**CHOOM HOLDINGS INC.**

**ANNUAL INFORMATION FORM**

For the Financial Year Ended June 30, 2017

Dated May 1, 2018

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# INTRODUCTORY NOTES

## Date of Information

All information contained in this Annual Information Form ("**AIF**") is current as of June 30, 2017 with subsequent events disclosed to May 1, 2018.

## Currency and Exchange Rates

All dollar amounts herein are expressed in Canadian dollars unless otherwise indicated.

## Forward-Looking Information

This AIF contains certain statements, which may constitute "forward-looking information" within the meaning of Canadian securities law requirements ("**forward-looking statements**"). These forward-looking statements are made as of the date of this AIF and Choom Holdings Inc. (the "**Company**") does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation. Forward-looking statements relate to future events or future performance and reflect Company management's expectations or beliefs regarding future events. In certain cases, forward-looking statements can be identified by the use of words such as "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. In this document, certain forward-looking statements are identified by words including "may", "future", "expected", "intends" and "estimates". By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. The Company provides no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Certain forward-looking statements in this AIF include, but are not limited to the following

- the Company's strategies and objectives, both generally and in respect of its existing business and planned business operations;
- Medi-Can's ACMPR application to become a licensed producer;
- IGC's ACMPR application to become a licensed producer;
- completion of the ITI Transaction;
- completion of the acquisition of Flower Power and Highway 10;
- the Company's retail dispensary strategy;
- conditions in the financial markets generally, and with respect to the prospects for Canadian cannabis companies specifically;
- the expected demand for the Company's services and products;

- the Company’s future cash requirements; and
- the timing, pricing, completion, regulatory approval of proposed financings.

The above and other aspects of the Company’s anticipated future operations are forward-looking in nature and, as a result, are subject to certain risks and uncertainties. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, undue reliance should not be placed on them as actual results may differ materially from the forward-looking statements. Such forward-looking statements are estimates reflecting the Company’s best judgment based upon current information and involve a number of risks and uncertainties, and there can be no assurance that other factors will not affect the accuracy of such forward-looking statements. Such factors include but are not limited to the Company’s ability to become a Licensed Producer, the Company’s ability to obtain the necessary financing and the general impact of financial market conditions, the demand for the Company’s products, the success of the Company’s current and future development efforts, changes in prices of required commodities, competition, government regulations and other risks as set out under “Risk Factors” below.

## GLOSSARY OF TERMS

The following is a glossary of certain terms used in this AIF.

"**ABcann**" means ABcann Medicinals Inc.;

"**ABcann Supply Agreement**" means the binding supplier agreement dated March 16, 2018 between the Company and ABcann pursuant to which ABcann will supply Choom with premium cannabis products subject to regulatory approval;

"**ACMPR**" means Health Canada's Access to Cannabis for Medical Purposes Regulations;

"**Additional LP Target**" has the meaning ascribed to such term under "*Description of Business - Cannabis License and Applications for Licenses*";

"**Administrator**" means an administrator of the Plan appointed by the Board or the Committee;

**"AIF**" means this annual information form of the Company dated May 1, 2018 for the year ended June 30, 2017;

"**Amalgamation**" means the amalgamation between Arbutus and ITI;

"**Arbutus"** means Arbutus Brands Inc., a wholly-owned subsidiary of the Company;

"**Audit Committee**" means the audit committee of the Company;

"**BCBCA**" means the *Business Corporations Act* (British Columbia);

"**Bill C-45**" means Bill C-45 *An Act respecting cannabis and to amend the Controlled Drugs and Substances Act, the Criminal Code and other Acts, and An Act to amend the Criminal Code (offences related to conveyances) and to make consequential amendments to other Acts*

"**Board**" means the board of directors of the Company;

"**Cartier**" means Cartier Resources;

"**CDSA**" means the *Controlled Drugs and Substances Act* (Canada), as amended;

"**CEO**" means Chief Executive Officer of the Company;

"**CFO**" means Chief Financial Officer of the Company;

"***Charter***" means *Canadian Charter of Rights and Freedoms* (Canada), as amended;

"**Clarity**" means Clarity Cannabis MD Holdings Inc.;

"**Clarity Option**" has the meaning ascribed to such term under *General Development of the Business – Material Transactions – Cannabis*;

"**Clarity Option Agreement**" means the option agreement dated April 16, 2018 between Choom and Clarity;

"**Committee**" means a special committee of the Board;

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

"**Company**" or "**Choom**" means Choom Holdings Inc.;

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

"**December 2017 Financing**" means the non-brokered private placement of 5,000,000 December 2017 Units at a price of $0.20 per December 2017 Units for gross proceeds of $1,000,000, completed on December 19, 2017;

"**December 2017 Unit**" means the 5,000,000 units issued under the December 2017 Financing;

"**December 2017 Warrant**" means the 5,000,000 common share purchase warrants issued under the December 2017 Financing;

"**Diego Property**" means the Diego Gold Project, comprised of 38 claims and located 40 kilometres southwest of the town of Chapais, in the province of Quebec;

"**Expression of Interest**" has the meaning ascribed to such term under *General Development of the Business – Material Transactions – Cannabis*;

"**Facility**" means the cannabis facility located in Vernon, B.C. that is in the process of being completed by Medi-Can;

"**FDA**" means the *Food and Drug Act* (Canada) as amended;

"**February 2017 Financing**" means the non-brokered private placement of 10,000,000 Common Shares at a price of $0.05 per Common Share for gross proceeds of $500,000 completed on February 7, 2017;

"**February 2018 Financing**" means the non-brokered private placement of 5,400,000 February 2018 Units at a price of $0.50 per February 2018 Unit for gross proceeds of $2,700,000, completed on February 6, 2018;

"**February 2018 Unit**" means the 5,400,000 units issued under the February 2018 Financing;

"**February 2018 Warrant**" means the 2,700,000 common share purchase warrants issued under the February 2018 Financing;

"**Flower Power**" means Flower Power Cannabis Pharms Inc.;

"**Flower Power LOI**" means the letter of intent dated March 5, 2018 between the Company, Flower Power and Highway 10;

"**forward looking statements**" has the meaning ascribed to such term under *Introductory Notes – Forward- Looking Information*;

"**Highway 10**" means Highway 10 Cannabis Pharms Inc., the wholly-owned subsidiary of Flower Power;

"**IGC**" means Island Green Cure Ltd.;

"**IGC Acquisition**" means the acquisition of IGC by Choom;

“**IGC LOI**” means the letter of intent dated January 11, 2018 between the Company and IGC pursuant to which the Company will acquire all of the issued and outstanding shares in the capital of IGC;

“**IGC SPA**” means the share purchase agreement dated April 17, 2018 among the Company, IGC and the shareholders of IGC;

“**ITI**” means International Tungsten Inc.;

“**ITI Agreement**” means the definitive amalgamation agreement dated March 16, 2018 among Choom, Arbutus and ITI;

“**ITI Transaction**” means the three-cornered amalgamation among Choom, Arbutus and ITI;

“**Licensed Dealer**” has the meaning ascribed to such term under *Regulatory Reporting Requirements under the ACMPR*;

“**Licensed Producer**” means the status of being a licensed producer of cannabis for medical purposes under the ACMPR;

“**Lithium Property**” means the 8 lithium properties located within the 2 major lithium districts of Quebec: the Abitibi and James Bay regions. The property covers a total area of approximately 1150 hectares over highly prospective geology;

“**March 2018 Financing**” means the non-brokered private placement of 11,666,991 Subscription Receipts for gross proceeds of $7,000,000, completed on March 19, 2018;

“**March 2018 Unit**” has the meaning ascribed to such term under *General Development of the Business – Material Transactions – Financings*;

“**March 2018 Warrant**” has the meaning ascribed to such term under *General Development of the Business – Material Transactions – Financings*;

“**Medi-Can”** means Medi-Can Health Solutions Ltd., a wholly-owned subsidiary of the Company;

“**Medi-Can Agreement**” means the share purchase agreement dated August 30, 2017 between the Company and the Medi-Can Shareholders;

“**Medi-Can Shareholders**” means John Doo-Jin Oh, Adrian Robinson, Josh Brazier, Robert Bayrack, the shareholders of Medi-Can;

“**MMAR**” means the *Marihuana Medical Access Regulations*;

“**MMPR**” means the *Marihuana for Medical Purposes Regulations*;

“**NCR**” means *Narcotic Control Regulations*;

“**NI 52-110**” means National Instrument 52-110 *Audit Committees*;

“**Options**” means incentive stock options to purchase Common Shares issued pursuant to the Option Plan;

“**Option Plan**” means the incentive stock option plan of the Company;

“**Philibert Option**” means the option to earn a 50% interest in the Philibert Property;

"**Philibert Property**" means the Philibert Gold Project, comprised of 110 mineral claims covering 5,393 hectares located in Quebec;

"**Plan**" means the rolling stock option plan of the Company;

"**Proposed Regulations**" means "Proposed Approach to the Regulation of Cannabis";

"**Retail Initiative**" has the meaning ascribed to such term under *General Development of the Business – Material Transactions – Cannabis*;

"**September 2017 Financing**" means the non-brokered private placement of 3,333,333 September 2017 Units at a price of $0.15 per September 2017 Unit for gross proceeds of $500,000, completed on September 27, 2017;

"**September 2017 Unit**" means the September 2017 Units issued under the September 2017 Financing;

"**September 2017 Warrant**" means the September 2017 Warrants issued under the September 2017 Financing;

"**SK Ltd.**" means 102047851 Saskatchewan Ltd., a wholly-owned subsidiary of the Company;

"**SMP**" means Specialty Medijuana Products Inc.;

"**Stock Options**" means stock options of the Company;

"**Subscription Receipts**" means the Subscription Receipts issued under the March 2018 Financing;

"**Target Acquisitions**" has the meaning ascribed to such terms under "*Risks Relating to the Target Acquisitions*";

"**Term**" means term of any Stock Options granted under the Plan;

"**THC**" means Tetrahydrocannabinol;

"**TOCG**" means Thompson Okanagan Choom Group;

"**TSX-V**" means the TSX Venture Exchange; and

"**Warrants**" means common share purchase warrants in the capital of the Company.

## CORPORATE STRUCTURE

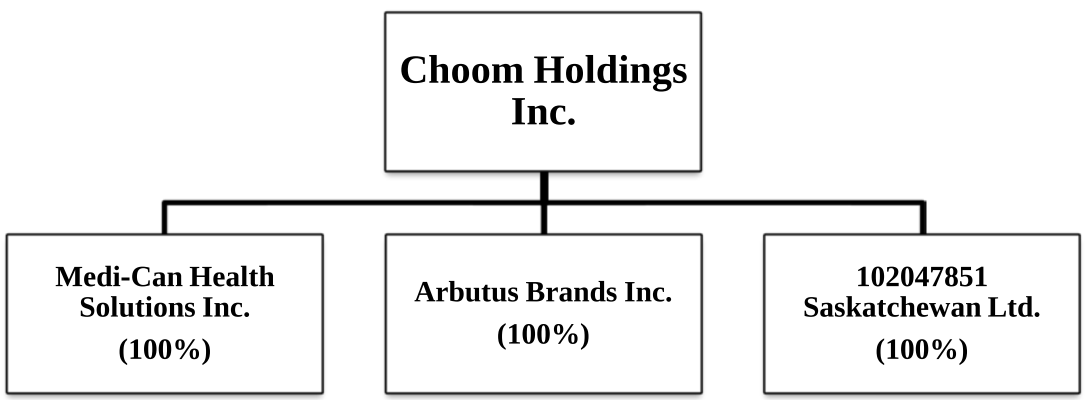
### Name, Address, and Incorporation

The full name of Choom is "Choom Holdings Inc." Choom's head office and registered and records office are located at 350 – 409 Granville Street, Vancouver, B.C., V6C 1T2.

Choom was incorporated on September 18, 2006 under the *Business Corporations Act* (British Columbia) (the "**BCBCA**") as "Orocan Resource Corp." On January 27, 2012, Choom received shareholder approval to change its name to "Standard Graphite Corporation" and on November 17, 2017, Choom received approval to change its name to "Choom Holdings Inc."

