken up and paid for by the offeror will automatically be reconverted into the Subordinate Voting Shares that existed prior to such conversion.

Advance Notice Provisions

The Corporation has included certain advance notice provisions with respect to the election of its directors in the Articles (the "**Advance Notice Provisions**"). The Advance Notice Provisions are intended to: (i) facilitate orderly and efficient annual general meetings or, where the need arises, special meetings; (ii) ensure that all shareholders receive adequate notice of Board of Director nominations and sufficient information with respect to all nominees; and (iii) allow shareholders to register an informed vote. Only persons who are nominated by shareholders in accordance with the Advance Notice Provisions will be eligible for election as directors at any annual meeting of shareholders, or at any special meeting of shareholders if one of the purposes for which the special meeting was called was the election of directors.

Under the Advance Notice Provisions, a shareholder wishing to nominate a director would be required to provide the Corporation notice, in the prescribed form, within the prescribed time periods. These time periods include, (i) in the case of an annual meeting of shareholders (including annual and special meetings), not fewer than 30 days prior to the date of the annual meeting of shareholders; provided, that if the first public announcement of the date of the annual meeting of shareholders (the "**Notice Date**") is less than 50 days before the meeting date, not later than the close of business on the 10th day following the Notice Date; and (ii) in the case of a special meeting (which is not also an annual meeting) of shareholders called for any purpose which includes electing directors, not later than the close of business on the 15th day following the Notice Date, provided that, in either instance, if notice-and-access (as defined in National Instrument 54-101 — *Communication with Beneficial Owners of Securities of a Reporting Issuer*) is used for delivery of proxy related materials in respect of a meeting described above, and the Notice Date

in respect of the meeting is not fewer than 50 days prior to the date of the applicable meeting, the notice must be received not later than the close of business on the 40th day before the applicable meeting.

Stock Options and Warrants

The following table sets forth, as of March 31, 2019, the aggregate number of convertible or exchangeable securities that are outstanding.

Description of Security	Number of convertible/exchangeable securities	Number of listed securities (Subordinate Voting Shares) issuable upon conversion/exchange
Corporation Debentures	4,000	1,048,371(1)
Corporation Warrants	929,571	929,571
Corporation Compensation Warrants	153,937	153,937
Stock Options	887,520	887,520
Proportionate Voting Shares	112,169.64	11,216,963

Notes:
(1) Assuming there is no Downward Adjustment, and assuming there is a full exercise of the Conversion Privilege.

On August 31, 2018, Abacus U.S. issued units consisting of (i) C$1,000 principal amount of 10.0% senior secured convertible debenture of Abacus U.S. (each an "**Abacus U.S. Debenture**"); and (ii) warrants of Abacus U.S. exercisable to purchase that number of Abacus U.S. Non-Voting Shares as is equal to C$1,000 divided by the Conversion Price (as defined below) (each an "**Abacus U.S. Warrant**"). Pursuant to the Merger Agreement and the transactions contemplated therein, (a) each Abacus U.S. Warrant outstanding became a warrant of the Corporation (a "**Corporation Warrant**"), the holder thereof becoming entitled to receive Subordinate Voting Shares upon payment of the exercise price of Abacus U.S. Warrant, and (b) each Abacus U.S. Debenture outstanding became a debenture of the Corporation (a "**Corporation Debenture**"). Abacus U.S. Debentures were and Corporation Debentures are secured by substantially all of the assets of Abacus U.S. and the Corporation pursuant to security agreements entered into with the holders of the debentures.

The principal amount of each Corporation Debenture is convertible (the "**Conversion Privilege**"), for no additional consideration, into Subordinate Voting Shares at the option of the holders at any time prior to the close of business on August 31, 2020, at a conversion price of C$3.82 (the "**Conversion Price**"), representing 0.75 multiplied by the offering price of the Subscription Receipts under Abacus U.S. Private Placement of US$3.75 (the "**Financing Price**"), being US$2.8125, converted to Canadian dollars. Each Corporation Warrant entitles the holder to acquire one Subordinate Voting Share for an exercise price equal to the Financing Price at any time up to two (2) years following the completion of the Transaction.

If at any time a Corporation Debenture is outstanding the Corporation issues securities at a price deemed lower than the Conversion Price (exclusive of options or other forms of equity issued under an equity incentive plan), then the Conversion Price will be automatically adjusted by a standard, weighted-average formula anti-dilution adjustment (a "**Downward Share Issuance Adjustment**").

If at any time a Corporation Debenture is outstanding the Corporation issues warrants with an exercise price lower than the exercise price of the Corporation Warrants, and the number of Subordinate Voting Shares issuable upon the exercise of the new warrants represents 10% or more of the Subordinate Voting Shares (including Subordinate Voting Shares issuable upon conversion of Proportionate Voting Shares) outstanding immediately prior to the issuance of the new warrants, then the exercise price of the Corporation Warrants will be adjusted so that it equals the price determined by a 20% premium to the exercise price of the newly issued warrants (a "**Downward Warrant Issuance Adjustment**").

If the Corporation, during the 24 month period following completion of the Transaction (a "**Downward Acquisition Issuance Adjustment**"), (a) acquires an unaffiliated entity in a transaction in which new Subordinate Voting Shares (meaning either Subordinate Voting Shares themselves, or any other form of equity convertible into or exercisable for Subordinate Voting Shares (exclusive of options or other forms of equity issued under an equity incentive plan)) in a minimum aggregate amount of C$5,000,000 are issued by the Corporation to the acquired company, and (b) either the primary assets of the acquired company are cash or publicly traded shares with a readily determinable market value, or the Corporation has the report of an independent third party valuation firm showing the value of the acquired company, then the holders of a majority of the Corporation Debentures then outstanding, may elect to adjust the conversion price so that it equals the deemed price per security issued by the Corporation. If the Corporation has not obtained such a valuation, then Corporation Debenture holders may obtain it from a mutually acceptable valuation firm, at the majority holders' sole expense.

MARKET FOR SECURITIES

Trading Price and Volume

During the year ended June 30, 2018 and until the listing of the Subordinate Voting Shares on the CSE on January 30, 2019, no securities of the Corporation were trade or quoted on a Canadian or foreign marketplace.

Prior Sales

The following tables set forth the issuances of securities of the Corporation during the year ended June 30, 2018 and thereafter up to March 31, 2019.

