(TSX: LABS)

ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2020

March 31, 2021

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ANNUAL INFORMATION FORM

In this annual information form (this "**AIF**") unless otherwise noted or the context indicates otherwise, the terms "the Company", "we", "us" and "our" mean MediPharm Labs Corp. and its subsidiaries. All financial information in this AIF is prepared in Canadian dollars and using International Financial Reporting Standards. The information contained herein is dated as of March 31, 2021, unless otherwise stated.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

These statements are not historical facts but instead represent only the Company's expectations, estimates and projections regarding future events. These statements are not guarantees of future performance and involve assumptions, risks and uncertainties that are difficult to predict. Therefore, actual results may differ materially from what is expressed, implied or forecasted in such forward-looking statements. Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "Risk Factors" in this AIF and in documents incorporated by reference in this AIF. Management provides forward-looking statements because it believes they provide useful information to readers when considering their investment objectives and cautions readers that the information may not be appropriate for other purposes. Consequently, all of the forward-looking statements made in this AIF and in documents incorporated by reference in this AIF are qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company. These forward-looking statements are made as of the date of this AIF and the Company assumes no obligation to update or revise them to reflect subsequent information, events or circumstances or otherwise, except as required by law.

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

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

- limited operating history;
- regulatory compliance risks;
- change of cannabis laws, regulations and guidelines;
- reliance on licences and authorizations;
- lack of long-term client commitments;
- COVID-19 pandemic;
- supply chain;
- default under the convertible notes;
- client and receivables risks;
- risks relating to research and development milestones and the Company's equipment;
- realization of growth targets including expansion of facilities and operations;
- management of growth;
- history of net losses;
- difficulty to forecast;
- competition;
- inability to sustain pricing and inventory models;

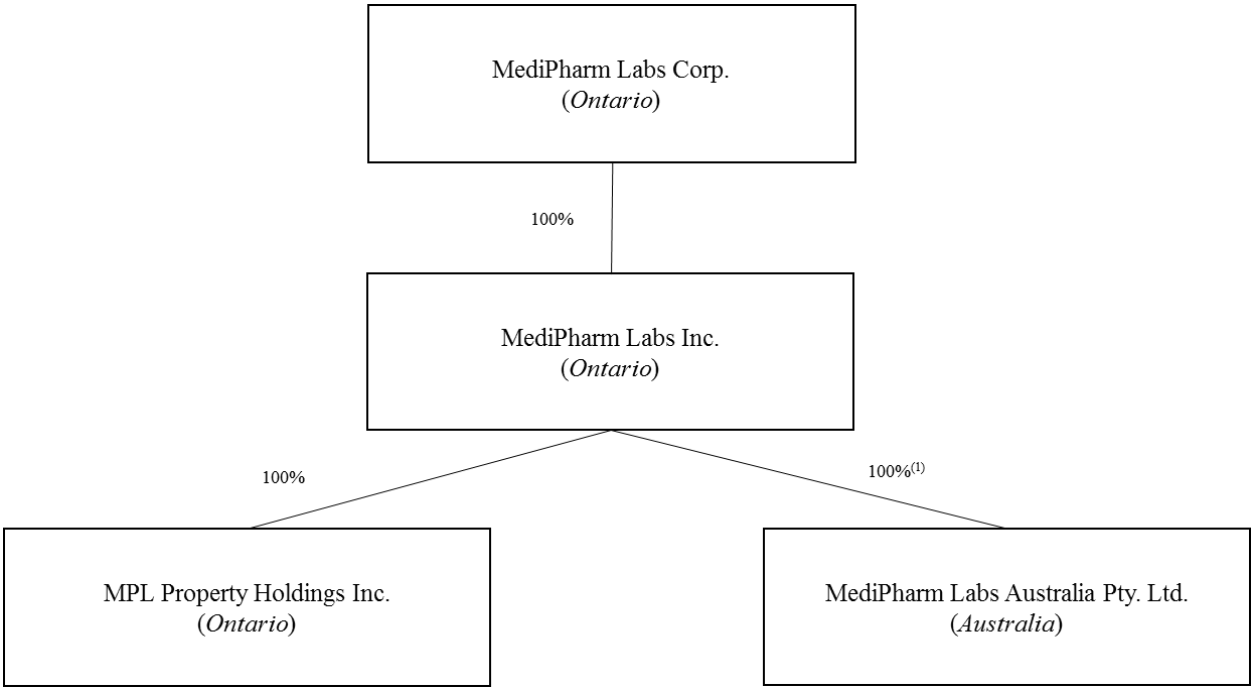
- conflicts of interest;
- legal proceedings;
- product liability;
- product recall;
- environmental regulation and risks;
- insurance risks;
- unfavourable publicity or consumer perception;
- reliance on production facilities;
- dependence on supply of cannabis and other key inputs;
- maintenance of effective quality control systems;
- retention and acquisition of skilled personnel;
- clinical trials;
- failure to comply with laws in all jurisdictions;
- perceived reputational risk for third parties;
- risks related to intellectual property;
- marketing constraints;
- research and development;
- shelf life of inventory;
- scheduled maintenance, unplanned repairs, equipment outages and logistical disruptions;
- risks as a result of international expansions;
- operations in foreign jurisdictions;
- reliance upon international advisors and consultants;
- foreign currency risk;
- access to capital;
- estimates or judgments relating to critical accounting policies;
- tax risks;
- negative operating cash flow;
- market for the Common Shares (as defined below);
- investment in the cannabis sector;
- no history of payment of cash dividends;
- reporting issuer status;
- significant sales of Common Shares;
- analyst coverage;
- tax issues related to the Common Shares;
- market for future offerings of securities;
- future sales affecting market price; and
- management discretion concerning use of proceeds.

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

CORPORATE STRUCTURE

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

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



GENERAL DEVELOPMENT OF THE BUSINESS

Overview

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

Our operations are currently conducted through wholly owned subsidiaries MediPharm Labs Inc. ("**MediPharm Labs**"), which holds a standard processing licence and research licence under the *Cannabis Act* (Canada) (the "**Cannabis Act**") and MediPharm Labs Australia Pty. Ltd. ("**MediPharm Labs Australia**"), which holds a manufacturing licence under the *Australian Narcotics Drug Act 1967* (the "**Australian Act**") authorizing the manufacture and supply of certain limited cannabis products.

Both MediPharm Labs' Canadian facility and MediPharm Labs Australia's Australian facility hold Good Manufacturing Practices certifications ("**GMP**") from the Therapeutic Goods Administration ("**TGA**").

Three-year History

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

On January 23, 2017, the Company was incorporated under the *Business Corporations Act* (Ontario) (the "**OBCA**") as "POCML 4 Inc.", under the policies of the TSX Venture Exchange (the "**TSXV**"). On October 1, 2018, MediPharm Labs amalgamated with 2645354 Ontario Inc., a wholly owned subsidiary of the Company. The amalgamation resulted in the reverse take-over of the Company by MediPharm Labs, following which the resulting company continued as "MediPharm Labs Corp".

On October 4, 2018, the Common Shares commenced trading on a post-consolidation basis on the TSXV under the symbol "LABS", and on July 29, 2019, the Company graduated from the TSXV to the TSX.

The following is the history of material developments of the Company and MediPharm Labs' business during the three-year period prior to December 31, 2020 and up to the date of this AIF.

Stock Exchange Listings

Listing on the TSXV

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

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

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

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

OTCQX Best Markets Listing

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

TSX Listing

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

Debt and Equity Financings

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

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

On June 1, 2018 and June 29, 2018, MediPharm Labs completed a private placement of 26,254,840 units at a price of $0.85 per unit for aggregate gross proceeds of $22,316,582, each unit comprising one Common Share and one-half of one common share purchase warrant (each whole warrant, a "**June Warrant**"). Each June Warrant entitles the holder to acquire one Common Share at an exercise price of $1.20 until October 1, 2020. The June Warrants are governed by a common share purchase warrant indenture (the "**Warrant Indenture**") dated October 1, 2018 between the Company and TSX Trust Company, as warrant agent. In connection with the brokered portion of the June Private Placements, certain agents received a cash fee of $1,282,161 and an aggregate of 1,508,413 broker warrants in consideration for their services, each of which entitled the holder to acquire one Common Share and one-half a June Warrant at an exercise price of $0.85 until the date which is 24 months following completion of the Qualifying Transaction. The unexercised June Warrants expired October 1, 2020.

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

On June 8, 2020, the Company closed the 2020 Private Placement with an institutional investor for gross proceeds of $37.8 million through the issuance of: (i) a $20.5 million senior unsecured convertible note (the "**First Note**"); (ii) a warrant to purchase up to 3,601,427 Common Shares, and (ii) a subscription receipt (the "**Subscription Receipt**") entitling the holder to receive, upon satisfaction of certain escrow release conditions, a further $20.5 million senior unsecured convertible note (the "**Second Note**" and, together with the First Note, collectively, the "**Notes**") and a further warrant (the "**Second Warrant**") to purchase up to an additional 3,601,427 Common Shares. On August 6, 2020, the escrow release conditions were satisfied, and the Subscription Receipt was exchanged for the Second Note and Second Warrant.

The principal amount of the Notes is convertible into Common Shares at the option of the holder at a conversion price of $2.28 per share, subject to adjustments in certain circumstances, with an initial maturity date of June 8, 2023 (the "**Maturity Date**"). The Notes amortize through bi-monthly installment payments payable on the first and tenth business day of each calendar month prior to the Maturity Date, which commenced in October 2020, and ending on the Maturity Date (each, an "**Installment Date**"). During the interim period between Installment Dates, the holder of the Notes has the option to convert installment amounts (each, an "**Acceleration**"), in whole or in part at an installment conversion price calculated in accordance with the terms of the Notes.

Subsequent to Period End

On March 5, 2021, the Company closed its bought deal offering of 57,500,000 Units at a price of $0.58 per unit for aggregate gross proceeds of approximately $33.35 million (the "**2021 Bought Deal Financing**"). The 2021 Bought Deal Financing was underwritten by a syndicate of underwriters led by Cantor Fitzgerald Canada Corporation. Each Unit is comprised of one Common Share in the capital of the Company and one Common Share Purchase Warrant. Each Warrant is exercisable to acquire one Common Share at an exercise price of $0.70 per common share until March 5, 2023.

Licensing History

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

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

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

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

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

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

On October 25, 2019, MediPharm Labs received its research licence under the Cannabis Act. This licence permits MediPharm Labs to conduct controlled human administration trials for sensory testing of cannabis extracts and derivative products at its Barrie facility. Cannabis companies without this licence cannot use sensory experiments with taste, thus limiting their understanding of the taste profile of the raw material, in-process material and consumer products.

On December 21, 2020, MediPharm Labs received a licence under the *Natural Health Products Regulations* (the "**NHP Site Licence**"). The NHP Site Licence gives MediPharm Labs the authorization to manufacture, package and label natural health products in Canada. MediPharm Labs' Barrie site is considered to be in compliance with GMP requirements outlined in Part 3 of the *Natural Health Products Regulations*.