### Intercorporate Relationships

As at May 1, 2018 Choom has three wholly-owned subsidiaries: Medi-Can Health Solutions Ltd. ("**Medi-Can**"), Arbutus Brands Inc ("**Arbutus**") and 102047851 Saskatchewan Ltd. ("**SK Ltd.**"). Choom's intercorporate relationships with Medi-Can, Arbutus and SK Ltd. are as follows:




Subsequent to the date of this AIF, the IGC Acquisition closed and IGC became a wholly-owned subsidiary of Choom.

## GENERAL DEVELOPMENT OF THE BUSINESS

### Three-Year History

Choom was primarily engaged in the acquisition and exploration of mineral properties located in Canada. Choom's properties included the Philibert Gold Project, the Lithium Property, and the Diego Property (as further described below). During this time, Choom did not earn significant revenues and was considered to be in the exploration stage.

Choom is a Reporting Issuer in the Provinces of British Columbia, Alberta, Saskatchewan and Ontario. On February 3, 2012, Choom began trading on the TSX Venture Exchange ("**TSX-V**") under the stock symbol "SGH". On October 18, 2017, Choom received shareholder approval to complete the acquisition of Medi-Can and undergo a name change in connection therewith. On November 17, 2017, Choom changed its name to Choom Holdings Inc. (as described under "*Corporate Structure – Name, Address, and Incorporation*") and completed a change of business to the business of cultivating and selling cannabis for medical proposes and related products under the *Access to Cannabis for Medical Purposes Regulations* (the "**ACMPR**"). On November 22, 2017, Choom's shares were delisted from the TSX-V, approved for listing on the Canadian Securities Exchange (the "**CSE**"), and commenced trading thereafter under the symbol "CHOO". On December 29, 2017, Choom obtained final approval for trading on the OTCQB operated by the OTC Markets Group Inc. and commenced trading under the symbol "CHOOF".

***Material Transactions – Mineral Projects***

Quebec Graphite Properties

On November 30, 2011, Choom signed an option agreement to acquire a 100% interest in nine graphite properties in Quebec. In 2014, Choom completed an assessment and determined that six of the properties no longer warranted further exploration and were written off in 2014. During the year ended June 30, 2016, Choom completed an assessment of the three remaining properties and determined that they no longer warranted further exploration.

Diego Property

On November 17, 2014, Choom entered into an agreement to acquire a 100% interest in the Diego Gold Project (the "**Diego Property**") from Cartier Resources ("**Cartier**") in consideration for 1,000,000 common shares in the capital of Choom ("**Common Shares**", and each a "**Common Share**"). Cartier retained a 2% net smelter return royalty, with each tranche of 1% net smelter return royalty being redeemable for $1,000,000. The Diego Property comprises 38 claims and is located 40 kilometers southwest of the town of Chapais, Quebec. Due to its change of business, Choom does not anticipate completing or proceeding with any additional exploration or development activities on the Diego Property.

Lithium Property

On March 2, 2016, Choom entered into an option agreement for the acquisition of eight lithium properties (the "**Lithium Property**") in Quebec, Canada from two private individuals. The properties are located within the two major lithium districts of Quebec - the Abitibi and James Bay regions. The Lithium Property covers a total area of approximately 1150 hectares over highly prospective geology. Consideration for the option includes a $2,500 cash payment and the issuance of 6,000,000 Common Shares to the sellers for the acquisition of a 100% interest in the claims. The sellers would retain a 2% net smelter royalty on the claims of which 1% could be bought back for $1,000,000 at any time following the acquisition. Due to the change of business, Choom does not anticipate completing or proceeding with any additional exploration or development activities on the Lithium Property.

Philibert Gold Project

On July 25, 2016, Choom entered into a mineral property option agreement with Soquem Inc., pursuant to which Choom was granted an option to earn a 50% interest in the Philibert Gold Project (the "**Philibert Option**"), which is comprised of 110 mineral claims covering 5,393 hectares in Quebec (the "**Philibert Property**").

Pursuant to the terms of the option, Choom could acquire a 50% interest in the Philibert Property by issuing 3,500,000 Common Shares (of which 500,000 Common Shares were issued on August 30, 2016 following TSX-V approval on August 19, 2016) over six years and incurring exploration costs of $3,500,000 ($300,000 in the first year) over a five-year period. Additionally, within twelve months of the formation of a joint venture, Choom would have the option, but not the obligation, to purchase all or part of the remaining interest held by Soquem Inc. on terms to be agreed between the parties.

On August 31, 2017, Choom announced that it elected not to fund the expenditures necessary to satisfy the option agreement on the Philibert Property, and therefore terminated its rights under the agreement.

***Material Transactions – Cannabis***

Marapharm Inc.

On June 1, 2017, Choom announced that it entered into a letter of intent to acquire all of the issued and outstanding shares in the capital of Marapharm Inc., an applicant to become a licensed producer under the ACMPR (a "**Licensed Producer**"). The transaction was subject to completion of due diligence, a definitive acquisition agreement being executed by the parties, and board and regulatory approval. On August 31, 2017 Choom announced that the parties mutually agreed to terminate the agreement and Choom will no longer pursue the acquisition of Marapharm Inc.

Medi-Can Health Solutions Ltd.

On August 30, 2017, Choom entered into a share purchase agreement with Medi-Can Health Solutions Ltd. ("**Medi-Can**"), and John Doo-Jin Oh, Adrian Robinson, Josh Brazier and Robert Bayrack (collectively, the "**Medi-Can Shareholders**"), pursuant to which Choom agreed to acquire all of the issued and outstanding shares in the capital of Medi-Can (the "**Medi-Can Agreement**").

Medi-Can is an applicant to become a License Producer and currently holds a leasehold property in Vernon, B.C., along with extensive cannabis cultivation equipment. Upon Medi-Can being granted a license to cultivate, store and sell medical cannabis in Canada, thereby becoming a Licensed Producer, Medi-Can plans to begin planting its various strains and ramping up to cultivation and production for the sale of medical cannabis.

On November 16, 2017 Choom completed its acquisition of Medi-Can. Choom's business and stated business objectives are now the business and stated business objectives of Medi-Can (indirectly through the operation of Medi-Can) (see "*Production and Services*"). Pursuant to the terms of the Medi-Can Agreement, Choom acquired all of the issued and outstanding common shares in the capital of Medi-Can in consideration for:

(a) 12,500,000 Common Shares held in escrow and released 10% on the closing of the acquisition of Medi-Can and thereafter over 36 months in six equal 15% releases; and

(b) a non-interest bearing note in the amount of $2,500,000, which will mature on the fifth trading day after the receipt by Medi-Can of an ACMPR cultivation license is announced, at which time Choom will have the option to either pay $2,500,000 in cash, or issue $2,500,000 of its Common Shares (valued using the 20 day volume-weighted average trading price) to the Medi-Can Shareholders.

Island Green Cure Ltd.

Choom entered into a letter of intent with Island Green Cure Ltd. ("**IGC**") on January 11, 2018 (the "**IGC LOI**") and subsequently, a share purchase agreement dated April 17, 2018 (the "**IGC SPA**") to acquire all of the issued and outstanding shares in the capital of IGC in consideration for Common Shares (the "**IGC Acquisition**"), including:

(a) at closing, an aggregate total of 8,000,000 Common Shares to be issued to the shareholders of IGC; and

(b) after the receipt by IGC of a production license, an aggregate of $2,000,000 in Common Shares, where the number of Common Shares to be issued will be determined by dividing $2,000,000 by the 10 day volume-weighted average trading price of the shares on the tenth trading day after the public dissemination of a news release announcing IGC's receipt of a license under the ACMPR.

IGC's assets include its application to become a Licensed Producer and all property, assets, contracts, plans and intellectual property used or intended to be used by IGC in connection with its proposed business as a Licensed Producer.

Subsequent to the date of this AIF, the IGC Acquisition closed and IGC became a wholly-owned subsidiary of Choom.

Thompson Okanagan Choom Group

Choom entered into a franchise expression of interest (the "**Expression of Interest**") with a group of investors referred to as the Thompson Okanagan Choom Group ("**TOCG**") on or around February 28, 2018, as part of its retail investor program to develop a chain of branded retail cannabis dispensaries across Canada (the "**Retail Initiative**"). According to the terms of the Expression of Interest, TOCG proposes to secure exclusive territory rights from Choom to open multiple Choom-branded retail dispensaries in the Thompson-Okanagan region.

Flower Power Cannabis Pharms Inc. and Highway 10 Cannabis Pharms Inc.

Choom entered into a letter of intent dated March 5, 2018 the ("**Flower Power LOI**") with Flower Power Cannabis Pharms Inc. ("**Flower Power**") and its wholly-owned subsidiary Highway 10 Cannabis Pharms Inc. ("**Highway 10**") to acquire all the issued and outstanding shares in the capital of Flower Power. The purchase price includes:

(a) at closing, an aggregate number of Common Shares equal to the number of Common Shares calculated by dividing $1,000,000 by the 10 day volume-weighted average trading price of the Common Shares determined on the trading day immediately preceding the closing date;

(b) after receipt by Highway 10 of a Health Canada confirmation of readiness to build under the ACMPR, an aggregate number of Common Shares equal to the number of Common Shares calculated by dividing $1,500,000 by the 10 day volume-weighted average trading price of the Common Shares determined on the trading day immediately preceding the day on which Highway 10 receives the confirmation of readiness to build under the ACMPR; and

(c) after Highway 10 becomes a Licensed Producer, an aggregate number of Common Shares equal to the number of Common Shares calculated by dividing $1,500,000 by the 10 day volume-weighted average trading price of the Common Shares determined on the trading day immediately preceding the day on which Highway 10 receives its license under the ACMPR.

Flower Power's assets include, among other things, its leasehold interest in (and option to purchase for $1,750,000) a 120 acre property located at 2398 Scarth Street, Regina, Saskatchewan, S4P 2J7 and intellectual property and know-how related to a retail dispensary business plan and the marks and trade names of Flower Power. Highway 10's assets include, among other things, an application to become a Licensed Producer and all property, assets, contracts, plans and intellectual property used or intended to be used in connection with the proposed business as a Licensed Producer.

The transaction is subject to, among other things, the completion of due diligence, Choom entering into employment agreements with key Flower Power and Highway 10 personnel, Choom agreeing to fund Highway 10 starting on the closing date, Choom agreeing to pay certain fees the founders of Flower Power for each new franchise sold in the first 12 months following closing, a definitive share purchase agreement being executed by the parties and board and regulatory approval.

Arbutus Brands Inc.

Arbutus was incorporated on March 13, 2018 under the BCBCA and is a wholly-owned subsidiary of Choom. Arbutus' registered and records office is located at 1500 – 1055 West Georgia Street, Vancouver, B.C., V6E 4N7.

102047851 Saskatchewan Ltd.

SK Ltd. was incorporated on April 6, 2018 under the Business Corporations Act (Saskatchewan) and is a wholly-owned subsidiary of Choom. SK Ltd.'s registered and records office is located at 1400 – 2500 Victoria Ave., Regina, Saskatchewan S4P 3X2.

Choom, through SK Ltd., has applied to the Saskatchewan Liquor and Gaming Authority for cannabis retail permits in 32 zones across the Province of Saskatchewan.

ABcann Medicinals Inc.

Choom entered into a binding supplier agreement with ABcann Medicinals Inc. ("**ABcann**") dated March 16, 2018, whereby ABcann, a Licensed Producer, will supply Choom with premium cannabis products subject to regulatory approval (the "**ABcann Supply Agreement**"). The term of the ABcann Supply Agreement is for three years, with automatic renewal for two additional two-year terms unless terminated by either Choom or ABcann upon providing six months written notice. The obligations of the parties under the ABcann Supply Agreement with respect to the purchase and sale of cannabis products will arise upon a mutually-agreed upon launch date that is dependent on receiving required regulatory approval.

International Tungsten Inc.

Choom entered into a definitive amalgamation agreement dated March 16, 2018 (the "**ITI Agreement**") among Arbutus and International Tungsten Inc. ("**ITI**"). Pursuant to the ITI Agreement, Arbutus will amalgamate with ITI (the "**Amalgamation**"), with the amalgamated company remaining a wholly-owned subsidiary of the Company operating under the name of Arbutus Brands, and all of the issued and outstanding securities of ITI will be exchanged for common shares of Choom (the "**ITI Transaction**"). The holders of ITI common shares will be issued one Common Share in exchange for every share of ITI held, up to a combined maximum of 92,000,000 Common Shares. Existing convertible securities of ITI will be exchanged for convertible securities of the Company on substantially the same terms, and applying the same exchange ratio. In connection with the closing of the ITI Transaction, Choom will pay finder's fees of 4,000,000 Common Shares to eligible parties.