Date of Issue	Type of Security Issued	Number of Securities Issued	Price Per Share	Total Consideration
August 10, 2018	Common Shares	28,200(1)	C$2.00[1]	C$564,000
January 29, 2019	Subordinate Voting Shares	5,261,351(2)	n/a	n/a
January 29, 2019	Proportionate Voting Shares	117,319.64(2)	n/a	n/a
January 29, 2019	Stock Options Under Legacy Plan	887,520(2)	n/a	n/a
January 29, 2019	Corporation Compensation Warrants	195,927(2)	n/a	n/a
January 29, 2019	Corporation Debentures	1,048,371(2)	n/a	n/a
March 27, 2019	Exercise of Compensation Warrants	17,500	US$3.75	US$65,625.00
March 28, 2019	Exercise of Compensation Warrant	24,490	US$ 3.75	US$91,837.50
March 28, 2019	Exercise of Warrant	118,800	US$ 3.75	US$445,500.00
February 27, 2019 – March 29, 2019	Proportionate Voting Shares conversions to Subordinate Voting Shares	515,000	n/a	n/a

Notes:
(1) Number of securities and price is presented on a post-Consolidation basis.
(2) Securities issued pursuant to the Transaction. For more information on the debentures and warrants see "Stock Options and Warrants" and "Description of Share Capital - Stock Options and Warrants".

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS ON TRANSFER

The securities of the Corporation are not subject to escrow. The following table sets forth the number of securities of each class of the Corporation subject to lock-up arrangements as at March 31, 2019 and the percentage that number represents of the outstanding securities of that class as of March 31, 2019.

Designation of Class	Number of Securities Subject to a Lock-up Agreement	Percentage of Class	Release Schedule	
Proportionate Voting Shares[(1)]	68,090.21	61%[(2)]	After 6 months of the closing of the Transaction	15% of the initial number of subject Proportionate Voting Shares held are released
			After 9 months of the closing of the Transaction	15% of the initial number of subject Proportionate Voting Shares held are released
			After 12 months of the closing of the Transaction	15% of the initial number of subject Proportionate Voting Shares held are released
			After 15 months of the closing of the Transaction	15% of the initial number of subject Proportionate Voting Shares held are released
			After 18 months of the closing of the Transaction	15% of the initial number of subject Proportionate Voting Shares held are released
			After 24 months of the closing of the Transaction	The balance of 25% of the initial number of Proportionate Voting Shares held are released
Proportionate Voting Shares[(1)]	16,000.00	14%[(2)]	100% are released as of June 19, 2019	
Subordinate Voting Shares	1,326,581	21%[(3)]	100% are released as of June 19, 2019	
Corporation Debentures[(4)]	4,000	100%	100% are released as of June 19, 2019	

Notes:

(1) Each Proportionate Voting Share is convertible into 100 Subordinate Voting Shares.

(2) As of March 31, 2019 there were 112,169.64 Proportionate Voting Shares issued and outstanding that can convert to 11,216,964 Subordinate Voting Shares.
(3) As of March 31, 2019 there were 6,240,121 Subordinate Voting Shares issued and outstanding.
(4) See "Description of Share Capital - Stock Options and Warrants"

DIRECTORS AND EXECUTIVE OFFICERS

The Articles of the Corporation provide for a minimum of three directors and a maximum of 11 directors. Shareholders of the Corporation have authorized the directors of the Corporation, by resolution, to determine the number of directors within the minimum and maximum number of directors set out in the Articles. Each director holds office until the close of the next annual general meeting of the Corporation, or until his or her successor is duly elected or appointed, unless his or her office is earlier vacated.

The following table lists the names of the directors and officers of the Corporation and their municipalities of residence, their positions and offices held with the Corporation, their principal occupations during the past five years, the date on which they first became officers or directors of the Corporation, and the number and percentage of Subordinate Voting Shares and Proportionate Voting Shares which is beneficially owned, directly or indirectly, or over which control or direction is exercised, by each of them.

Name, Municipality of Residence and Positions Held	Principal Occupation for Past Five Years[(1)]	Director or Officer of the Corporation Since[(1)]	Number (and Percentage) of Proportionate Voting Shares Owned or Controlled[(2)]	Number (and Percentage) of Subordinate Voting Shares Owned or Controlled	Total Percentage of Voting Rights Owned or Controlled
Phillip (Phil) Charles Henderson Waban, Massachusetts, USA Director	Principal of Henderson and Company since 2004.	2018	680.59 (0.6%)	200 (0.0%)	0.4%
Jesse Kaplan, CFA Toronto, Ontario, Canada Director	Investment banker at First Republic Capital Corporation since 2014. Managing Director at Seek Capital Management since 2009.	2018	0 (0.0%)	26,500 (0.5%)	0.2%
Eyal Rosenthal Tel Aviv, Israel Director	Venture partner at Finistere Ventures LLC since 2016. Managing Director at Infinity Equity Group from 2010 to 2018.	2018	0 (0.0%)	0 (0.0%)	0.0%

Perry Antelman Sharon, Massachusetts, USA Chair of the Board, Director and Chief Executive Officer	Chief Executive Officer of Abacus since 2017. Chief Executive Office of Aidance since 2004.	2017	18,158.80[(3)] (15.5%)	0 (0.0%)	10.5%[(3)]
Henry (Hank) R Hague, III Pomfret Center, Connecticut, USA Chief Financial Officer	Chief Financial Officer of the Corporation since 2018. Chief Financial Officer of Foster Corporation from 2009 to 2018.	2018	0 (0.0%)	100 (0.0%)	0.0%

Notes:

(1) Includes, as applicable, position with Abacus U.S.

(2) Each Proportionate Voting Share has one hundred (100) votes per share, and each Subordinate Voting Share has one (1) vote per share. Except as required by the OBCA or the articles of amendment of the Corporation, the holders of the Proportionate Voting Shares and holders of the Subordinate Voting Shares vote together as a single class on all matters at meetings of the shareholders.

(3) Includes 9,292.97 Proportionate Voting Shares beneficially owned by Perry Antelman and 8,865.83 Proportionate Voting Shares beneficially owned by his spouse, Tamara Kesselman. Mr. Antelman and Ms. Kesselman respectively hold an interest of 10.56% and 10.55% in Aidance, which beneficially owns 16,000 Proportionate Voting Shares, representing 9.25% of the voting rights of the Corporation.

The directors and officers of the Corporation, as a group, beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of 26,800 Subordinate Voting Shares, representing approximately 0.5% of the issued and outstanding Subordinate Voting Shares, and an aggregate of 18,839.39 Proportionate Voting Shares (1,883,939 Subordinate Voting Shares on an as-converted basis), representing approximately 16.1% of the issued and outstanding Proportionate Voting Shares (10.9% of the Subordinate Voting Shares on an as-converted basis). This represents in aggregate approximately 11.0% of the total voting rights attached to the Subordinate Voting Shares and Proportionate Voting Shares.

None of the directors or officers listed above have entered into non-competition or non-disclosure agreements, or proposes to enter into such an agreement, with the Corporation.