MediPharm Labs Australia's 10,000 sq. ft. facility is situated in Wonthaggi, Australia and received its Australian Office of Drug Control manufacturing licence (the "**Australian Licence**") under the Australian Act on May 21, 2019 with respect to the manufacture of extracts and tinctures of cannabis and cannabis resin. Products manufactured under the Australian Licence must be only for the purpose of a clinical trial or prescribed as medical cannabis products. The Australian facility was built to the same GMP standards as the Company's Canadian facility and on May 7, 2020, MediPharm Labs Australia received a GMP certificate under the TGA, which expanded its domestic manufacturing authorizations.

For sales made by MediPharm Labs in Australia, MediPharm Labs initially sources and processes dried cannabis at our TGA GMP-certified Canadian facility before export of the resulting products to MediPharm Labs Australia. MediPharm Labs Australia then distributes throughout its local, and various accessible international markets. MediPharm Labs Australia has also entered into several agreements with Australian licenced cultivators with respect to the supply of dried cannabis flower, and a manufacturing agreement with respect to the production of cannabis oil and manufactured products. MediPharm Labs Australia commenced shipment of finished formulated products in the second quarter of 2020.

The statements regarding intended expansions, exports, distributions and GMP certifications are forward-looking statements. The current term of the Licence and Australian Licence end on March 29, 2021 and November 21, 2021, respectively. It is anticipated by our management that Health Canada and the Australian Office of Drug Control will extend or renew the Licence and the Australian Licence, as applicable, at the end of or prior to the end of their respective terms[1]. See "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors".

Subsequent to Period End

On February 11, 2021, MediPharm Labs received a cannabis drug licence under the Cannabis Act (the "**Cannabis Drug Licence**"). As a Cannabis Drug Licence holder that is authorized to produce and sell cannabis, MediPharm Labs is now authorized to distribute a drug containing cannabis. While the Cannabis Drug Licence positions the Company to supply cannabis based pharmaceutical drugs and active pharmaceutical ingredients to other cannabis drug licence holders and clinical research trials for novel drug discovery, the Company does not expect to derive material revenues as a result of the Cannabis Drug Licence in the near term. The Company will continue to assess the materiality of the Cannabis Drug Licence going forward. The Cannabis Drug Licence expires on January 27, 2024.

[1] This statement is based on the following material factors and assumptions: (a) the Company assumes that it will receive a compliant rating from Health Canada and that both Health Canada and the Australian Office of Drug Control will renew the Licence and Australian Licence, respectively; and (b) the Company assumes that it will continue to be in compliance with the relevant regulatory frameworks, guidelines, and requirements of Health Canada and the Australian Office of Drug Control. The Company clarifies that as of the date hereof, it has received compliant ratings from Health Canada but cannot guarantee that there will not be issues with compliance inspections that may arise in the future. Such statements are informed by, among other things, regulatory guidelines for receiving and maintaining the Licence and Australian Licence. See "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors".

Production and Operational History

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

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

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

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

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

On November 13, 2018, MediPharm Labs entered into a cannabis concentrate program agreement with The Supreme Cannabis Company, Inc. ("**Supreme Cannabis**"), a licensed cultivator under the *Cannabis Act*, pursuant to which MediPharm Labs agreed to process a minimum of 1,000 kg of dried cannabis per year for the next three years. On November 29, 2018, MediPharm Labs entered into a strategic supply agreement with Canopy Growth Corporation ("**Canopy**"), pursuant to which MediPharm Labs agreed to supply up to 900 kilograms of cannabis extract to Canopy and its subsidiaries over a term of 18 months.

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

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

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

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

On June 18, 2019, we entered into our first white label vaporizer pen agreement with AV Cannabis Inc. (d/b/a Ace Valley), to launch their branded cannabis extract-based vaporizer pens to Canadian consumers.

The initial term of the agreement is three years and relates to the production of a minimum of approximately two million Ace Valley-branded vaporizer pens. Under the agreement, the Company will receive certain fees for services related to procurement, quality assurance, manufacturing and distributing to provincial retailers, along with a portion of revenue from sales of the Ace Valley-branded vaporizer pens.

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

On September 18, 2019, we received an organic certification from Pro-Cert Organic Systems Ltd. with respect to the production of cannabis extracts and oil. The certification was based on an evaluation of our organic production plan, an inspection of our operation, production records and other information required by our certifying agent. The certificate expires on September 18, 2020 unless renewed.

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

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

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

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

On November 5, 2019, the Company announced that it applied to cross-list its Common Shares on the NASDAQ Stock Market (the "**NASDAQ**"). In the event of a NASDAQ listing, the Company would continue to maintain the listing of its Common Shares on the TSX under the symbol "LABS". The NASDAQ cross-listing remains subject to the approval of the NASDAQ, the filing of a Form 40-F Registration Statement with the United States Securities and Exchange Commission (the "SEC") and the satisfaction of all applicable listing and regulatory requirements, including the SEC declaring the Form 40-F Registration Statement effective. Though the Company received a favourable listing indication from NASDAQ in early January 2020, as a result of ongoing market conditions, the Company is continually monitoring the suitability of a US listing. As at the date of this AIF, the Company's current share price

does not meet minimum price requirements of NASDAQ and the Company would be required to seek shareholder approval for a reverse stock split to meet such price requirement.

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

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

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

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

On January 30, 2020, the World Health Organization (the "**WHO**") declared the ongoing COVID-19 outbreak a global health emergency and on March 11, 2020, the WHO expanded its classification of the outbreak to a worldwide pandemic. Federal, state, provincial and municipal governments in North America and Australia enacted measures to combat the spread of COVID-19. The COVID-19 outbreak continues to rapidly evolve and is causing business disruptions across the entire global economy and society. As at the date of this AIF, the production and sale of cannabis have been recognized as essential services across Canada and Australia. The Company's Barrie and Australian facilities continue to be operational. The Company has taken various measures to prioritize the health and safety of our employees, customers and partners, including restricted work travel and site access; improved safety & hygiene; and the requirement of nonessential staff members to work remotely. As a manufacturer of consumable and medicinal products, our practice is always to operate to global pharma-quality standards within our ISO-designed 'critical environment' facility with strict hygiene practices and mandated personal protective equipment.

The duration and the immediate and eventual impact of the COVID-19 pandemic remains unknown. In particular, it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company. The extent of the impact on COVID-19 on the Company's operational and financial performance will depend on various developments, including the

duration and magnitude of the outbreak, and the impact on customers, employees and vendors, all of which are uncertain and cannot be predicted at this point. Over the course of the fiscal year, the Company saw the ongoing supply/demand imbalance for cannabis concentrates become exacerbated as a result of the economic uncertainty created through the COVID-19 pandemic. The increased market uncertainty resulting from the COVID-19 pandemic, coupled with the recent and ongoing oversupply of bulk concentrates, led to decreased expenditures from existing bulk concentrate customers who sought deferrals or adjustments for previously committed shipments during the quarter, but some of which have subsequently resumed purchases.

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

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

On March 25, 2020, we announced that we completed our first shipments of topical cannabis products from our Canadian facility to a contract manufacturing customer.

On March 26, 2020, we launched of a new family of MediPharm Labs branded products to deliver high-quality, innovative offerings to customers in the medical and adult-use markets across Canada. The first product launched within the MediPharm Labs family was "MediPharm Labs CBD25 Regular Formula", a High-CBD, Low-THC regular strength formulated cannabis oil made using full spectrum cannabis concentrate processed at one of our GMP certified facilities. Our family of MediPharm Labs branded products has been subsequently expanded with the inclusion of "MediPharm Labs CBD50 Plus Formula" and "MediPharm Labs CBD25:5 Release Formula".

On May 14, 2020, we entered into a strategic manufacturing and intellectual property licensing agreement with Avicanna Inc. ("**Avicanna**") through which we intend to commercialize a diverse array of sophisticated product formats. Under the agreement, which has an initial three-year term, MediPharm Labs will use the specialized contract manufacturing capabilities resident at its state-of-the-art Canadian production facility to produce Avicanna's advanced medical cannabis products and topicals under license for commercial sales. Avicanna granted MediPharm Labs a license to use proprietary Avicanna formulations to develop additional MediPharm Labs and white label branded products for the domestic and international market.

On May 25, 2020, we commenced shipments of white label "Ace Valley Vapes" under our white label disposable vaporizer pen agreement with AV Cannabis Inc. (d/b/a Ace Valley). Under this agreement, we provide high-quality cannabis extracts, filling services and national distribution of a line of Ace Valley Vapes. Ace Valley leverages its leading brand traction and product strategy expertise to design, brand and market the products.

On May 27, 2020, we entered into a white label supply agreement with Argentia Gold Corporation ("**Argentia Gold**"). Under the agreement, which has an initial 2-year term, MediPharm Labs will provide Argentia Gold-branded formulated tincture bottles of CBD cannabis resin and Argentia Gold will provide distribution, sales, and service to leading retailers in Newfoundland and Labrador, Prince Edward Island, Nova Scotia and New Brunswick.

On August 26, 2020, as part of its multi-faceted strategic pharmaceutical manufacturing agreement with Avicanna, MediPharm Labs launched and completed production of a new product format, sublingual sprays to be marketed under Avicanna's RHO Phyto™ medical brand. The high-performance rapid active sprays are available nationally to Canadian medical patients through the Medical Cannabis by Shoppers™ online healthcare platform.

On September 3, 2020, we entered into an agreement with Cann Farm Peru S.A.C., a Lima-based producer and distributor serving Peruvian and other markets in Latin America. Under the one-year renewable agreement, which represents the Company's first agreement in Latin America, MediPharm Labs will provide a variety of cannabis concentrate formats with optionality for patient-ready formulated products which will be distributed to patients through pharmacies in Peru.

On September 22, 2020, we entered into an agreement with XLR8 Brazil, a Rio de Janeiro-based value-added distributor serving Brazil, to provide GMP-certified formulated cannabis oil. Under the two-year agreement commencing from the time of product authorization, MediPharm Labs will provide a variety of cannabis concentrate formats for patient-ready formulated products that will be distributed by XLR8 Brazil to leading pharmacies and other authorized channels in Brazil.

On September 28, 2020, we entered into a share sale and purchase agreement with our local Australian partner to acquire its 20% ownership interest in MediPharm Labs Australia. On October 8, 2020, the Company closed the transaction for an amount of $3.2 million which would be paid as a combination of cash and Common Shares. The Company paid the vendor $600,000 of cash and issued 2,359,603 Common Shares for an amount of $2 million. The remainder of the consideration will be paid as $300,000 of cash nine months after the closing date and $300,000 of cash eighteen months after the closing date. The Company now controls 100% of MediPharm Labs Australia, making MediPharm Labs Australia a wholly-owned subsidiary of the Company.

On October 5, 2020, we entered into an exclusive supply agreement with STADA Arzneimittel AG ("**STADA**"), a European consumer healthcare and generics company, pursuant to which MediPharm will supply GMP certified medical cannabis products to STADA, as well as manufacturing, logistics and regulatory support. STADA will be responsible for commercializing the cannabis products, initially in Germany, as well as marketing and medical education utilizing a pharmaceutically experienced field force.