ITI previously entered into an agreement to acquire all of the issued and outstanding securities of Specialty Medijuana Products Inc. ("**SMP**"), an applicant under the ACMPR, that has submitted its Affirmation of Readiness evidence package to Health Canada and expects to receive a cultivation license from Health Canada. The ITI Transaction will take place immediately following closing of ITI's acquisition of SMP.

The Amalgamation was approved at a special meeting of shareholders of ITI held on April 24, 2018.

Clarity Option Agreement

Pursuant to an option agreement dated April 16, 2018 with Clarity Cannabis MD Holdings Inc. ("**Clarity**"), Choom has the option (the "**Clarity Option**") for a period of eighteen months to acquire one or more cannabis retail locations secured by Clarity in the provinces of British Columbia, Alberta and Saskatchewan. The Clarity Option is subject to, among other things, all regulatory approvals being obtained. On exercise of the Clarity Option, Choom will, subject to adjustments in the option exercise price for certain specified factors, compensate Clarity in the amount of $1,300,000 per location acquired. For the first location acquired, the exercise price is to be satisfied by the payment of $1,000,000 in cash and by the issuance of $300,000 worth of Common Shares. For subsequent acquisitions, the exercise price per location is to be satisfied by the issuance of Common Shares.

*Material Transactions – Financings*

Philibert Option

On August 30, 2016, pursuant to the Philibert Option, Choom issued 500,000 Common Shares valued at $0.06 per Share.

Settlement of Debt

On August 30, 2016, Choom issued 4,975,356 Common Shares in connection with the settlement of debt in the amount of $348,276 owed to related and non-related parties. 4,383,296 Common Shares were issued to related parties.

Equity Financings

- On February 7, 2017, Choom completed a non-brokered private placement of 10,000,000 Common Shares at a price of $0.05 per Common Share (the "**February 2017 Financing**") for gross proceeds of $500,000. The shares issued pursuant to the February 2017 Financing are not subject to any resale restrictions.

- On September 27, 2017, Choom completed a non-brokered private placement (the "**September 2017 Financing**") of 3,333,333 units (each a "**September 2017 Unit**") at a price of $0.15 per September 2017 Unit for gross proceeds of $500,000. Each September 2017 Unit consists of one Common Share of Choom and one-half of one Common Share purchase warrant (each whole warrant a "**September 2017 Warrant**"). Each September 2017 Warrant entitles the holder to acquire an additional Common Share of Choom at $0.25 until March 27, 2019.

- On December 19, 2017 Choom completed a non-brokered private placement (the "**December 2017 Financing**") of 5,000,000 units (each a "**December 2017 Unit**") at a price of $0.20 per December 2017 Unit for gross proceeds of $1,000,000. Each December 2017 Unit consists of one Common Share and one non-transferable Common Share purchase warrant (each a "**December 2017 Warrant**"). Each December 2017 warrant is exercisable by the holder to acquire one additional Common Share at a price of $0.25 until June 18, 2019.

- On February 6, 2018 Choom completed a non-brokered private placement (the "**February 2018 Financing**") of 5,400,000 units (each a "**February 2018 Unit**") at a price of $0.50 per February 2018 Unit for gross proceeds of $2,700,000. Each February 2018 Unit is comprised of one Common Share and one-half of one Common Share purchase warrant (each whole warrant a "**February 2018 Warrant**") with each February 2018 warrant entitling the holder thereof to acquire a Common Share at a price of $0.75 per Common Share until August 6, 2019.

- On March 19, 2018 Choom completed a non-brokered private placement (the "**March 2018 Financing**") of 11,666,991 subscription receipts (each a "**Subscription Receipt**") for gross proceeds of $7,000,000. The proceeds from the March 2018 Financing are being held until completion of the Amalgamation. Upon closing and satisfaction of the other escrow release conditions, each Subscription Receipt will be automatically converted, for no additional consideration and without any further action by the holder, into one unit of Choom (each a "**March 2018 Unit**"). Each March 2018 Unit consists of one Common Share and one Common Share purchase warrant (each a "**March 2018 Warrant**"), with each March 2018 Warrant entitling the holder to purchase one Common Share for a period of 18 months from the date of issuance at a price of $0.90 per Common Share. In the event that, following the conversion of the Subscription Receipts into March 2018 Units, the 10-day volume weighted average trading price of the Common Shares on the CSE is above $1.35, the expiry date of the March 2018 Warrants will accelerate to a date that is 30 days after Choom disseminates a news release announcing the same. If the escrow release conditions are not satisfied by June 11, 2018, the Subscription Receipts will be cancelled and the escrowed proceeds from the March 2018 Financing will be returned.

- The proceeds from February 2017 Financing are being utilized for general working capital purposes and $199,880 was used to settle trade payables. The proceeds from the September 2017 Financing, the December 2017 Financing and the February 2018 Financing are being utilized for general corporate purposes, continuing evaluation of other opportunities in the cannabis market and for the costs incurred in connection with the acquisition of Medi-Can.

## DESCRIPTION OF BUSINESS

### General

(a) Summary

Choom's business and stated business objectives are the business and stated business objectives of Medi-Can (see "*Production and Services*"). To the extent that Choom's business and stated business objectives differ from that of Medi-Can, further information is provided (see "*Cannabis License and Applications for Licenses*"; see "*Production and Services*").

Choom's mineral projects are no longer material to Choom as it has no intention of completing or proceeding with any additional exploration or development activities on any of its mineral properties (see "*General Development of the Business – Material Transactions – Mineral Projects*"). Please see "*General Development of Business*" for additional details regarding the material restructuring of Choom.

***Business Development***

See above "*General Development of the Business*".

***Licensed Facility***

Choom, through its subsidiary Medi-Can is in the process of completing a cannabis facility on its leasehold property located near Vernon, B.C. (the "**Facility**"). The Facility is built with steel and concrete, comprised of two floors, totaling just under 13,500 square feet. Approximately 1,500 square feet represents office space, with the remaining space used for production, cultivation and packaging. The main floor consists of office space, eight rooms designed for both vegetative growth, flowering and cuts, and a seedling room. The second floor is home to more office space, a pre-veg room, and a drying room. Upon completion of the Facility, Choom will also have four more grow rooms and a quality assurance and packaging area located on the second floor. Additions will be made to security once the Facility is completed, including a security screening room and perimeter fencing around the Facility.

***Cannabis License and Applications for Licenses***

Medi-Can is a proposed Licensed Producer. The application is currently in the Detailed Review stage of the licensing process (for additional information, see "*Risk Factors – Risks Relating to the Medical Cannabis Industry*").

Choom is undertaking ongoing evaluations of several late stage Licensed Producer applicants and existing Licensed Producers including, but not limited to, ITI and Highway 10, (each, an "**Additional LP Target**") with the goal of acquiring Additional LP Targets (see "*General Development of Business – Material Transactions – Cannabis*").

(b) <u>Production and Services</u>

***Medical Cannabis***

Upon Medi-Can and IGC (and any other Additional LP Targets) becoming a Licensed Producer, Choom plans to begin planting its various strains and ramp to cultivation and production for sale of medical cannabis. Choom will introduce patients to a variety of strains specifically designed to treat and assist with a number of common ailments and conditions. Choom intends to become a well-respected household name within the cannabis industry.

Choom plans to separate itself from large scale Licensed Producers by producing small-batch craft cannabis, specializing in the rarest and most unique strains, while mastering the most popular west coast strains. Future plans include a strong focus on the medicinal benefits of cannabis with a hope to one day provide unprecedented information on the newly accepted drug.

***Legalized Recreational Cannabis and Global Market***

Through Medi-Can, IGC, and other Additional LP Targets, and subject to obtaining the necessary cannabis production license, Choom intends to focus its business on the highest quality handcrafted strains and intends to develop a unique lifestyle brand for cannabis that will be sold to recreational consumers. Choom plans to feature a range of curated, handcrafted strains ideally suited for Canada's emerging cannabis market.

In addition, through Medi-Can and IGC, Choom intends to focus some of its efforts towards exporting its products outside Canada, should the opportunity arise.

***New Product Development***

Under the ACMPR (for further details see "*Marijuana Legislation*"), a Licensed Producer may only sell dried flowers, oils, fresh cannabis (which includes clones and vegetative plants) and cannabis seeds. On October 3, 2017, the Government of Canada announced that legalization of cannabis infused edibles would be legal within 12 months of the adoption of new Canadian cannabis legislation (see "*Marijuana Legislation – Bill C-45 and Anticipated Legalization of the Adult-Use Recreational Cannabis*"). Upon legalization by Health Canada of additional cannabis-related products, including cannabis edibles, and other consumables, and the receipt of all necessary regulatory approval by Medi-Can to produce such products, Choom, through Medi-Can, intends to sell all products that are currently permitted or may be permitted in the future to be sold by a Licensed Producer under ACMPR regulations.

As applicable federal and provincial laws and regulations for the recreational cannabis market roll out, Choom intends to seek the requisite approvals to develop, produce and sell all products, with emphasis on dried cannabis, oils, concentrates and edibles (as allowable by law) (see "*Marijuana Legislation – Bill C-45 and Anticipated Legalization of the Adult-Use Recreational Cannabis*").

***Growth and Production Process***

Upon Medi-Can and IGC (and any other Additional LP Targets) becoming a Licensed Producer and pursuant to the requirements of the ACMPR, Choom will grow its cannabis indoors. Upon completion of Phase 1, the Facility will be capable of producing approximately 660 kg/year of dried cannabis. Upon completion of Phase 2, cannabis production capacity is expected to increase to a total of 1500 kg/year. Upon IGC becoming a Licensed Producer, it is expected that IGC will be capable of producing approximately 550 kg/year of dried cannabis upon completion of Phase 1 and an additional 550 kg/year of dried cannabis upon completion of Phase 2.

(c) Specialized Skill and Knowledge

All aspects of the Company's business require specialized skills and knowledge. Such skills and knowledge include the areas of cannabis horticulture, plant pathology and production planning required for the cultivation of cannabis in accordance with ACMPR requirements.

In addition, the Company announced its Retail Initiative on January 24, 2018, and as part of its strategy, the Company intends to develop a chain of branded retail cannabis dispensaries across Canada. The brand building, retail marketing and product development knowledge and skills of the Company's management team will be essential to Choom becoming a well-respected household name within the cannabis industry.

(d) Competitive Conditions

Choom believes that the market for Choom's products is growing and Health Canada has approved a limited number of Licensed Producers under the ACMPR to produce and sell medical cannabis. As of March 6, 2018 there are 91 Licensed Producers approved by Health Canada. Choom expects significant competition from other companies operating under the ACMPR regime. In addition, recreational adult-use cannabis is anticipated to become legal in Canada by August 2018. While Choom expects a high level of competition to continue into the recreational marketplace, management believes that Choom, if Medi-Can becomes a Licensed Producer, is well positioned on the basis of it being one of the few Licensed Producers in the Okanagan. The Okanagan is home to the highest per capita usage in terms of prescribed cannabis users. The Facility is situated in the heart of the Okanagan Valley, which many have termed the 'Emerald Triangle' of Canada due to its high concentration of cannabis users and richness of cannabis culture. Locally, Choom would like to provide same-day delivery and 1-day delivery in B.C. Choom also intends to expand its facilities to eastern Canada, where it plans to secure distribution sites so that it can also achieve same-day local delivery or 1-day delivery in the east.

As the demand for medical cannabis increases Choom believes that new competitors will continue to attempt to enter the market. Additionally, Health Canada may accelerate its processing of applications which may result in an acceleration in the rate at which applicants become Licensed Producers. Choom believes that, due to the complex regulatory environment and significant capital requirements for facilities and operations, subsequent Licensed Producers entering the industry will have diminished access to capital. Choom's planned capital investments in infrastructure are expected to allow Choom to operate competitively on the basis of its intention to produce small-batch craft cannabis, specializing in the rarest and most unique strains, while mastering the most popular west coast strains. Management expects that this will allow Choom to achieve sustainable margins in an increasingly competitive market.

