



Annual Information Form

For the year ended June 30, 2018

September 28, 2018

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GENERAL

In this annual information form (“**AIF**”), a reference to the “Company”, “Chemistree”, “we”, “us”, “our” and similar words refer to Chemistree Technology Inc. and its subsidiary, or either one of them, as the context requires, and the term “cannabis” has the meaning given to the term “marihuana” in the *Access to Cannabis for Medical Purposes Regulations* (“**ACMPR**”).

All references to dollars (\$) in this document are expressed in Canadian funds, unless otherwise indicated. All information in this AIF is stated as at September 28, 2018, unless otherwise indicated.

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION

The information provided in this AIF, including schedules and information incorporated by reference, may contain “forward-looking statements” of the Company. In addition, the Company may make or approve certain statements in future filings with Canadian securities regulatory authorities, in press releases, or in oral or written presentations by representatives of the Company that are not statements of historical fact and may also constitute forward-looking statements. All statements, other than statements of historical fact, made by the Company that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as “may”, “will”, “would”, “could”, “should”, “believes”, “estimates”, “projects”, “potential”, “expects”, “plans”, “intends”, “anticipates”, “targeted”, “continues”, “forecasts”, “designed”, “goal”, or the negative of those words or other similar or comparable words.

Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments. These statements speak only as at the date they are made and are based on information currently available and on the then current expectations the Company and assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties related to:

- regulatory environments where the Company operates;
- inconsistent treatment of cannabis in certain states and federally in the United States (“**U.S.**”);
- anti-money laundering laws and regulations in the U.S.;
- enforcement of federal laws against the Company;
- the Company’s balance sheet exposure to U.S. cannabis related activities;
- the federal and provincial regulatory frameworks in Canada;
- loss of business and/or opportunities due to perceived risks;
- insufficient cash flows to meet the Company’s capital expenditure requirements;
- the highly regulated nature of the cannabis industry;
- competition;
- intellectual property litigation;

- fast changing technology and consumer demands;
- uncertain market acceptance for the Company's products and services;
- the development and promotion of products and brands;
- dependence upon, and need for, key personnel;
- dependence on management;
- potential conflicts of interest;
- statutory and regulatory compliance;
- insurance coverage;
- operating losses and unlikely dividends;
- investments may be pre-revenue;
- lack of control over operations of investments;
- investments in private companies and illiquid assets;
- unfavourable perception or publicity;
- laws and regulations that are subject to unforeseen changes;
- risks associated with investments;
- operating licenses;
- litigation;
- regulatory or agency proceedings, investigations and audits;
- product liability claims;
- fraudulent or illegal activity by the Company's employees, contractors and consultants;
- currency fluctuations;
- the Company's ability to manage growth;
- perception of reputational risk from third-parties;
- an exchange on which the Company's shares are listed may initiate a delisting review;
- stock price volatility;

- sales by shareholders of a substantial number of Common Shares;
- dilution;
- no requirements to make representations relating to disclosure controls and procedures and internal control over financial reporting;
- unfavourable or lack of research and reports from research analysts; and
- other risks described from time to time in documents filed by the Company with Canadian securities regulatory authorities.

Consequently, all forward-looking statements made in this AIF and other documents of the Company are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences to or effects on the Company. Accordingly, readers should not place undue reliance on forward-looking statements.

The cautionary statements contained or referred to in this section should be considered in connection with any subsequent written or oral forward-looking statements that the Company and/or persons acting on its behalf may issue. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required under securities legislation or other applicable law. See “*Risk Factors*”.

Having completed the Washington Acquisition (as defined below), the Company expects to indirectly derive, through investments in ancillary operations, revenue from the adult-use cannabis industry in the United States in jurisdictions where local law permits such activities, and may in the future indirectly derive revenue from the medical cannabis industry in the United States and the medical and/or adult-use cannabis industries in Canada.

Although a number of states of the United States have legalized medical and/or recreational use of cannabis, it remains illegal under United States federal laws. Accordingly, there are a number of risks associated with the Company’s plans and proposed and potential future investments, even where the Company is not directly involved in the cultivation or sale of either recreational or medical cannabis. There is a risk that United States federal authorities may enforce federal law prohibiting the cultivation and sale of cannabis or laws relating to the proceeds thereof.

Accordingly, the Company, and its investments in the cannabis sector, may be subjected to heightened scrutiny by applicable regulatory authorities, the Canadian Securities Exchange (the “CSE” or the “Exchange”), clearing agencies or other governmental bodies. See the sections entitled “*Description of the Business – Legal and Regulatory Trends*” and “*Risk Factors*”, below, for further details.

CORPORATE STRUCTURE

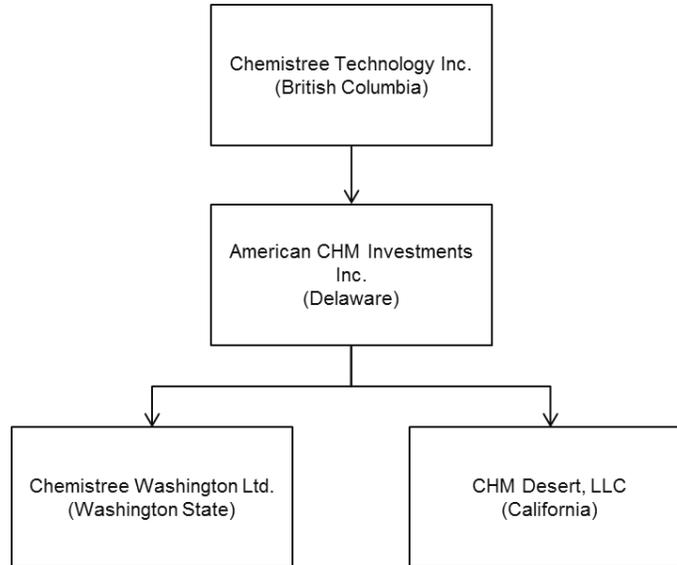
Name, Address and Incorporation

Chemistree Technology Inc. (formerly, Whattozee Networks Inc.) (the “**Company**” or “**Chemistree**”) was incorporated in the Province of British Columbia on March 14, 2008 under the *Business Corporations Act* (British Columbia) (“**BCBCA**”). The name change to Chemistree Technology Inc. became effective August 3, 2017. The Company’s head and registered office is located at 1750 – 1185 West Georgia Street, Vancouver, British Columbia, V6E 4E6.

On July 20, 2018, the Company requalified for a listing following a change of business to an “investment issuer” on the Exchange.

Intercorporate Relationships

The Company has three wholly-owned subsidiaries. Effective October 17, 2017, the Company incorporated a wholly-owned subsidiary, Chemistree Washington Ltd. (“**Chemistree Washington**”), incorporated under the laws of Washington State. Effective July 17, 2018, the Company incorporated American CHM Investments Inc., under the laws of the State of Delaware. Effective July 18, 2018, the Company incorporated CHM Desert LLC (“**CHM Desert**”) under the laws of the State of California. The following diagram presents the organizational chart of the Company:



GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

From inception until October 2015, the Company was solely a mineral exploration and development company. Prior to October 2015, the Company focused its exploration work on several projects, located in Nunavut, Canada and in Mali, West Africa. It is the Company’s intention to retain its mineral exploration properties for as long as possible, expending only the minimum of capital to keep the property title in good standing. The Company has no intention to engage in any further exploration work at this time.

In October 2015, management made the decision to pursue initiatives in addition to its mineral exploration activities. To begin this process, the Company hired a consultant to explore alternative business opportunities, primarily focusing on technology. By working with that consultant, the Company identified an online business opportunity that combined social media marketing with event management. The Company subsequently changed its focus under WhatToZee, a division of Bama Gold Corp., to specialize in marketing, event planning and social media. The business was hosted at www.whattozee.com, which has since been suspended.

WhatToZee pursued a business model that was meant to be replicable across a number of ostensibly underserved demographics, such a social change agents (i.e. charities and political movements), fitness experts, business events managers and artists. Combining event management with social media marketing, WhatToZee was to allow its members to buy or sell their social influence to promote other members.

Effective January 27, 2017, the Company changed its corporate name from “Bama Gold Corp.” to “Wattozee Networks Inc.” and also consolidated its share capital on the basis of three (3) pre-consolidated shares to one (1) post-consolidation share ratio.

As the Company progressed with software design and development, it ultimately became clear that, despite having invested over \$500,000 in direct and indirect capital, the intended outcome for the software was not achievable. As a result, management made the decision to pivot the Company’s focus from events to a broader offering grounded in social media marketing. A partnership format was also thought to be an advantageous and expeditious refocus and growth strategy.

In July 2017, the Company entered into a strategic alliance with LG Digital Inc. (“**LG**”), a Vancouver-based digital marketing and production company. LG is a provider of digital marketing, website, video production and graphic design work to its international client base since 2013. LG is also the owner and producer of “Growing Exposed” – a series of documentary, educational and biographical videos focused exclusively on the cannabis industry. Growing Exposed is now in the middle of its second season. The series has released a total of 17 episodes and continues to be a leading series in cannabis cultivation - dedicated to the industry. Growing Exposed has steadily increased its subscriber base on YouTube, and now has over one million views on its website, Vimeo and YouTube. The series is exclusively distributed by “High Times”, the pre-eminent international cannabis periodical for over 40 years.

On August 3, 2017, the Company changed its name to Chemistree Technology Inc. After input from shareholders and prospective investors, management and the board of directors of the Company determined that a name change would be prudent to improve the Company’s brand given its focus as a social media technology supplier to the growing cannabis industry.

As a result of working with clients in the cannabis industry, specifically within Washington State, the Company became familiar with a number of producers and brands that it believed were in need of the Company’s suite of services. When the Company focused its branding and marketing efforts on the cannabis industry in summer of 2017, it found several seemingly under-serviced sectors. In Washington State specifically, the Company encountered producers and processors of cannabis who were ill-equipped to handle the rate at which trends were developing in the cannabis space.

The Company began to investigate and undertake preliminary due diligence on potential investments in the cannabis space. After reviewing potential opportunities, the Company focused on an opportunity in Washington State to invest in certain assets that Chemistree believes will enable it to provide a turn-key facility capable of generating licensing revenue.

On May 11, 2018, the Company announced that it had entered into a letter of intent with arm’s-length parties to acquire, through Chemistree Washington, a suite of Washington-based assets used in cannabis cultivation, production and distribution (the “**Washington Acquisition**”).

On June 29, 2018, the Company closed the Washington Acquisition. Pursuant to a definitive asset purchase agreement dated May 31, 2018 (the “**Washington Acquisition Agreement**”) with Elite Holdings Inc. (the “**Washington Vendor**”), Chemistree Washington acquired certain assets, including, but not limited to, all growing supplies, leases, software, furniture, systems, equipment, and lighting from the Washington Vendor (the “**Washington Assets**”). The Washington Acquisition did not include any receivables, payables, warranties, employee or tax liabilities of the Washington Vendor.

For further details regarding the Washington Acquisition, see “*Description of the Business – Investment Business – Washington Acquisition*” below. Although Chemistree Washington will not be directly operating the business of growing or selling cannabis and such business is intended to be conducted by an operator under a license from the Washington State Liquor and Cannabis Board (“**WSLCB**”), **marijuana remains illegal under U.S. federal laws and enforcement thereof remains a significant risk.** See “*Risk Factors*”.

On June 25, 2018, Chemistree announced that it closed the first tranche of a non-brokered private placement (the “**2019 Private Placement**”), as amended June 22, 2018. The first tranche was comprised of 7,313,771 units, issued at \$0.35 per unit for gross proceeds of \$2,559,820. Each unit consisted of one common share and one common share purchase warrant; each warrant entitles the holder to acquire one additional common share for \$0.50 for a period of 24 months after closing of the private placement. The warrants are subject to an acceleration provision whereby if the closing market price of the common shares of the company on the CSE is greater than 60 cents per common share for a period of 10 consecutive trading days, then the company may deliver a notice to the holders of warrants notifying the holders that the warrants must be exercised within 30 calendar days from the date of the acceleration notice, otherwise the warrants will expire at 4:00 p.m. PT on the 30th calendar day after the date of the acceleration notice.

Recent Developments

On July 1, 2018, the Company entered into a commercial lease agreement with the landlord of the facility where the Washington Assets are situated. The commercial lease agreement is for an initial term expiring on June 30, 2022, with an option to extend to June 30, 2026. The Company’s basic rent amounts payable are \$96,320 for fiscal 2019, increasing to \$100,320 for each of fiscal 2020 through to 2023.

On July 20, 2018, the CSE formally accepted the Company’s change of business filing whereby Chemistree became recognized as an investment issuer. The Company’s investment objectives are to seek investment opportunities in the cannabis sector in jurisdictions where cannabis-related activities are permitted and to achieve an acceptable rate of return by focusing on opportunities with attractive risk to reward profiles. The proposed investments will generally be companies in the cannabis sector but may include a range including, but not limited to, service providers to the cannabis industry, to licensees and to bare land packages for development.