On October 19, 2020, we initiated a clinical trial to research and evaluate the effectiveness of MediPharm Labs' proprietary cannabis-derived medical products and formulations on the treatment of end-stage renal disease or chronic kidney disease. MediPharm Labs has partnered with OTT Healthcare Inc. ("**OTT**") and signed a Master Clinical Studies Agreement pursuant to which OTT will study the pharmacokinetic (dosing) and safety profile of cannabinoid formulations for the chronic kidney disease patient population and assess pain and quality of life scores of patients receiving MediPharm Labs proprietary product formulations.

On October 20, 2020, we launched the new "LABS Cannabis" family of health and wellness products. Specially designed and formulated for the Canadian consumers, the LABS Cannabis products will be targeted for adult use with distribution planned through government and private retail channels across Canada.

On October 29, 2020, we launched LABS Cannabis CBD Isolate, the first in the Company's branded product line expected to be available through retailers across Canada. The first shipments were sent to retailers in six provinces in Q4 2020.

On December 10, 2020, the Company announced the appointment of President and Co-Founder Keith Strachan to the role of Interim Chief Executive Officer, replacing Pat McCutcheon who has retained his role as Chairman of the Board of the Directors. The Company also announced the appointment of Olga Utkutug to the role of Interim Chief Financial Officer, effective December 8, 2020.

During the period, the Company also secured white label supply agreements with, among others, Compass Clinics Australia Pty Ltd (Australia); Burleigh Heads Cannabis Pty Ltd. (Australia); Sunco Green Pharmaceutical Pty Ltd (Australia); Helius Therapeutics Limited (New Zealand); Cannasouth Plant Research New Zealand Limited (New Zealand); Therismos Limited (UK); DanCann Pharma A/S (Denmark) and Beacon Medical Australia Pty. Ltd., a subsidiary of VIVO Cannabis Inc. We commenced sales of GMP-certified products pursuant to these agreements within the second quarter of 2020.

We paid the following amounts under Accelerations prior to December 31, 2020:

Date of Conversion Notice	Principal Converted – First Note	Principal Converted – Second Note	Installment Conversion Price	Number of Common Shares issued
October 13, 2020	$397,265.31	$397,265.31	$0.7352	1,080,700
October 14, 2020	$444,531.26	$444,531.26	$0.7352	1,209,280
November 9, 2020	$966,796.89	$966,796.89	$0.7052	2,741,910
November 12, 2020	$966,796.89	$966,796.89	$0.7052	2,741,910
November 13, 2020	$644,531.26	$644,531.26	$0.7052	1,827,940
December 1, 2020	$322,265.63	$322,265.63	$0.4956	1,300,508
December 14, 2020	$322,265.63	$322,265.63	$0.4933	1,306,572
December 16, 2020	$322,265.63	$322,265.63	$0.4933	1,306,572

Subsequent to Period End

We paid the following amounts under Accelerations subsequent to December 31, 2020:

Date of Conversion Notice	Principal Converted – First Note	Principal Converted – Second Note	Installment Conversion Price	Number of Common Shares issued
January 4, 2021	$322,265.63	$322,265.63	$0.4434	1,453,612
January 6, 2021	$322,265.63	$322,265.63	$0.4434	1,453,612
January 7, 2021	$322,265.63	$322,265.63	$0.4434	1,453,612
January 8, 2021	$322,265.63	$322,265.63	$0.4434	1,453,612
January 11, 2021	$966,796.89	$966,796.89	$0.4434	4,360,836
January 13, 2021	$3,867,187.56	$3,867,187.56	$0.4434	17,443,336
January 14, 2021	$322,265.63	$322,265.63	$0.4434	1,453,612
February 9, 2021	$1,611,328.15	$1,611,328.15	$0.5702	5,651,800
February 10, 2021	$2,578,125.04	$2,578,125.04	$0.5702	9,042,880
February 11, 2021	$322,265.63	$322,265.63	$0.5702	1,130,360

On January 11, 2020, we announced (i) the shipment of 550,000 product units in Q4 2020; of the units shipped, 100,000 were private label MediPharm Labs SKUs compared to 25,000 SKUs in the third quarter; (ii) the ramped production of six (6) Avicanna RHO Phyto medical formulary products to date, and the expectation that the Company will continue to increase output to support consumer demand and Avicanna's plan to expand RHO Phyto SKUs to ten (10) in 2021[2] (see "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors"); and (iii) the commencement of a supply agreement between the Company and Nova Scotia Liquor Corporation during Q4 2020, and the shipment of initial orders to Nova Scotia.

On January 29, 2021, we appointed Greg Hunter as our Chief Financial Officer effective February 8, 2021. As of such date, Interim CFO Olga Utkutug stepped down. Ms. Utkutug continues to serve as VP, Finance.

[2] The material factors and assumptions underlying this forward-looking statement are: (a) the Company has assessed the market size and consumer demand for Avicanna products relative to its expectation that there is a demand for increased output; and (b) the Company has a commercial agreement and business terms agreed to in principal for provincial domestic distribution of the product, whereby the Company assumes that any third-party obligations and deliverables will be performed and/or fulfilled in a timely and successful manner and that the third-parties will continue to maintain all necessary licences and approvals necessary to perform their obligations under the agreements. See "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors".

On March 8, 2021, we announced that MediPharm Labs Australia has entered into a new GMP white-label supply and contract manufacturing agreement with Cannim Australia Pty Ltd. The Company also announced it has commenced registrations for the launch of over-the-counter products in Australia in 2021. Under the three-year agreement, with options to extend, MediPharm Labs Australia will supply a full range of specially formulated CBD and THC cannabis oil products that will be sold initially under Cannim's Lumir brand. MediPharm Labs Australia will also provide Cannim with contract manufacturing with their starting material.

On March 9, 2021, we announced that it has entered into a supply agreement with the Société Quebecois Du Cannabis. MediPharm Labs will supply the growing medical and wellness market in Quebec with a variety of cannabis concentrate based products from its growing portfolio of proprietary and high demand formulations, many which are already available to medical patients and adult-use consumers in 6 other provinces.

On March 26, 2021, the Company announced a further expansion of the Company's family of branded products with the retail introduction of CBD 100, THC 30 and the Company's first cannabinoid cannabinol (CBN) rich formula.

Significant Acquisitions or Dispositions

The Company has not completed any significant acquisitions or dispositions during the financial year ended December 31, 2020 for which disclosure is required under Part 8 of National Instrument 51-102 – *Continuous Disclosure Obligations*.

DESCRIPTION OF THE BUSINESS

Summary

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

MediPharm Labs operates out of a 70,000 sq. ft. Barrie, Ontario facility, which currently runs supercritical CO_2 primary extraction lines for crude resin production, rotary evaporation lines for distillation production and packaging and labelling lines for various finished formulated products. The facility was built to GMP standards and received its Australian GMP certificate in the third quarter of 2019 and, subject to various third-party audits being scheduled once permissible in the COVID-19 environment, we expect to receive a European GMP certificate in 2021, which will facilitate our entrance into the European market via export.[3] We expect that international sales will ramp-up slowly and incrementally.

[3] This statement is based on the following material factors and assumptions: (a) the timely and successful completion of audits that were rescheduled due to COVID-19; (b) the Company assumes the third-party audits will be permissible in a COVID-19 environment in the 2021 calendar year; and (c) the Company assumes that there will be no further delays once the audits are

MediPharm Labs Australia's 10,000 sq. ft. facility is situated in Wonthaggi, Australia and received the Australian Licence on May 21, 2019 with respect to the manufacture of extracts and tinctures of cannabis and cannabis resin. Products manufactured under the Australian Licence must be only for the purpose of a clinical trial or prescribed as medical cannabis products. The Australian facility was built to the same GMP standards as the Company's Canadian facility and MediPharm Labs Australia has received a GMP certificate under the Australian TGA, which expanded its domestic manufacturing authorizations.

Industry and Market Overview

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

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

The oversupply in the Canadian bulk crude resin and distillate markets defined the Canadian cannabis market in fiscal 2020 and was further exacerbated by the COVID-19 pandemic, which contributed to decreased expenditures on bulk concentrates. In response, we have shifted our core business from Canadian wholesale supply contracts of bulk concentrate to prioritizing using our specialized manufacturing capabilities and pharmaceutical expertise to produce high quality formulations, finished formulated packaged goods, and APIs to provincial retailers across Canada. In addition, the globalization of the cannabis industry has allowed us to increase our international reach by entering into new international supply contracts. We believe that agreements with major players in consumer health like STADA in Germany represent a unique growth area for our Company.

Operations and Facilities

As of the date of this AIF, our business processes its inventory of dried cannabis and sells both the resulting bulk cannabis concentrates and finished formulated products. Finished formulated products are sold both under the MediPharm family of brands, and customer brands through white label and contract manufacturing arrangements. Customers that do not hold a requisite Cannabis Act or other licence, rely on the Company for the complete manufacturing and distribution of the branded product. Customers that hold their own licence may directly purchase the finished or partially finished products from the Company to manage the remaining portion of the manufacturing and/or supply chain themselves and the Company would typically receive a fee per unit shipped under that arrangement. The Company will increase the breadth (product formats) and depth (SKUs per product format) of finished formulated product capabilities.

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scheduled and the GMP certificate will be successfully issued. The Company clarifies that as of the date hereof, it has not yet completed the aforementioned items. See "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors".

International Agreements

The Company has entered into supply contracts with companies in several South American and European markets, increasing global reach and furthering the strategy to develop multi-jurisdictional, production capability certified under the GMP standard to service worldwide, medicinal, wellness and adult-use markets.

The Company expects that international sales will ramp-up slowly and incrementally in the coming months.

As of the date of this AIF, these are the Company's most significant international customers:

Customer	**Jurisdiction**	**Agreement Date**
STADA Arzneimittel AG	Germany	October 5, 2020
Sunco Green Pharmaceutical Pty Ltd	Australia	September 22, 2020
XLR8 Brazil	Brazil	September 21, 2020
DanCann Pharma A/S	Denmark	September 16, 2020
CannFarm Peru S.A.C.	Peru	September 3, 2020
Therismos Limited	United Kingdom	May 2, 2020
Cannasouth Plant Research New Zealand Limited	New Zealand	May 1, 2020
ADREXpharma	Germany	September 20, 2019

MediPharm Provincial Agreements

MediPharm Labs has arrangements in place to supply the medical, health and wellness market in the following 7 provinces with a wide variety of premium and pure pharmaceutical quality cannabis concentrate based products:

- Alberta;
- British Columbia;
- Manitoba;
- Nova Scotia;
- Ontario;
- Québec; and
- Saskatchewan.

MediPharm Labs has agreements in place with the provincial retailers in Alberta, British Columbia, Manitoba, Ontario, and Québec. In Nova Scotia and Saskatchewan, MediPharm Labs sells directly to private, provincially licenced retailers. MediPharm Labs currently distributes approximately 20 SKUs under these provincial arrangements. While these agreements are for varying terms, the Company expects the agreements and arrangements to continue on an ongoing basis. See "Regulatory Overview –

Provincial Regulatory Framework", "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors".