As of the end of September 2017, the last month for which Heath Canada has provided data, there were 235,621 registered patients under the ACMPR.[1] This is a 239% increase over the 98,460 registered patients at the end of September 2016. The number of Health Canada registered patients has consistently grown in each month on record. Sales of dried cannabis to registered patients in the period from July 1, 2017 to September 30, 2017, totaled 5,905 kg, and sales of cannabis oil totaled 7,669 kg. These sales figures represent an increase of 124% for dried cannabis and 317% for cannabis oil over the same quarter in the previous year.

The use of cannabis for adult recreational purposes is anticipated to be legalized by the Government of Canada by the end of summer 2018. The potential size of the adult recreational market for cannabis has been estimated to be between $4.9 billion and $8.7 billion on the basis of a national survey of 5,000 Canadians on their views on consumption of cannabis.[2] The survey indicated that 22% of Canadians consume cannabis on at least an occasional basis, with half of those (11%) consuming cannabis on a daily or weekly basis. In addition, a further 17% might be interested in using cannabis once it is legalized for recreational use. In total, 39% of Canadians are potential customers for cannabis products. To meet this demand, the Deloitte LLP report indicates that, conservatively, approximately 600,000 kg annual production of cannabis will be required. For comparison purposes, according to Health Canada, 22,771 kg of dried cannabis (i.e. not including cannabis oils) were sold to patients from October 1, 2016 to September 30, 2017, the last full 12-month period of data available.

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[1] See *Health Canada website www.canada.ca/en/health-canada/services/drugs-health-products/medical-use-marijuana/licensed-producers/market-data.html.*

[2] See *Recreational Marijuana Insights and Opportunities (2016) by Deloitte LLP.*

(e) New Products

On January 24, 2018, the Company announced its retail dispensary strategy and as a part of its goal to become a market leader in the Canadian cannabis industry, Choom intends to develop a chain of branded retail cannabis dispensaries across Canada. On March 7, 2018, Choom announced that it has signed the first agreement in its retail investment program and TOCG has secured the exclusive territory rights to open multiple Choom™ branded retail dispensaries in the Thompson-Okanagan region.

See "*New Product Development*" above.

(f) Components

The Company entered into the ABcann Supply Agreement with ABcann pursuant to which ABcann, one of Canada's premier growers, will supply Choom with premium cannabis products, subject to regulatory approval.

See "*General Development of Business – Material Transactions – Cannabis*".

(g) Intangible Properties

*ACMPR Licenses*

Choom's ability to cultivate, store and sell medical cannabis in Canada is dependent on Medi-Can and IGC (and any other Additional LP Targets) becoming a Licensed Producer under the ACMPR. Medi-Can has applied to Health Canada to become a Licensed Producer under the ACMPR for the Facility, but has not yet received such license. Medi-Can is currently in the Detailed Review stage of the licensing process and IGC is at the "Confirmation of Readiness" stage of the licensing process.

Choom is undertaking ongoing evaluations of several late stage Licensed Producer applicants and existing Licensed Producers with the goal of acquiring Additional LP Targets. See "*Licensing Requirements under the ACMPR*".

*Brand Names and Trademarks*

The Choom brand, inspired by Hawaii's "Choom Gang", was created exclusively for the recreational Canadian cannabis marketplace and was founded on the principal of good times and good friends.

The Company intends to develop a chain of branded retail cannabis across Canada and has worked with a design team to create a concept retail store design that is clean, modern, and stylish to bring the Choom vibe to life. Accordingly, retail identity and branding will become the Company's competitive edge in the recreational cannabis marketplace in Canada.

The Choom™ Logo and Leaf design, "Choom™" and "Cultivating Good Times™" are trademarked by Choom Holdings Inc.

See "*Production and Services*".

(h) Cycle

Not applicable.

(i) Economic Dependence
Not applicable.

(j) Changes to Contracts
Not applicable.

(k) Environmental Protection
Not applicable.

(l) Employees
The Company currently does not have any employees and did not have any employees as at the most recent financial year end.

(m) Foreign Operations
Not applicable.

(n) Lending
Not applicable.

**Marijuana Legislation**

**Canadian Regulatory Environment**

Cannabis is a controlled substance listed in Schedule II of the *Controlled Drugs and Substances Act* (Canada), as amended (the "**CDSA**"). Accordingly, activities related to cannabis are governed by the CDSA and its regulations, including the ACMPR, the Narcotics Control Regulations, as well as other applicable laws. Cannabis is subject to unique and specific regulation in Canada.

In 2000, the Canadian courts ruled that laws prohibiting the possession of cannabis were unconstitutional to the extent that they did not provide medical patients with access to cannabis, where required for their health (recognized in *R v Smith* (2015 SCC 34) and *R v Allard* (2016 FC 236) and in earlier decisions, including *R v Parker* (Ontario Court of Appeal, (2000), 146 C.C.C. (3d) 193)). In response to this decision, Canada passed the Medical Marihuana Access Regulations (the "**MMAR**") providing medically approved patients with a viable constitutional exemption. In 2013, Canada repealed the MMAR and replaced it with the MMPR which provided for a commercial industry, responsible for the production and distribution of marijuana for medical purposes (dried marijuana only). These regulations introduced strict controls over the production, storage and distribution of medical marijuana and strict oversight to reduce public health, safety and security risks. The ACMPR then replaced the MMPR as the governing regulations in respect of the production, sale and distribution of medical cannabis and related oil extracts.

*Summary of the ACMPR*

In 2013, after the decision in *R v Smith*, individuals were now allowed to possess marijuana derivatives for their own use. The regulations were again challenged in 2016 in *R v Allard* resulting in subsequent changes to the regulatory framework under the ACMPR, removing the restriction of having to only purchase marijuana through Licensed Producers and allowing individuals to produce limited amounts of cannabis for their own medical purposes.

The ACMPR are the current governing regulations regarding the production, sale and distribution of cannabis for medical purposes in Canada. The ACMPR provide for three possible alternatives for

Canadian residents who have been authorized by their health care practitioner to access cannabis for medical purposes:

- they can continue to access quality-controlled cannabis by registering with Licensed Producers;
- they can register with Health Canada to produce a limited amount of cannabis for their own medical purposes (starting materials must be obtained from a Licensed Producer); or
- they can designate someone else who is registered with Health Canada to produce cannabis on their behalf (starting materials must be obtained from a Licensed Producer).

The ACMPR sets out, among other things, the authorized activities and general responsibilities of Licensed Producers, including:

- the requirement to obtain and maintain a license from Health Canada prior to commencing any activities;
- calculating the quantity of cannabis, other than dried cannabis, that is equivalent to a given quantity of dried cannabis;
- security measures relating to facilities and personnel;
- “Good Production Practices”;
- packaging, shipping, labeling, import and export and record-keeping requirements; and
- patient registration and ordering requirements.

Authorized activities under the ACMPR include the production and sale of starting materials (i.e., cannabis seeds and plants) to those individuals who have registered to produce a limited amount of cannabis for their own medical purposes, or to have it produced by a designated person, and the ability to sell an interim supply of fresh or dried cannabis or cannabis oil to registered persons while they wait for their plants to grow. Licenses and license applications under the ACMPR consolidate the MMPR license requirements for the production and sale of dried cannabis, the requirements for supplemental licenses under the Section 56 CDSA Exemption, and the new requirements for the sale of cannabis seeds and plants.

*Medical Marijuana*

Cannabis itself is not authorized for sale as a “drug” by Health Canada under the *Food and Drug Act* (Canada) (the “**FDA**”). Sale of cannabis by Licensed Producers to clients, other Licensed Producers or other identified groups in accordance with the ACMPR is exempt from the application of the FDA by the Cannabis Exemption (Food and Drugs Act) Regulations (Canada), as amended, issued pursuant to the FDA. The ACMPR includes provisions regulating production, processing, and labeling of cannabis to ensure that quality, safety and predictability of effect are available. The provisions of the ACMPR in this respect are unique to cannabis and distinct from similar provisions applicable to drugs in the FDA.

Access to cannabis includes the option for clients to purchase dried marijuana or cannabis oil from Licensed Producers, which is delivered to the patients via mail order (the ACMPR does not provide for retail sales of cannabis).

Access also includes growing by or on behalf of individuals remaining under the MMAR through an Allard injunction. Cultivation for personal use is also permitted under the ACMPR, with Licensed Producers now being permitted by the ACMPR to provide seeds or plants to clients who are registered and approved by Health Canada. The amounts of cannabis, seeds and plants that a client may be provided with per month is determined with reference to a permitted daily amount of cannabis, normalized to the number of grams of dried marijuana per day, specific to the patient.

"Medical Marijuana" (meaning the use of cannabis to treat disease or improve symptoms such as pain, muscle spasticity, nausea and other indications) can be administered using a variety of methods including, but not limited to, vaporizing or smoking dried buds, capsules, and oral/dermal sprays, and can also be ingested as oil or cannabis edibles. Unlike the pharmaceutical options, individual elements within medical marijuana have not been isolated, concentrated and synthetically manipulated to a specific therapeutic effect. Instead medical marijuana addresses ailments holistically through the synergistic action of naturally occurring phytochemicals. Currently, the most common means of administering medical marijuana in Canada is by smoking/vapourizing dried buds. The regulations prohibit any representations regarding any medicinal properties.

*Cannabis Sativa* and *Cannabis Indica* are the two main types of cannabis, and hybrid strains can be created when the genetics of each are crossed. Within these different types of cannabis there are many different varieties, within which there are many different cannabinoids, with the most common being Tetrahydrocannabinol ("**THC**") and Cannabidiol (also referred to as CBD).

*Regulatory Reporting Requirements under the ACMPR*

Under the ACMPR, Licensed Producers are required to keep records of, among other things, their activities with cannabis, including all transactions (sale, exportation, and importation), documentation of product returns, adherence to good production practices (e.g. sanitation), an inventory of cannabis (e.g. seeds, fresh harvested marijuana, dried marijuana, packaged marijuana, packaged marijuana seeds, marijuana plants destined to be sold or provided) and product destruction. All records are required to be kept for a period of at least two years, in a format that will be easily auditable, and will have to be made available to Health Canada upon request. All communications regarding reports for healthcare licensing authorities, including both those sent and received, are also subject to this two-year requirement. A Licensed Producer must provide Health Canada with a case report for each serious adverse reaction to fresh or dried marijuana or cannabis oil within 15 days of the Licensed Producer becoming aware of the reaction. A Licensed Producer must annually prepare and maintain a summary report that contains a concise and critical analysis of all adverse reactions to have occurred during the previous 12 months (the serious adverse reaction reports and the summary reports must be retained by the Licensed Producer for a period of 25 years after the day on which they were made).

Health Canada released an Information Bulletin titled, "Licensed Producers' Reporting Requirements" to provide an overview of the information Licensed Producers must provide to Health Canada on a monthly basis. Licensed Producers must provide the following information to the Office of Controlled Substances for the previous month on or before the 15th day of each month:

- with respect to fresh and dried marijuana, cannabis oil, cannabis seeds and marijuana plants, Licensed Producers must report the amounts produced, as well as the amounts received from another Licensed Producer as follows: (i) total amount produced in the reporting period; (ii) amount released for sale in the reporting period; (iii) amount of fresh and dried marijuana produced in the reporting period and intended for extraction activities; and (iv) amount received from other Licensed Producers during the reporting period;

- with respect to fresh and dried marijuana, cannabis oil, cannabis seeds and marijuana plants, Licensed Producers must report the total amount sold or transferred to the following during the reporting period: (i) registered clients; (ii) other Licensed Producers; and (iii) any entity that has received a license under the ACMPR to receive cannabis for testing purposes and also to cultivate cannabis for research purposes (a "**Licensed Dealer**");

- with respect to fresh and dried marijuana and cannabis oil, Licensed Producers must report as of the final day of the reporting period the amounts held in inventory as follows: (i) total amount held in inventory; (ii) amount intended for sale but not yet approved held in inventory; (iii) amount approved for sale held in inventory; (iv) amount of samples in inventory; and (v) amount of fresh and dried marijuana intended for extraction activities held in inventory;

- with respect to cannabis seeds and marijuana plants, Licensed Producers must report: (i) the total number of plants held in inventory; (ii) the number of plants destined to be sold as starting material held in inventory; (iii) the total weight of seeds held in inventory; and (iv) the number and weight of seeds destined to be sold as starting material held in inventory;

- Licensed Producers must also include in their report the total amounts ready to be destroyed, but still held in inventory on the final day of the reporting period;

- total amount of cannabis lost or stolen during the reporting period;

- with respect to fresh and dried marijuana, cannabis oil, cannabis seeds and marijuana plants, Licensed Producers must report the total amount: (i) that was destroyed during the reporting period; and (ii) of waste (e.g., plants, leaves, twigs) destroyed during the reporting period;

- with respect to fresh and dried marijuana, cannabis oil, cannabis seeds and marijuana plants, Licensed Producers must report the total amount returned during the reporting period;

- Licensed Producers must report the total number of shipments sent to the following during the reporting period: (i) registered clients; (ii) registered clients for interim supply; (iii) other Licensed Producers; and (iv) Licensed Dealers;

- Licensed Producers must report the total number of shipments sent to the following in each province and territory: (i) registered clients; (ii) registered clients for interim supply; other Licensed Producers; and (iii) Licensed Dealers;

- average daily amount of marijuana for medical purposes authorized;

- median daily amount of marijuana for medical purposes authorized;

- cannabis with which they are conducting research and development activities; and

- activities with respect to cannabis products, other than marijuana or cannabis oil (e.g. cannabis resin).