On July 12, 2018, Chemistree announced that effective July 11, 2018, it closed the final tranche of the 2019 Private Placement, as amended July 10, 2018. The final tranche was comprised of 5,569,613 units, issued at \$0.35 per unit. Gross proceeds from the June 25, 2018, and July 11, 2018 closings aggregate \$4,509,184. Immediately following the closing, the Company had 34,222,589 Shares issued and outstanding.

On July 25, 2018, Chemistree, through its indirect, wholly-owned California subsidiary, CHM Desert, entered into a purchase agreement dated July 25, 2018 (the “**DHS Agreement**”), with an arm’s length vendor for the purchase of 9.55 acres of fee simple, vacant land in the City of Desert Hot Springs, Riverside County, California (the “**DHS Property**”). Consideration for the purchase is US\$1,233,800. The DHS Property can support development plans and a Conditional Use Permit application for a total of three (3) 68,000 sq. ft. cultivation and processing buildings on the site totaling approximately 205,000 sq. ft., together with the required ancillary space for parking, firefighting equipment and site security, based on the regulations of the City of Desert Hot Springs.

Management is actively assessing additional business opportunities similar to the Washington Acquisition and the DHS Property, however there are no specific events or milestones that must be achieved, other than as disclosed in this filing, for the business objectives to be accomplished Chemistree anticipates that a substantial portion of its growth may occur through future acquisitions.

DESCRIPTION OF THE BUSINESS

General

Chemistree is focused on making investments or acquisitions in areas relating to the U.S. cannabis sector, focusing on social media, branding, licensing, and marketing technology, and providing turn-key solutions for the U.S. regulated cannabis industry. The Company’s corporate strategy is to acquire and develop vertically integrated U.S. cannabis assets, leveraging management’s decades of expertise in the

cannabis industry and corporate finance to own and operate licensed cultivation, processing, distribution and retail facilities throughout the U.S.

Social Media Business

In 2017, Chemistree refocused its efforts on social media, branding, licensing and marketing technology. In addition to marketing events, brands and any other activities in the cannabis industry, the Company also identifies other avenues for growth for social media marketing services, as well as brand marketing, product marketing, and more general services like financing and corporate consulting.

The Company believes the cannabis industry offers significant opportunity for growth because it is still in its infancy stages. All-across Washington, Oregon, California, Colorado and the twenty or more states in the U.S. where cannabis is medically and/or recreationally legal at a state level, new cultivators, processors, suppliers, bakeries and other edibles producers, and retailers and dispensaries start up on a seemingly daily basis. Each one is a potential Chemistree client, and each one has a different budget and goal.

Because of this, Chemistree seeks to customize the service package it can offer and costs each service package uniquely. Loyalty, responsibility, mutuality, respect for the process, and respect for the history are many of the expectations that Chemistree has been presented with by potential clients and challenged to design and implement its suite of services accordingly. Chemistree's goals are to provide a strong, creative, content-rich social media presence, assist with tailored marketing efforts and work with client companies to best develop their brands through unique and creative graphic design.

The Company's business model seeks to be responsive and individualized for each client. Strategic growth opportunities exist where the Company can add value to clients' existing initiatives in social media engagement, branding, and marketing. These opportunities may require long lead-times and extensive due diligence to understand the clients' needs and capacities. Each client has different needs, different markets to serve and different consumers to target.

The Company's principal geographical market is the Pacific Northwest, but the Company intends to expand into other jurisdictions as the Company finds opportunities that it deems favourable. Chemistree believes that the opportunities for growth in the various sectors surrounding the state-legal cannabis industry are significant. The Company also recognizes the substantial challenges and risks it faces. Commercial cannabis activity is legal at the state-level where the Company intends to operate, but cannabis cultivation, manufacturing, distribution, possession, sale and consumption are still illegal under U.S. federal law.

The industry varies greatly state by state and each jurisdiction can, and does, change its rules and regulations frequently.

Cannabis is legal at a state level for medicinal use in 30 U.S. states and legal at a state level for medicinal and recreational use in nine U.S. states. In each of these states there are potentially new cultivators, processors, suppliers, bakeries and other edibles producers, retailers and dispensaries starting up business that will likely require the marketing, branding, and social media services provided by Chemistree.

Investment Business

Washington

On May 31, 2018, the Company entered into the Washington Acquisition Agreement with arm's-length parties to acquire the Washington Assets. On June 29, 2018, the Company closed the Washington Acquisition. The Washington Assets were comprised of equipment necessary for the holder of a license to operate its business, including "mother room" equipment, clone room equipment, pre-vegetative

equipment, vegetative room equipment, nutrients and other supplies, and quarantine room equipment. This equipment included advanced LED lights, fans, HVAC equipment, drying and packaging equipment, computer systems and other assets necessary for Chemistree Washington to provide a turn-key facility to an arm's length license-holder (the "**Strategic Partner**") of a WSLCB license.

Consideration for the Washington Assets was US\$1,000,000 payable in cash; US\$800,000 was paid upon closing of the Washington acquisition; and four instalments of US\$50,000, each payable at the end of each of the four calendar months following closing, being July 31, 2018, August 31, 2018, September 30, 2018 and October 31, 2018. Notwithstanding the foregoing, at least US\$540,000 of the consideration payable upon closing was placed into escrow and used to satisfy certain liabilities of the Washington Vendor relating to its accounts payable.

Following closing of the Washington Acquisition and receipt of approval from the WSLCB, Chemistree Washington expects to enter into agreements with a Strategic Partner, whereby the Strategic Partner subleases and licenses the Washington Assets from Chemistree Washington, in order for the Strategic Partner to operate the "Sugarleaf" brand of retail cannabis products in Washington State. It is expected that the Strategic Partner will operate under the Washington State Tier 3 production and processing Licence No. 423406 acquired from Sugarleaf Farm LLC, along with any and all related brands, trademarks, websites, URLs, packaging, goods in process, and social media accounts. The Sugarleaf brand is an established cannabis brand within Washington State, and is currently sold in approximately 125 retail locations. In addition to the licence and sublease arrangements, the relationship with the new licence holder may also provide opportunities for Chemistree's social media marketing business.

Management anticipates that, in the coming months, the Strategic Partner may expand operations to include a cannabis laboratory and testing facility, as well as potentially a processing facility to provide for a larger suite of products to be produced. Chemistree does not have agreements in place with a Strategic Partner at this time, and there can be no assurance that any expansion of its operations will occur. The Washington Assets that Chemistree is purchasing may require normal course upgrades and management, given its extensive experience in the supply and sale of cannabis and hydroponic, greenhouse and outdoor cultivation and processing equipment, is current on the changes in the industry visa-vis the technological and process advancements.

In November 2012, the voters of Washington State passed Initiative 502 ("**I-502**"). I-502 authorized the WSLCB to regulate and tax recreational marijuana products for persons over 21 years of age and thereby created a new industry for the growing, processing and selling of recreational marijuana products regulated by the State of Washington. In the State of Washington, a Tier 3 Producer-Processor License is allowed to produce marijuana for sale at wholesale to marijuana processor licensees and to other marijuana producer licensees. Tier 3 allows for between ten thousand square feet and thirty thousand square feet of dedicated plant canopy. Recent WSLCB data reports that for calendar 2017, cannabis sales surpassed \$1.37 billion, and generated Excise Tax to Washington State of more than \$314 million. Reports by the Rand organization suggested that there are currently up to 700,000 recreational marijuana users in the State of Washington.

Restrictions under I-502 prohibit the Company and its subsidiaries from having any direct interest in proceeds of production, processing or retail marijuana activities in Washington. The Company and its subsidiaries are entitled to lease property and license its brands, production and consulting services to approved Washington State cannabis license-holders. This will allow the Company to ensure that all products produced under the Chemistree program and/or associated under the brand meet or exceed the Chemistree brand quality standards. The Company anticipates entering into certain of the foregoing leasing and operating arrangements on mutually agreeable terms.

The Company, through Chemistree Washington, intends to seek additional opportunities to invest in and develop real estate in the State of Washington for the purpose of serving licensed I-502 production and processing businesses, among other investment opportunities.

In addition to providing specialized facilities to I-502 producers and processors, the Company may in the future seek to develop its growing techniques, standard operating procedures and innovative

manufacturing practices to further assist license holders with their production and processing operations. The Company believes these services have the ability to create synergies and advantages that will provide significant and long-term revenue for the license-holder and, in turn, to the Company.

The Washington Acquisition is expected to provide the Company a platform to (if and when management identifies attractive opportunities) enter into, or make investments, in cannabis cultivation, production, processing, distribution and retail sales, while also allowing the Company to establish an investment portfolio of cannabis-related, and potentially non-cannabis related, real estate assets.

California

Pursuant to the DHS Agreement, Chemistree purchased 9.55 acres of fee simple, vacant land in the City of Desert Hot Springs, California. Consideration for the DHS Acquisition was US\$1,233,800.

The DHS Property can support development plans and a Conditional Use Permit application for a total of three (3) 68,000 sq. ft. cultivation and processing buildings on the site totaling approximately 205,000 sq. ft., together with the required ancillary space for parking, firefighting equipment and site security, based on the regulations of the City of Desert Hot Springs. The Company anticipates the Conditional Use Permit application to be approved in the coming months

The Conditional Use Permit submission must include the following fees, reports and plans:

- Filing Fee
- Notification Package
- Title Report
- Existing Site Plan
- Proposed Site Plan
- Conceptual Grading and Drainage Plan
- Building Plans
- Sign Program Plans
- Exterior Lighting Plan
- Site Photographs
- Conceptual Landscaping Plan
- Art in Public Places Program
- Copies of "Will Serve" letters from Fire Department and all utility companies
- Development Agreement, Deposit and application

As of the date of the submission of the Annual Information Form, these plans and reports are in varying stages of completion. The Company estimates the total cost to compile the plans and reports and make the Continuous Use Permits application submission to the City of Desert Hot Springs to be approximately \$90,000.

The Company currently anticipates that the application will be ready for submission during October 2018 and that the application will be reviewed at the next available date from the date of submission, potentially as early as December 2018.

Investment Policy and Procedures

The Company's investment objectives are to seek investment opportunities in the cannabis sector, initially in the western U.S. and potentially other jurisdictions where cannabis-related activities are permitted and to achieve an acceptable rate of return by focusing on opportunities with attractive risk to reward profiles. Investments by the Company will be made in accordance with and are otherwise subject to the its investment policy (the "**Investment Policy**"), which may be amended from time to time at the sole discretion of the Company without shareholder approval unless required by applicable laws or CSE policies. The key elements of the Investment Policy are summarized and included below.

The proposed investments will generally be companies in the cannabis sector, but may include a range including but not limited to service providers to the cannabis industry, to licensees, and to bare land packages for development. Preference will be given initially to the western U.S., but other jurisdictions, including potentially outside of North America, may be permissible depending on the risk-reward relationship associated with the particular jurisdiction, including legal and tax considerations.

The nature and timing of the Company's investments will depend, in part, on available capital at any particular time and the investment opportunities identified and available to the Company. Subject to the availability of capital, the Company intends to create a diversified portfolio of investments. The composition of its investment portfolio will vary over time, and may include equity investments, cannabis streaming arrangements, secured or unsecured loans, asset acquisitions, bare land acquisitions, majority ownership, joint ventures and licensing arrangements, among others. All investments shall, to the best of the Company's abilities, be made in compliance with applicable laws in relevant jurisdictions, and shall be made in accordance with and governed by the rules and policies of applicable regulatory authorities.

From a procedure and implementation perspective, the senior officers and other management of the Company and the Company's Board and the respective members thereof will identify potential investment opportunities. These individuals have a broad range of business experience and their own networks of business partners, financiers, venture capitalists and finders through whom potential investments may be identified. In addition, Chemistree may identify potential investments through contacts and customers of its social media business.

Prospective investments will be channeled through management. Management will make an assessment of whether the proposal fits with the investment and corporate strategy of the Company in accordance with the Company's Investment Policy, and then proceed with preliminary due diligence, leading to a decision to reject or move the proposal to the next stage of detailed due diligence. This process may involve the participation of outside professional advisors or consultants.

Due diligence will include an analysis of the relevant industry, as well as the specific investment opportunity, its management team (where applicable), quality of assets and risks associated, including legal or regulatory risks, as applicable. All investments shall be submitted to the Board for final approval. The Board will be provided with a summary of the reasons for the investment decision and may include, among other things, the estimated return on investment, anticipated timeline of investment, milestones against which future progress can be measured, and risks associated with the investment.

Management has experience in the cannabis sector and have already evaluated a number of opportunities and developed a network of contacts. Management may make concentrated investments initially, but over time expects to diversify Chemistree's investment portfolio.