Products Not Yet Fully Developed

The Company currently has two significant projects which have generated nominal revenue but are not yet fully developed:

a. GMP Cannabinoid Isolate Production Scaling; and

b. Topical Capabilities Production.

All quarter references in this section are based on calendar year-end.

GMP Cannabinoid Isolate Production Scaling

The Company has successfully completed the isolation of CBD at its Canadian facility. This isolate is sold in Canada in half gram formats under the Labs Cannabis brand. The Company has also produced and exported CBD isolate as a GMP product to be used as an API international medical end product. With first shipments of GMP CBD isolate completed in Q4 2020, the Company has seen the international demand for this product increase. To meet this increased demand, the Company is scaling up its GMP production to increase volume and include additional cannabinoids. To complete this objective, the Company is validating new GMP equipment, renovating production suites to meet fire and building code regulations, validating methodologies and commercializing production activities. The Company will also increase marketing and sales activities to provide this GMP API to pharmaceutical companies internationally. These activities are expected to be completed for Q4 2021 costing a total of approximately $5,000,000, of which approximately $1,400,000 has been spent to date.

Topical Capabilities Productions

The Company has contracted with an external consultant that provided formulation for its topical products.

The Company has topical production manufacturing lines that were implemented in Q2 2020. These manufacturing lines are currently being enhanced to include alternate topical formats, larger batch sizes and automated filling abilities. This will be completed in Q2 2021 with approximately $500,000 in costs remaining in the project.

The Company currently has generated revenue for short term contract filling end units for bulk shipping for further labeling at the customer's location. The Company continues to generate topical revenue with a turnkey manufacturing contract that is distributed through its agreement with Shoppers Drug Mart. The Company's customer plans on expanding its distribution to Canadian Provincial distributors using the Company's provincial agreements.

Non-Revenue Generating Projects

The Company currently has five significant projects, which have not yet generated revenue:

a. Natural Health Products;

b. Unique Cannabinoid Purification;

c. Over-the-Counter CBD Products;

d. R&D in relation to clinical trial formulations; and

e. Pharmaceutical Product Registration Activities.

All quarter references in this section are based on fiscal year-end.

Natural Health Products

The Company has begun an exploratory process in the feasibility of formatting, manufacturing and distributing natural health products which may or may not include CBD depending on various jurisdictional regulations. The Company is using both internal resources and third-party consultants to conduct this feasibility study. The feasibility portion of this project is expected to be completed in Q2 2021 and has a remaining cost of approximately $50,000. Part of this study will include research regarding the capital costs of completing these project launches.

Unique Cannabinoid Purification

The Company currently purifies unique cannabinoids from natural sources. Current activities are small scale and used for research and development activities. The scale up of these activities will require the purchase of unique cannabis biomass containing targeted cannabinoids. The Company is currently working with customers to narrow objectives of unique cannabinoid commercialization. The total project cost is approximately $1,000,000 of which approximately $200,000 has been incurred to date. Remaining project deliverables including required biomass will cost approximately $800,000. Commercial activities for this project are expected to commence in Q3 2021[4].

Over-the-Counter CBD Products

As of the date of this AIF, the Australian Therapeutics Goods Administration has allowed the registration of CBD products to be sold over-the-counter ("**OTC**") in pharmacies. CBD products with 2% or less other cannabinoids, but only <1% THC will be made available for OTC use. These products can contain up to 150 mg/day. All of the approximately 5,700 community pharmacies in Australia will be able to sell the products directly to patients.

OTC CBD products must be manufactured under GMP standards, which the Company's Australian facility is already licensed to do. Beyond the licenses already possessed by the Company, the additional deliverables required for registration include, internal clinical research review, test batches, stability

[4] This statement is based on the following material factors and assumptions: (a) the timely and successful completion of certain research and development work to prove concept at bench scale is complete; and (b) there will be a continued market or increased market for minor cannabinoids. See "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors".

studies and regulatory applications. These activities will be completed in Q3 2021 and bear a cost of approximately $500,000[5].

The Company is in late-stage contractual negotiations with two national OTC brands for the registration, production and distribution of white label OTC CBD products. Dependent on the demand for these products, additional capital may be deployed to increase scale and automation for these products in the future.

R&D in Relation to Clinical Trial Formulations

The Company conducts research and development activities in order to participate in cannabis related clinical trials. This includes various formulations and delivery methods to treat patient indications. The Company participates in clinical trials in various ways and in return the Company retains ownership in developed intellectual property and future manufacturing rights in contracts for any resulting approved pharmaceutical drug[6]. The Company's internal clinical affairs team reviews opportunities, develops statements of work, co-ordinates necessary regulatory filings, and assists in developing protocol. External consultants are retained to assist with medical formulation development. Current and future clinical trials are in various stages that may take up three years to complete, however significant milestones for success for this project is anticipated to be completed during the second quarter of 2022. The remaining expected budget for this project is approximately $2,000,000.

Pharmaceutical Product Registration Activities

The Company is undertaking steps to register its API and products as pharmaceutical products in various jurisdictions. For countries where medical cannabis is governed by a special access program, such as Brazil, the registration includes a regulatory dossier including end product stability data. The Company uses external in-country consultants and its own internal international regulatory affairs team to complete these activities.

For pharmaceutical drugs that contain cannabis as an API, the Company is required to register a Drug Master File (DMF) for each API the Company plans to sell. DMFs are provided to regulatory bodies such as the United States Food and Drug Administration and include detailed information about facilities,

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[5] These statements are based on the following material factors and assumptions: (a) the Company assumes that it will receive a compliant rating from Health Canada and that both Health Canada and the Australian Office of Drug Control will renew the Licence and Australian Licence, respectively; and (b) the Company assumes that it will continue to be in compliance with the relevant regulatory frameworks, guidelines, and requirements of Health Canada and the Australian Office of Drug Control. The Company clarifies that as of the date hereof, it has received compliant ratings from Health Canada but cannot guarantee that there will not be issues with compliance inspections that may arise in the future. Such statements are informed by, among other things, regulatory guidelines for receiving and maintaining the Licence and Australian Licence. See "Cautionary Note Forward-Looking Statements" and "Risk Factors".

[6] This statement is based on the following material factors and assumptions: (a) the timely and successful completion of certain research and development work to participate in clinical trials; and (b) the successful completion of clinical trials for the production of intellectual property and the discovery of new drugs. See "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors".

GMP manufacturing processes, packaging, and storing of human drug products and ingredients. The Company has multiple DMFs in progress and initial approvals are expected in the first quarter of 2022[7].

The remaining project cost for both types of registrations is approximately $2,000,000.

Distribution

The Company historically arranges sales from its facilities in Barrie, Ontario and Wonthaggi, Australia. Typically risk of loss for all shipped products typically transfers at the Company's shipping dock, and the purchaser is responsible for arranging all shipping and transportation. From time-to-time we may also provide secure and licensed storage space for our customers, given the regulatory requirements and restraints with respect to storage and transportation.

Specialized Skills and Knowledge

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

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

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

Competitive Conditions

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

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

[7] This statement is based on the material assumption that the Company will receive and maintain requisite Health Canada approvals, permits and licences. See "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors".

However, as additional Cannabis Act licence holders continue to scale their businesses and produce greater volumes of cannabis concentrates, and as the market for finished goods requiring cannabis concentrates continues to roll out slowly, the market for bulk extracts has become characterized by structural oversupply until these supply and demand imbalances are corrected and sell through into consumer channels improves. We expect that the principal aspects of competition between the Company and its competitors will continue to be price and quality of extracted and refined products.

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

Components

As part of its wholesale cannabis program, the Company has historically procured dried cannabis inventory from various licenced cultivators throughout Canada. See "*Description of the Business – Operations and Facilities*" for additional details.

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

Intellectual Property

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

The Company has filed for registration of various domestic and international trademarks with respect to, among other things, the words "MediPharm Labs" and the "falling leaf" image from its logo. In late 2020, the Company filed Canadian trademark applications related to its LABS Cannabis brand. In early 2021, the Company expanded its core trademark filings with applications for additional classes in key jurisdictions, including Canada, the EU, the UK, Australia, and New Zealand.

The "falling leaf" image.

Cycles

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

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

Economic Dependence

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

Changes to Contracts

The Company does not expect any aspect of its business as a whole to be affected in the current financial year by the renegotiation or termination of contracts or sub-contracts.

Environmental Protection

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

Employees

As at December 31, 2020, the Company had 169 employees in Canada and 35 in Australia. The Company engages contractors and consultants to work on specific projects and for administrative, engineering, legal and other services as required.

Foreign Operations

The Company's operations are conducted in Canada and Australia.

Social and Environmental Policies

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

Regulatory Overview

Canada

The production, distribution and sale of cannabis is tightly controlled by the Canadian federal and provincial governments. On October 17, 2018, the Cannabis Act, also known as Bill C-45, came into force as law with the effect of legalizing the non-medical use of cannabis by adults across Canada. The Cannabis Act, among other things, replaced the ACMPR and the *Industrial Hemp Regulations* ("**IHR**"), both of which came into force under the *Controlled Drug and Substances Act* (Canada) ("**CDSA**"), which previously permitted access to cannabis for medical purposes for only those Canadians who had been authorized to use cannabis by their health care practitioner. In 2013, Health Canada introduced the commercial cannabis licenced producer program under the *Marihuana for Medical Purposes Regulations* ("**MMPR**") program. In August 2016, the MMPR was replaced by the ACMPR. The ACMPR program as it related to commercial production was very similar to the MMPR. However, the major change that benefited MediPharm Labs was the streamlined approach to identifying and being approved for various cannabis-related activities. This allowed MediPharm Labs to refine its application to become a licenced producer focused solely on cannabis oil production.

The Cannabis Act permits the non-medical use of cannabis by adults and regulates, among other things, the production, distribution and sale of cannabis and related products in Canada, for both non-medical and medical purposes. Pursuant to the Cannabis Act, subject to provincial and territorial regulations and medical allowances, individuals over the age of 18 are able to purchase fresh cannabis, dried cannabis, cannabis oil, cannabis extracts, cannabis edibles, cannabis topicals and cannabis plants or seeds and are able to legally possess up to 30 grams of dried cannabis (or the prescribed equivalent amount) in public. The Cannabis Act also permits households to grow a maximum of four cannabis plants, which has been restricted by certain provinces. This limit applies regardless of the number of adults that reside in the household. In addition, the Cannabis Act provides provincial and territorial governments the authority to prescribe regulations regarding retail sales and distribution, as well as the ability to regulate certain matters, such as increasing the minimum age for purchase and consumption. The minimum age for purchase and possession of cannabis in each Canadian jurisdiction is 19 years old, except for Québec and Alberta where it is 21 and 18, respectively.

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

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

Licences, Permits and Authorizations

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

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

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

Security Clearances

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

Cannabis Tracking System

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

A new ministerial order, the Cannabis Tracking System Order, was published in the Canada Gazette, Part II on June 26, 2019 and in force on October 17, 2019 in order to address the unique public health and public safety risks associated with edible cannabis, cannabis extracts and topicals authorized by the Regulations Amending the Cannabis Regulations (New Classes of Cannabis) on October 17, 2019. Under the Cannabis Tracking and Licensing System, a holder of a licence for cultivation, licence for processing, or a licence for sale for medical purposes is required to submit monthly reports to Health Canada.