*The Changing Regulatory Landscape*

The medical cannabis industry in Canada has changed considerably between 2014 and 2018. Prior to Choom's date of incorporation, the Canadian Government introduced the MMPR. Under the MMPR, Licensed Producers were initially licensed to sell dried cannabis only, and no other forms of cannabis such as oils and extracts were permitted. The Supreme Court of Canada judgment in *R v Smith* found this restriction to be contrary to the Canadian Charter of Rights and Freedoms (the "**Charter**") and struck down portions of the CDSA to the extent that these portions of the CDSA prevent a person with a medical authorization from possessing cannabis derivatives for medical purposes. While *R v Smith* was considered in the context of the previous MMAR the exemption under the CDSA is equally applicable to the MMPR. In response to *R v Smith*, Health Canada issued a class exemption under section 56 of the CDSA for Licensed Producers who met defined criteria and issued corresponding supplementary licenses for production and sale of cannabis oil to Licensed Producers who met the criteria. Health Canada released a statement with details to this effect on July 7, 2015. This Heath Canada statement included requirements that essentially prevent production of cannabis oil suitable for vaporization or smoking. The only permitted dosage form for cannabis oil is a capsule or similar dosage form (sale of liquid oil in a container). The sale of foods or beverages infused with cannabis oil was not permitted under this Health Canada statement. The sale of cannabis oil, including restrictions to dosage forms, is now expressly provided for in the ACMPR.

Following the hearing of the constitutional challenge to the MMPR, the Federal Court of Canada rendered its decision on February 24, 2016 in *R v Allard*. The Court repealed the MMPR as contrary to the plaintiff's Charter rights by unduly restricting access to medical cannabis. The repeal of the MMPR was suspended for six months to allow the Government of Canada to amend the MMPR or issue new regulations. On August 24, 2016, the ACMPR came into force, replacing the MMPR as the regulations governing Canada's medical cannabis program.

The ACMPR essentially combined the MMPR, the MMAR and the section 56 class exemptions relating to cannabis oil (including Health Canada's restrictions preventing smokable or vaporizable oil and preventing sale of infused foods or beverages) into one set of regulations. The ACMPR further sets out the process for ACMPR license applicants, such as Medi-Can and the Additional LP Targets, to obtain Licensed Producer status.

*Bill C-45 and Anticipated Legalization of the Adult-Use Recreational Cannabis*

The use of cannabis for recreational purposes is not currently legal in Canada. Bill C-45, *An Act respecting cannabis and to amend the Controlled Drugs and Substances Act, the Criminal Code and other Acts, and An Act to amend the Criminal Code (offences related to conveyances) and to make consequential amendments to other Acts* ("**Bill C-45**"), was introduced by the Government of Canada on April 13, 2017. Following the passage of the proposed *Cannabis Act* (Canada) by the House of Commons on November 27, 2017, the legislation is now before the Senate where it will be subject to further debate and study.

On December 20, 2017, the Prime Minister communicated that the Government of Canada intends to legalize cannabis in the summer of 2018, despite previous reports of a July 1, 2018 deadline. On February 6, 2018, Public Safety Minister, Ralph Goodale, announced that, while Bill C-45 was still on schedule to receive royal assent in July 2018, implementation of various aspects of the regime, including preparing markets for retail sales, could take another eight to twelve weeks from such date. The impact of such regulatory changes on Choom's business is unknown, and the proposed regulatory changes may not be implemented at all ("*Risk Factors – Changes in Laws, Regulations and Guidelines*").

Bill C-45 proposes the enactment of the *Cannabis Act* (Canada) to regulate the production, distribution and sale of cannabis for unqualified adult use. The passage of Bill C-45 would allow adults to legally possess and use cannabis for recreational purposes. There can be no assurance Bill C-45 will become law or, if enacted, will be enacted in its current form. See ''*Risk Factors — Changes in Laws, Regulations and Guidelines*''.

The following is intended to be of a summary nature, and the full text of Bill C-45 should be referred to for complete details with respect to the proposed legalization of recreational cannabis in Canada:

- *The Market for Recreational Cannabis*

Bill C-45, if enacted, will allow all Canadians over the age of 18, subject to additional age limits imposed by provincial governments, to purchase cannabis by mail and in provincially regulated retail spaces. Individuals will also be permitted to grow up to four plants in their residence. The possession limit of dried cannabis would be set at 30 grams. Bill C-45 does not provide for the regulation of edible cannabis products, and it is expected that such products would be regulated and legalized at a later date.

The effect of Bill C-45, should it be passed into law, would be the creation of a market for recreational cannabis in Canada. Bill C-45 would significantly expand the class of individuals who are legally permitted to purchase and consume cannabis in Canada.

Currently, it is illegal to buy, sell, produce, import or export cannabis unless it is authorized under the CDSA and its regulations, such as the ACMPR. The current program for access to cannabis for medical purposes would continue following the passage of Bill C-45. Cannabis will remain illegal as Bill C-45 moves through the legislative process.

- *Provincial Cannabis Regulation*

While the production of cannabis will be under the regulatory oversight of the Government of Canada, the distribution of adult-use recreational cannabis will be the responsibility of the provincial and territorial governments. To date, no provincial legislation has been approved to govern the retail sales. However, all of the provinces in Canada, excluding Saskatchewan (further described below), have announced that the wholesale distribution of cannabis will fall under the responsibility of their provincial liquor authorities. The legal retail business for adult-use recreational cannabis will initially fall under a framework of new provincially owned and run stand-alone cannabis outlets in Ontario, Quebec, New Brunswick, Nova Scotia and Prince Edward Island. Crown corporation run retail outlets will thus have a monopoly over the legal retailing and distribution of cannabis in these provinces, which represent approximately 67% of the Canadian population. The provinces of Alberta, Manitoba and Newfoundland and Labrador have indicated they would allow private retailers to manage the retail sales of cannabis in their provinces, while British Columbia will allow a mix of private and Crown corporation run retail stores. Wholesale and retail distribution in Saskatchewan will be exclusively managed by private retailers but regulated by its provincial liquor authority.

- *Production*

The production of cannabis in Canada will continue to be highly-regulated and subject to numerous controls and regulations.

Part 3 of Bill C-45 provides for the establishment of the legal framework for licenses and permits that will govern the importation, exportation, production, testing, packaging, labelling, sending, delivery, transportation, sale, possession or disposal of cannabis or any class of cannabis. Section 61 of Bill C-45 provides the government with the power to establish a framework for applications for such licenses and permits.

Part 12 of Bill C-45 provides transitional provisions with respect to applications for ACMPR licenses submitted under the ACMPR. Applications submitted under the ACMPR will continue to be processed under the ACMPR as Bill C-45 moves through the legislative process.

- *Distribution*

Under Bill C-45, the provinces and territories would authorize and oversee the distribution and sale of cannabis, subject to minimum federal conditions. In those jurisdictions that have not put in place a regulated retail framework, individuals would be able to purchase cannabis online from a federally Licensed Producer with secure home delivery through the mail or by courier. As a result, the distribution of cannabis will vary from province to province and territory to territory in Canada, and will be regulated at the provincial or territorial level. The Government of Canada has announced that the provinces will have to develop its regulations by July, 2018, failing which purchases may be made online through the federal framework.

- *Advertising and Promotions*

Bill C-45 prohibits any promotion, packaging and labeling of cannabis that could be appealing to young persons or encourage its consumption, while allowing consumers to have access to information with which they can make informed decisions about the consumption of cannabis.

In particular, Division 2 of Bill C-45 provides for broad restrictions on the promotion, packaging and labeling, display, and sale and distribution of cannabis and cannabis accessories. The promotion, packaging and labeling, display and sale and distribution of cannabis and cannabis accessories will be strictly controlled to prevent persons under the age of 18 from being exposed to such activities and to prevent the encouragement of consumption of cannabis. As such, the promotion, packaging and labeling, display and sale and distribution of cannabis and cannabis accessories will take place in a highly regulated environment. The later statement may not be accurate given the restrictions for tobacco and alcohol advertisings.

*Health Canada Consultation Paper and its Proposed Approach to Regulating Cannabis*

On November 21, 2017, Health Canada released a consultation paper entitled “Proposed Approach to the Regulation of Cannabis” (the “**Proposed Regulations**”). Recognizing the Government of Canada’s commitment to bringing the *Cannabis Act* (Canada) into force, the Proposed Regulations, among other things, seek to solicit public input and views on the appropriate regulatory approach to a recreational cannabis market by building upon established regulatory requirements that are currently in place for medical cannabis.

The Proposed Regulations are divided into the following seven major categories:

1. Licenses, Permits and Authorizations;

2. Security Clearances;

3. Cannabis Tracking System;

4. Cannabis Products;

5. Packaging and Labelling;

6. Cannabis for Medical Purposes; and

7. Health Products and Cosmetics Containing Cannabis.

*Licenses, Permits and Authorizations*

The Proposed Regulations would establish different types of authorizations based on the activity being undertaken and, in some cases, the scale of the activity. Rules and requirements for different categories of authorized activities are intended to be proportional to the public health and safety risks posed by each category of activity. The types of proposed authorizations include: (i) cultivation; (ii) processing; (iii) sale to the public for medical purposes and nonmedical purposes in provinces and territories that have not enacted a retail framework; (iv) analytical testing; (v) import/export; and (vi) research.

Cultivation licenses would allow for both large-scale and small-scale (i.e. micro) growing of cannabis, subject to a stipulated threshold. Industrial hemp and nursery licenses would also be issued as a subset of cultivation licenses. Health Canada is considering a number of options for establishing and defining a "micro-cultivator" threshold, such as plant count, size of growing area, total production, or gross revenue. Part of the stated purpose of the Proposed Regulations is to solicit feedback from interested stakeholders regarding the most appropriate basis for determining what such threshold should be.

The Proposed Regulations provide that all licenses issued under the *Cannabis Act* (Canada) would be valid for a period of no more than five years and that no licensed activity could be conducted in a dwelling-house. The Proposed Regulations would also permit both outdoor and indoor cultivation of cannabis. The implications of the proposal to allow outdoor cultivation are not yet known, but such a development could be significant as it may reduce start-up capital required for new entrants in the cannabis industry. It may also ultimately lower prices as capital expenditure requirements related to growing outside are typically much lower than those associated with indoor growing.

*Security Clearances*

It is proposed that select personnel (including individuals occupying a "key position", directors, officers, large shareholders and individuals identified by the Minister of Health) associated with certain licences issued under the *Cannabis Act* (Canada) would be obliged to hold a valid security clearance issued by the Minister of Health. The Proposed Regulations would enable the Minister of Health to refuse to grant security clearances to individuals with associations to organized crime or with past convictions for, or an association with, drug trafficking, corruption or violent offences. This is the approach in place today under the ACMPR and other related regulations governing the licensed production of cannabis for medical purposes.

Health Canada acknowledges in the Proposed Regulations that there are individuals who may have histories of nonviolent, lower-risk criminal activity (for example, simple possession of cannabis, or small-scale cultivation of cannabis plants) who may seek to obtain a security clearance so they can participate in the legal cannabis industry. Under the new set of rules, the Minister of Health would be authorized to grant security clearances to any individual on a case-by-case basis. Part of the purpose of the Proposed Regulations is to solicit feedback from interested parties on the degree to which such individuals should be permitted to participate in the legal cannabis industry.