Monitoring and Financial and Other Reporting

Management will monitor the Company's investment portfolio on an ongoing basis and report to the Board on the state of the investment portfolio on a regular basis.

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

Types of Investments

It is expected that the Company will be seeking a wide range of investments, including majority or minority equity investments, cannabis streaming arrangements, secured or unsecured loans, asset acquisitions, bare land acquisitions, majority ownership, joint ventures and licensing arrangements, among other forms of investment or alternative financing. The form of investment will depend upon the specific circumstances of the investment, as well as management's review of the legal and regulatory risks relating to that investment and the jurisdictions where it operates.

Although management will seek to invest in structures that it believes are in compliance with applicable laws, there can be no assurance that applicable laws and regulations or interpretations or enforcement thereof will not change during the time in which Chemistree holds its investment. Accordingly, management expects to periodically evaluate the legal and regulatory risks of its investments and may, from time to time, seek to divest of certain investments prior to its originally anticipated investment period or to restructure its investments.

Chemistree may also from time to time offer additional services or management services to its investments or, in certain circumstances, may take an active role in operations of its investments. Other investments, such as licenses or assets or leases, such as with the Washington Acquisition, may take a more passive role.

Legal and Regulatory Trends

United States

To the Company's knowledge, thirty states and the District of Columbia, Puerto Rico and Guam have legalized cannabis in some form, while nine states and Washington, D.C. have also legalized cannabis for recreational use. Notwithstanding the permissive regulatory environment of medical cannabis at the state level, cannabis currently remains a Schedule I controlled substance and is therefore illegal under federal law. As a result of conflicting views between state legislatures and the U.S. federal government regarding cannabis, investments in cannabis businesses in the U.S. are subject to inconsistent legislation and regulation.

The U.S. Congress has passed appropriations bills each of the last three years that have not appropriated funds for prosecution of cannabis offenses of individuals who are in compliance with state medical cannabis laws. American courts have construed these appropriations bills to prevent the federal government from prosecuting individuals when those individuals comply with state law. However, because this conduct continues to violate federal law, American courts have observed that should Congress at any time choose to appropriate funds to fully prosecute the CSA, any individual or business — even those that have fully complied with state law — could be prosecuted for violations of federal law. And if Congress restores funding, the government will have the authority to prosecute individuals for violations of the law before it lacked funding under the CSA's five-year statute of limitations.

The Company is not, as of the date of this AIF, directly involved with the cultivation and/or distribution of cannabis in the U.S. The Company intends to acquire and invest in property and assets that it will license or lease to third party license-holders who are compliant with applicable state and local laws. The Company will make reasonable efforts to ensure that its business operations, and the business operations of third parties whom it may license and lease assets to, remain compliant with applicable laws and regulations. However, if a U.S. Attorney with jurisdiction over the Company's operations in Washington or elsewhere in the U.S. decides to prioritize enforcement of state-regulated marijuana business activity, the Company, or a third party licensing or leasing the Company's assets, could be subject to an enforcement action. This could require the Company to incur substantial costs associated with compliance or defense of such action and alter certain aspects of its business plan. In addition, violation of these laws, or allegations of such violations, could disrupt certain aspects of the Company's business plan and result in a material adverse effect on the Company or certain aspects of its planned operations. Federal actions against any individual or entity engaged in the marijuana industry could result in the forfeiture or seizure of all or substantially all of the Company's assets.

Under U.S. federal law, it may potentially be a violation of money laundering statutes for financial institutions to accept any proceeds from the sale of marijuana or any other Schedule I controlled substance. Certain Canadian banks are likewise hesitant to deal with U.S. cannabis companies due to the uncertain legal and regulatory framework of the industry. As a result of its investments in the cannabis space, Chemistree and its subsidiaries may face difficulty obtaining banking services or certain other traditional forms of financing in the U.S. Private sources of capital remain an option for the Company.

This AIF involves an entity that derives a portion of its revenues from the cannabis industry in certain U.S. states. While, to the best of the Company's knowledge, the Company's business activities are compliant with applicable licensing requirements and the regulatory frameworks enacted by applicable U.S. states, such activities remain illegal under U.S. federal law. The enforcement of relevant laws is a significant risk. For more information concerning the risks related to the Company's operations in the U.S. See "Risk Factors – United States".

Canada

The cannabis industry is a new industry in Canada and the Company anticipates that regulations governing the industry will be subject to change as the Government of Canada monitors the development and growth of industry players. On December 20, 2017, the Prime Minister communicated that the Canadian Federal Government intends to legalize cannabis in the summer of 2018, despite previous reports of a July 1, 2018 deadline. On June 7, 2018, Bill C45 passed the third reading in the Senate with a number of amendments to the language of the *Cannabis Act*. On June 20, 2018, Prime Minister Trudeau announced that cannabis would be legal by October 17, 2018. On June 21, 2018, the Government of Canada announced that Bill C-45 received Royal Assent. Bill-C-45 will come into force on October 17, 2018. On July 11, 2018, the regulations made pursuant to the Cannabis Act were published. The regulations under the Cannabis Act contemplate the various licences including cultivation, processing, analytical testing, sale (including medical sales), analytical testing and scientific research. The regulations introduced the nursery and made outdoor cultivation permissible. Finally, the requirements for packaging and labelling of products for both medical and non-medical consumption were explicitly set forth. The impact of changes in the regulatory enforcement by Health Canada under the *Cannabis Act* and its regulations, particularly in respect of product packaging, labelling, marketing, advertising and promotions and product approvals and its impact on the Company's business are unknown at this time.

In addition, when the *Cannabis Act* comes into effect, there is no guarantee that provincial legislation regulating the distribution and sale of cannabis for adult use purposes will be enacted according to the terms announced by such provinces, or at all, or that any such legislation, if enacted, will create the opportunities for growth anticipated by the Company.

For more information concerning the risks related to the Company's operations in Canada see "*Risk Factors – Canada*".

Specialized Skill

Core management of the Company has extensive experience in capital raising, identifying early-stage investment opportunities, negotiating and structuring investments and administration of start-up enterprises. The Company has developed an in-house team of social media, branding, marketing and finance experts. Cannabis expertise is provided through a network of US-based consultants.

Competitive Conditions and Environment

The introduction of the *Cannabis Act* on October 17, 2018, the launch of the recreational cannabis production, distribution and sale may result in increased levels of competition in the existing market and/or the entry of new competitors in the overall cannabis market in which the Company operates.

The social media, branding and marketing industries are highly competitive and constantly evolving. New technology is constantly being introduced to the market and users are highly mobile and prone to change and/or acceptance of new platforms, business offerings and methods of online communication and commerce. New brands can be introduced quickly to a given market with potentially disruptive impacts and consumer tastes and demands are equally volatile.

Management and corporate advisors have substantial experience and industry knowledge and have maintained key relationships with suppliers, and consultants, as well as, existing and potential clients. Management believes that these relationships may provide a distinct advantage over competitors for access.

The fast-growing market for legalized cannabis in both Canada and the U.S. has created a competitive environment for cannabis producers and retailers as well as other types of companies who provide goods and services to the cannabis industry. In November 2012, the WSLCB passed Initiative 502 (I-502), pursuant to a vote by the people of the State of Washington. I-502 authorized the WSLCB to regulate and tax recreational marijuana products for persons over 21 years of age and thereby created a new industry for the growing, processing and selling of recreational marijuana products regulated by the state of Washington. In the state of Washington, a Tier 3 Producer-Processor License is allowed to produce marijuana for sale at wholesale to marijuana processor licensees and to other marijuana producer licensees. Tier 3 allows for between ten thousand square feet and thirty thousand square feet of dedicated plant canopy. Recent WSLCB data reports that for calendar 2017, cannabis sales surpassed \$1.37-billion, and generated Excise Tax to Washington State of more than \$314-million. Reports by the Rand organization suggested that there are currently up to 700,000 recreational marijuana users in the state of Washington.

A number of companies have emerged that specialize in or seek to provide financing to enterprises in the cannabis space. The Company believes that some traditional sources of financing, such as bank, venture capital funds and private equity firms or merchant banks, are becoming increasingly available in the cannabis sector as acceptance of the industry grows and additional jurisdictions legalize cannabis for medicinal and/or recreational use.

Accordingly, Chemistree may face competition from a number of new, well capitalized entrants for investments in the cannabis space, along with competition from other early movers into the cannabis sector.

Compliance

Chemistree receives legal advice as management deems appropriate regarding compliance with applicable state regulatory frameworks and potential exposure and implications arising from U.S. federal law.

The Company has and continues to intend to seek affirmative confirmation from any company in which it invests that it is in compliance with applicable licensing requirements and the regulatory framework enacted by the relevant state. The Company also has and continues to intend, where appropriate, to include covenants (affirmative and/or negative) in any funding, investment or similar agreements with investee companies regarding relevant compliance matters, such as, the investees compliance with applicable state laws and licensing requirements, the scope of such investee company's activities and requiring such investee to promptly notify the Company of any non-compliance with applicable laws or regulations or changes (or proposed changes) in applicable laws or regulations.

Employees

As of June 30, 2018, the Company had six employees.

Cyclical Business

The Company does not regard the turn-key real estate investment or the social media, marketing, branding, and cannabis industries as cyclical.

Foreign Operations

The Company is developing its marketing and social operations and specific projects outside of Canada, in the Pacific region of the U.S. Currently the Company has three social media clients in Washington State. Certain contracts entered into or potentially available to the Company do or may require the Company to maintain a physical presence in the state in which the client company is doing business. The Company is currently investigating suitable locations and business arrangements for its base of operations.

Through Chemistree Washington, the Washington Assets will be located in Washington State; and through CHM Desert, the Company will own land in California. Marijuana remains illegal under U.S. federal law. See "*Legal and Regulatory Trends*" and "*Risk Factors*" below.

Bankruptcy and Similar Proceedings

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

Reorganizations

Effective January 27, 2017, the Company changed its corporate name and consolidated its share capital on the basis of three (3) pre-consolidated shares to one (1) post-consolidation share ratio.

See "*General Development of the Business – Three Year History*".

Social or Environmental Policies

The Company has not implemented any specific social or environmental policies that are fundamental to operations. The Company seeks to adhere to industry-standard best practices at all times and is governed by the regulations of the specific jurisdictions in which it operates. Depending on the Company's future investments, it may in the future be subject to environmental regulation or adopt additional social or environmental policies.

RISK FACTORS

Investing in our securities involves a high degree of risk. You should carefully consider the following risks in addition to the other information included in this AIF, including our historical consolidated financial statements and related notes, before you decide to purchase our common shares. If any of the following risks actually occur, our business, financial condition and results of operations could materially suffer. As a result, the trading price of our securities, including Common Shares, could decline and you could lose part or all of your investment. The risks set out below are not the only risks we face; risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business, financial condition and results of operations. You should also refer to information set out in our consolidated financial statements and management's discussion and analysis for the year ended June 30, 2018.

Risks Related to Uncertain Regulatory Environments Where We Operate

The activities of the Company will be subject to evolving regulation by governmental authorities. The legality of the production, extraction, distribution, marketing, advertising and use of cannabis differs among North American jurisdictions.

United States

Inconsistent treatment of cannabis in certain states and federally

In the U.S., cannabis is a Schedule I controlled substance under the CSA. This means marijuana-related activities, including without limitation, the cultivation, manufacture, importation, possession, use, or distribution of cannabis, are illegal under U.S. federal law. In addition, under U.S. federal law it may potentially be a violation of federal money laundering statutes for financial institutions to take any proceeds from marijuana sales or any other Schedule I controlled substance. Strict compliance with state laws with respect to cannabis will neither absolve the Company of liability under U.S. federal law, nor will it provide a defense to any federal proceeding which may be brought against the Company. As such the enforcement of U.S. federal law against the Company remains a significant risk.