The purpose of this system is to enable the submission of licence applications, amendments and renewals through an online portal and track the flow of cannabis throughout the supply chain as a means of preventing the illegal inversion and diversion of cannabis into and out of the regulated system. Under the

Cannabis Tracking and Licensing System, a holder of a licence for cultivation, licence for processing, or a licence for sale for medical purposes is required to submit monthly reports to Health Canada.

Cannabis Products

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

On October 17, 2019, the Federal Government of Canada released its amendments to the Cannabis Regulations that permit the production of cannabis edibles, extracts and topicals, among a variety of other changes (the "**2019 Amendments**"). A processing licence is required in order to produce edible cannabis, cannabis extracts and cannabis topicals, and to package and label these types of cannabis products for sale to consumers. If a processing licenceholder processes edible cannabis and food products on the same site, then the production, packaging, labelling, and storage of cannabis and food products will need to be conducted in separate buildings, so as to be separate from any food production.

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

Packaging and Labelling

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

- product source information, including the name, phone number and email of the cultivator;
- information about the product including class of cannabis, amount, brand name, lot number, storage conditions, packaging date, expiry date;
- a mandatory health warning, rotating between Health Canada's list of standard health warnings;
- the Health Canada standardized cannabis symbol; and
- information specifying THC and CBD content.

Advertising

The Act places a general ban on promotion of cannabis, cannabis accessories or any service related to cannabis, unless the promotional activity is specifically authorized under the Act, such as when done to other licence holders.

Cannabis products may be promoted at their point of sale if the promotion indicates only its availability and/or price. Further, brand preference and informational promotion is permitted if such promotion is:

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

Under the 2019 Amendments, certain representations and associations are prohibited on products, their packages and labels and associated promotional activity, including: certain flavours in cannabis extracts (e.g. confectionary, dessert, soft drink, and energy drink); health or cosmetic benefits unless registered as a health product; energy value and nutrient content representations that go beyond those permitted in the list of ingredients and in the cannabis-specific nutrition facts table; statements reasonably likely to create the impression the edible cannabis or accessory is intended to meet particular dietary requirements; and promotion that could reasonably associate the cannabis, the cannabis accessory or the service related to cannabis with an alcoholic beverage, a tobacco product or a vaping product.

Product Composition

The Cannabis Regulations place restrictions on product composition specific to each type of cannabis product including specific THC limits. Examples of product-specific restrictions include:

- **Edible cannabis:** must be shelf stable; only food and food additives will be allowed to be used as ingredients in edible cannabis and the use of food additives will need to be in accordance with the limits and purposes that are prescribed for foods; must not have caffeine added, however the use of ingredients containing naturally occurring caffeine will be permitted in edible cannabis products provided that the total amount of caffeine in each immediate container does not exceed 30 milligrams; must not contain alcohol in excess of 0.5% w/w; must not contain anything that would cause the sale of the edible cannabis, if it was a food regulated under the Food and Drugs Act, to be prohibited and must not be fortified with vitamins or mineral nutrients.

- **Cannabis extracts:** must not contain ingredients that are sugars, sweeteners or sweetening agents, nor any ingredient listed on Column 1 of Schedule 2 to the Tobacco and Vaping Products Act (which is a list of ingredients that are prohibited in vaping products) except if those ingredients and their levels are naturally occurring in an ingredient used to produce the extract.

- **Cannabis topicals:** must not contain anything that may cause injury to the health of the consumer when the product is used as intended or in a reasonably foreseeable way.

Health Products and Cosmetics Containing Cannabis

Under the current regulatory framework, cannabis is not permitted for use in a natural health product or a non-prescription drug product, as phytocannabinoids are included as prescription drugs on the Human and Veterinary Prescription Drug List ("**PDL**"). Although, Health Canada has previously authorized prescription drug products containing cannabis, the agency maintains that there remains significant scientific uncertainty regarding the pharmacological actions, therapeutic effectiveness and safety of the majority of phytocannabinoids. The cannabis-based prescription drug products that have been authorized by Health Canada have been studied, authorized and used in specific conditions. While these authorized products have contributed to the global body of knowledge concerning the safety and efficacy of cannabis-based therapies, Health Canada has stated that the presence of scientific uncertainty and limited market experience gives rise to the need for a precautionary approach. Listing all phytocannabinoids on the PDL addresses this uncertainty by allowing healthcare practitioners to monitor and manage any unanticipated effects. Health Canada has launched a consultation on a potential market for cannabis

health products that would not require practitioner oversight and is considering the development of a regulatory pathway for cannabis health products. In the meantime, all phytocannabinoids remain listed on the PDL until there is sufficient scientific evidence (e.g., as demonstrated through a submission to Health Canada) to change the prescription status of a particular phytocannabinoid when used in specific conditions.

Under the Cannabis Regulations, the use of cannabis-derived ingredients (other than certain hemp seed derivatives containing no more than 10 parts per million THC) in cosmetics is permitted and will be subject to provisions of the Act.

Import / Export Permits for Medical or Scientific Purposes

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

Provincial Regulatory Framework

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

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

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

Ontario: In Ontario, the distribution and retail sale of recreational cannabis is conducted through the Ontario Cannabis Retail Corporation ("**OCRC**"), under the oversight of the Alcohol and Gaming Commission of Ontario. Online sales are conducted through the Ontario Cannabis Store platform. Ontario also allows the sale of recreational cannabis by private bricks and mortar retailers. Federally licensed producers may now own or control, directly or indirectly, up to 25% of a corporation holding a cannabis Retail Operator Licence (required to hold a Retail Store Authorization) in Ontario, an increase from the previous threshold of 9.9%. Until September 2021, each retail operator (and its affiliates) may own a maximum of 30 cannabis stores, which will increase to 75 cannabis stores in September 2021.

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

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

Alberta: In Alberta, cannabis products are sold by private retailers that receive their products from a government-regulated distributor (the Alberta Gaming & Liquor Commission), similar to the distribution system currently in place for alcohol in the province. Only licensed retail outlets are permitted to sell cannabis with online sales run by the Alberta Gaming and Liquor Commission.

Saskatchewan: In Saskatchewan, recreational cannabis is sold by private retailers. The Saskatchewan Liquor and Gaming Authority issues private retail store permits, with municipalities having the option of opting out of having a cannabis store if they choose. Saskatchewan is the only jurisdiction to allow for private distribution and wholesale (but regulated by the Saskatchewan Liquor and Gaming Authority).

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

New Brunswick: In New Brunswick, distribution of recreational cannabis is government-run and recreational cannabis is sold in stores and online through Cannabis NB, a subsidiary of the New Brunswick Liquor Corporation (the "**NBLC**"). The NBLC also controls the distribution and wholesale of cannabis in the province. The crown corporation Cannabis Management Corporation is responsible for the oversight, organization, conduct, management and control of the retail sales of cannabis. The New Brunswick government had issued a request for proposals relating to privatization of the Cannabis NB operations. This was placed on hold pending the provincial election which occurred in September 2020 however it remains possible that retail sales will be privatized.

Nova Scotia: In Nova Scotia, the Nova Scotia Liquor Corporation is responsible for the regulation of cannabis in the province, and recreational cannabis is only to be sold publicly through government-operated storefronts and online sales. There is no private licensing of retail. The Nova Scotia Liquor Corporation also controls the distribution and wholesale of cannabis in the province.

Prince Edward Island: In Prince Edward Island, similar to New Brunswick and Nova Scotia, retail is controlled and operated by the government, and cannabis is sold in government-run through PEI Cannabis with physical storefronts and online sales. There is no private licensing of retail. The PEI Cannabis Management Corporation is responsible for the distribution and wholesale of cannabis in the province.

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

Yukon: Recreational cannabis can be purchased through government-run online stores and private retailers licensed by the Cannabis Licensing Board. The Yukon Liquor Corporation is responsible for the distribution and wholesale of cannabis in the territory while the Cannabis Licensing Board is the regulatory body in Yukon. Yukon is developing regulations to enable the licensing of private retailers.

Northwest Territories: The Northwest Territories relies on the N.W.T. Liquor and Cannabis Commission ("**NTLCC**") to control the importation and distribution of cannabis, whether through NTLCC-approved retail outlets or online through the NTLCC. Communities in the Northwest Territories will be able to hold a plebiscite to prohibit cannabis sales in their communities, similar to options currently available to restrict alcohol in the Northwest Territories.

Nunavut: In Nunavut, the Nunavut Liquor and Cannabis Commission ("**NULC**") controls the distribution and sale of cannabis, which it conducts online and in physical stores. The NULC also has the authority to contract with agents for the sale of cannabis.

Australia

The Company's Australian facility holds the Australian Licence with respect to the manufacture and supply of certain limited cannabis products. The facility was built to the same GMP standards as our Canadian facility and MediPharm Labs Australia has received a GMP certificate under the Australian *Therapeutic Goods Act 1989*.

Cannabis and cannabis-related activities are highly regulated in Australia.

The cultivation, production, manufacture, import and export, distribution, possession, use and supply of cannabis and cannabis-derived products are regulated by a number of Australian federal, state and territory laws, that include:

a. *Criminal Code 1995 (Cth)* and separate state and territory crime, drug misuse and/or drug/poison control legislation make it illegal to traffic, import, export, manufacture, cultivate or possess cannabis or cannabis products.

b. *Narcotics Drugs Act 1967 (Cth)* ("**Narcotic Act**") permits the cultivation and production of cannabis and the manufacture of drugs comprising or derived from cannabis or its constituent parts.

c. *Customs Act 1901 (Cth)* addresses the import and export of narcotic substances generally, and the *Customs (Prohibited Imports) Regulations 1956 (Cth)* and *Customers (Prohibited Exports) Regulations 1958 (Cth)* provide a mechanism for the importation and exportation, respectively, of cannabis for medical and scientific purposes, subject to the appropriate licence and permits(s).

d. *Therapeutic Goods Act 1989 (Cth)* ("**TG Act**"), *Therapeutic Goods Regulations 1990 (Cth)* and other subordinate legislation and guidelines, and complementary state and territory legislation, regulate the availability of medicines and other therapeutic goods in Australia.

Narcotics Drugs Act 1967 (Cth)

In 2016 the Australian Government amended the Narcotic Act to allow the cultivation and production of cannabis for medicinal purposes. The Narcotic Act gives effect to the United Nations Single Convention on Narcotic Drugs 1961 (the Single Convention) requirements on cultivation, production of cannabis and the manufacture of narcotic drugs. Existing supply pathways apply to all medicinal cannabis products cultivated or manufactured under the Narcotic Act.

The Narcotic Act defines *'medicinal cannabis product'* to mean a product, including but not limited to, a substance, composition, preparation or mixture, that:

a. includes, or is from, any part of the cannabis plant; and

b. is for use for the purposes of curing, or alleviating the symptoms of, a disease, ailment or injury

The Australian Government Department of Health regulates medical cannabis products through the Therapeutic Goods Administration (the "**TGA**"), and the Office of Drug Control (the "**ODC**").