*Cannabis Tracking System*

As currently proposed under the *Cannabis Act* (Canada), the Minister of Health would be authorized to establish and maintain a national cannabis tracking system. The purpose of this system would be to track cannabis throughout the supply chain to help prevent diversion of cannabis into, and out of, the legal market. The Proposed Regulations would provide the Minister of Health with the authority to make a ministerial order that would require certain persons named in such order to report specific information about their authorized activities with cannabis, in the form and manner specified by the Minister.

*Cannabis Products*
The Proposed Regulations would permit the sale to the public of dried cannabis, cannabis oil, fresh cannabis, cannabis plants, and cannabis seeds. It is proposed that the sale of edible cannabis products and concentrates (such as hashish, wax and vaping products) would only be permitted within one year following the coming into force of the *Cannabis Act* (Canada).
The Proposed Regulations acknowledge that a range of product forms should be enabled to help the legal industry displace the illegal market. Additional product forms that are mentioned under the Proposed Regulations include "pre-rolled" cannabis and vaporization cartridges manufactured with dried cannabis. Specific details related to these new products are to be set out in a subsequent regulatory proposal.

*Packaging and Labelling*
The Proposed Regulations would set out requirements pertaining to the packaging and labelling of cannabis products. Such requirements would promote informed consumer choice and allow for the safe handling and transportation of cannabis. Consistent with the requirements under the ACMPR, the Proposed Regulations would require all cannabis products to be packaged in a manner that is tamper-evident and child-resistant.

While minor allowances for branding would be permitted, Health Canada is proposing strict limits on the use of colours, graphics, and other special characteristics of packaging, and products would be required to be labelled with specific information about the product, contain mandatory health warnings similar to tobacco products, and be marked with a clearly recognizable standardized cannabis symbol.

*Cannabis for Medical Purposes*
The proposed medical access regulatory framework would remain substantively the same as currently exists under the ACMPR, with proposed adjustments to create consistency with rules for non-medical use, improve patient access, and reduce the risk of abuse within the medical access system.

*Health Products and Cosmetics Containing Cannabis*
Health Canada is proposing a scientific, evidenced-based approach for the oversight of health products with cannabis that are approved with health claims, including prescription and non-prescription drugs, natural health products, veterinary drugs and veterinary health products, and medical devices. Under the Proposed Regulations, the use of cannabis-derived ingredients (other than certain hemp seed derivatives containing no more than 10 parts per million THC) in cosmetics, which is currently prohibited, is proposed to be permitted and subject to provisions of the *Cannabis Act* (Canada).

**Bankruptcy and Similar Procedures**

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

**Reorganizations**

On November 16, 2017 Choom completed its acquisition of Medi-Can.  Choom's business and stated business objectives are now the business and stated business objectives of Medi-Can (indirectly through the operation of Medi-Can) (see "*Productions and Services*").  Subsequent to the date of this AIF Choom completed its acquisition of IGC and IGC became a wholly-owned subsidiary of Choom. See "*General Description of the Business – Material Transactions – Cannabis*").

## Risk Factors

The following are certain factors relating to Choom's business, including the business of Medi-Can, which prospective investors should carefully consider before deciding whether to invest in Choom. For the purposes of this section, any reference to Choom's business and operations includes Medi-Can's business and operations. Any explicit use of the term "Medi-Can" is for narrative purposes only and should be understood to include Choom.

The following information is a summary only of certain risk factors and must be read in conjunction with the detailed information appearing elsewhere in this AIF. These risks and uncertainties are not the only ones Choom is facing. Additional risk and uncertainties not presently known to Choom, or that Choom currently deems immaterial, may also impair Choom's operations. If any such risks actually occur, the business, financial condition, liquidity and results of Choom's operations could be materially adversely affected.

### ***Risks Relating to the Target Acquisitions***

<u>Market Reaction to the Target Acquisitions</u>

The market reaction to Choom's proposed acquisition of the Additional LP Targets (the "**Target Acquisitions**") and the future trading prices of the Common Shares cannot be predicted. If disclosed acquisitions are not consummated, the market price of Common Shares may decline to the extent that the current market price of Common Shares reflects a market assumption that the Target Acquisitions will be completed.

<u>Costs of the Target Acquisitions</u>

Certain costs related to the Target Acquisitions, such as legal and accounting fees incurred by Choom, must be paid by Choom even if the Target Acquisitions are not completed.

<u>Failure to Secure a More Attractive Offer</u>

If the Target Acquisitions are not completed and the Board decides to seek other merger or business combinations, there can be no assurance that it will be able to find an equivalent or more attractive price than the consideration pursuant to the Target Acquisitions.

<u>Termination of the Acquisition in Certain Circumstances</u>

Choom has entered into non-binding agreements with certain Additional LP Targets. There is no certainty, nor can the parties provide any assurances that the parties will enter into definitive binding agreements. If for any reason the Target Acquisitions are delayed or not completed, the market price of Common Shares may be adversely affected (see "*Risk Factors – Market Reaction*" above).

<u>Additional Financing</u>

From time to time, Choom may require additional financing. Choom's ability to obtain additional financing, if and when required, will depend on investor demand, operating performance, the condition of the capital markets and other factors. If Choom raises additional funds through the issuance of equity, equity-linked or debt securities, those securities may have rights, preferences, or privileges senior to the rights of holders of the Common Shares, and existing holders of such shares may experience dilution.

Tax Consequences

The Target Acquisitions described herein, including the acquisition, ownership and disposition of the Common Shares may have tax consequences in Canada, or elsewhere, depending on each particular existing or prospective shareholder's specific circumstances. Such tax consequences are not described herein and disclosure is not intended to be, nor should it be construed to be, legal or tax advice to any particular shareholder. Existing and prospective shareholders should consult their own tax advisors with respect to any such tax considerations.

***Risks Relating to Acquisitions***

Licensing Requirements Under the ACMPR

The market for cannabis (including medical marihuana) in Canada is regulated by the CDSA, the ACMPR, the Narcotic Control Regulations ("**NCR**") and other applicable law. Health Canada is the primary regulator of the industry as a whole. The ACMPR aims to treat cannabis like any other narcotic used for medical purposes by creating conditions for a new commercial industry that is responsible for its production and distribution.

Any applicant seeking to become a Licensed Producer under the ACMPR is subject to stringent Health Canada licensing requirements. The below table provides a general overview of the licensing process as described by Health Canada.

| **Stage** | **Overview** |
|---|---|
| **1** | **Intake and Initial Screening**: When an application is received, it undergoes a preliminary screening for completeness. If an application is not complete, it will be returned. If an application is complete, it will be assigned an application number. The assignment of an application number means that the application has completed the preliminary screening. |
| **2**<br>Medi-Can application is in the Detailed Review State | **Detailed Review and Initiation of Security Clearance Process**: Once an application has been assigned an application number, it will be reviewed to (i) complete the assessment of the application to ensure that it meets the requirements of the Regulations of the ACMPR; (ii) establish that the issuance of the license is not likely to create risks to public health, safety or security, including the risk of cannabis being diverted to an illicit market or use; and (iii) establish that there are no other grounds for refusing the application. It is the responsibility of the applicant to ensure that they are in compliance with all applicable provincial, territorial and municipal legislation, regulations and bylaws, including zoning restrictions.<br>An application will be thoroughly reviewed to ensure that the level of detail included in the application is sufficient to meet the requirement of the ACMPR and to validate the information provided. Given the extensive review process, applicants are generally required to communicate with the Office of Medical Cannabis multiple times to provide clarifications with respect to the application. Physical security plans will be reviewed and assessed in detail at this stage.<br>When an application is in the Detailed Review stage, the security clearance forms for key personnel will be sent for processing. The time required to conduct mandatory security checks varies with each application. Security clearances generally take several months at a minimum. Health Canada and the Royal Canadian Mounted Police are not able to provide updates on the status of security checks. Applications will only advance to the review stage once security clearances for all key personnel are completed. Please note that until such a |

| Stage | Overview |
|---|---|
| | time as Health Canada receives the results of the security checks, there will be no further communication from Health Canada. |
| **3** | **Issuance of License to Produce:** Once Health Canada confirms that the requirements of the ACMPR have been met, and the application successfully completes the Detailed Review and Security Clearance stage, a license to produce will be issued. |
| **4** | **Introductory Inspection (as cultivation begins):** A Licensed Producer is required to notify Health Canada as cultivation begins, and once notified, Health Canada will schedule an initial inspection to verify that the Licensed Producer is meeting the requirement of the ACMPR, including but not limited to, the physical security requirement of the site, record keeping practices and Good Production Practices (GPP) and to confirm that the activities being conducted by the Licensed Producer correspond to those indicated on their license. |
| **5** | **Pre-Sales Inspection (prior to issuance of sales license):** If a Licensed Producer would like to add the activity of sale to their existing license, an amendment application must be submitted to the Office of Medical Cannabis, upon which Health Canada will schedule an additional inspection to verify that the Licensed Producer is meeting the requirement of the ACMPR, including but not limited to, GPP, packaging, labeling, shipping and record keeping prior to allowing the sale or provision of the product. |
| **6** | **Issuance of License to Sell:** To complete the assessment and add the activity of sale of cannabis products to an existing license, the following information is reviewed: (i) results of the pre-sale inspection; (ii) information submitted in the amendment application to add the activity of sale to the license; and (iii) any other relevant information. When the review is completed, an amended license, including the activity of sale, is issued to the Licensed Producer subject to which the Licensed Producer may supply cannabis products to registered clients, other Licensed Producers and/or other permitted parties named under the ACMPR. Separate licenses may be issued for dried marijuana, plants and/or cannabis oil. |

Facilities are not Licensed under the ACMPR

Choom’s ability to cultivate, store and sell medical cannabis in Canada is dependent on its applicants becoming a Licensed Producer. Medi-Can and IGC have each applied to Health Canada to become a Licensed Producer under the ACMPR, but have not yet received such license. Medi-Can is currently in the Detailed Review stage of the licensing process. Medi-Can’s ability to cultivate, store and sell medical cannabis at the Facility is dependent on obtaining an ACMPR license from Health Canada and there can be no assurance that Medi-Can will obtain such ACMPR license for the Facility. IGC is at "Confirmation of Readiness Stage" under the Health Canada administered ACMPR application process. Upon completion of the tenant improvements, IGC will submit its evidence package to Health Canada and it is expected a cannabis cultivation license will soon follow.

Reliance on Licenses

Failure to comply with the requirements of the ACMPR license, once obtained by Medi-Can, IGC (or any Additional LP Targets), or any failure to maintain the ACMPR license would have a material adverse impact on the business, financial condition and operating results of Choom. Although Choom believes Medi-Can and IGC will meet the requirements of the ACMPR to become Licensed Producer, there can be no guarantee that Health Canada will grant the ACMPR license. Should Health Canada not grant the

ACMPR license or should it grant the ACMPR license on different terms, the business, financial condition and results of the operation of Choom would be materially and adversely affected.

Reliance on Currently Proposed Unlicensed Facilities

To date, Choom's activities and resources have been primarily focused on its currently proposed unlicensed facilities. Adverse changes or developments affecting a facility may have a material and adverse effect on Choom's ability to produce medical cannabis, business, financial condition and prospects. There is a risk that the facilities, and any expansions or construction thereto, 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:

- delays in obtaining, or conditions imposed by, regulatory approvals;
- facility design errors;
- environmental pollution; non-performance by third party contractors; increases in materials or labour costs; construction performance falling below expected levels of output or efficiency;
- breakdown, aging or failure of equipment or processes;
- contractor or operator errors;
- operational inefficiencies;
- labour disputes, disruptions or declines in productivity; inability to attract sufficient numbers of qualified workers; disruption in the supply of energy and utilities; and
- major incidents and/or catastrophic events such as fires, explosions, storms, or physical attacks.