At the state-level, Washington, Oregon, Nevada, Massachusetts, Maine, Colorado, California, Alaska, Vermont and the District of Columbia, have legalized recreational use of cannabis; and over half of the U.S. states have enacted legislation to legalize and regulate the sale and use of medical cannabis without limits on THC, while other states have legalized and regulate the sale and use of medical cannabis with strict limits on the levels of THC. However, the U.S. federal government has not enacted similar legislation and the cultivation, manufacturing, distribution, sale and use of cannabis remains illegal under federal law pursuant to the CSA. While the DOJ under the previous U.S. presidential administration stated its intention not to enforce federal laws relating to cannabis where the conduct at issue is legal under applicable state law, there can be no assurance that the current administration will not enforce such laws in the future. This risk is further compounded by the political and policy variability of the Donald Trump presidential administration, and the conservative, anti-cannabis stances of Attorney General Jeff Sessions, culminating in the rescission of the Cole Memorandum in January 2018. Mr. Trump's positions regarding marijuana are difficult to discern; however, Attorney General Sessions has been a consistent opponent of marijuana legalization efforts throughout his political career. It remains unclear what stance the new administration's Department of Justice might take toward legalization efforts in U.S. states. In March of 2017, Attorney General Sessions acknowledged the limited federal resources of the Department of Justice and acknowledged that much of the Cole Memorandum had merit. Despite this positive statement, he disagreed with the memo's implementation and did not commit to utilizing the Cole Memorandum going forward. The federal government of the U.S. has specifically reserved the right to enforce federal law in regard to the sale and disbursement of medical or adult-use use marijuana even if state law sanctioned such sale and disbursement. In July of 2017 Attorney General Sessions sent letters to the Governors of Colorado, Washington, Alaska, and Oregon responding to their April 2017 request to retain the Cole Memorandum and engage with the Governors before embarking on any changes to regulatory and enforcement systems. In January 2018, Attorney General Sessions rescinded the Cole

Memorandum. The impact of the rescission of the Cole Memorandum remains to be seen and, as a result, there is significant uncertainty as to the enforcement approach that will be taken by U.S. federal authorities with respect to marijuana-related activities that are otherwise compliant with applicable state laws.

In addition to his revocation of the Cole Memorandum, Attorney General Sessions also issued the Sessions Memorandum, which confirmed the rescission of the Cole Memorandum and explained the rationale of the U.S. Department of Justice in so doing. According to the Sessions Memorandum, the Cole Memorandum, was “unnecessary” due to existing general enforcement guidance adopted in the 1980s, as set forth in the U.S. Attorney’s Manual (the “**USAM**”). The USAM enforcement priorities, like those of the Cole Memorandum, are also based on the federal government’s limited resources, and include “law enforcement priorities set by the Attorney General”, the “seriousness” of the alleged crimes, the “deterrent effect of criminal prosecution”, and “the cumulative impact of particular crimes on the community”.

While the Sessions Memorandum does emphasize that marijuana is a Schedule I controlled substance, and states the statutory view that it is a “dangerous drug and that marijuana activity is a serious crime”, it does not otherwise guide U.S. Attorneys that the prosecution of marijuana-related offenses is now a U.S. Department of Justice priority. Furthermore, the Sessions Memorandum explicitly describes itself as a guide to prosecutorial discretion. Such discretion is firmly in the hands of U.S. Attorneys in deciding whether or not to prosecute marijuana-related offenses. U.S. Attorneys could individually continue to exercise their discretion in a manner similar to that displayed under the Cole Memorandum’s guidance. Dozens of U.S. Attorneys across the country have affirmed their commitment to proceeding in this manner, or otherwise affirming that their view of federal enforcement priorities has not changed, although a few have displayed greater ambivalence. In California, at least one U.S. Attorney has made comments indicating a desire to enforce the Controlled Substances Act: Adam Braverman, Interim U.S. Attorney for the Southern District of California, has been viewed as a potential enforcement hawk after stating that the rescission of the Cole Memorandum “returns trust and local control to federal prosecutors” to enforce the Controlled Substances Act. Additionally, Greg Scott, the Interim U.S. Attorney for the Eastern District of California, has a history of prosecuting medical cannabis activity: his office published a statement that cannabis remains illegal under federal law, and that his office would “evaluate violations of those laws in accordance with our district’s federal law enforcement priorities and resources”.

Marijuana remains a Schedule I controlled substance at the U.S. federal level, and neither the Cole Memorandum nor its rescission has altered that status. The U.S. federal government reserves the ability to enforce federal law in regard to the production, sale, and disbursement of medical or recreational marijuana, even if state laws sanction the production, sale, and disbursement. It remains uncertain whether the risk of enforcement has actually been altered by the rescission of the Cole Memorandum.

U.S. anti-money laundering laws and regulations

Additionally, under U.S. federal law, it may potentially be a violation of federal money laundering statutes for financial institutions to take any proceeds from the sale of marijuana or any other Schedule I controlled substance. Certain Canadian banks are likewise hesitant to deal with U.S. cannabis companies, due to the uncertain legal and regulatory framework of the industry. Banks and other financial institutions could be prosecuted and possibly convicted of money laundering for providing services to cannabis businesses. Under U.S. federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering, aiding and abetting, or conspiracy.

Despite these laws, the U.S. Department of the Treasury’s FinCEN issued a memorandum on February 14, 2014 (the “**FinCEN Memorandum**”) outlining the pathways for financial institutions to bank state-sanctioned marijuana businesses in compliance with federal enforcement priorities. The FinCEN Memorandum echoed the enforcement priorities of the Cole Memorandum. Under these guidelines, financial institutions must submit a Suspicious Activity Report (“**SAR**”) in connection with all marijuana-

related banking activities by any client of such financial institution, in accordance with federal money laundering laws.

These marijuana-related SARs are divided into three categories – marijuana limited, marijuana priority, and marijuana termination – based on the financial institution’s belief that the business in question follows state law, is operating outside of compliance with state law, or where the banking relationship has been terminated, respectively. On the same day as the FinCEN Memorandum was published, the DOJ issued a memorandum directing prosecutors to apply the enforcement priorities of the Cole Memorandum in determining whether to charge individuals or institutions with crimes related to financial transactions involving the proceeds of marijuana-related conduct. However, this memorandum was rescinded as of January 4, 2018, along with the Cole Memorandum, removing guidance that enforcement of applicable financial crimes against state-compliant actors was not a DOJ priority.

If any of the Company’s investments, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such investments in the U.S. 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 Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada.

As a result of its investments in the cannabis space, Chemistree or its subsidiaries may face difficulty obtaining bank or certain other traditional forms of financing in the U.S., as well as banking services. Although there has been an increase in private sources of financing and growing acceptance of cannabis related businesses in recent years, there can be no assurance that additional financing will be available to the Company on acceptable terms or at all. The Company’s inability to raise additional financing to fund new investments or invest further capital in its existing investments could limit its growth and have a material and adverse effect on its ability to generate investment returns or profits.

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

Enforcement

The concepts of “medical cannabis” and “retail cannabis” do not exist under U.S. federal law. The CSA classifies “marihuana” as a Schedule I drug. Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the U.S., and a lack of safety for the use of the drug under medical supervision. As such, cannabis related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of cannabis are illegal under U.S. federal law. Strict compliance with state laws with respect to cannabis will neither absolve the Company’s investees of liability under U.S. federal law, nor will it provide a defense to any federal proceeding which may be brought against the Company or its investments. Any such proceedings brought against the Company or its investments may adversely affect the Company’s operations and financial performance and its ability to realize gains or profits from its investments.

There can be no assurances the federal government of the U.S. or other jurisdictions will not seek to enforce the applicable laws against the Company or its investments. Violations of any U.S. federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or

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

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

Washington State

Washington State has both medical and recreational marijuana programs. Washington voters passed Initiative 692 in 1998, which, for the first time, allowed physicians to recommend cannabis for an inclusive set of qualifying conditions including chronic pain and created a patient/caregiver system without explicitly permitting businesses to cultivate and sell cannabis.

In 2012, Initiative 502 legalized recreational cannabis at a state-level in Washington for adults 21 years of age and older. Initiative 502 regulated recreational marijuana businesses but did not regulate medical marijuana establishments.

In 2015, the Governor of Washington signed Senate Bill 5052 which forced the closure of existing unregulated medical dispensaries and allowed existing recreational retail marijuana stores to apply for a "medical marijuana endorsement" to sell medical marijuana tax free to registered qualifying patients and their designated caregivers.

The WSLCB is the state agency empowered to regulate recreational and medicinal marijuana businesses in Washington. The WSLCB licenses marijuana producers, processors, retailers, transportation, and testing facilities. Any individual or entity that desires to acquire an ownership interest in a WSLCB-approved licensee must be a Washington resident and must have resided in Washington for at least six months prior to applying for ownership in the licensed entity. Moreover, no individual or entity residing outside of the United States may be a "true party of interest" in a marijuana licensee. Accordingly, Chemistree Washington will not own, exercise control over, or have a direct financial interest in a WSLCB-approved licensee or marijuana license and, instead, will be providing ancillary services and/or leasing or licensing certain assets to one or more WSLCB-approved license holders. Although Chemistree Washington will not hold a license issued by the WSLCB, any regulatory risks faced by the WSLCB-approved licensees may also impact Chemistree Washington, as the actual or threatened loss of a WSLCB-approved licensee's license would likely leave the licensee unable to perform under agreements entered into with Chemistree Washington. In the event the WSLCB-approved license holder is unable or unwilling to continue at the current location, Chemistree Washington would need to find a substitute WSLCB-approved license holder, which may, in turn, materially and adversely affect Chemistree Washington if the substitute WSLCB-approved license holder is unable or unwilling to enter into new services and/or lease and license arrangements on terms acceptable to Chemistree Washington.

Further, any WSLCB-approved license holder faces unique operational risks. Unlike many other states, Washington prohibits vertical integration between recreational marijuana retailers and producers/processors (though common ownership between producers and processors is permitted). A single entity, and/or principals within an entity, are limited to no more than three marijuana producer

licenses, and/or three marijuana processor licenses, or five retail marijuana licenses. This may materially limit efficiencies the WSLCB-approved license holder can recognize through integration and may impact Chemistree Washington's growth.

The Company is not aware of any non-compliance by the WSLCB-approved license holder with applicable WSLCB license requirements or any notices of violation. However, any future violations by the WSLCB license holder may have a material and adverse effect on Chemistree or the value of the Washington Assets.

California

The Company may become indirectly involved in the cultivation and distribution of cannabis as a result of the DHS Acquisition and will take measures to ensure compliance with applicable California laws, regulations and guidelines.

In 1996, California voters passed a medical marijuana law allowing physicians to recommend cannabis for an inclusive set of qualifying conditions including chronic pain. The law established a not-for-profit patient/caregiver system but there was no state licensing authority to oversee the businesses that emerged as a result of the system. In September of 2015, the California legislature passed three bills, collectively known as the Medical Marijuana Regulation and Safety Act ("**MCRSA**"). In 2016, California voters passed The Adult Use of Marijuana Act ("**AUMA**"), which legalized adult-use cannabis for adults 21 years of age and older and created a licensing system for commercial cannabis businesses. On June 27, 2017, Governor Brown signed SB-94 into law. SB-94 combines California's medicinal and adult-use cannabis frameworks into one licensing structure under the Medicinal and Adult-Use of Cannabis Regulation and Safety Act ("**MAUCRSA**").

Pursuant to MAUCRSA: (1) the California Department of Food and Agriculture (the "**CDFA**"), via CalCannabis, issues licenses to cannabis cultivators; (2) the California Department of Public Health, via the Manufactured Cannabis Safety Branch (the "**MCSB**"), issues licenses to cannabis manufacturers and (3) the California Department of Consumer Affairs, via the Bureau of Cannabis Control (the "**BCC**"), issues licenses to cannabis distributors, testing laboratories, microbusinesses, and retailers. These agencies also oversee the various aspects of implementing and maintaining California's cannabis landscape, including the statewide seed-to-sale track and trace system, which is overseen by the CDFA. All three agencies released their emergency rulemakings at the end of 2017 and have begun issuing temporary licenses.

To operate legally under state law, cannabis operators must obtain a state license and local approval. Local authorization is a prerequisite to obtaining state licensure, and local governments are permitted to prohibit or otherwise regulate the types and number of cannabis businesses allowed in their locality. The state license approval process is not competitive and there is no limit on the number of state licenses an entity may hold. Although vertical integration across multiple license types is allowed under MAUCRSA, testing laboratory licensees may not hold any other licenses aside from a laboratory license and all transportation of cannabis goods between licensees must be performed by a licensed distributor. There are also no residency requirements for ownership of medical or adult-use marijuana licenses under MAUCRSA.

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

Balance Sheet Exposure

The Washington Acquisition, DHS Acquisition and potentially a substantial portion of the Company's future investments may be in the U.S. Accordingly, a significant portion of the Company's success, ability to generate returns on its investments, realize on its investments or otherwise generate income will be subject to risks associated with U.S. cannabis related activities.

Canada

On August 24, 2016, the ACMPR came into force to allow for reasonable access to cannabis for medical purposes for Canadians who have been authorized to use cannabis by their health care practitioner. The ACMPR replaced the Marihuana for Medical Purposes Regulations ("**MMPR**"), introduced in June 2013, which replaced the Marihuana Medical Access Regulations ("**MMAR**") which was implemented in 2001. MMPR and MMAR were both legislative schemes that were important early steps in the Canadian government's legislative path towards legalizing and regulating medical marijuana.