The following biographies provide certain selected information in respect of the persons who are serving as directors and officers of the Corporation:

Phillip (Phil) Charles Henderson, Director and Consultant

Phillip (Phil) Charles Henderson, 78, is the founder and principal of Henderson and Company, a consulting practice founded in 2004 helping early stage and emerging companies with critical strategic and operational issues, and interim management. Mr. Henderson has held senior management positions in public and private companies. In addition to leading Henderson and Company, he has been Chief Operating Officer of Cambridge Endoscopic Devices from 2007 to 2013, President of Aquatic Treatment Systems from 1999 to 2004, Chief Executive Officer of Ecological Engineering Associates from 1990 to 2004, President and Chief Executive Officer of Memtek Corporation from 1981 to 1990, President and Chief Executive Officer of Ovutime, Inc. from 1979 to 1981, President of Burron Medical Products, Inc. from 1977 to 1979, and with Baxter International, as Director of International Marketing and General Manager South Africa from 1969 to 1976. Mr. Henderson holds an MBA from the Harvard Business School and a Bachelor of Science from the U.S. Naval Academy.

Jesse Kaplan, CFA, Director

Jesse Kaplan, 36, is an investment banker at First Republic Capital Corporation since 2014. He is also since 2009 the Managing Director of Seek Capital Management, an active investor in exciting growth company opportunities. His career has focused on advising and investing in early stage growth companies, primarily in the small cap Canadian public area. This has included extensive work helping companies through the process of going public in both Canada and the United States. Jesse was previously a senior analyst at Harborview Advisors LLC, a New York based investment firm and Palladium Capital Advisors, LLC, a NASD member investment bank. He has sat on the boards of a number of public and private companies in Canada. Jesse holds a Bachelor of Commerce degree from the University of Toronto.

Eyal Rosenthal, Director

Eyal Rosenthal, 44, is a venture partner at Finistere Ventures LLC since 2016. Mr. Rosenthal was previously Managing Director at Infinity Equity Group, a growth fund focusing on cross border investments between Israel and China, from 2010 to 2018. Prior to that, Mr. Rosenthal advised the International Finance Corporation (the World Bank Group) on agritech investments and strategy in Israel and abroad. In addition, Mr. Rosenthal was the Chairman at Technolplast Ventures (TASE: TNPV), a publicly traded holding company, a venture partner at the European VC firm RSG Capital, and the CEO of tech company web 2 print. Before that Mr. Rosenthal was an Investment Manager in UBP in London, UK. Mr. Rosenthal holds an MSc in Investment Management from City University Business School, London, UK and BSc in Business Management from Hull University – Summa Cum Laude.

Perry Antelman, Chair of the Board, Director and Chief Executive Officer

Perry Antelman, 54, is the Chief Executive Officer of the Corporation. He has over 30 years of executive business experience, funding, launching, and growing companies in the chemical and medical technology/pharmaceutical sectors. He was the founder and CEO of Tivian Industries, a chemical manufacturer of electro-plating solutions from 1988 to 1999. He was the founder and CEO of Marantech Holdings, a pharmaceutical research company specializing in broad spectrum anti-microbial materials from 1999 to 2004. Since 2004 he has been the CEO of Aidance, a pharmaceutical company specializing in unique dermatological formulations and products sold internationally and into Walgreens and CVS. Mr. Antelman has spent over 30 years in R&D in formulating and product development and has filed more than 30 patents internationally in his extensive career. Mr. Antelman holds a Bachelor of Arts in Computer Science from Yeshiva University, New York. Mr. Antelman currently devotes approximately 90% of his time to the affairs of the Corporation, and 10% of his time to the affairs of Aidance.

Henry (Hank) R Hague, III, Chief Financial Officer and Secretary

Henry Hague, 47, is the Chief Financial Officer of the Corporation. He has over 11 years of experience as Chief Financial Officer. Prior to joining the Corporation in 2018, Mr. Hague was from 2009 to 2018 the Chief Financial Officer of Foster Corporation, a biomedical polymer compounder and distributor for the medical device industry, which operates as an ISO 13485 certified manufacturer and a cGMP CMO for drug delivery and combination devices. Mr. Hague brings to the Corporation years of finance experience as well as experience working for global consumer products companies. Mr. Hague completed a BS Finance at Bentley University. Mr. Hague is a full-time employee of the Corporation.

In addition to the directors and officers identified above, the Corporation currently also retains the services of the following key employee(s):

Dr. Bharat Madhavan, Ph.D., Chief Technology Officer

Dr. Madhavan, 37, is the Chief Technology Officer of the Corporation. He holds several international patents and specializes in R&D and Quality Control/Assurance in the field of Pharmaceutical Science. Utilizing cutting edge techniques and technology, Dr. Madhavan designs, develops, and tests new formulations to ensure they adhere to the highest standards and provide maximum benefits. Prior to joining the Corporation, he was a Lead Scientist (R&D) at Aidance from 2010 to 2018. He holds a Ph.D. from The University of Rhode Island. He is a full-time employee of the Corporation.

Each of the members of the Corporation's current management team is an independent contractor; does not provide his or her services to the Corporation as an employee or under a written contract; and has not entered into any non-competition or non-disclosure agreements with the Corporation.

Corporate Cease Trade Orders or Bankruptcies

Cease Trade Orders

To the knowledge of the Corporation, no director or executive officer of the Corporation as at the date hereof, is or was within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any corporation, that (a) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer. For the purposes hereof, "order" means (a) a cease trade order, (b) an order similar to a cease trade order, or (c) an order that denied the relevant corporation access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days.

Bankruptcies

To the knowledge of the Corporation, except as indicated below, no director or executive officer of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation (a) is, as at the date hereof, or has been within the 10 years before the date hereof, a director or executive officer of any corporation 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 the 10 years before the date hereof, 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, executive officer or shareholder.

Hank Hague, the current Chief Financial Officer of the Corporation, was formerly the Chief Financial Officer of Scott Brass, Inc., which he joined in September 2007. In December 2008, Scott Brass, Inc. filed for Chapter 11 Bankruptcy in the United States. The case converted to Chapter 7 in December 2008 and to a Rhode Island State Receivership in February 2009. Mr. Hague assisted the secured lender and trustees with liquidating Scott Brass Inc. through the bankruptcy process. The business of Scott Brass Inc. was sold to House of Stainless, Inc. in March of 2009.

No director or officer of the Corporation is, or has, within the 10 years prior to the date hereof, been declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or been 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 that individual.

Penalties and Sanctions

To the knowledge of the Corporation, no director or executive officer of the Corporation, or shareholder holding a sufficient number of securities of the Corporation to materially affect the control of the Corporation has been (i) subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

To the best of the Corporation's knowledge, and other than disclosed herein, there are no known existing or potential conflicts of interest among the Corporation, the directors and officers of the Corporation or other members of management 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 Corporation and their duties as a director or officer of such other companies. A director who has a material interest in a matter before the Board or any committee on which he or she serves is required to disclose such interest as soon as the director becomes aware of it. In situations where a director has a material interest in a matter to be considered by the Board or any committee on which he or she serves, such director may be required to absent himself or herself from the meeting while discussions and voting with respect to the matter are taking place. Directors will also be required to comply with the relevant provisions of applicable corporate laws regarding conflicts of interest.