Therapeutic Goods Administration

The TGA administers the TG Act and regulates the quality, safety and efficacy of medicines as well as access to medicines that have not been approved for general use (unapproved therapeutic goods). The TGA is also responsible for issuing Australian manufacturing licences and overseas manufacturing certification and clearances.

A licence issued under the TG Act regulates matters such as quality and compliance with standards for activities such as:

a. manufacture of an Active Pharmaceutical Ingredient

b. market authorisation

c. production, processing, assembling, packaging, labelling, storage, sterilisation, testing, release for supply

d. clinical trials

Therapeutic goods for both medicinal cannabis products that are included in the ARTG as a prescription medicine and for medicinal cannabis products that are unapproved therapeutic goods are available through the access pathways.

A Manufacturer that has been granted a licence to manufacture therapeutic goods under the TG Act, will likely also need a licence to manufacture narcotic drugs under the Narcotic Act.

Office of Drug Control

The ODC administers the Narcotic Act and regulates controlled substances to prevent diversion and illicit use. The ODC regulates and provides advice on the cultivation, production, import and export of controlled and narcotic drugs including medicinal cannabis, in accordance with Australia's obligations under the Single Convention. This also includes the fit and proper persons requirements, security and inspections and controlling the import and export of narcotics. In addition, the ODC regulates how much of a particular drug may be obtained and used in Australia.

A narcotic manufacture licence is required under the Narcotic Act for any or all of the following activities:

a. obtaining an extract (including tinctures) from cannabis or from cannabis resin

b. separating, or obtaining cannabinoids (e.g., cannabidiol, THC) from the extract

c. converting or transforming cannabinoids present in the extract into another drug

A narcotic manufacture licence does not cover matters such as cultivation or production of cannabis.

Therapeutic Goods (Standard for Medicinal Cannabis) (TGO 93) Order 2017

A medicinal cannabis product supplied in Australia needs to conform with the *Therapeutic Goods (Standard for Medicinal Cannabis) (TGO 93) Order 2017* ("**TGO 93**"). A manufacturer is required to review their raw material and finished product specifications against the requirements of TGO 93 to ensure that they meet the requirements of the standard. Medicinal cannabis products, like all therapeutic goods, may be subject to testing by the TGA to confirm compliance with applicable standards.

Distribution of medicinal cannabis products

The distribution and supply of medicinal cannabis products in Australia is regulated by the TGA.

Pursuant to the TG Act, it is an offence to supply therapeutic goods (including medicinal cannabis products) in Australia unless the goods are included in the Australian Register of Therapeutic Goods ("**ARTG**"), are exempt from being included in the ARTG, or are otherwise authorized by the TGA.

The current regulatory regime in Australia for patient access to medicinal cannabis provides the following "pathways" for obtaining patient access to medicinal cannabis:

a. **Registration in the Australian Register of Therapeutic Goods** ("**ARTG**"). Once the particular medicinal cannabis product is entered in the ARTG are lawfully able to be commercially supplied in Australia. The pathway to registration requires the submission of a dossier of clinical, preclinical, chemistry and manufacturing data to the TGA.

b. **The Special Access Scheme** ("**SAS**"). This provides a mechanism for patients to access therapeutic goods not entered in the ARTG. The SAS facilitates the supply of the medicinal cannabis product to a single patient on a case-by-case basis. Under the SAS a prescribing medical practitioner (a medical doctor) or a health practitioner on behalf of a prescribing medical practitioner (e.g., a nurse practitioner or pharmacist) may, with notification to the TGA, supply unapproved medicinal cannabis products to such a patient.

c. **Authorised Prescriber Scheme** ("**APS**"). Under this pathway, a medical practitioner may apply to the TGA to become an "Authorised Prescriber" of unapproved medicinal cannabis products in order to prescribe the products to a class (or classes) of recipients with a particular medical condition.

d. **Clinical Trials**. Access to medicinal cannabis products under a clinical trial program is available where an approval for the trial has been obtained from the Australian Human Research Ethics Committee and, where required, the TGA.

Further, relevant State or Territory-based Supplier's Licence(s) (to the extent applicable) will also need to be obtained, depending on where in Australia the operations are located.

Restrictions on Business Activities Outside of Canada

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

The Company does not engage in or intend to engage in any US "marijuana-related activities" as defined in Canadian Securities Administrators Staff Notice 51-352 (Revised) *Issuers with US Marijuana-Related Activities*. The Company is currently only developing business opportunities in jurisdictions outside of Canada where such operations are legally permissible in accordance with all of the laws of the foreign jurisdiction, the laws of Canada and our regulatory obligations with the TSX.

RISK FACTORS

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

Business Risks

Limited Operating History

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

Regulatory Compliance Risks

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

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

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

Change of Cannabis Laws, Regulations and Compliance Policies

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

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

Reliance on Licences and Authorizations

The operations of the Company require it to obtain licences for the production, packaging and distribution of cannabis related products, and in some cases, renewals of existing licences from, and the issuance of import, export and other permits by certain national authorities in Canada, Australia and other international jurisdictions. The Company believes that it currently holds all necessary licences and permits to carry on the activities that it is currently conducting under applicable laws and regulations, and also believes that it is complying in all material respects with the terms of such licences and permits. In

addition, the Company will apply for, as the need arises, all necessary licences and permits to carry on the activities it expects to conduct in the future. However, the ability of the Company to obtain, sustain or renew any such licences and permits on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable authorities or other governmental agencies. Any loss of interest in any such required licence or permit, or the failure of any governmental authority to issue or renew such licences or permits upon acceptable terms, would have a material adverse impact upon the Company.

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

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

Lack of Long-Term Client Commitment Risk

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

Risks Related to the COVID-19 Pandemic

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

The Company expects to experience some short to medium term negative impacts from the COVID-19 outbreak; however, the extent of such impacts is currently unquantifiable, but may be significant. Such impacts include, with respect to its operations, its suppliers' operations and its customers' operations, forced closures, mandated social distancing, isolation and/or quarantines, impacts of declared states of

emergency, public health emergency and similar declarations and could include other increased government regulations, reduced sales, and potential supply and staff shortages, all of which are expected to negatively impact the business, financial condition and results of operations of the Company and thus may impact the ability of the Company to comply with financial covenants under the Notes, satisfy its obligations to its lenders and other parties, which may in turn may adversely impact, among other things, the ability the Company to access debt or equity capital on acceptable terms or at all.

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

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

Disruption of Supply Chain

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

Risk of Default under the Convertible Notes

As at the date of this AIF, the Company has approximately $3.9 million in Notes outstanding. The Notes have a three-year term and are convertible at the option of the holder at price of $2.28 per share, subject to adjustments in certain circumstances. Upon an event of default under the Notes, which is not cured or waived, the holder of the Notes may require the Company to redeem all or any portion of the Notes. If the Notes are required to be redeemed, in whole or in part, there can be no assurance that the assets of the Company would be sufficient to repay the redemption amount within the time required by the Notes.

Risks relating to Research and Development Milestones and the Company's Equipment

The Company expects to use a portion of the net proceeds of the Offering for research and development purposes. There is no assurance that the Company's anticipated milestones will be achieved, and a failure to achieve these milestones could negatively impact the Company's ability to raise additional funds required for operations and research and development activities, and could, in turn, impact the financial viability of the Company. There is also no assurance that the Company's research and development activities will continue to result in commercially viable products.

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

In light of rapidly developing technologies, regulatory changes, emerging industry standards and the Company's competitive landscape, the Company has previously elected to not continue projects and has written down non-current deposits given to vendors for capital expenditures as a result.

Client and Receivables Risks

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

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

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

Realization of Growth Targets Including Expansion of Facilities and Operations

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

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

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

Management of Growth

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

History of Net Losses

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

Difficulty to Forecast

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

Competition

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

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

Inability to Sustain Pricing and Inventory Models

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

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

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

The Company may be subject to various potential conflicts of interest because of the fact that some of its officers and directors may potentially be engaged in a range of business activities. In addition, its executive officers and directors may potentially devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Company. In some cases, the Company's executive officers and directors may have fiduciary obligations associated with these

business interests that interfere with their ability to devote time to the Company's business and affairs and that could adversely affect the Company's operations.

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

Legal Proceedings

From time to time, the Company may be a party to legal and regulatory proceedings, including matters involving governmental agencies, entities with whom it does business and other proceedings arising in the ordinary course of business. The Company will evaluate its exposure to these legal and regulatory proceedings and establish reserves for the estimated liabilities in accordance with generally accepted accounting principles. Assessing and predicting the outcome of these matters involves substantial uncertainties. Unexpected outcomes in these legal proceedings, or changes in management's evaluations or predictions and accompanying changes in or establishment of reserves, could have an adverse impact on the Company's financial results. In addition, one long-term contract is subject to ongoing litigation, as the counterparty has not fulfilled its contractual obligations for committed amounts.

Product Liability

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

Product Recalls

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

Environmental Regulation and Risks

The Company's operations are subject to environmental regulations that mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which could stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

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

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

Insurance and Uninsured Risks

The Company has insurance to protect its assets, operations and employees. While the Company believes its insurance coverage addresses all material risks to which it is exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which it is exposed. In addition, no assurance can be given that such insurance will be adequate to cover the Company's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Company were to incur substantial

liability and such damages were not covered by insurance or were in excess of policy limits, or if it were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

Unfavourable Publicity or Consumer Perception

The Company believes the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of cannabis and related products distributed to such consumers (both through the legal and illegal channels). Consumer perception of the Company's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the cannabis market or any particular product, or consistent with earlier publicity.

The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for the Company's products, and the business, results of operations, financial condition and cash flows of the Company.

Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis and related products in general, or the Company's products specifically, or associating the consumption of cannabis or related products with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed. The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views in regard to the Company and its activities, whether true or not. Although the Company believes that it operates in a manner that is respectful to all stakeholders and that it takes care in protecting its image and reputation, the Company does not ultimately have direct control over how it is perceived by others. Reputational loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Company's overall ability to advance its projects, thereby having a material adverse impact on financial performance, financial condition, cash flows and growth prospects.

Reliance on Production Facilities

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

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

Dependence on Supply of Cannabis and Other Key Inputs

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

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

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

Maintenance of Effective Quality Control Systems

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

Retention and Acquisition of Skilled Personnel

The loss of any member of the Company's management team could have a material adverse effect on its business and results of operations. In addition, an inability to hire, or the increased costs of new

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

The Publication of Negative Results of Clinical Trials

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

Failure to Comply with Laws in all Jurisdictions

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

Perceived Reputational Risk for Third Parties

The parties with which the Company does business, including various financial institutions, may perceive that they are exposed to reputational risk as a result of the Company's lawful cannabis business activities. Failure to establish or maintain business relationships due to reputational risk arising in connection with

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

Risks Related to Intellectual Property

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

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

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

Marketing Constraints

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

Research & Development

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

Shelf Life of Inventory

The Company holds finished goods in inventory, which require shelf-life testing. The Company is currently completing shelf-life stability tests for various products as they are developed. The Company's inventory may reach its expiration and not be sold. Even though on a regular basis, management reviews the amount of inventory on hand, reviews the remaining shelf life and estimates the time required to manufacture and sell such inventory, write-down of inventory may still be required. The Company might also suffer actual loss of inventory upon such inventory reaching its expiration, thereby reducing the amount of product available for sale. Any such write-down or loss of inventory could have a material adverse effect on the Company's business, financial condition, and results of operations.