The ACMPR regulates the production and distribution of medical cannabis, demonstrating Health Canada's commitment to improving the regulatory landscape surrounding medical marijuana use, in addition to ensuring that production occurs under secure and regulated commercial production facilities. Under the ACMPR, Canadians who have been authorized by their health care practitioner will continue to have the option of purchasing safe, quality-controlled cannabis from one of the producers licensed by Health Canada and now will also be able to produce a limited amount of cannabis for their own medical purposes, or designate someone to produce it for them.

In 2015, the Government of Canada announced a platform advocating for the legalization of recreational cannabis in order to regulate the illegal market and restrict access by under-aged individuals. On April 20, 2016, the Government of Canada announced its intention to introduce, by the spring of 2017, legislation to legalize the recreational use of cannabis in Canada.

On April 13, 2017, the Government of Canada introduced the *Cannabis Act*, which was passed by the House of Commons on November 27, 2017. On June 20, 2018 the Senate approved Bill C-45 and the *Cannabis Act* received Royal Assent on June 21, 2018. The *Cannabis Act* is expected to come into force on October 17, 2018. The impact of such regulatory changes on the Company's business is unknown.

Furthermore, on July 11, 2018, the Government of Canada released the Regulations setting out licenses, permits and authorizations; security clearances; cannabis tracking systems; cannabis products; packaging and labelling; cannabis for medical purposes; and health products and cosmetics containing cannabis.

While the impact of any new legislative framework for the regulation of the Canadian recreational cannabis market is uncertain, any of the foregoing could result in a material adverse effect on the Company's business, financial condition and operating results.

Under the proposed legislation, the production, sale and possession of certain amounts of cannabis will be legal federally, though provinces will ultimately decide how cannabis will be distributed and sold within their boundaries, subject to federal requirements. The *Cannabis Act* will create a highly regulated landscape for businesses looking to produce, distribute or deal in cannabis products. However, the *Cannabis Act* does not address in detail a number of key issues, including relating to labelling, marketing, transition, licensing requirements and taxes. These will need to be addressed by the Canadian Government in regulations and rules over the next year or more, and the Canadian Government will also need to work out issues with the provinces and municipalities. Until the *Cannabis Act* passes the Senate and is declared in force, existing laws (including criminal sanctions) will continue to apply. Health Canada has indicated that it does not intend to release draft regulations under the Cannabis Act until after its passage, and therefore there remains significant uncertainty as to the final regulatory regime for matters such as labelling and marketing, among others.

As the cannabis industry expands in Canada, cannabis-related businesses will increasingly seek banking and financial services from Canadian financial institutions. However, cannabis-related businesses may continue to be considered high-risk clients under the Canadian anti-money laundering regime. Accordingly, opening and maintaining accounts for cannabis-related businesses will require substantial resources and diligence on the part of financial institutions, especially in light of the obligation imposed on financial institutions under anti-money laundering legislation to engage in ongoing monitoring of clients and their activities. While certain Canadian financial institutions have grown more comfortable conducting business with clients in the legal cannabis space, others have continue to avoid clients in the space, particular those with a nexus to the U.S.

Despite the heightened risk of banking cannabis-related businesses, the current legal landscape for medicinal cannabis, and the expected regulatory framework for legalized recreational cannabis provide financial institutions with various controls to monitor and legitimately bank cannabis-related clients. For instance, the current licensing regime for medicinal cannabis producers is comprehensive and requires that the Canadian Government complete extensive reviews and background checks on each licensed producer. A similarly comprehensive licensing regime is expected under the new legislation to legalize recreational cannabis. Financial institutions could rely on the government's stringent vetting process to confirm the legitimacy of a cannabis producer when onboarding a client. The decision to open, close or refuse any particular cannabis-related account will ultimately be made by each financial institution based on a number of factors specific to that institution. However, the regulatory regime for medicinal cannabis and the expected framework for legalized recreational cannabis in Canada can provide financial institutions with the means to legitimately bank cannabis-related clients in a lawful way, meeting the growing financial needs of the cannabis industry in Canada.

Provincial Regulatory Framework

While the *Cannabis Act* provides for the regulation of the commercial production of cannabis for recreational purposes and related matters by the federal government, the *Cannabis Act* proposes that the provinces and territories of Canada will have authority to regulate other aspects of recreational cannabis (similar to what is currently the case for liquor and tobacco products), such as sale and distribution, minimum age requirements, places where cannabis can be consumed, and a range of other matters. To date, the Governments of Ontario, Manitoba, Alberta, New Brunswick, Québec, Newfoundland and Labrador, the Yukon, the Northwest Territories, Saskatchewan and British Columbia have announced proposed regulatory regimes for the distribution and sale of cannabis for recreational purposes within those jurisdictions. Each of these Canadian jurisdictions has established a minimum age of 19 years old, except for Québec and Alberta, where the minimum age will be 18. The remaining Canadian jurisdictions (Prince Edward Island, Nova Scotia and Nunavut) have engaged in public consultation but have yet to announce a proposed approach to the sale and distribution model for recreational cannabis in their respective jurisdictions.

On September 8, 2017, the Ontario government announced its proposed retail and distribution model of legalized recreational cannabis to be modelled on the current Liquor Control Board of Ontario (“**LCBO**”) framework. On December 12, 2017, the Ontario government passed the *Cannabis Act, 2017* (Ontario), which will regulate the lawful use, sale and distribution of cannabis for adult use in connection with the federal government's proposed legalization. The *Cannabis Act, 2017* (Ontario) proposes to, among other things:

- create a new provincial retailer, overseen by the LCBO, to manage the distribution of recreational cannabis through stand-alone stores and an LCBO-controlled online order and distribution service, which together, will comprise the only channels through which consumers in Ontario will be able to legally purchase recreational cannabis;
- set a minimum age of 19 to use, buy, possess and cultivate cannabis in Ontario; and

- ban the use of cannabis in public places, workplaces and motor vehicles in Ontario, as is the case with alcohol.

Other details of Ontario's approach will be set out in regulations to the *Cannabis Act, 2017* (Ontario) developed over winter 2018 for public comment. Ontario has announced that approximately 150 standalone stores will only sell cannabis (no cannabis will be sold alongside alcohol) to be opened by 2020, including 80 by July 1, 2019, serving all regions of the province. Online distribution will also be available across the province.

The Government of Manitoba has announced a "hybrid model" for cannabis distribution when cannabis for recreational purposes is legalized. The supply of cannabis in the Province of Manitoba will be secured and tracked by the Manitoba Liquor and Lotteries Corp., however private retail stores will also be permitted to sell recreational cannabis. Manitoba is currently accepting applications from retailers to open stores for the sale of cannabis for recreational purposes. This process was open until December 22, 2017, with retail stores scheduled to open as early as July 2, 2018.

The Government of Alberta has announced a draft cannabis framework providing for the purchase of cannabis products from retailers that will receive their products from a government-regulated distributor, similar to the distribution system currently in place for alcohol in the province. Only specialized retail outlets will be permitted to sell cannabis (online sales are being considered as a next phase). The Government of Alberta has not determined whether cannabis will be sold through government owned and operated stores or government-licensed and regulated private operators.

Similar to the approach taken by Ontario, the Province of New Brunswick announced that it will set up a network of tightly-controlled, stand-alone stores through the New Brunswick Liquor Corporation. On November 16, 2017, the Government of Québec announced that the legal age for cannabis consumption in that province would be 18 years of age, and that it would create an agency to regulate sales as a parallel organization to its existing government-controlled alcohol sales regulator and chain of outlets commonly known in the province as the "SAQ". Initial reports from the Québec government indicate that 15 government-run stores will be opened initially, with up to 150 additional retail outlets to open within the following two years.

In November 2017, Newfoundland and Labrador announced that recreational cannabis will be sold through private stores, with its crown-owned liquor corporation overseeing the distribution to private sellers who may sell to consumers. The Government of Newfoundland and Labrador has stated that the Newfoundland and Labrador Liquor Corporation will control the possession, sale and delivery of cannabis, and set prices. It will also be the initial online retailer, although licences may later be issued to private interests. The Government of Newfoundland and Labrador has issued a request for proposals for private retailers.

Similarly, the Yukon has released a "starting point" policy which limits the distribution and sale of recreational cannabis to government outlets and government-run online stores, and allows for the later development of private retailer operations.

The Government of the Northwest Territories has also announced its proposed approach for the distribution and sale of recreational cannabis which relies on the N.W.T. Liquor Commission to control the importation and distribution of cannabis, whether through retail outlets or by mail order service run by the liquor commission. Communities in the Northwest Territories will be able to hold a plebiscite to prohibit cannabis, similar to the options currently available to restrict alcohol.

The Government of British Columbia announced in December 2017 that recreational cannabis will be sold in that province through both public and privately operated stores, with the provincial Liquor Distribution Branch handling wholesale distribution.

The Government of Saskatchewan announced that recreational cannabis will be sold by private companies. The Saskatchewan Liquor and Gaming Authority will issue approximately 60 retail permits to private stores located in roughly 40 municipalities and First Nations across the province, with municipalities having the option of opting out of having a cannabis store if they choose.

There is no guarantee that the provincial and territorial frameworks supporting the legalization of cannabis for recreational use in Canada will be implemented on the terms outlined above or at all.

Additional Risks Associated with our Business and Industry

Loss of business and/or opportunities due to perceived risk

Third parties with whom the Company and its investments do business, including banks and other financial intermediaries, may perceive that they are exposed to legal and reputational risk because of the Company's cannabis business activities. Because cannabis remains illegal under U.S. federal law, a third-party service provider could reach the conclusion that their activities as a service provider are aiding and abetting the violation of the U.S. federal law. Any provision of services or sale of goods to a cannabis business could be construed as aiding and abetting violations of the U.S. Controlled Substances Act of 1970, in addition to other possible violations. Financial institutions may also be concerned that they would be at risk of prosecution for violation of U.S. money laundering laws and the Bank Secrecy Act, in addition to other potential violations. Any third-party service provider could suspend or withdraw its services to the Company or its investee companies if it perceives that the potential risks exceed the potential benefits to such services. If the Company's investments operating in the U.S. are unable to utilize financial institutions or third party services providers, or bank accounts are subject to special restrictions preventing the processing of wire transfers, they may be unable to meet payment obligations to the Company or pay dividends or other amounts to the Company.

Cash flows insufficient to meet capital expenditures

Lack of cash flow may affect the Company's ability to continue as a going concern. Presently, the Company's operating cash flows are not sufficient to meet operating and capital expenses. The Company's business plan calls for continued research and development of the Company's services and products and expansion of market share. The Company will require additional financing to fund working capital and pay for operating expenses and capital requirements until it can achieve a positive cash flow.

In particular, additional capital may be required in the event that: The occurrence of any of the aforementioned events could adversely affect the Company's ability to carry out proposed business plans. The Company depends on a mix of revenues and outside capital to pay for the continued development of its business offering and the marketing of its products. Such outside capital may include the sale of additional stock and/or commercial borrowing. There can be no assurance that capital will continue to be available if necessary to meet these continuing development costs or, if the capital is available, that it will be on terms acceptable to the Company. Disruptions in financial markets and challenging economic conditions have and may continue to affect the Company's ability to raise capital. The issuance of additional equity securities by the Company would result in a dilution, possibly a significant dilution, in the equity interests of current stockholders. Obtaining commercial loans, assuming those loans would be available, will increase the Company's liabilities and future cash commitments.

The Company's future revenue, operating results and gross margin may fluctuate significantly and unpredictably from quarter-to-quarter and from year-to-year, which could have a material adverse effect on its operating results.

However, there is no assurance that actual cash requirements will not exceed the Company's estimates. In particular, additional capital may be required in the event that:

- the Company incurs delays and additional expenses as a result of technology failure;

- the Company is unable to create a substantial market for its products and services; or
- the Company incurs any significant unanticipated expenses. The rate at which the Company's customers order its products, and the size of these orders, are highly variable and difficult to predict. Because any substantial adjustment to expenses to account for lower levels of revenue is difficult and takes time, if the Company's revenue declines, its operating expenses and general overhead would likely be high relative to revenue, which could have a material adverse effect on the Company's operating margin and operating results.

If the Company is not able to manage operating expenses, then the Company's financial condition may be adversely affected.

The Company's ability to reach and maintain profitability is conditional upon its ability to manage operating expenses. There is a risk that the Company will have to increase operating expenses in the future. Factors that could cause the Company's operating expenses to increase include the Company's determination to spend more on sales and marketing in order to increase product sales or the Company's determination that more research and development expenditures are required in order to keep current software products competitive or in order to develop new products for the market. To the extent that the Company's operating expenses increase without a corresponding increase in revenue, the Company's financial condition would be adversely impacted.

Cannabis is highly regulated

The Company's business and activities are heavily regulated in all jurisdictions where it carries on business. The Company's operations are subject to various laws, regulations and guidelines by governmental authorities (including, in Canada, Health Canada) relating to the manufacture, marketing, management, transportation, storage, sale, pricing and disposal of cannabis, and also including laws and regulations relating to health and safety, insurance coverage, the conduct of operations and the protection of the environment. Laws and regulations, applied generally, grant government agencies and self-regulatory bodies broad administrative discretion over our activities, including the power to limit or restrict business activities as well as impose additional disclosure requirements on our products and services.