AUDIT COMMITTEE

The Audit Committee is comprised of Phillip (Phil) Charles Henderson (Chair), Jesse Kaplan and Eyal Rosenthal. Mr. Henderson is a consultant of the Corporation, and as such is not independent within the meaning of NI 52-110. Messrs. Kaplan and Rosenthal meet the independence requirements for members of the Audit Committee pursuant to NI 52-110. Each of the three members is financially literate within the meaning of NI 52-110, and has an understanding of the accounting principles used to prepare financial statements and varied experience as to the general application of such accounting principles, as well as an understanding of the internal controls and procedures necessary for financial reporting. For additional details regarding the education and experience of each member of the Audit Committee, see "Directors and Executive Officers".

The Board has adopted a written charter setting forth the responsibilities, powers and operations of the Audit Committee, a copy of which is attached hereto as Appendix "A". The principal duties and responsibilities of the Audit Committee are to assist the Board in discharging the oversight of the nature and scope of the annual audit, management's reporting on internal accounting standards and practices, the review of financial information, accounting systems and procedures, and financial reporting and financial statements. The Board has charged the Audit Committee with the responsibility of recommending, for approval by the Board, the audited financial statements, interim financial statements and other mandatory disclosure releases containing financial information.

The Audit Committee has access to all books, records, facilities and personnel and is entitled to request any information about the Corporation as it may deem appropriate. It also has the authority to retain and compensate special legal, accounting, financial and other consultants or advisors to advise the Audit Committee. The Audit Committee reviews and approves all related-party transactions and prepares reports for the Board on related party transactions. The Audit Committee is also be responsible for the pre-approval of all non-audit services to be provided by the Corporation's auditors.

External Auditor Service Fees

The Audit Committee has reviewed the nature and amount of the non-audit services provided by the auditors prior to the Transaction, Zeifmans LLP, and the auditors following the Transaction, Richter LLP. Fees incurred with the auditors for audit and non-audit services in the last two fiscal years for audit fees are outlined in the following table.

	Fees Paid to Zeifmans LLP in Fiscal Year Ended December 31, 2018	**Fees Paid to Richter LLP in Fiscal Year Ended December 31, 2018**
Audit Fees(1)	$5,981	$77,076
Audit-related Fees(2)	$0	$0
Tax Fees(3)	$0	$0
All Other Fees(4)	$0	$0
Total	$5,981	$77,076

Notes:
(1) "Audit Fees" include fees necessary to perform the annual audit of the Corporation's consolidated financial statements and also fees incurred in relation to the performance of quarterly reviews. Audit Fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.
(2) "Audit-Related Fees" include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.

(3) "Tax Fees" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.
(4) "All Other Fees" include all other non-audit services.

MATERIAL CONTRACTS

This AIF includes a summary description of certain material contracts. Each summary description discloses all material attributes of the applicable contract but is not complete and is qualified by reference to the terms of the material contracts, which are available under the Corporation's SEDAR profile at www.sedar.com. The following are the Corporation's only material contracts, other than those contracts entered into in the ordinary course of business, which have been entered into since the beginning of its last financial year, or entered into prior to such date, but which are still in effect and which are required to be filed with Canadian securities regulatory authorities:

(a) the Aidance Manufacturing and Services Agreement, as described under "Description of the Business - Arrangements with Suppliers and Manufacturers";

(b) the Agency Agreement entered into in connection with Abacus U.S. Private Placement, as described under "Corporate Structure - Business Combination Transaction and Related Transactions - Concurrent Financing";

(c) the Subscription Receipt Agreement, as described under "Corporate Structure - Business Combination Transaction and Related Transactions - Concurrent Financing"; and

(d) the Merger Agreement, as described under "Corporate Structure - Business Combination Transaction and Related Transactions".

LEGAL MATTERS

The Corporation may be, from time to time, involved in legal proceedings of a nature considered normal to its business. The Corporation is not involved in any legal proceedings which individually or in the aggregate would be material to the Corporation's consolidated financial condition or results of operations.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as described elsewhere in this AIF, there is no material interest, direct or indirect, of: (i) any director or executive officer of the Corporation; (ii) any person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the Corporation's outstanding voting securities; or (iii) an associate or any affiliate of any persons or companies referred to above in (i) or (ii), in any transaction within the three years before the date of this AIF that has materially affected or is reasonably expected to materially affect the Corporation.

AUDITORS, TRANSFER AGENT AND REGISTRAR

Prior to the completion of the Transaction, the auditors of the Corporation were Zeifmans LLP. Further to the completion of the Transaction, the auditors of the Corporation are Richter LLP at its office located at 181 Bay Street, Suite 3320, Bay Wellington Tower, Toronto, Ontario. Richter LLP has informed the Corporation that it is independent with respect to the Corporation within the meaning of the Code of Ethics of the Chartered Professional Accountants of Canada.

The Transfer Agent and registrar of the Subordinate Voting Shares and the Proportionate Voting Shares is Odyssey Trust Company.

INTEREST OF EXPERTS

No person or company named in this document as having prepared or certified a part of the document or a report described in this document and no responsible solicitor or any partner of a responsible solicitor's firm, holds any material beneficial interest, direct or indirect, in any securities or property of the Corporation or of an associate or affiliate of the Corporation.

ADDITIONAL INFORMATION

Additional information relating to the Corporation is available on its SEDAR profile at www.sedar.com. Additional information, including with respect to directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities, and securities authorized for issuance under equity compensation plans, is contained in the Corporation's management information circular for its most recent annual meeting of shareholders that involved the election of directors or will be contained in the Corporation's management information circular for its upcoming annual meeting of shareholders that will involved the election of directors, as applicable, each of which is or will be available under the Corporation's SEDAR profile at www.sedar.com. Additional financial information is contained in the Corporation's consolidated financial statements and management's discussion and analysis for the year ended June 30, 2018 and in the Corporation's most recent financial statements and management's discussion and analysis.

GLOSSARY OF TERMS

In this AIF, unless otherwise indicated or the context otherwise requires, the following terms shall have the indicated meanings. Words importing the singular include the plural and vice versa and words importing a gender include any genders. A reference to an agreement means the agreement as it may be amended, supplemented or restated from time to time.

"**2014 Farm Bill**" means the Agricultural Act of 2014, 7 U.S.C. § 5940.

"**2018 Farm Bill**" means the Agricultural Act of 2018, 7 U.S.C. § 5940.

"**Abacus U.S.**" means Abacus Health Products, Inc., a company existing under the laws of Delaware, which is a wholly-owned subsidiary of the Corporation.

"**Abacus U.S. Compensation Warrants**" means, before giving effect to the Transaction, warrants to acquire Abacus U.S. Subordinate Voting Shares issued pursuant to the Agency Agreement and pursuant to the Fiscal Advisory Agreement, as described under "Corporate Structure - Business Combination Transaction and Related Transactions - Concurrent Financing".