Scheduled Maintenance, Unplanned Repairs, Equipment Outages and Logistical Disruptions

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

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

Risks as a Result of International Expansions

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

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

Operations in Foreign Jurisdictions

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

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

Changes, if any, in policies or shifts in political attitude may adversely affect the Company's operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, foreign investment, environmental legislation, and land use. The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the Company's operations and profitability.

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

Reliance Upon International Advisors and Consultants

The legal and regulatory requirements and local business culture and practices in the foreign countries in which the Company may expand are different from those in which it currently operates. The Company's

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

Foreign Currency Risk

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

Financial and Accounting Risks

Access to Capital

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

Estimates or Judgments Relating to Critical Accounting Policies

The preparation of financial statements in conformity with International Financial Reporting Standards, or IFRS, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The Company bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, as provided in the notes accompanying its financial statements, the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenue and expenses that are not readily apparent from other sources. The Company's operating results may be adversely affected if the assumptions change or if actual circumstances differ from those in the assumptions, which could cause the Company's operating results to fall below the expectations of securities analysts and investors, resulting in a decline in the share price of the Company. Significant assumptions and estimates used in preparing the financial statements include those related to the expected credit loss for trade receivables, share-based warrants and stock options, impairment assessment and estimated useful lives of property, plant and equipment, valuation of inventories, fair value of derivative liabilities, and right of return products.

Tax Risks

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

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

Negative Operating Cash Flow

The Company has negative cash flow from operating activities and has historically incurred net losses. There is no assurance that sufficient revenues will be generated in the near future. To the extent that the Company has negative operating cash flows in future periods, it may need to deploy a portion of its existing working capital to fund such negative cash flows. The Company may be required to raise additional funds through the issuance of additional equity securities or through loan financing. There is no assurance that additional capital or other types of financing will be available if needed or that these financings will be on terms at least as favourable to the Company as those previously obtained, or at all. The Company's ability to successfully raise additional capital and maintain liquidity may by impaired by factors outside of its control, such as a shift in consumer attitudes towards certain therapeutic methods or a downturn in the economy.

Any inclusion in the Company's financial statements of a going concern opinion may negatively impact the Company's ability to raise future financing and achieve future revenue. Any inclusion in the Company's financial statements of a going concern opinion may negatively impact the Company's ability to raise future financing and achieve future revenue. The Company's financial statements do not include any adjustments to the Company's recorded assets or liabilities that might be necessary if the Company becomes unable to continue as a going concern. If any of these events happen, you could lose all or part of your investment. The Company's financial statements do not include any adjustments to the Company's recorded assets or liabilities that might be necessary if the Company becomes unable to continue as a going concern.

Risks Related to the Common Shares

Market for the Common Shares

There can be no assurance that an active trading market for the Common Shares will be sustained. The Company cannot predict the prices at which the Common Shares will trade. Fluctuations in the market price of the Common Shares could cause an investor to lose all or part of its investment in Common Shares. Factors that could cause fluctuations in the trading price of the Common Shares include: (i) announcements of new offerings, products, services or technologies; commercial relationships, acquisitions or other events by the Company or its competitors; (ii) price and volume fluctuations in the overall stock market from time to time; (iii) significant volatility in the market price and trading volume of agriculture companies; (iv) fluctuations in the trading volume of the Common Shares or the size of the Company's public float; (v) actual or anticipated changes or fluctuations in the Company's results of operations; (vi) whether the Company's results of operations meet the expectations of securities analysts or investors; (vii) actual or anticipated changes in the expectations of investors or securities analysts; (viii) litigation involving the Company, its industry, or both; (ix) regulatory developments in the Canada, Australia and foreign countries; (x) general economic conditions and trends; (xi) major catastrophic events; (xii) escrow releases, sales of large blocks of the Common Shares; (xiii) departures of key employees or members of management; or (xiv) an adverse impact on the Company from any of the other risks cited herein or not yet known to the Company.

Investment in the Cannabis Sector

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

No History of Payment of Cash Dividends

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

Reporting Issuer Status

As a reporting issuer, the Company is subject to reporting requirements under applicable securities law and TSX policies. Compliance with these requirements result in legal and financial compliance costs, make some activities more difficult, time consuming or costly and increase demand on existing systems and resources. Among other things, the Company is required to file annual, quarterly and current reports with respect to its business and results of operations and maintain effective disclosure controls and procedures and internal controls over financial reporting. In order to maintain and, if required, improve disclosure controls and procedures and internal controls over financial reporting to meet this standard, significant resources and management oversight is required. As a result, management's attention may be

diverted from other business concerns, which could harm the Company's business and results of operations. The Company may need to hire additional employees to comply with these requirements in the future, which would increase its costs and expenses. Management of the Company believes that being a reporting issuer makes it more expensive to maintain director and officer liability insurance. This factor could also make it more difficult for the Company to retain qualified directors and executive officers.

Significant Sales of Common Shares

Although Common Shares held by existing shareholders of Common Shares are freely tradable under applicable securities legislation, certain Common Shares held by the Company's directors, executive officers, Control Persons and certain other securityholders of the Company are subject to escrow and seed share resale restrictions pursuant to the policies of the TSX. Sales of a substantial number of the Common Shares in the public market after the expiry of such restrictions or the perception that these sales could occur, which could adversely affect the market price of the Common Shares and may make it more difficult for investors to sell Common Shares at a favourable time and price.

Analyst Coverage

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

Tax Issues

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

Risks Related to Future Offerings

Market for Securities

There is no existing trading market for the Warrants, Options, Subscription Receipts, Debt Securities or Units. As a result, there can be no assurance that a liquid market will develop or be maintained for those Securities, or that a purchaser will be able to sell any of those Securities at a particular time (if at all). We may not list the Warrants, Options, Subscription Receipts, Debt Securities or Units on any Canadian or U.S. securities exchange.

Future Sales Affecting Market Price

In order to finance future operations, we may determine to raise funds through the issuance of additional Common Shares or the issuance of debt instruments or other securities convertible into Common Shares. We cannot predict the size of future issuances of Common Shares or the issuance of debt instruments or other securities convertible into Common Shares or the dilutive effect, if any, that future issuances and

sales of our securities will have on the market price of our Common Shares. These sales may have an adverse impact on the market price of our Common Shares.

Management Discretion Concerning Use of Proceeds

Our management will have substantial discretion concerning the use of proceeds of an offering under any Prospectus Supplement as well as the timing of the expenditure of the proceeds thereof. As a result, investors will be relying on the judgment of management as to the specific application of the proceeds of any offering of Securities under any Prospectus Supplement. Management may use the net proceeds of any offering of Securities under any Prospectus Supplement in ways that an investor may not consider desirable. The results and effectiveness of the application of the net proceeds are uncertain.

DIVIDEND RECORD AND POLICY

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

DESCRIPTION OF CAPITAL STRUCTURE

Share Capital

The Company is authorized to issue an unlimited number of Common Shares and an unlimited number of special shares, of which 155,550,487 Common Shares were issued and outstanding as at December 31, 2020 and 257,947,759 Common Shares were issued and outstanding as of the date of this AIF. No special shares are issued and outstanding as at December 31, 2020 or as of the date of this AIF.

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

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

MARKET FOR SECURITIES

Common Shares

The Common Shares are listed for trading on the TSX under the stock symbol "LABS". The following table sets forth, for the periods indicated, the reported high and low prices and the trading volume of the Common Shares on the TSX:

Month (2020)	High	Low	Volume
January	$4.44	$2.70	20,694,900
February	$3.35	$2.19	16,351,197
March	$2.68	$1.20	23,649,165
April	$2.08	$1.44	12,882,811
May	$2.25	$1.37	19,293,797
June	$1.95	$1.14	21,059,338
July	$1.29	$1.04	7,690,723
August	$1.08	$0.83	9,977,414
September	$1.20	$0.79	7,992,995
October	$1.10	$0.79	9,322,402
November	$0.98	$0.52	28,296,473
December	$0.62	$0.49	17,390,324

Prior Sales

During the year ended December 31, 2020, the following securities of the Company, which are not listed or quoted on a marketplace, were issued:

Stock Options

Date of Issue	Number of Common Shares Issuable on Exercise of Options	Exercise Price	Expiry Date
January 21, 2020[(6)]	80,000	$3.80	January 21, 2025
February 21, 2020[(6)]	80,000	$2.92	February 21, 2025
March 30, 2020[(6)]	60,000	$1.59	March 30, 2025
June 18, 2020[(6)]	83,150	$1.46	June 18, 2025
June 22, 2020[(6)]	300,000	$1.35	June 22, 2025
July 13, 2020[(6)]	300,000	$1.22	July 13, 2025
July 31, 2020[(6)]	300,000	$1.04	July 31, 2025
August 27, 2020[(7)]	560,000	$0.93	August 27, 2025

Warrants

Date of Issue	Number of Common Shares Issuable on Exercise of Warrants	Exercise Price[9]	Expiry Date
June 8, 2020[8]	3,601,427	$2.28	October 8, 2023
August 6, 2020[8]	3,601,427	$2.28	December 6, 2023
October 1, 2020[4]	973,608	$0.4732	October 5, 2020

Unsecured Convertible Notes

Date of Issue	Principal Amount	Conversion Price[9]
June 8, 2020[8]	$20,500,000	$2.28
August 6, 2020[8]	$20,500,000	$2.28

Notes:

(1) Issued on exercise of options granted under the Company's stock option plan.
(2) Issued on exercise of warrants.
(3) Issued as partial consideration to the vendor pursuant to the terms of the Australian Acquisition.
(4) Issued on exercise of compensation options.
(5) Common shares issued in connection with Acceleration of the Notes. See "Consolidated Capitalization of the Company".
(6) Granted under the Company's prior stock option plan, each option is exercisable for one Common Shares.
(7) Granted under the Company's omnibus equity incentive plan, each option is exercisable for one Common Shares.
(8) Issued in connection with the 2021 Private Placement.
(9) Subject to adjustment in certain circumstances.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO RESTRICTION ON TRANSFER

The following table sets forth the securities of the Corporation held in escrow or subject to restriction on transfer of December 31, 2020.

Designation of Class	Number	Percentage of Class
Common Shares[1]	2,359,603	0.9%

Notes:

(1) The Common Shares are subject to a one (1) year lock-up period, during which time the Common Shares cannot be sold, directly or indirectly, optioned for sale, or otherwise disposed of, or converted or exchanged for the right to receive any Common Shares. The lock-up period expires October 8, 2021.