Achievement of the Company's business objectives is contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities. The commercial cannabis industry is still a new industry and, in Canada, in particular the ACMPR, is a new regime that has no close precedent in Canadian law. The effect of relevant governmental authorities' administration, application and enforcement of their respective regulatory regimes and delays in obtaining, or failure to obtain, applicable regulatory approvals which may be required may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the Company's business, financial condition and results of operations.

Competition

The Company will face competition from other companies, some of which may have longer operating histories, more financial resources and experience than the Company. Increased competition by larger and well-financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company. Due to the early stage nature of the industry in which the Company operates, the Company expects to face additional competition from new entrants. To remain competitive the Company will require research and development, marketing, sales and support.

Competition exists for social media, branding and marketing companies in the jurisdictions in which the Company conducts operations and competition is significant in the cannabis investment sector, with a number of non-traditional sources of financing emerging and growing acceptance of cannabis related activities among more traditional sources of financing. As a result of this competition, much of which is

with large, established companies with substantially greater financial and technical resources than the Company, the Company may be unable to acquire additional clientele or identify additional investments on terms it considers acceptable or at all. The Company also competes with other investment, cannabis, social media, technology, design and branding companies in the recruitment and retention of qualified employees.

Intellectual property litigation

The Company may in the future be subject to damaging and disruptive intellectual property litigation that could materially and adversely affect business, results of operations and financial condition, as well as the continued viability of the Company. The Company may be unaware of filed patent applications and issued patents that could relate to its products and services. Intellectual property litigation, if determined against the Company, could:

- cause the Company to lose access to key distribution channels;
- result in substantial employee layoffs or risk the permanent loss of highly-valued employees;
- materially and adversely affect the Company's brand in the market place and cause a substantial loss of goodwill;
- affect the Company's ability to raise additional capital;
- cause the Company's stock price to decline significantly; and
- lead to the bankruptcy or liquidation of the Company.

Parties making claims of infringement may be able to obtain injunctive or other equitable relief that could effectively block the Company's ability to provide its products or services and could cause the Company to pay substantial royalties, licensing fees or damages. The defense of any lawsuit could result in time-consuming and expensive litigation, regardless of the merits of such claims.

The Company could lose its competitive advantages if it is not able to protect any proprietary technology and intellectual property rights against infringement, and any related litigation could be time-consuming and costly. The measures the Company takes to protect the proprietary technology software, and other intellectual property rights, which presently are based upon a combination of patents, patents pending, copyright, trade secret and trademark laws, may not be adequate to prevent their unauthorized use. Further, the laws of foreign countries may provide inadequate protection of such intellectual property rights. The Company may need to bring legal claims to enforce or protect such intellectual property rights. Any litigation, whether successful or unsuccessful, could result in substantial costs and divert resources from intended uses. In addition, notwithstanding any rights we have secured in the Company's intellectual property, other persons may bring claims against us that we have infringed on their intellectual property rights, including claims based upon the content we license from third parties or claims that the Company's intellectual property right interests are not valid. Any claims against the Company, with or without merit, could be time consuming and costly to defend or litigate, divert our attention and resources, result in the loss of goodwill associated with the Company's service marks or require the Company to make changes to its website or its other technologies.

Fast changing technology and consumer demands

The Company's industry is characterized by rapid changes in technology and customer demands. As a result, the Company's products may quickly become obsolete and unmarketable. The Company's future success will depend on its ability to adapt to technological advances, anticipate customer demands, develop new products and enhance current products on a timely and cost-effective basis. Further, the

Company's products must remain competitive with those of other companies with substantially greater resources. The Company's may experience technical or other difficulties that could delay or prevent the development, introduction or marketing of new products or enhanced versions of existing products. Also, the Company may not be able to adapt new or enhanced services to emerging industry standards, and the Company's new products may not be favorably received.

Uncertain market acceptance for the Company's products and services

The Company expects that a substantial portion of its future revenue will be derived from the sale of its services. The Company expects that these product offerings and their extensions and derivatives will account for a majority of the Company's revenue for the foreseeable future. Broad market acceptance of the Company's software products is, therefore, critical to its future success and its ability to continue to generate revenues. Failure to achieve broad market acceptance of the Company's software products as a result of competition, technological change, or otherwise, would significantly harm the Company's business. The Company's future financial performance will depend primarily on the continued market acceptance of the Company's current software product offerings and on the development, introduction and market acceptance of any future enhancements. There can be no assurance that the Company will be successful in marketing its current product offerings or any new product offerings, applications or enhancements, and any failure to do so would significantly harm the Company's business.

Risks associated with developing and promoting products and brands

The Company expects that new products and/or brands it develops may expose the Company to risks that may be difficult to identify until such products and/or brands are commercially available. Any negative events or results that may arise as the Company develops new products or brands may adversely affect the business, financial condition and results of operations.

Dependence upon, and need for, key personnel

The Company is, and will be for the foreseeable future, dependent upon the performance of a limited number of key personnel. The loss of a key individual or a reduction in the time devoted by such persons to the Company's business could have a materially adverse effect on the Company's business. The Company's future success will depend on part on its ability to attract and retain highly qualified personnel. The Company faces competition for such personnel from other companies, governmental/academic institutions and other organizations, many of which have significantly greater resources than the Company. There is no assurance that the Company will be able to attract and retain the necessary personnel on acceptable terms, or at all.

Dependence on management

The Company will be dependent upon the personal efforts and commitment of its management, which is responsible for the development of future business. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company.

Potential conflicts of interest

Certain of the Company's directors and officers may serve as directors and/or officers of other public and private companies and devote a portion of their time to manage other business interests. This may result in certain conflicts of interest, to the extent that such other companies may participate in ventures in which the Company is also participating. The laws of British Columbia require the directors and officers to act honestly, in good faith, and in the best interests of the Company. In addition, each director must declare his or her interest and abstain from voting on any contract or transaction in which the director may have a conflict of interest.

Statutory and regulatory compliance

Failure to comply with applicable laws, regulations and permits may result in enforcement actions there under, including the forfeiture of claims, orders issued by regulatory or judicial authorities requiring operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or costly remedial actions. The Company is not currently covered by any form of environmental liability insurance. See “*Insurance Risk*” below.

Existing and possible future laws, regulations and permits governing operations and activities of exploration companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or require abandonment or delays in exploration.

Insurance risk

No assurance can be given that insurance to cover the risks to which the Company’s activities are subject will be available at all or at commercially reasonable premiums. The Company seeks to maintain insurance within ranges of coverage which it believes to be consistent with industry practice for companies of a similar stage of development. The Company carries liability insurance with respect to its corporate operations, but does not currently intend to carry any form of political risk insurance or any form of environmental liability insurance, since insurance against political risks and environmental risks (including liability for pollution) or other hazards resulting from exploration and development activities is prohibitively expensive. In addition, the Company may not be able to obtain insurance with respect to cannabis related operations or investments at any cost. The payment of any such liabilities would reduce the funds available to the Company. If the Company is unable to fully fund the cost of remedying an environmental problem, it might be required to suspend operations or enter into costly interim compliance measures pending completion of a permanent remedy.

Operating losses; dividends unlikely

The Company has a history of operating losses and may have operating losses and a negative cash flow in the future. The Company has not paid any dividends since the date of its incorporation, and it is not anticipated that dividends will be declared in the short or medium term.

Investments may be pre-revenue

The Company may make investments in entities that have no significant sources of operating cash flow and no revenue from operations. As such, the Company’s investments are subject to risks and uncertainties that new companies with no operating history may face. In particular, there is a risk that the Company’s investments will not be able to: (i) implement or execute their current business plan, or create a business plan that is sound; (ii) maintain their anticipated management team; and/or (iii) raise sufficient funds in the capital markets or otherwise to effectuate their business plan. If the Company’s investments cannot execute any one of the foregoing, their businesses may fail, which could have a materially adverse impact on the business, financial condition and operating results of the Company.

Lack of control over operations of investments

The Company will depend upon its investments or strategic relations to execute on their business plans and produce medical and/or recreational cannabis products, and holds contractual rights and minority equity interest relating to the operation of the Company’s investments. The operators of the Company’s investments have significant influence over the results of operations of the Company’s investments. Further, the interests of the Company and the operators of the Company’s investments may not always be aligned. As a result, the cash flows of the Company are dependent upon the activities of third parties which creates the risk that at any time those third parties may: (i) have business interests or targets that are inconsistent with those of the Company; (ii) take action contrary to the Company’s policies or

objectives; (iii) be unable or unwilling to fulfill their obligations under their agreements with the Company, to regulators or under applicable laws, which may result in the loss of necessary governmental approvals or licenses; or (iv) experience financial, operational or other difficulties, including insolvency, which could limit or suspend a third party's ability to perform its obligations. In addition, payments may flow through the Company's investments, and there is a risk of delay and additional expense in receiving such revenues. In addition, the Company must rely, in part, on the accuracy and timeliness of the information it receives from the Company's investments, and uses such information in its analysis, forecasts and assessments relating to its own business. If the information provided by investment entities to the Company contains material inaccuracies or omissions, the Company's ability to accurately forecast or achieve its stated objectives, or satisfy its reporting obligations, may be materially impaired.

Investments in private companies and illiquid assets

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

Unfavourable perception or publicity

The regulated cannabis industry in the U.S. and Canada is at an early stage of development. The Company believes the medical and recreational cannabis industry is highly dependent on consumer perception regarding the safety and efficacy of recreational and medical cannabis. Consumer perceptions regarding legality, morality, consumption, safety, efficacy and quality of cannabis are mixed and evolving. Consumer perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the cannabis market or any particular product, or consistent with earlier publicity. 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 cannabis and on the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding cannabis in general, or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect on the business of the Company. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consumer such products legally, appropriately or as directed.

The ability of Chemistree's investments to gain or increase market acceptance of their Products or services may require them to establish and maintain brand names and reputation. In the U.S., it may be difficult or impossible to obtain federal trademark protection. While state-level protection may be available, this nevertheless increases the risks in protecting investments' brands until such time as the Controlled Substances Act is amended by federal legislation. Furthermore, in order to obtain such protection, substantial expenditures on product development, strategic relationships and marketing initiatives may be required. There can be no assurance that these initiatives will be successful and their failure may have an adverse effect on the Company.

Laws and regulations are subject to unforeseen changes

The Company's operations are subject to the ACMPR, the CSA and various other laws, regulations and guidelines relating to the marketing, acquisition, manufacture, packaging/labelling, management, transportation, storage, sale and disposal of cannabis but also including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. If any changes to such laws, regulations and guidelines occur (and in Canada the laws and regulations are currently changing at a rapid pace), which are matters beyond the Company's control, the Company may incur

significant costs in complying with such changes or may be unable to comply therewith, which in turn may result in a material adverse effect on the Company's business, financial condition and results of operations.

Risks associated with investments

As part of the Company's investment strategy, the Company intends to pursue strategic investment or acquisitions, which could provide additional product offerings, vertical integrations, additional industry expertise, and a stronger industry presence in both existing and new jurisdictions. The success of any such investments or acquisitions will depend, in part, on the ability of the Company to realize the anticipated benefits and synergies from integrating those companies into the businesses of the Company. Future investments may expose it to potential risks, including risks associated with: (a) the integration of new operations, services and personnel; (b) unforeseen or hidden liabilities; (c) the diversion of resources from the Company's existing business and technology; (d) potential inability to generate sufficient revenue to offset new costs; (e) the expenses of acquisitions; (f) the potential loss of or harm to relationships with both employees and existing users resulting from its integration of new businesses; and (g) exposure to additional regulatory or legal regimes or risks. In addition, any proposed acquisitions may be subject to regulatory approval.

While Chemistree seeks to conduct due diligence that its management believes is reasonable given the scale and scope of its investments, there are both foreseen and unforeseen risks inherent in any investment. Specifically, there could be unknown or undisclosed risks or liabilities of such companies or liabilities that transfer by operation of law with respect to asset acquisitions for which the Company may not be indemnified sufficiently or at all. Any such unknown or undisclosed risks or liabilities could materially and adversely affect the Company's financial performance and results of operations and lead to write downs or write offs of the value of its investments. The Company may incur additional transactional and integration related costs or experience other factors such as the failure to realize all of the benefits from the acquisition.