"**Abacus U.S. Debenture**" has the meaning given to such term under "Description of Share Capital - Stock Options and Warrants".

"**Abacus U.S. Legacy Equity Incentive Plan**" means, before giving effect to the Transaction, 2018 Equity Incentive Plan of Abacus U.S., which has been assumed by the Corporation in connection with the Transaction until all stock options existing thereunder have been exercised or have expired.

"**Abacus U.S. Multiple Voting Share**" means a Class B share of common stock (multiple voting) in the capital of Abacus U.S.

"**Abacus U.S. Non-Voting Share**" means a Class C share of common stock (non-voting) in the capital of Abacus U.S.

"**Abacus U.S. Private Placement**" means the private placement of Subscription Receipts completed by the Corporation for gross proceeds of US$15,000,000 completed in two tranches on December 21, 2018 and January 7, 2019, which includes a brokered portion of US$8,945,437.50 completed pursuant to the Agency Agreement and a non-brokered portion of US$6,054,562.50, as described under "Corporate Structure - Business Combination Transaction and Related Transactions - Concurrent Financing".

"**Abacus U.S. Subordinate Voting Share**" means a Class A single voting share of common stock in the capital of Abacus U.S.

"**Abacus U.S. Warrant**" has the meaning given to such term under "Description of Share Capital - Stock Options and Warrants".

"**Advance Notice Provisions**" has the meaning given to such term under "Description of Share Capital - Advance Notice Provisions".

"**Advisors**" means the Lead Agent, Haywood Securities Inc., Cormark Securities Inc. and Paradigm Capital Inc.

"**affiliate**" or "**associate**" has the meaning given to such term in the *Securities Act* (Ontario), as amended from time to time.

"**Agency Agreement**" means the agency agreement dated December 21, 2018 between the Corporation (formerly World Wide), Abacus U.S. and the Agents entered into in connection with the brokered portion of the Abacus U.S. Private Placement, a summary of which is set out under "Corporate Structure - Business Combination Transaction and Related Transactions - Concurrent Financing".

"**Agents**" means the Lead Agent, Haywood Securities Inc., Cormark Securities Inc. and Paradigm Capital Inc.

"**Aidance Manufacturing and Services Agreement**" has the meaning given to such term under "Description of the Business - Arrangements with Suppliers and Manufacturers".

"**AIF**" means this annual information form.

"**ANDA**" means an FDA Abbreviated New Drug Application.

"**Articles**" has the meaning given to such term under "Description of Share Capital".

"**A&R Surviving Corporation COI**" means the amended and restated certificate of incorporation of the Surviving Corporation which became effective upon completion of the Merger, as set out in the form of amended and restated certificate of incorporation appended to the Merger Agreement.

"**Board**" or "**Board of Directors**" means the board of directors of the Corporation.

"**business day**" means a day other than a Saturday, Sunday or a day on which the principal chartered banks located at Toronto are not open for business.

"**B2B**" means business-to-business.

"**B2C**" means business-to-consumer.

"**Canadian Securities Laws**" means the securities legislation or ordinance and regulations thereunder of each province of Canada and the rules, instruments, policies and orders of each Canadian securities regulator made thereunder.

"**Cannabis**" means *Cannabis sativa L.*

"**CBD**" means a cannabinoid-rich hemp extract from Cannabis containing cannabidiol.

"**Certificate of Merger**" means the certificate of merger of the Surviving Corporation in respect of the Merger required to be filed with Secretary of State of the State of Delaware in accordance with the relevant provisions of the DGCL.

"**cGMP**" means current Good Manufacturing Practices regulations enforced by the FDA.

"**Code**" means the U.S. Internal Revenue Code of 1986, as amended.

"**Consolidation**" has the meaning given to such term under "Corporate Structure - Business Combination Transaction and Related Transactions - Pre-Transaction Steps".

"**Conversion Price**" has the meaning given to such term under "Description of Share Capital - Stock Options and Warrants".

"**Conversion Privilege**" has the meaning given to such term under "Description of Share Capital- Stock Options and Warrants".

"**Corporation**" means Abacus Health Products, Inc., an Ontario corporation formerly known as World Wide Inc., and references to the "Corporation" should be interpreted as indicated under "General Matters".

"**Corporation Compensation Warrant**" has the meaning given to such term under "Corporate Structure - Business Combination Transaction and Related Transactions - Concurrent Financing".

"**Corporation Debenture**" has the meaning given to such term under "Description of Share Capital - Stock Options and Warrants".

"**Corporation Warrant**" has the meaning given to such term under "Description of Share Capital - Stock Options and Warrants".

"**CPG**" means consumer packaged goods.

"**CSA**" means the U.S. Controlled Substances Act.

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

"**DC&P**" has the meaning given to such term under "Risk Factors and Uncertainties - Risks Related to the Corporation's Business and Industry - Financial Reporting and Other Public Issuer Requirements".

"**DEA**" means the U.S. Drug Enforcement Agency.

"**DGCL**" means Delaware General Corporation Law.

"**diluted basis**" means the number of Subordinate Voting Shares outstanding assuming the exercise of all outstanding Options and other rights to acquire Subordinate Voting Shares, including the conversion of Proportionate Voting Shares into Subordinate Voting Shares in accordance with their terms.

"**Downward Acquisition Issuance Adjustment**" has the meaning given to such term under "Description of Share Capital - Stock Options and Warrants".

"**Downward Acquisition Issuance Adjustment**" has the meaning given to such term under "Description of Share Capital - Stock Options and Warrants".

"**Downward Adjustment**" means any Downward Acquisition Issuance Adjustment, Downward Share Issuance Adjustment or Downward Warrant Issuance Adjustment.

"**Downward Share Issuance Adjustment**" has the meaning given to such term under "Description of Share Capital - Stock Options and Warrants".

"**Downward Warrant Issuance Adjustment**" has the meaning given to such term under "Description of Share Capital - Stock Options and Warrants".

"**Escrow Release Conditions**" means, collectively (i) the completion or irrevocable waiver or satisfaction of all conditions precedent to the Transaction, (ii) the receipt of all required shareholder, third party (as applicable) and regulatory approvals including, without limitation, the conditional approval of the CSE for the Transaction and Abacus U.S. Private Placement, if applicable, and the conditional approval of the CSE of the listing of the Subordinate Voting Shares of the Corporation issuable, after giving effect to the Transaction, to former holders of the Subscription Receipts, and (iii) the Corporation and the Lead Agent (on its own behalf and on behalf of the syndicate of agents under the Abacus U.S. Private Placement) having delivered a joint notice to the Subscription Receipt Agent confirming that the conditions set forth in (i) and (ii) have been met or waived.

"**Exchange Act**" means the United States Securities Exchange Act of 1934, as amended.

"**FCEN**" has the meaning given to such term under "Risk Factors and Uncertainties - Risks Related to the Regulatory Environment - Anti-money Laundering Laws and Regulations".