Construction Risk Factors

Construction on the facilities is subject to a number of risk factors, including the availability and performance of engineering and construction contractors, suppliers and consultants, the receipt of required governmental approvals and permits in connection with construction. Any delay in the performance of any one or more of the contractors, suppliers, consultants or other persons on which Choom is dependent in connection with its construction activities, a delay in or failure to receive the required governmental approvals and permits in a timely manner or on reasonable terms, or a delay in or failure in connection with the completion and successful operation of the operational elements in connection with construction could delay or prevent the construction and start-up of the Facility. There can be no assurance that current or future construction plans implemented by Choom will be successfully completed on time, within budget and without design defect; that available personnel and equipment will be available in a timely manner or on reasonable terms to successfully complete construction projects; that Choom's subsidiaries will be able to obtain all necessary governmental approvals and permits; or that the completion of the construction, the start-up costs and the ongoing operating costs will not be significantly higher than anticipated by Choom. Any of the foregoing factors could adversely impact the operations and financial condition of Choom.

Lease Risk Relating to the Facilities

The facilities are located on property that is not owned by Choom or its subsidiaries. Such property is subject to a long-term lease and similar arrangements in which the underlying land is owned by a third party and leased to Choom's subsidiaries. Under the terms of a typical lease, the lessee must pay rent for the use of the land and is generally responsible for all costs and expenses associated with the building and improvements. Unless the lease term is extended, the land, together with all improvements made, will revert to the owner of the land upon the expiration of the lease term. In addition, an event of default by Choom's subsidiaries under the terms of the lease could also result in a loss of the property should the default not be rectified in a reasonable period of time. The reversion or loss of such properties could have a material adverse effect on Choom and its subsidiaries' operations and results.

Holding Company Status

Choom is largely a holding company and essentially all of its operating assets are the capital stock of its subsidiaries. As a result, investors in Choom are subject to the risks attributable to its subsidiaries. As a holding company, Choom conducts substantially all of its business through its subsidiaries, which generate substantially all of its revenues. Consequently, Choom's cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of its subsidiaries and the distribution of those earnings to Choom. The ability of these entities to pay dividends and other distributions will depend on their operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by such companies and contractual restrictions contained in the instruments governing their debt. In the event of a bankruptcy, liquidation or reorganization of any of Choom's subsidiaries, holders of indebtedness and trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to Choom.

Limited Operating History

Medi-Can's application to become a Licensed Producer under the MMPR was submitted to Health Canada on November 2, 2013 (now regulated under the ACMPR) and IGC is at the "Confirmation of Readiness" stage of the licensing process. Choom is therefore subject to many of the risks common to early-stage enterprises, including limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that Choom will be successful in achieving a return on its shareholders' investments and the likelihood of success must be considered in light of its early stage of operations.

Management of Growth

Choom may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of Choom to manage growth effectively will require continued implementation and improvement of its operational and financial systems and to expand, train and manage its employee base. The inability of Choom to deal with growth may have a material adverse effect on its business, financial condition, results of operations and prospects.

Reliance on Management

The success of Choom is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. While employment agreements and incentive programs are customarily used as primary methods of retaining the services of key employees, these agreements and incentive programs cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on Choom's business, operating results or financial condition.

Litigation

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

Dividends

Choom's policy is to retain earnings to finance the development and enhancement of its products and to otherwise reinvest in Choom's businesses. Therefore, Choom does not anticipate paying cash dividends on Common Shares in the foreseeable future. Any decision to declare and pay dividends in the future will be made at the discretion of the Board of Choom and will depend on, among other things, financial results, cash requirements, contractual restrictions and other factors that the Board of Choom may deem relevant. As a result, investors may not receive any return on investment in the Common Shares unless they sell them for a share price that is greater than that at which such investors purchased them.

Limited Market for Securities

There can be no assurance that an active and liquid market for the Common Shares will be maintained and an investor may find it difficult to resell any securities of Choom.

The Size of Choom's Target Market is Difficult to Quantify, and Investors will be Reliant on their Own Estimates on the Accuracy of Market Data.

Because the cannabis industry is in a nascent stage with uncertain boundaries, there is a lack of information about comparable companies available for potential investors to review in deciding about whether to invest in Choom and, few, if any, established companies whose business model Choom can follow or upon whose success Choom can build. Accordingly, investors will have to rely on their own estimates in deciding about whether to invest in Choom. There can be no assurance that Choom's estimates are accurate or that the market size is sufficiently large for its business to grow as projected, which may negatively impact its financial results. Choom regularly purchases and follows market research.

Liquidity Risk

Choom's ability to remain liquid over the long term depends on its ability to obtain additional financing. Choom has in place planning and budgeting processes to help determine the funds required to support normal operating requirements on an ongoing basis as well as its planned development and capital expenditures. Choom's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due.

Conflicts of Interest

Choom may be subject to various potential conflicts of interest because some of their officers and directors may be engaged in a range of business activities. In addition, Choom's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to either company. In some cases, Choom's executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to Choom's business and affairs and that could adversely affect Choom's operations. These business interests could require significant time and attention of Choom's executive officers and directors.

In addition, Choom may also become involved in other transactions which conflict with the interests of its directors and the officers who may from time to time deal with persons, firms, institutions or Companies with which Choom may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of Choom. In addition, from time to time, these persons may be competing with Choom for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, if such a conflict of interest arises at a meeting of Choom'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 directors of Choom are required to act honestly, in good faith and in the best interests their respective companies.

***Risks Relating to the Medical Cannabis Industry***

<u>Volatile Market Price for Common Shares</u>

The market price for Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond Choom's control, including the following:

- actual or anticipated fluctuations in Choom's quarterly results of operations;
- recommendations by securities research analysts;
- changes in the economic performance or market valuations of companies in the industry in which Choom operates;
- addition or departure of Choom's executive officers and other key personnel;
- release or expiration of transfer restrictions on outstanding Common Shares;
- sales or perceived sales of additional Common Shares;
- operating and financial performance that vary from the expectations of management, securities analysts and investors;
- regulatory changes affecting Choom's industry generally and its business and operations;
- announcements of developments and other material events by Choom or its competitors;
- fluctuations to the costs of vital production materials and services;
- changes in global financial markets and global economies and general market conditions, such as interest rates and pharmaceutical product price volatility;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving Choom or its competitors;

- operating and share price performance of other companies that investors deem comparable to Choom or from a lack of market comparable companies; and

- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in Choom's industry or target markets.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Such volatility has been particularly evident with regards to the share prices of medical cannabis companies that are public issuers in Canada. Accordingly, the market price of Common Shares may decline even if Choom's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are lasting and not temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in share price and volume will not occur. If such increased levels of volatility and market turmoil continue, Choom's operations could be adversely impacted and the trading price of Common Shares may be materially adversely affected.

<u>The Cannabis Industry is Subject to Competition</u>

There is potential that Choom will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and production and marketing experience than Choom.

Because of the early stage of the industry in which Choom operates, Choom expects to face additional competition from new entrants. If the number of users of medical marijuana in Canada increases, the demand for products will increase and Choom expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products and pricing strategies. To remain competitive, Choom will require a continued high level of investment in research and development, marketing, sales and client support. Choom 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 Choom.

<u>Cannabis is Not an Approved Drug or Medicine</u>

Cannabis is not an approved drug or medicine in Canada. The Government of Canada does not endorse the use of cannabis, but Canadian courts have required reasonable access to a legal source of cannabis when authorized by a healthcare practitioner.

<u>Regulatory Risks</u>

Choom operates in a new industry which is highly regulated, highly competitive and evolving rapidly. As such, new risks may emerge, and management may not be able to predict all such risks or be able to predict how such risks may result in actual results differing from the results contained in any forward-looking statements. Choom's ability to grow, store and sell medical cannabis in Canada with respect to the Facility is dependent on Medi-Can obtaining the ACMPR license from Health Canada and the need to maintain such ACMPR license in good standing. Failure to: (i) comply with the requirements of the ACMPR license; and (ii) maintain this ACMPR license would have a material adverse impact on the business, financial condition and operating results of Choom.

Choom will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions of Choom's operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to Choom'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 Choom.

The industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond Choom's control and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce Choom's earnings and could make future capital investments or Choom's operations uneconomic. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

Environmental Regulations and Risks

Choom's operations are subject to environmental regulation. These regulations 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 will require 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 Choom's operations.

Government approvals and permits are currently, and may in the future, be required in connection with Choom's operations. To the extent such approvals are required and not obtained, Choom, through Medi-Can, may be curtailed or prohibited from the proposed production of medical cannabis or from proceeding with the development of their operations as currently proposed.

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. Choom 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.

Changes in Laws, Regulations and Guidelines

Choom's operations are subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of medical cannabis but also including laws and regulations relating to health and safety, privacy, the conduct of operations and the protection of the environment. To the knowledge of Choom, it is currently in compliance with all such laws. That said, any changes to such laws, regulations and guidelines are matters beyond the control of Choom that may cause adverse effects to Choom's operations and financial conditions (see "*Narrative Description of Business – Marijuana Legislation*").

The risks to the business of Choom represented by this or similar actions are that they might lead to court rulings or legislative changes that allow those with existing licenses to possess and/or grow medical cannabis, perhaps allow others to opt out of the regulated supply system implemented through the ACMPR by growing their own medical cannabis, or potentially even legitimize illegal areas surrounding cannabis dispensaries. This could significantly reduce the addressable market for Choom's products and could materially and adversely affect the business, financial condition and results of operations for Choom (see "*Productions and Services*; see "*Narrative Description of Business – Marijuana Legislation*").

While the impact of any of such changes is uncertain and highly dependent on which specific laws, regulations or guidelines are changed and on the outcome of any such court actions, it is not expected that any such changes would have an effect on Choom's operations that is materially different than the effect on similar-sized companies in the same business as Choom.

In addition, the industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond Choom's control and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce Choom's earnings and could make future capital investments or Choom's operations uneconomic (see "*Marijuana Legislation*").

Restrictions on Sales Activities

The industry is in its early development stage and restrictions on sales and marketing activities imposed by Health Canada, various medical associations, other governmental or quasi-governmental bodies or voluntary industry associations may adversely affect Choom's ability to conduct sales and marketing activities and could have a material adverse effect on Choom's respective businesses, operating results and financial conditions.

Competition

The impact of any developments in cannabis legislation and regulation may be negative for Choom and could result in increased levels of competition in its existing medical market and/or the entry of new competitors in the overall cannabis market in which Choom will operate (also see "*Marijuana Legislation – Competitive Conditions*").

There is potential that Choom will face intense competition from other companies, some of which can be expected to have more financial resources, industry, manufacturing and marketing experience than Choom. Additionally, there is potential that the industry will undergo consolidation, creating larger companies that may have increased geographic scope and other economies of scale. Increased competition by larger, better-financed competitors with geographic or other structural advantages could materially and adversely affect the business, financial condition and results of operations of Choom.

The government of Canada has only issued to date a limited number of licenses under the ACMPR to produce and sell medical cannabis. There are, however, several hundred applicants for licenses. The number of licenses granted could have an impact on the operations of Medi-Can and any Additional LP Targets that Choom may acquire. Because of the early stage of the industry in which Choom operates, Choom expects to face additional competition from new entrants. According to Health Canada there were 91 Licensed Producers as of March 6, 2018. If the number of users of medical cannabis in Canada increases, the demand for products will increase and Choom expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, Choom will require a continued level of investment in research and development, marketing, sales and client support. Choom 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 Choom.

***Risks Inherent in an Agriculture Business***

Choom's business involves the growing of medical cannabis, which is an agricultural product. As such, the business is subject to the risks inherent in the agricultural business, such as pests, plant diseases and similar agricultural risks. Although Choom grows its products indoors under climate controlled conditions, and carefully monitors the growing conditions with trained personnel, there can be no assurance that natural elements will not have a material adverse effect on the volume, quality and consistency of its products.

<u>Vulnerability to Rising Energy Costs</u>

Choom's cannabis growing operations consume considerable energy, making Choom vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business of Choom and its ability to operate profitably.

<u>Product Liability</u>

As a manufacturer and distributor of products designed to be ingested or inhaled by humans, Choom faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of products involve the risk of injury or loss to consumers due to tampering by unauthorized third parties, product contamination, unauthorized use by consumers or other third parties. Previously unknown adverse reactions resulting from human consumption of Choom's products alone or in combination with other medications or substances could occur. Choom may be subject to various product liability claims, including, among others, that Choom's products caused injury, illness or loss, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against Choom could result in increased costs, adversely affect Choom's reputation with its respective clients and consumers generally, and adversely affect the results of operations and financial conditions of Choom.