Operating licenses

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

Litigation risks

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

Regulatory or agency proceedings, investigations and audits

The Company's business requires compliance with many laws and regulations. Failure to comply with these laws and regulations could subject the Company to regulatory or agency proceedings or investigations and could also lead to damage awards, fines and penalties. The Company may become involved in a number of government or agency proceedings, investigations and audits. The outcome of any regulatory or agency proceedings, investigations, audits, and other contingencies could harm the

Company's reputation, require the Company to take, or refrain from taking, actions that could harm its operations or require payment of substantial amounts of money, harming the Company's financial condition. There can be no assurance that any pending or future regulatory or agency proceedings, investigations and audits will not result in substantial costs or a diversion of management's attention and resources or have a material adverse impact on the Company's business, financial condition and results of operations.

Product Liability

Certain of the Company's investments manufacture, process and/or distribute products for consumption by humans and, as a result, face an inherent risk of exposure to product liability claims, regulatory action and litigation if products are alleged to have caused significant loss or injury or adverse health effects. In addition, previously unknown adverse reactions resulting from human consumption of cannabis alone or in combination with other medications or substances could occur. A product liability claim or regulatory action against Chemistree's investments may result in increased costs, adversely affect the Company's reputation, and have a material adverse effect on the results of operations and financial condition of the Company or its investments.

Fraudulent or Illegal activity by its employees, contractors and consultants

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

Currency fluctuations

The Company's revenues and expenses are expected to be primarily denominated in U.S. dollars, and therefore may be exposed to significant currency exchange fluctuations. Recent events in the global financial markets have been coupled with increased volatility in the currency markets. Fluctuations in the exchange rate between the U.S. dollar and the Canadian dollar may have a material adverse effect on the Company's business, financial condition and operating results. The Company may, in the future, establish a program to hedge a portion of its foreign currency exposure with the objective of minimizing the impact of adverse foreign currency exchange movements. However, even if the Company develops a hedging program, there can be no assurance that it will effectively mitigate currency risks.

Risks associated with managing growth

The Company is currently in an early development stage and may be subject to growth-related risks, including capacity constraints and pressure on the Company's internal systems and controls, which may place significant strain on operational and managerial resources. The Company's ability to manage growth effectively will require it to continue to implement and improve operational and financial systems and to expand, train and manage its employee base. There can be no assurances that the Company will be able to manage growth successfully. Any inability to manage growth successfully could have a material adverse effect on the Company's business, financial condition and results of operations.

Perception of reputational risk from third-parties

The parties the Company does business with may perceive that they are exposed to reputational risk as a result of the Company's cannabis business activities. Failure to establish or maintain business relationships could have a material adverse effect on the Company's business, financial condition and results of operations. Any third-party service provider could suspend or withdraw its services to the Company if it perceives that the potential risks exceed the potential benefits to such services.

An exchange on which our common shares are listed may initiate a delisting review

The listing of the Company's common shares on a particular stock exchange is dependent on complying with the listing requirements of the applicable exchange. As the Company operates in the cannabis industry, it may from time to time be subject to additional listing requirements that are not applicable to companies in other industries.

Risks Related to Ownership of Chemistree's Common Shares

Stock price volatility

A decline in the price of the Company's common stock could affect its ability to raise further working capital and adversely impact our operations. A prolonged decline in the price of the Company's common stock could result in a reduction in the liquidity of the Company's common stock and a reduction in its ability to raise capital, or a delisting from a stock exchange on which the Company's common stock trades. Because the Company's operations have been partially financed through the sale of equity securities, a decline in the price of its common stock could be especially detrimental to the Company's liquidity and continued operations. Any reduction in the Company's ability to raise equity capital in the future would force the Company to reallocate funds from other planned uses and would have a significant negative effect on business plans and operations, including the Company's ability to develop new products and continue current operations. If the Company's stock price declines, there can be no assurance that the Company can raise additional capital or generate funds from operations sufficient to meet its obligations.

Sales by shareholders of a substantial number of Common Shares

A substantial portion of total outstanding Common Shares may be sold into the market. Such sales could cause the market price of Common Shares to drop, even if the business is doing well. Such sales may include sales by officers and directors of the Company. Furthermore, the market price of Common Shares could decline as a result of the perception that such sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for the Company to sell equity securities in the future at a time and price that the Company deems appropriate.

Dilution

Issuances of additional securities at or near the current share price of the Company would result in significant dilution of the equity interests of any persons who are holders of common shares.

No Requirement to make representations relating to disclosure controls and procedures and internal control over financial reporting.

In contrast to the certificate required for non-venture issues under NI 52-109, the certifying officers of Chemistree, as a venture issuer, are not required to make representations relating to the establishment and maintenance of disclosure controls and procedures ("**DC&P**") and internal control over financial reporting ("**ICFR**"), as defined in NI 52-109. In particular, the certifying officers of Chemistree are not required to make any representations that they have:

- designed, or caused to be designed, DC&P to provide reasonable assurance that information required to be disclosed by Chemistree 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
- designed, or caused to be designed, ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Chemistree's GAAP.

Investors should be aware that 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.

Unfavorable or lack of research and reports from research analysts

The trading market for the Company's Common Shares will rely in part on the research and reports that equity research analysts publish about the Company and the Company's business. The Company does not control these analysts. The price of the Company's Common Shares could decline if one or more equity analysts downgrade the Company's Common Shares or if analysts issue other unfavorable commentary or cease publishing reports about the Company or the Company's business.

DIVIDENDS AND DISTRIBUTIONS

For the foreseeable future, the Company does not intend, and is not required, to pay any dividends on the Company Shares. Any decision to pay dividends will be made on the basis of the Company's earnings, financial requirements and other conditions existing at the time. The Company's ability to pay dividends may be affected by U.S. state and federal regulations. See "*Risk Factors*".

DESCRIPTION OF CAPITAL STRUCTURE

General

As of the date of this AIF, there were 34,222,589 Common Shares 1,350,000 options to purchase Common Shares (each, an "**Option**") and 13,577,496 Common Share purchase warrants (each, a "**Warrant**") issued and outstanding.

Common Shares

The Company is authorized to issue an unlimited number of common shares. The holders of Common Shares are entitled to receive notice of and to attend and vote at all meetings of the shareholders of the Company and each Common Share confers the right to one vote in person or by proxy at all meetings of the shareholders of the Company. The holders of the Common Shares are entitled to receive such dividends in any financial year as the board of directors of the Company may by resolution determine. In the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, the holders of the Common Shares are entitled to receive the remaining property and assets of the Company.

Warrants

As at June 30, 2018, the Company had 7,752,235 Warrants outstanding.

Stock Options

During the year ended June 30, 2009, the Company adopted a rolling stock option plan (the “**Stock Option Plan**”). The purpose of the Stock Option Plan is to give directors, senior officers, employees, management company employees and consultants of the Company (collectively, the “**Eligible Persons**”), the opportunity to participate in the success of the Company by granting to such Eligible Persons options, exercisable over periods of up to five years, as determined by the board of directors of the Company, to buy shares of the Company at a price equal to the Market Price prevailing on the date the option is granted less applicable discount, if any, permitted by the policies of the CSE and approved by the Board. The maximum number of Shares which may be issuable pursuant to options granted under the Stock Option Plan shall be that number equal to 10% of the Company’s issued share capital from time to time. As at June 30, 2018, there were Options exercisable for 1,100,000 Common Shares outstanding.

MARKET FOR SECURITIES

Trading Price and Volume

Chemistree Technology Inc. common shares are currently listed and posted for trading on the CSE under the symbol “CHM”, and in the U.S. on the OTCQB under the symbol “CHMJF”.

The following table sets forth, for the periods indicated, the reported high and low prices (in Canadian dollars) and volume traded on the CSE.

<u>Month</u>	<u>Monthly High (\$)</u>	<u>Monthly Low (\$)</u>	<u>Monthly Volume</u>
July 2017	0.30	0.095	2,422,257
August 2017	0.495	0.20	103,132
September 2017	0.69	0.49	145,233
October 2017	0.65	0.435	76,985
November 2017	0.80	0.40	239,911
December 2017	1.00	0.455	88,952
January 2018	0.85	0.60	113,065
February 2018	0.88	0.50	70,618
March 2018	0.70	0.495	286,812
April 2018	0.69	0.40	195,915
May 2018	0.52	0.37	146,486
June 2018 ⁽¹⁾	-	-	-

Note:

(1) Trading on the CSE was halted from June 1, 2018 to July 20, 2018 while the Company completed its change of business application with the CSE.

PRIOR SALES

This table sets out particulars of the Common Shares and securities exercisable for or exchangeable into Common Shares issued during the year ended June 30, 2018.

<u>Date of Issuance/Grant</u>	<u>Type of Security</u>	<u>Number of Securities Issued</u>	<u>Issue/Exercise Price</u>
October 12, 2017	Common Shares	5,146,000	\$0.25
December 7, 2017	Common Shares	1,044,800	\$0.25

June 25, 2018	Units ⁽¹⁾	7,313,771	\$0.35
June 25, 2018	Finder Warrants ⁽²⁾	438,464	\$0.50
June 22, 2018	Options	150,000	\$0.41

Notes:

- (1) Issued in connection with the closing of the 2019 Private Placement. Each unit was comprised of one Common Share and one Warrant with an exercise price of \$0.50 per share until July 11, 2020, subject to acceleration in certain circumstances.
- (2) Issued in connection with the closing of the first tranche of the 2019 Private Placement. Each broker warrant entitles the holder to acquire a Common Share at an exercise price of \$0.50 per Common Share until July 11, 2019.

ESCROWED SECURITIES

The Company has no escrowed securities.

DIRECTORS AND OFFICERS

Board of Directors

The board of directors of the Company (the “Board” or the “Board of Directors”) currently consists of five (5) directors, all of whom are elected annually. The term of office for each of the present directors of the Company expires at the Meeting.

<u>Name, Present Office Held and Province of Residency</u>	<u>Director Since</u>	<u>Number and Percentage of Shares</u>	<u>Principal Occupation During Last Five Years</u>
Martin Schultz ⁽¹⁾ British Columbia, Canada	February 2, 2015	100,000 0.29%	Independent businessman. Director of Jaguar Financial Corp.
Douglas E. Ford ⁽¹⁾ CFO and Secretary British Columbia, Canada	March 14, 2008	368,520 1.08%	General Manager - Dockside Capital Group Inc. Director and CFO - Avanti Energy Inc.
Edward D. Ford ⁽¹⁾ British Columbia, Canada	August 26, 2008	75,777 0.22%	Chartered Accountant; President– Dockside Capital Group Inc. (1987 – present)
Justin Chorbajian British Columbia, Canada	August 28, 2017	1,230,000 3.59%	Independent businessman. Owner, Green Planet Nutrients
Karl Kottmeier President British Columbia, Canada	June 8, 2017	955,777 2.79%	President - Pacific Equity Management; Director and CEO - Avanti Energy

Notes:

- (1) Member of the Audit Committee.

Director Biographies

Karl Kottmeier, President and Director

Mr. Kottmeier is a former investment advisor and member of the venture corporate finance team at several brokerage firms. Mr. Kottmeier has over 25 years of practical experience in listing and financing junior companies on the CSE, Toronto Stock Exchange and Toronto Stock Exchange Venture Exchange (“TSXV”). Mr. Kottmeier left the brokerage industry to join Sargold Resource Corporation, a mining exploration company, as Vice-President, Corporate Communications from October 2003 to January 2005. Mr. Kottmeier oversaw all corporate communications and investor relations activities and was directly

involved in raising equity financing for Sargold Resource Corporation. Mr. Kottmeier holds a BA in History from the University of British Columbia. Mr. Kottmeier is also a director and CEO of Avanti Energy Inc. a TSXV listed company.

Douglas E. Ford, Chief Financial Officer and Director

Since 1987, Mr. Ford has acted as the General Manager of Dockside Capital Group Inc., a private merchant banking and venture capital firm specializing in providing services to, and arranging funding for, emerging growth companies. From October 1998 through September 2000, Mr. Ford acted as Vice-President, Operations of Bugaboos Eyewear Corporation, a distributor of sport-specific eyewear in North America. He has experience in both business operations and turnaround situations. Mr. Ford has also been directly responsible for the administration and financial reporting of several public and private companies and has over 30 years' experience in financial reporting. Mr. Ford holds a BA in Political Science from the University of British Columbia in 1986. Mr. Ford is Chief Financial Officer and a director of Avanti Energy Inc., and a director of North American Nickel Inc., each of which are TSXV listed companies.

Martin Schultz, Director

Subsequent to graduating from the University of Western Ontario with a Master's degree in Business Administration in 1970, Mr. Schultz utilized his substantial marketing skills as Vice-President of Marketing of Atlantic Container Line Canada Ltd. Additionally, he was Market Development Officer for Canadian Pacific Railways, Marketing Manager for Okanagan Helicopters Ltd. and a Project Executive with the Marine Division of Genstar Ltd. Prior to joining Dockside Capital Group Inc. in 1987, a private merchant banking and venture capital firm, Mr. Schultz was a stockbroker with Bache Securities Inc. Mr. Schultz is a past director of numerous reporting companies listed on the TSXV.