"**FCEN Memo**" has the meaning given to such term under "Risk Factors and Uncertainties - Risks Related to the Regulatory Environment - Anti-money Laundering Laws and Regulations".

"**FDA**" means the U.S. Food and Drug Administration.

"**FDCA**" means the United States Federal Food, Drug, and Cosmetic Act.

"**Fiscal Advisory Agreement**" means, collectively, the fiscal advisory agreement dated December 21, 2018 and the fiscal advisory agreement dated January 7, 2019, each entered into between the Corporation (formerly World Wide), Abacus U.S. and the Advisors in connection with the Abacus U.S. Private Placement.

"**forward-looking statements**" has the meaning given to such term under "Forward-Looking Statements".

"**FPI Condition**" has the meaning given to such term under "Description of Share Capital - Authorized Share Capital - Conversion Conditions".

"**FTC**" has the meaning given to such term under "Risk Factors and Uncertainties - Risks Related to the Regulatory Environment - Risks Associated with Numerous Laws and Regulations".

"**GRAS**" means generally recognized as safe.

"**GRASE**" means generally recognized as safe and effective.

"**hemp**" means any part of the Cannabis plant, including extracts, cannabinoids and derivatives, having no more than three-tenths of one percent (0.3%) concentration of THC on a dry weight basis.

"**HFA**" means the Hemp Farming Act of 2018.

"**IASB**" means the International Accounting Standards Board.

"**ICFR**" has the meaning given to such term under "Risk Factors and Uncertainties - Risks Related to the Corporation's Business and Industry - Financial Reporting and Other Public Issuer Requirements".

"**IFRS**" means International Financial Reporting Standards as issued by the IASB, as adopted by the Canadian Accounting Standards Board.

"**Industrial Hemp**" means as any part of the *Cannabis sativa L.* plant, whether growing or not, with a delta-9 THC concentration of not more than 0.3% on a dry weight basis, lawfully cultivated in the United States pursuant to, and in compliance with, a state agricultural pilot program which sanctions such activity.

"**IRS**" means the U.S. Internal Revenue Service.

"**Lead Agent**" means Eight Capital.

"**LTIP**" means Abacus' Long-Term Incentive Plan.

"**Merger**" means the merger of MergerSub and Abacus U.S., on the terms and conditions set out in the Merger Agreement.

"**Merger Agreement**" means the agreement and plan of merger dated December 21, 2018 among the Corporation (formerly World Wide), MergerSub and Abacus U.S.

"**MergerSub**" means, before giving effect to the Transaction, World Wide Subco Inc., a corporation incorporated under the laws of the State of Delaware, USA, wholly-owned by the Corporation (formerly World Wide).

"**NDA**" means an FDA New Drug Application.

"**NI 52-109**" means National Instrument 52-109 — *Certification of Disclosure in Issuers' Annual and Interim Filings*.

"**NI 52-110**" means National Instrument 52-110 — *Audit Committees*.

"**Notice Date**" has the meaning given to such term under "Description of Share Capital - Authorized Share Capital - Advance Notice Provisions".

"**OBCA**" means the *Business Corporations Act* (Ontario), as amended.

"**Odd Lot**" has the meaning given to such term under "Description of Share Capital - Authorized Share Capital - Take-Over Bid Protection".

"**Omnibus Appropriations Law**" has the meaning given to such term under "Description of the Business - United States Regulatory Matters - The Omnibus Appropriations Law".

"**Option**" means an option to acquire a Subordinate Voting Share granted pursuant to the LTIP.

"**OTC**" means over-the-counter.

"**Proportionate Voting Share**" means a proportionate voting share in the capital of the Corporation, as described under "Description of Share Capital - Authorized Share Capital".

"**PVS Offer**" has the meaning given to such term under "Description of Share Capital - Authorized Share Capital - Take-Over Bid Protection".

"**R&D**" means research and development.

"**SEC**" means the U.S. Securities and Exchange Commission.

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval.

"**Share Structure Amendment**" has the meaning given to such term under "Corporate Structure - Business Combination Transaction and Related Transactions - Pre-Transaction Steps".

"**Shares**" means, collectively, the Subordinate Voting Shares and the Proportionate Voting Shares.

"**Subordinate Voting Share**" means a subordinate voting share in the capital of the Corporation, as described under "Description of Share Capital - Authorized Share Capital".

"**Subscription Receipt Agent**" means Odyssey Trust Company.

"**Subscription Receipts**" means the subscription receipts of Abacus U.S. issued under the Subscription Receipt Agreement pursuant to the Abacus U.S. Private Placement, as described under "Corporate Structure - Business Combination Transaction and Related Transactions - Concurrent Financing".

"**Subscription Receipt Agreement**" means the subscription receipt agreement dated December 21, 2018 between the Corporation (formerly World Wide), Abacus U.S., the Subscription Receipt Agent and the Lead Agent, governing the Subscription Receipts, as described under "Corporate Structure - Business Combination Transaction and Related Transactions - Concurrent Financing".

"**Surviving Corporation**" means Abacus U.S. as the surviving corporation in the Merger with MergerSub, and which became a wholly-owned subsidiary of the Corporation.

"**Surviving Corporation Class A Shares**" means Class A shares of the Surviving Corporation, the terms of which are set out in the A&R Surviving Corporation COI.

"**Surviving Corporation Class B Shares**" means Class B shares of the Surviving Corporation, the terms of which are set out in the A&R Surviving Corporation COI, which were exchanged for Subordinate Voting Shares, as described under "Corporate Structure - Business Combination Transaction and Related Transactions - The Merger Agreement".

"**Surviving Corporation Class C Shares**" means Class C shares of the Surviving Corporation, the terms of which are set out in the A&R Surviving Corporation COI, which were exchanged for Proportionate Voting Shares, as described under "Corporate Structure - Business Combination Transaction and Related Transactions - The Merger Agreement".

"**THC**" means tetrahydrocannabinol.

"**Transaction**" has the meaning given to such term under "Corporate Structure - Business Combination Transaction and Related Transactions - Summary of Transaction".

"**U.S. Securities Act**" means the United States Securities Act of 1933, as amended from time to time.

"**United States**" and "**U.S.**" mean the United States of America, its territories and possessions, including the District of Columbia.

"**World Wide**" has the meaning given to such term under "Corporate Structure - Name, Address and Incorporation".

APPENDIX "A"
AUDIT COMMITTEE CHARTER

(see attached)

ABACUS HEALTH PRODUCTS, INC.

AUDIT COMMITTEE CHARTER

I. INTRODUCTION

The Audit Committee (the "**Committee**") is a standing committee appointed by the board of directors (the "**Board**") of Abacus Health Products, Inc. (the "**Corporation**"). The Committee is established to fulfill applicable securities law obligations respecting audit committees and to assist the Board in fulfilling its oversight responsibilities with respect to financial reporting, including to:

(a) oversee the integrity of the Corporation's financial statements and financial reporting process, including the audit process and the Corporation's internal accounting controls and procedures and compliance with related legal and regulatory requirements;

(b) oversee the qualifications and independence of the external auditors;

(c) oversee the work of the Corporation's financial management and external auditors in these areas; and

(d) provide an open avenue of communication between the external auditors, the Board and management of the Corporation.