DIRECTORS AND EXECUTIVE OFFICERS

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

Name, Place of Residence and Position with the Company	Present Principal Occupation and Positions Held During the Last Five Years	Director Since	Number of Voting Securities Beneficially Owned, Controlled or Directed
Warren Everitt Oakleigh, Victoria, Australia CEO Asia Pacific, MediPharm Labs Australia	Current – CEO Asia Pacific, MediPharm Labs Australia (September 2019 – Present) Previous – Managing Director, Australia, MediPharm Labs Australia (January 2017 – September 2019); Manager Director, MarketOne Australia Pty Ltd (May 2011 – August 2018)	January 15, 2021	2,386,553 Common Shares
Christopher Halyk[(2)] Oakville, Ontario Director	Current – Retired Previous – President, Janssen-Ortho (2006 – 2019)	August 4, 2020	86,000 Common Shares
Greg Hunter Toronto, Ontario Chief Financial Officer	Current – Chief Financial Officer (February 2021 to present) Previous – Chief Financial Officer, Medical Pharmacies Group Limited (November 2018 – January 2021); Chief Financial Officer, (January 2016 – October 2018)	-	-
Shelley Martin[(1) (2)] Oro-Medonte, Ontario Director	Current – Retired Previous – CPG Executive - President and CEO of Nestlé Canada (January 2013 – August 2018)	June 22, 2020	-
Miriam McDonald[(1)] Sudbury, Ontario Director	Current – Administrative Director, Pharmacy, Health Sciences North (May 2007 – Present)	October 1, 2018	101,537 Common Shares

Name, Place of Residence and Position with the Company	Present Principal Occupation and Positions Held During the Last Five Years	Director Since	Number of Voting Securities Beneficially Owned, Controlled or Directed
Pat McCutcheon Oro-Medonte, Ontario Director, Chair of the Board	Current – Chair of the Board, the Company (October 2018 – Present) Previous – Chief Executive Officer, MediPharm Labs (October 2018 – December 2020); National Account Manager, Hospital Sales, Janssen, Johnson & Johnson (January 2013 – October 2017)	October 1, 2018	9,505,240 Common Shares
Keith Strachan Barrie, Ontario Interim CEO and President	Current – Interim CEO & President, MediPharm Labs (December 2020 – Present) Previous – President, MediPharm Labs (February 2019 – December 2020); VP Business Development, MediPharm Labs (October 2018 – February 2019); Self-Employed (May 2014 – December 2017)	October 1, 2018	5,990,750 Common Shares
Dr. Paul Tam[(2)] Toronto, Ontario Director	Current – Medical Specialist	April 30, 2019	172,000 Common Shares
Chris Taves[(1)] Mississauga, Ontario Director	Current – Special Advisor, BMO Capital Markets (September 2020 –Present) Previous – Capital Markets Specialist BMO Capital Markets (March 2009 – August 2020)	July 13, 2020	345,000 Common Shares

Notes:

(1) Member of Audit Committee.

(2) Member of Compensation Committee and the Corporate Governance and Nominating Committee.

Shareholdings

As of the date of this AIF, the Company's directors and executive officers as a group beneficially owned, or controlled or directed, directly or indirectly 18,587,080 Common Shares, representing approximately 7.2% of the issued and outstanding Common Shares.

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

To the knowledge of the Company, no director or executive officer of the Company is, as at the date of this AIF, or has been within the last ten years, a director, chief executive officer or chief financial officer of any company (including the Company) that:

(a) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, and which in all cases was in effect for a period of more than 30 consecutive days (an "**Order**"), which Order was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer of such company; or

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

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

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

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

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

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

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

CONFLICTS OF INTEREST

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

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

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

To the knowledge of the directors and officers of the Company, there are no legal proceedings material to the Company to which the Company or its subsidiaries, are or were a party to, or of which any of their respective property is or was the subject matter of, during the financial year ended December 31, 2020, nor are any such proceedings known to be contemplated, other than the Statement of Claim.

To the knowledge of the directors and officers of the Company, no penalties or sanctions have been imposed against the Company or its subsidiaries by a court or by a regulatory authority during the financial year ended December 31, 2020, no penalties or sanctions have been imposed against the Company by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision in respect of the Company, and no settlement agreements have been entered into by the Company before a court relating to securities legislation or with a securities regulatory authority during the Company's financial year.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

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

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

On September 28, 2020, MediPharm Labs entered into a share sale and purchase agreement with Mr. Everitt to acquire his 20% ownership interest in MediPharm Labs Australia. On October 8, 2020, the Company closed the transaction for an amount of $3.2 million was paid as a combination of cash and Common Shares. Mr. Everitt was paid $600,000 in cash and issued 2,359,603 Common Shares valued at $2 million. The remainder of the consideration will be paid as $300,000 of cash nine months after the closing date and $300,000 of cash eighteen months after the closing date.

TRANSFER AGENT AND REGISTRAR

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

MATERIAL CONTRACTS

The following are the contracts that are material to the Company that were entered into during the year ended December 31, 2020 or that are still in effect, other than contracts entered into in the ordinary course of business.

(a) the Licence; and

(b) the Australian Licence.

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

INTERESTS OF EXPERTS

The Company's financial statements for the year ended December 31, 2020 have been audited by KPMG LLP, Chartered Professional Accountants. The Company has been advised that KPMG LLP is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

AUDIT COMMITTEE

Audit Committee's Charter

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

Composition of Audit Committee

As at the date of this AIF, the Audit Committee is composed of Chris Taves, Miriam McDonald and Shelley Martin, each of whom is a director of the Company.

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

Relevant Education and Experience

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

Chris Taves – As COO of BMO Capital Markets ("**BMOCM**"), a leading full-service financial services provider and member of BMO Financial Group, one of the largest banks in North America, Mr. Taves is responsible for setting and overseeing implementation of BMOCM's strategies and for all balance sheet and risk-taking activity as well as regulatory, compliance and operational functions. He also serves as a Board Member of BMO China Co. and BMO Capital Markets Corp. Prior to assuming his current role in 2018, he served as Head of Global Markets responsible for BMO's global trading businesses and in various other roles over an 11-year career at BMO. Mr. Taves began his career at KPMG in 1989 and joined Citigroup in 1997 where he became Head of Corporate Canada Team, Derivatives & Structured Product before moving to BMOCM. He has an MBA from the Ivey Business School at Western University, and a Bachelor of Mathematics from the University of Waterloo. He is a CA CPA and a member of the National Association of Corporate Directors.

Shelley Martin – Ms. Martin served in a variety of senior executive roles at Nestlé Canada Inc. from 1990 until she retired after five years as President and Chief Executive Officer in 2018. During her time leading Nestlé Canada, she drove a substantial increase in revenue, market share and profitability and transformed core business units and brands by introducing new formulas, packaging, pricing, global sources of supply and Lean (Six Sigma) tools. In 2018, Nestlé Canada's annual sales were approximately $2.6 billion. She began her career at General Mills Canada in 1985 and was named one of Canada's Most Powerful Women by the Women's Executive Network (WXN) in 2015, 2016 and 2018. Ms. Martin is a member of the Advisory Board of Moosehead Breweries as well as Crosby Molasses, and is a Director of Vineland Research and Innovation Centre, a leader in horticultural research and innovation. From 2016 to 2018, she served as Board Chair of Food & Consumer Products of Canada (FCPC), which represents more than 100 food, beverage, and consumer product manufacturers of all sizes. From 2013 to 2018, she was a Director of The Grocery Foundation, a not-for-profit organization that has raised over $90 million for student nutrition programs. Ms. Martin is a graduate of Wilfrid Laurier University (Bachelor of Business Administration) and earned the Institute of Corporate Directors ICD.D designation in 2016.

Miriam McDonald – Ms. McDonald is currently the Director of Pharmacy at Health Sciences North, Northern Ontario's largest hospital located in Sudbury. She holds a Bachelor of Science in Pharmacy from the University of Toronto and a Master of Science in Pharmacology from Queens University. Her career has encompassed positions as the Executive Director of Community Development at the Northern Ontario School of Medicine, and CEO of the Northeastern Ontario Medical Education Corporation (NOMEC) wherein she worked throughout northern Ontario to facilitate community-based medical clinical education. Ms. McDonald also served as Director of Planning and Development of Cambrian College, Executive Director of Cambrian Foundation, and Director of Pharmacy, Director of

Rehabilitation Services and Assistant Executive Director of Therapeutic Services at Laurentian Hospital. Ms. McDonald was Project Coordinator for the planning and construction of the Glenn Crombie Special Needs Centre, the Northern Centre for Advanced Technology (NORCAT), and the Northeastern Cancer Centre. She is the author and co-author of a number of health-related papers and studies and is very active in the community both on a personal and professional level. Ms. McDonald has been recognized by Northern Ontario Business as a "Woman of Influence", was the recipient of the Sudbury Business and Professional Women's Club highest honour – the Bernardine Yackman Award, and has served on the Women's Health Council of Ontario and Ontario Judicial Appointment Advisory Committee. Raised in northern Ontario, her strongest interest is in projects that address accessibility to health, education and information technology in northern Ontario.

Audit Committee Oversight

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

Reliance on Certain Exemptions

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

Pre-Approval Policies and Procedures

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

External Auditor Service Fees (By Category)

Audit Fees – The Company's external auditors billed $664,699 and $176,000 for the audit of the financial years ended December 31, 2020 and 2019, respectively.

Audit-Related Fees – The Company's external auditors nil for assurance and related matters during the financial years ended December 31, 2020 and 2019.

Tax Fees – The Company's external auditors billed the Company $49,425 and $7,000 during the financial years ended December 31, 2020 and 2019, respectively, for services related to tax compliance, tax advice and tax planning.

All Other Fees – The Company's external auditors billed the Company nil and $25,500 during the financial years ended December 31, 2020 and December 31, 2019 for other services related to the Bought Deal Financing and the proposed cross-listing on NASDAQ, with respect to 2019.

ADDITIONAL INFORMATION

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

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

Additional financial information is provided in the Company's consolidated financial statements and MD&A for the most recently completed year ended December 31, 2020.

EXHIBIT "A"
AUDIT COMMITTEE CHARTER

MEDIPHARM LABS CORP.

(the "Corporation")

AUDIT COMMITTEE CHARTER

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

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

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

PART 1

Purpose:

The purpose of the Committee is to:

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

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

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

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

(e) enhance the external auditor's independence;

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

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

1.1 **Definitions**

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

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

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

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

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

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

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

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

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

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

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

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

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

1.2 **Meaning of Financially Literate**

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

PART 2

2.1 Audit Committee

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

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

2.2 Relationship with External Auditors and Other Parties

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

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

2.3 Committee Responsibilities

1. The Committee shall be responsible for:

   (a) the selection of the external auditor; and

   (b) the compensation of the external auditor.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.5 **Delegation of Pre-Approval Function**

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

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

PART 3

3.1 **Composition**

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

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

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

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

5. Every Member shall be financially literate.

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

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

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

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

PART 4

4.1 **Authority**

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

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

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

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

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

PART 5

5.1 Disclosure in Information Circular

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

PART 6

6.1 Meetings

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

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

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

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

Currency of this Charter

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