Edward D. Ford, Director

Mr. Ford is founder and President of Dockside Capital Group Inc., a private merchant banking and venture capital firm specializing in providing services to, and arranging funding for, emerging growth companies, from 1987 to the present. He has experience in securities markets, working with companies listed on Canadian stock exchanges and NASDAQ in the United States. Mr. Edward D. Ford is a Canadian Chartered Accountant. He has held this professional qualification since 1961. During his career Mr. Ford has been an associate, manager and partner of several Canadian professional accounting firms that specialized in audit/assurance, taxation, insolvency and independent business consulting. Additionally, he has served as a Chief Financial Officer of several public companies.

Justin Chorbajian, Chairman

Mr. Chorbajian has 20 years' of experience in the industry, including the co-founding of a group of companies such as Green Planet Nutrients and Green Planet Wholesale. These companies complete his vertical integration in the industry, including both manufacturing and distributing hydroponic equipment. These companies, which originated in Canada, have expanded and now operate in the UK, Australia, and North America. Mr. Chorbajian also makes regular appearances on Growing Exposed, a leading video series on cannabis cultivation.

Corporate Cease Trade Orders and Bankruptcies

Other than indicated below, no director, officer, Insider or Promoter or a shareholder holding a sufficient number of securities to affect materially the control of the Corporation is, or within 10 years before the date of the prospectus, has been, a director, officer, Insider or Promoter of any other issuer that, while that Person was acting in that capacity, was the subject of a cease trade or similar order, or an order that denied such issuer access to any statutory exemptions for a period of more than 30 consecutive days or 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.

Douglas E. Ford was an officer of Casey Container Corp., formerly Sawadee Ventures, Inc. ("**Casey**") from September, 2006 to September 12, 2008, a director from September 2006 until January 19, 2009; and was a Control Person from September 2006 until July 2010. On January 20, 2009, the British Columbia Securities Commission issued a Cease Trade Order against Casey as a result of a failure to file interim financial statements and related management's discussion and analysis for the financial period ended September 30, 2008. Casey subsequently filed the required financial statements and related documents and the Cease Trade Order was revoked on June 10, 2010.

Edward D. Ford and R. Martin Schultz were both directors of North American Nickel Inc., formerly Gemini International Technology Inc. ("**North**"), on June 22, 1992 when the Ontario Securities Commission issued a Cease Trade Order against North as a result of a failure to file annual financial statements for the year ended December 31, 1991 and interim financial statements for the financial period ended March 31, 1992. Subsequent to the issuance of the Cease Trade Order, Douglas E. Ford became a director of North in September of 1992. North subsequently filed the required financial statements and the Cease Trade Order was revoked by the Ontario Securities Commission on July 22, 2010.

Conflicts of Interest

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

PROMOTER

No person will be, or has been within the two most recently completed financial years or during the current financial year, a promoter of Chemistree.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

To the best of the Company's knowledge, there are no legal proceedings that the Company is or was a party to, or that any of its property is or was the subject of, during the most recently completed financial year.

To the best of the Company's knowledge, there are no (a) penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority during the Company's most recently completed financial year, (b) other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision, or (c) settlement agreements the Company entered into before a court relating to securities legislation or with a securities regulatory authority during the Company's most recently completed financial year.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

During the three most recently completed financial years ended June 30, 2016, 2017 and 2018, and the subsequent period to the date of this AIF, no director, officer or 10% shareholder of the Company or any

associate or affiliate of any such person or company, has or had any material interest, direct or indirect, in any transaction that has materially affected or will materially affect the Company or its subsidiaries, except as may be disclosed in this document.

TRANSFER AGENTS AND REGISTRARS

The auditor of the Company is Davidson & Company LLP, Chartered Professional Accountants (the “**Auditors**”), at its offices located at 1200 – 609 Granville Street, P.O. Box 10372, Pacific Centre, Vancouver, B.C., V7Y 1G6.

Chemistree’s registrar and transfer agent is Computershare Investor Services Inc., of 3rd Floor, 510 Burrard Street, Vancouver, B.C. V6C 3B9.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, as of date of this AIF, the only material contract which the Company has entered into is the Washington Acquisition Agreement – see “*General Development of the Business – Three Year History*”.

INTERESTS OF EXPERTS

The Auditors are independent within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of British Columbia.

AUDIT COMMITTEE

Composition of Audit Committee

The following directors are members of the Audit Committee:

Director	Relationship	Status
Douglas E. Ford	Not Independent ⁽¹⁾	Financially literate ⁽²⁾
Martin Schultz	Independent ⁽¹⁾	Financially literate ⁽²⁾
Edward D. Ford	Independent ⁽¹⁾	Financially literate ⁽²⁾

Notes:

- (1) A member of an audit committee is independent if the member has no direct or indirect material relationship with the Company, which could, in the view of the Board of Directors, reasonably interfere with the exercise of a member's independent judgment. Mr. Douglas E. Ford is not independent by virtue of being the Company's Chief Financial Officer.
- (2) An individual is financially literate if he has the ability to read and understand a set of financial statements that present a breadth 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 Company's financial statements.

Relevant Education and Experience

Mr. Douglas E. Ford holds a BA in Political Science from the University of British Columbia in 1986. Mr. Ford is also directly responsible for the financial reporting of several public and private companies and has over 30 years’ experience in financial reporting.

Mr. Martin Schultz holds an MBA from the University of Western Ontario in 1970. Prior to joining Dockside Capital Group Inc., a private merchant banking and venture capital firm in 1987, Mr. Schultz was a stockbroker with Bache Securities Inc. Mr. Schultz has been a past director of numerous reporting companies listed on the TSXV.

Mr. Edward D. Ford is a Canadian Chartered Accountant. He has held this professional qualification since 1961. During his career Mr. Ford has been an associate, manager and partner of several Canadian

professional accounting firms that specialized in audit/assurance, taxation, insolvency and independent business consulting. Additionally, he has served as a Chief Financial Officer of several public companies.

Audit Committee Charter

The Audit Committee of the Board operates under a written charter that sets out its responsibilities and composition requirements. The text of the Audit Committee charter is attached as Schedule "A" to this AIF.

Reliance on Certain Exemptions

Since the effective date of NI 52-110, the Company has not relied on the exemptions contained in section 2.4 or Part 8 of NI 52-110. Section 2.4 provides an exemption from the requirements that the Audit Committee must pre-approve all non-audit services to be provided by the auditor, where the total amount of fees related to the non-audit services are not expected to exceed 5% of the total fees payable to the auditor in the fiscal year in which the non-audit services were provided. Part 8 permits a company to apply to a securities regulatory authority for an exemption from the requirements of NI 52-110, in whole or in part.

Audit Committee Oversight

Since the commencement of the Company's most recently completed financial year, there has not been a recommendation of the Audit Committee to nominate or compensate an external auditor which has not been adopted by the Company's Board.

Pre-Approval Policies and Procedures

The audit committee has not adopted specific policies and procedures for the engagement of non-audit services. Subject to the requirements of NI 52-110, the engagement of non-audit services is considered by the Company's Board of Directors and, where applicable, by the audit committee, on a case-by-case basis.

External Auditor's Fees

Set forth below are details of certain service fees paid to the Company's external auditor in each of the last two fiscal years:

Financial Year End	Audit Fees	Audit Related Fees	Tax Fees	All Other Fees
June 30, 2017	\$15,300	\$Nil	\$Nil	\$5,000
June 30, 2018	\$38,000	\$Nil	\$4,000	\$Nil

ADDITIONAL INFORMATION

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

Additional information, including directors' and officers' remuneration and indebtedness, the Company's principal shareholders, and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Company's most recently filed management information circular available on SEDAR at www.sedar.com.

Additional financial information is provided in our consolidated financial statements and management's discussion and analysis for the financial year ended June 30, 2018.

SCHEDULE "A"
CHARTER OF THE AUDIT COMMITTEE

AUDIT COMMITTEE

Under National Instrument 52-110 – *Audit Committees* ("**NI 52-110**") reporting issuers are required to provide disclosure with respect to its Audit Committee including the text of the Audit Committee's Charter, composition of the Committee, and the fees paid to the external auditor. The Company provides the following disclosure with respect to its Audit Committee:

Audit Committee Charter

1. Purpose of the Committee

1.1 The purpose of the Audit Committee is to assist the Board in its oversight of the integrity of the Company's financial statements and other relevant public disclosures, the Company's compliance with legal and regulatory requirements relating to financial reporting, the external auditors' qualifications and independence and the performance of the internal audit function and the external auditors.

2. Members of the Audit Committee

2.1 At least one member must be "financially literate" as defined under NI 52-110, having sufficient accounting or related financial management expertise to read and understand a set of financial statements, including the related notes, 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 Company's financial statements.

2.2 The Audit Committee shall consist of no less than three Directors.

2.3 At least one member of the Audit Committee must be "independent" as defined under NI 52-110, while the Company is in the developmental stage of its business.

3. Relationship with External Auditors

3.1 The external auditors are the independent representatives of the shareholders, but the external auditors are also accountable to the Board of Directors and the Audit Committee.

3.2 The external auditors must be able to complete their audit procedures and reviews with professional independence, free from any undue interference from the management or directors.

3.3 The Audit Committee must direct and ensure that the management fully co-operates with the external auditors in the course of carrying out their professional duties.

3.4 The Audit Committee will have direct communications access at all times with the external auditors.

4. Non-Audit Services

4.1 The external auditors are prohibited from providing any non-audit services to the Company, without the express written consent of the Audit Committee. In determining whether the external auditors will be granted permission to provide non-audit services to the Company, the Audit Committee must consider that the benefits to the Company from the provision of such services outweighs the risk of any compromise to or loss of independence of the external auditors in carrying out their auditing mandate.

4.2 Notwithstanding section 4.1, the external auditors are prohibited at all times from carrying out any of the following services while they are appointed the external auditors of the Company:

- (i) acting as an agent of the Company for the sale of all or substantially all of the undertaking of the Company; and
- (ii) performing any non-audit consulting work for any director or senior officer of the Company in their personal capacity, but not as a director, officer or insider of any other entity not associated or related to the Company.

5. Appointment of Auditors

5.1 The external auditors will be appointed each year by the shareholders of the Company at the annual general meeting of the shareholders.

5.2 The Audit Committee will nominate the external auditors for appointment, such nomination to be approved by the Board of Directors.

6. Evaluation of Auditors

6.1 The Audit Committee will review the performance of the external auditors on at least an annual basis, and notify the Board and the external auditors in writing of any concerns in regards to the performance of the external auditors, or the accounting or auditing methods, procedures, standards, or principles applied by the external auditors, or any other accounting or auditing issues which come to the attention of the Audit Committee.

7. Remuneration of the Auditors

7.1 The remuneration of the external auditors will be determined by the Board of Directors, upon the annual authorization of the shareholders at each general meeting of the shareholders.

7.2 The remuneration of the external auditors will be determined based on the time required to complete the audit and preparation of the audited financial statements, the difficulty of the audit and performance of the standard auditing procedures under generally accepted auditing standards and generally accepted accounting principles of Canada.

8. Termination of the Auditors

8.1 The Audit Committee has the power to terminate the services of the external auditors, with or without the approval of the Board of Directors, acting reasonably.

9. Funding of Auditing and Consulting Services

9.1 Auditing expenses will be funded by the Company. The auditors must not perform any other consulting services for the Company, which could impair or interfere with their role as the independent auditors of the Company.

10. Role and Responsibilities of the Internal Auditor

10.1 At this time, due to the Company's size and limited financial resources, the Company's Chief Executive Officer and Chief Financial Officer are responsible for implementing internal controls and performing the role as the internal auditor to ensure that such controls are adequate.

11. Oversight of Internal Controls

- 11.1 The Audit Committee will have the oversight responsibility for ensuring that the internal controls are implemented and monitored, and that such internal controls are effective.

12. Continuous Disclosure Requirements

- 12.1 At this time, due to the Company's size and limited financial resources, the Company's Chief Executive Officer and Chief Financial Officer are responsible for ensuring that the Company's continuous reporting requirements are met and in compliance with applicable regulatory requirements.

13. Other Auditing Matters

- 13.1 The Audit Committee may meet with the Auditors independently of the management of the Company at any time, acting reasonably.
- 13.2 The Auditors are authorized and directed to respond to all enquiries from the Audit Committee in a thorough and timely fashion, without reporting these enquiries or actions to the Board of Directors or the management of the Company.

14. Annual Review

- 14.1 The Audit Committee Charter will be reviewed annually by the Board of Directors and the Audit Committee to assess the adequacy of this Charter.

15. Independent Advisers

- 15.1 The Audit Committee shall have the power to retain legal, accounting or other advisors to assist the Committee.