The function of the Committee is oversight. It is not the duty or responsibility of the Committee or its members: (i) to plan or conduct audits, (ii) to determine that the Corporation's financial statements are complete and accurate and are in accordance with International Financial Reporting Standards, or (iii) to conduct other types of auditing or accounting reviews or similar procedures or investigations. The Committee, its chair and its audit committee financial expert members are members of the Board, appointed to the Committee to provide broad oversight of the financial, risk and control related activities of the Corporation, and are specifically not accountable or responsible for the day to day operation or performance of such activities. In particular, the member or members identified as audit committee financial experts shall not be accountable for giving professional opinions on the internal or external audit of the Corporation's financial information.

Management is responsible for the preparation, presentation and integrity of the Corporation's financial statements. Management is also responsible for maintaining appropriate accounting and financial reporting principles and policies and systems of risk assessment and internal controls and procedures designed to provide reasonable assurance that assets are safeguarded and transactions are properly authorized, recorded and reported and to assure the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with accounting standards and applicable laws and regulations. The chief financial officer is responsible for monitoring and reporting on the adequacy and effectiveness of the system of internal controls. The external auditors are responsible for planning and carrying out an audit of the Corporation's annual financial statements in accordance with generally accepted auditing standards to provide reasonable assurance that, among other things, such financial statements are in accordance with International Financial Reporting Standards.

II. PROCEDURES, POWERS AND DUTIES

The Committee shall have the following procedures, powers and duties:

1. *Composition* – The Committee shall consist of at least three members, a majority of whom shall not be executive officers, employees or control persons of the Corporation or of an affiliate of the Corporation, in accordance with National Instrument 52-110 –*Audit Committees*. All members of the Committee must be or, within a reasonable period following appointment, become financially literate, meaning that each has the ability to read and understand a set of financial statements that

present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

Should at any time the Committee not meet the composition requirements because of death, resignation, bankruptcy, adjudicated incompetence, removal or change in circumstances of one or more of the members who were on the Committee, these requirements shall not be applicable for a period of 180 days during which time the remaining members shall appoint additional members, as necessary, who qualify to sit on the Committee and whose appointment(s) will result in the Committee meeting the composition requirements.

2. *Separate Executive Meetings* – The Committee shall meet periodically with management (including the chief financial officer) and the external auditors in separate executive sessions to discuss any matters that the Committee or each of these groups believes should be discussed privately and such persons shall have access to the Committee to bring forward matters requiring its attention. However, the Committee shall also meet periodically without management present.

3. *Professional Assistance* – The Committee may require the external auditors to perform such supplemental reviews or audits as the Committee may deem desirable. In addition, the Committee may retain such special legal, accounting, financial or other consultants as the Committee may determine to be necessary to carry out the Committee's duties at the Corporation's expense.

4. *Reliance* – Absent actual knowledge to the contrary (which shall be promptly reported to the Board), each member of the Committee shall be entitled to rely on: (i) the integrity of those persons or organizations within and outside the Corporation from which it receives information, (ii) the accuracy of the financial and other information provided to the Committee by such persons or organizations, and (iii) representations made by management and the external auditors as to any information technology, internal audit and other non-audit services provided by the external auditors to the Corporation and its subsidiaries.

5. *Reporting to the Board* – The Committee will report through the chair of the Committee to the Board following meetings of the Committee on matters considered by the Committee, its activities and compliance with this Charter.

6. *Procedure* – The Committee meetings shall be conducted as follows: (i) questions arising at any meeting shall be decided by a majority of the votes cast, (ii) decisions may be taken by written consent signed by all members of the Committee, and (iii) meetings may be called by the external auditors of the Corporation or any member of the Committee upon not less than 48 hours notice, unless such notice requirement is waived by the Committee members. The external auditors of the Corporation are entitled to receive notice of every meeting of the Committee and, at the expense of the Corporation, to attend and be heard thereat and, if so requested by a member of the Committee, shall attend any meeting of the Committee held during the term of office of the external auditors.

7. *Access* – The Committee is entitled to full access to all books, records, facilities and personnel of the Corporation and its subsidiaries. The Committee may require such officers, directors and employees of the Corporation and its subsidiaries and others as it may see fit from time to time to provide any information about the Corporation and its subsidiaries it may deem appropriate and to attend and assist at meetings of the Committee.

III. AUDIT RESPONSIBILITIES OF THE COMMITTEE

A. Selection and Oversight of the External Auditors

1. The external auditors are ultimately accountable to the Committee and the Board as the representatives of the shareholders of the Corporation and shall report to the Committee and the Committee shall so instruct the external auditors. The Committee shall evaluate the performance of the external auditors and make recommendations to the Board on the reappointment or appointment of the external auditors of the Corporation to be proposed in the Corporation's management information circular for approval of the shareholders of the Corporation and the compensation to be paid by the Corporation to the external auditors. If a change in external auditors is proposed, the Committee shall review the reasons for the change and any other significant issues related to the change, including the response of the incumbent auditors, and enquire on the qualifications of the proposed auditors before making its recommendation to the Board.

2. The Committee shall approve in advance the terms of engagement of the external auditors with respect to the conduct of the annual audit. The Committee may approve policies and procedures for the pre-approval of services to be rendered by the external auditors, including *de minimis* exceptions, which policies and procedures shall include reasonable detail with respect to the services covered. All non-audit services to be provided to the Corporation or any of its subsidiaries by the external auditors or any of their affiliates which are not covered by pre-approval policies and procedures approved by the Committee shall be subject to pre-approval by the Committee. The Committee will review disclosure respecting fees paid to the external auditors for audit and non-audit services. Any services under pre-approval will be reported at the following meeting.

3. The Committee shall review the independence of the external auditors and shall make recommendations to the Board on appropriate actions to be taken which the Committee deems necessary to protect and enhance the independence of the external auditors. In connection with such review, the Committee shall:

   (a) actively engage in a dialogue with the external auditors about all relationships or services that may impact the objectivity and independence of the external auditors;

   (b) require that the external auditors submit to it on a periodic basis, and at least annually, a formal written statement delineating all relationships between the Corporation and its subsidiaries, on the one hand, and the external auditors and their affiliates on the other hand;

   (c) consider the auditor independence standards promulgated by applicable auditing regulatory and professional bodies; and

   (d) ensure periodic rotation of lead audit partner.

4. The Committee shall establish and monitor clear policies for the hiring by the Corporation of employees or former employees of the external auditors.

5. The Committee shall require the external auditors to provide to the Committee, and the Committee shall review and discuss with the external auditors, all reports which the external auditors are required to provide to the Committee or the Board under rules, policies or practices

of professional or regulatory bodies applicable to the external auditors, and any other reports which the Committee may require.

6. The Committee is responsible for resolving disagreements between management and the external auditors regarding financial reporting and the application of any accounting principles or practices. The Committee shall discuss with the external auditors any difficulties that arose with management during the course of the audit and the adequacy of management's responses in correcting audit-related deficiencies.

B. Oversight and Monitoring of Audits

1. The Committee shall review with the external auditors and management the audit function generally, the objectives, staffing, locations, co-ordination, reliance upon management and internal audit and general audit approach and scope of proposed audits of the financial statements of the Corporation and its subsidiaries, the overall audit plans, the responsibilities of management and the external auditors, the audit procedures to be used and the timing and estimated budgets of the audits.

2. The Committee shall meet periodically with management (including meetings with the Board in absence of management) to discuss the progress of their activities and any significant findings stemming from internal audits and any difficulties or disputes that arise with management and the adequacy of management's responses in correcting audit-related deficiencies.

3. The Committee shall review with management the results of internal and external audits.

4. The Committee shall take such other reasonable steps as it may deem necessary to satisfy itself that the audit was conducted in a manner consistent with all applicable legal requirements and auditing standards of applicable professional or regulatory bodies.

C. Oversight and Review of Accounting Principles and Practices

1. The Committee shall, as it deems necessary, oversee, review and discuss with management and the external auditors:

   (a) the quality, appropriateness and acceptability of the Corporation's accounting principles and practices used in its financial reporting, changes in the Corporation's accounting principles or practices and the application of particular accounting principles and disclosure practices by management to new transactions or events;

   (b) all significant financial reporting issues and judgments made in connection with the financial statements, including the effect of any alternative treatment within International Financial Reporting Standards;

   (c) any material change to the Corporation's auditing and accounting principles and practices as recommended by management or the external auditors or which may result from proposed changes to applicable International Financial Reporting Standards;

   (d) the effect of regulatory or accounting limitations on the Corporation's financial reporting;

   (e) any reserves, accruals, provisions, estimates or Corporation programs and policies, including factors that affect asset and liability carrying values and the timing of revenue

and expense recognition, that may have a material effect upon the financial statements of the Corporation;

(f) any legal matter, claim or contingency that could have a significant impact on the financial statements and any material reports, inquiries or correspondence from regulators or governmental authorities regarding compliance with applicable requirements and any analysis respecting disclosure with regard to any such legal matter, claim or contingency in the financial statements;

(g) the treatment for financial reporting purposes of any significant transactions which are not a normal part of the Corporation's operations;

(h) the use of any "pro-forma" or "adjusted" information not in accordance with International Financial Reporting Standards; and

(i) management's determination of goodwill impairment, if any, as required by applicable accounting standards.

D. Oversight and Monitoring of Internal Controls

1. The Committee shall, as it deems necessary, exercise oversight of, review and discuss with management and the external auditors:

(a) the adequacy and effectiveness of the Corporation's internal accounting and financial controls and the recommendations of management and the external auditors for the improvement of accounting practices and internal controls;

(b) any material weaknesses in the internal control environment, including with respect to computerized information system controls and security; and

(c) management's compliance with the Corporation's processes, procedures and internal controls.

E. Communications with Others

1. The Committee shall establish and monitor procedures for the receipt and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or audit matters and the anonymous submission by employees of concerns regarding questionable accounting or auditing matters and review periodically with management these procedures and any significant complaints received.

F. Oversight and Monitoring of the Corporation's Financial Disclosures

1. The Committee shall:

(a) review with the external auditors and management and recommend to the Board for approval the audited annual financial statements and the notes and management's discussion and analysis accompanying such financial statements, and the Corporation's annual report;

(b) review with the external auditors and management each set of interim financial statements and the notes and management's discussion and analysis accompanying such financial statements; and

(c) review with the external auditors and management any financial statements included or to be included in a prospectus, any financial information of the Corporation contained in any management information circular of the Corporation, and any other disclosure documents or regulatory filings of the Corporation containing or accompanying financial information of the Corporation.

2. Such reviews shall be conducted prior to the release of any summary of the financial results or the filing of such reports with applicable regulators.

3. Prior to their distribution, the Committee shall discuss earnings press releases, as well as financial information and earnings guidance provided to analysts and ratings agencies, it being understood that such discussions may, in the discretion of the Committee, be done generally (i.e., by discussing the types of information to be disclosed and the type of presentation to be made) and that the Committee need not discuss in advance each earnings release or each instance in which the Corporation gives earning guidance.

4. The Committee shall review with management the assessment of the Corporation's disclosure controls and procedures and material changes in their design.

G. Oversight of Finance Matters

1. Appointments of the key financial executives involved in the financial reporting process of the Corporation, including the chief financial officer, shall require the prior review of the Committee.

2. The Committee shall receive and review:

(a) periodic reports on compliance with requirements regarding statutory deductions and remittances, the nature and extent of any non-compliance together with the reasons therefor and the management's plan and timetable to correct any deficiencies;

(b) material policies and practices of the Corporation respecting cash management and material financing strategies or policies or proposed financing arrangements and objectives of the Corporation; and

(c) material tax policies and tax planning initiatives, tax payments and reporting and any pending tax audits or assessments.

3. The Committee shall meet periodically with management to review and discuss the Corporation's major financial risk exposures and the policy steps management has taken to monitor and control such exposures, including the use of financial derivatives and hedging activities.

4. The Committee shall meet with management to review the process and systems in place for ensuring the reliability of public disclosure documents that contain audited and unaudited financial information and their effectiveness.

H. Business and Ethical Conduct

1. The Committee shall:

   (a) periodically review and approve any changes to the "Code of Business Conduct and Ethics" for any directors, officers and employees of the Corporation and its subsidiaries and be responsible for granting any waivers from the application of such code; and

   (b) review management's monitoring of compliance with such code.

I. Additional Responsibilities

1. The Committee shall review any significant or material transactions outside the Corporation's ordinary activities.

2. The Committee shall review and make recommendations to the Board concerning the financial condition of the Corporation and its subsidiaries, including with respect to annual budgets, corporate borrowings, investments, capital expenditures, long term commitments and the issuance and/or repurchase of securities.

3. The Committee shall review and/or approve any other matter specifically delegated to the Committee by the Board and undertake on behalf of the Board such other activities as may be necessary or desirable to assist the Board in fulfilling its oversight responsibilities with respect to financial reporting.

IV. AUDIT COMMITTEE CHARTER

1. The Committee shall review and reassess the adequacy of this Charter at least annually and otherwise as it deems appropriate and recommend changes to the Board. The performance of the Committee shall be evaluated with reference to this Charter annually.

2. The Committee shall ensure that this Charter or a summary of it which has been approved by the Committee is disclosed in accordance with all applicable securities laws or regulatory requirements in the annual management information circular or annual information form of the Corporation.

Last updated: January 29, 2019.