<u>Product Recalls</u>

Manufacturers and distributors of products may be subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of Choom's products are recalled due to an alleged product defect or for any other reason, Choom could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. Choom 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.

<u>Operating Risk and Insurance Coverage</u>

Choom has insurance to protect its assets, operations and employees. While Choom believes its insurance coverage addresses all material risks to which they are 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 Choom is exposed. However, Choom may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Choom might also become subject to liability for pollution or other hazards which may not be insured against or which Choom may elect not to insure against because of premium costs or other reasons. Losses from these events may cause Choom to incur significant costs that could have a material adverse effect upon Choom's financial performance and results of operations.

***Under Canadian regulations, a Licensed Producer of cannabis may have restrictions on the type and form of marketing it can undertake which could materially impact sales performance.***

The development of Choom's future business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by Health Canada. The regulatory environment in Canada limits Choom's ability to compete for market share in a manner similar to other industries. If Choom is unable to effectively market its 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, Choom's sales and operating results could be adversely affected.

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

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

***Choom will be reliant on information technology systems and may be subject to damaging cyber-attacks.***

Choom has entered into agreements with third parties for hardware, software, telecommunications and other information technology ("**IT**") services in connection with its operations. Choom's operations depend, in part, on how well it and its suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. Choom's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact Choom's reputation and results of operations.

Choom has not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that Choom will not incur such losses in the future. Choom's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, Choom may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

***Choom may be subject to breaches of security at its facilities.***

Given the nature of Choom's product and its lack of legal availability outside of channels approved by the Government of Canada, as well as the concentration of inventory in its Facility, despite meeting or exceeding Health Canada's security requirements, there remains a risk of shrinkage as well as theft. A security breach at one of Choom's facilities could expose Choom to additional liability and to potentially costly litigation, increase expenses relating to the resolution and future prevention of these breaches and may deter potential patients from choosing Choom's products.

***In certain circumstances, Choom's reputation could be damaged.***

Damage to Choom's reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. 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 regarding Choom and its activities, whether true or not. Although Choom believes that it operates in a manner that is respectful to all stakeholders and that it takes care in protecting its image and reputation, Choom does not ultimately have direct control over how it is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to Choom's overall ability to advance its projects, thereby having a material adverse impact on financial performance, financial condition, cash flows and growth prospects.

## DIVIDENDS AND DISTRIBUTIONS

Choom has not paid dividends since its inception.

There are no restrictions in Choom's articles and bylaws or elsewhere which could prevent the Choom from paying dividends. It is not contemplated that any dividends will be paid on any shares of Choom in the immediate future; however, as it is anticipated that all available funds will be invested to finance the growth of Choom's business. The directors of Choom will determine if, and when, dividends will be declared and paid in the future from funds properly applicable to the payment of dividends based on Choom's financial position at the relevant time. All of Choom's Common Shares will be entitled to an equal share in any dividends declared and paid.

# DESCRIPTION OF CAPITAL STRUCTURE

## General Description of Capital Structure

*Common Shares*

Choom is authorized to issue: an unlimited number of Common Shares with no par value. As at May 1, 2018, Choom has 97,037,508 Common Shares issued and outstanding. The Common Shares are currently trading on the CSE under the symbol CHOO.

The holders of the Common Shares are entitled to receive notice of and to attend and vote at all meetings of the shareholders of Choom and each Common Share shall confer the right to one vote in person or by proxy at all meetings of the shareholders of Choom. The holders of the Common Shares, subject to the prior rights, if any, of any other class of shares of Choom, are entitled to receive such dividends in any financial year as the board of directors of Choom (the "**Board**") may determine by resolution. In the event of the liquidation, dissolution or winding-up of Choom, whether voluntary or involuntary, the holders of the Common Shares are entitled to receive, subject to the prior rights, if any, of the holders of any other class of shares of Choom, the remaining property and assets of Choom.

*Preferred Shares*

Choom is authorized to issue an unlimited number of preferred shares. Choom does not have any preferred shares outstanding.

*Warrants*

As at December 31, 2017, Choom has 9,366,667 Warrants outstanding. 1,666,667 September 2017 Warrants were issued in connection with the September 2017 Financing and are exercisable into Common Shares at $0.25 per Common Share until March 27, 2019. 5,000,000 December 2017 Warrants were issued in connection with the December 2017 Financing and are exercisable into Common Shares at $0.25 per Common Share until June 18, 2019. 2,700,000 February 2018 Warrants were issued in connection with the February 2018 Financing and are exercisable into Common Shares at $0.75 per Common Share until August 6, 2019.

*Options*

Choom has a rolling stock option plan (the "**Plan**"), which provides for a total of 10% of the issued and outstanding Common Shares of Choom available for issuance thereunder. The Plan was most recently approved by the Board on March 15, 2018 in accordance with Policy 6 - *Distributions* of the CSE. As at December 31, 2017, Choom had 3,175,000 stock options ("**Stock Options**") outstanding (see "*Terms of Plan*" below).

The purpose of the Plan is to allow Choom to grant Stock Options to directors, officers, employees and consultants, as additional compensation, and as an opportunity to participate in the success of Choom. The granting of such Stock Options is intended to align the interests of such persons with that of the Choom's shareholders.

*Terms of the Plan*

The full text of the Plan is available upon written request made directly to Choom at its registered head office located at 350 – 409 Granville, Vancouver, BC, Canada, V6C 1T2, Attention: President and CEO.

Administration

The Plan shall be administered by the Board, a special committee of the Board (the "**Committee**") or by an administrator appointed by the Board or the Committee (the "**Administrator**") either of which will have full and final authority with respect to the granting of all Stock Options thereunder. Stock Options may be granted under the Plan to such directors, officers, employees or consultants of Choom, as the Board, the Committee or the Administrator may from time to time designate.

Number of Common Shares Reserved

Subject to adjustment as provided for in the Plan, the aggregate number of Common Shares which will be available for purchase pursuant to Stock Options granted under to the Plan will not exceed 10% of the number of Common Shares which are issued and outstanding on the particular date of grant. If any Stock Option expires or otherwise terminates for any reason without having been exercised in full, the number of Common Shares in respect of such expired or terminated Stock Option shall again be available for the purposes of granting Stock Options pursuant to this Plan.

Exercise Price

The exercise price at which a Stock Option holder may purchase a Common Share upon the exercise of a Stock Option shall be determined by the Committee and shall be set out in the Stock Option Certificate issued in respect of the Stock Option. The exercise price shall not be less than the price determined in accordance with CSE policies while the Company's Common Shares are listed on the CSE.

Maximum Term of Stock Options

The term of any Stock Option granted under the Plan (the "**Term**") shall be determined by the Board, the Committee or the Administrator, as applicable, at the time the Stock Option is granted but, subject to earlier termination in the event of termination, or in the event of death or disability of the Stock Option holder. In the event of death or disability, the Stock Option shall expire on the earlier of the date which is six months following the date of disability or death and the applicable expiry date of the Stock Option. Stock Option granted under the Plan are not to be transferable or assignable other than by will or other testamentary instrument or pursuant to the laws of succession.

Termination

Subject to such other terms or conditions that may be attached to Stock Options granted under the Plan, a Stock Option holder may exercise a Stock Option in whole or in part at any time and from time to time during the Term. Any Stock Option or part thereof not exercised within the Term shall terminate and become null, void and of no effect as of the date of expiry of the Stock Option. The expiry date of a Stock Option shall be the date so fixed by the Committee at the time the Option is granted as set out in the Stock Option Certificate or, if no such date is set out in for the Stock Option certificate the applicable circumstances, the date established, if applicable, in paragraphs (a) or (b) below or in the event of death or disability (as discussed above under "*Maximum Term of Stock Options*") or in the event of certain triggering events occurring, as provided for under the Plan:

(a) *Ceasing to Hold Office* – In the event that the Stock Option holder holds his or her Stock Option as an executive and such Stock Option holder ceases to hold such position other than by reason of death or disability, the expiry date of the Stock Option shall be, unless otherwise expressly provided for in the Stock Option certificate, the 90th day following the date the Stock Option holder ceases to hold such position unless the Stock Option holder ceases to hold such position as a result of:

(i) ceasing to meet the qualifications set forth in the corporate legislation applicable to Choom;

(ii) a special resolution having been passed by the shareholders of Choom removing the Stock Option holder as a director of Choom or any subsidiary; or

(iii) an order made by any regulatory authority having jurisdiction to so order;

in which case the expiry date shall be the date the Stock Option holder ceases to hold such position; or

(b) *Ceasing to be Employed or Engaged* – In the event that the Stock Option holder holds his or her Stock Option as an employee or consultant, other than a Stock Option holder who is engaged in investor relations activities, and such Stock Option holder ceases to hold such position other than by reason of death or disability, the expiry date of the Stock Option shall be, unless otherwise expressly provided for in the Stock Option certificate, the 90th day following the date the Stock Option holder ceases to hold such position, or, in the case of a Stock Option holder that is engaged in investor relations activities, the 30th day after the date such Stock Option holder ceases to hold such position, unless the Stock Option holder ceases to hold such position as a result of:

(i) termination for cause;

(ii) resigning or terminating his or her position; or

(iii) an order made by any regulatory authority having jurisdiction to so order;
in which case the expiry date shall be the date the Stock Option holder ceases to hold such position.

In the event that the Stock Option holder ceases to hold the position of executive, employee or consultant for which the Stock Option was originally granted, but comes to hold a different position as an executive, employee or consultant prior to the expiry of the Stock Option, the Committee, the Board or the Administrator, as applicable, may, in its sole discretion, choose to permit the Stock Option to stay in place for that Stock Option holder with such Stock Option then to be treated as being held by that Stock Option Holder in his or her new position and such will not be considered to be an amendment to the Stock Option in question requiring the consent of the Stock Option Holder. Notwithstanding anything else contained in the Plan, in no case will a Stock Option be exercisable later than the expiry date of the Stock Option.

As at the date of this AIF, the Company has 4,210,000 Stock Options outstanding, as follows:

| **Type of Security** | **Number** | **Exercise price** | **Expiry Date** |
|---|---|---|---|
| Stock Options | 2,950,000 | $0.17 | November 16, 2022 |
| Stock Options | 600,000 | $0.75 | February 27, 2023 |
| Stock Options | 500,000 | $1.06 | March 19, 2023 |

| Type of Security | Number | Exercise price | Expiry Date |
|---|---|---|---|
| Stock Options | 50,000 | $0.84 | April 11, 2023 |
| Stock Options | 110,000 | $0.91 | April 13, 2023 |
| **Total:** | **4,210,000** | | |

## MARKET FOR SECURITIES

### Trading Price and Volume

Choom is currently listed on the CSE under the symbol "CHOO". The following table sets out the price ranges and volume traded or quoted on the CSE for the Common Shares from the listing date:

| Period | High CDN$ | Low CDN$ | Volume |
|---|---|---|---|
| May 1, 2018 | $0.88 | $0.85 | 262,960 |
| April 1 – 30, 2018 | $0.98 | $0.78 | 10,500,918 |
| March 1 – 31, 2018 | $1.10 | $0.72 | 19,399,293 |
| February, 2018 | $0.79 | $0.60 | 19,510,000 |
| January, 2018 | $0.97 | $0.52 | 50,330,000 |
| December, 2017 | $0.53 | $0.26 | 19,450,000 |
| November 22 - 30, 2017(1) | $0.32 | $0.24 | 12,260,000 |

**NOTES:**

(1) The Common Shares began trading on the CSE effective November 22, 2017.

Prior to listing on the CSE, the Common Shares were previously listed and posted for trading on the TSX-V under the symbol "SGH". The following table sets out the price ranges and volume traded or quoted on the TSX Venture Exchange for the Common Shares for the 12-month period prior to November 22, 2017.

| Period | High CDN$ | Low CDN$ | Volume |
|---|---|---|---|
| October 1, 2017 – November 10, 2017 | $0.17 | $0.17 | 0 |
| September, 2017 | $0.17 | $0.17 | 0 |
| August, 2017 | $0.17 | $0.17 | 0 |
| July, 2017 | $0.17 | $0.17 | 0 |
| June, 2017(1) | $0.175 | $0.155 | 621,666 |
| May, 2017 | $0.175 | $0.125 | 4,291,377 |
| April, 2017 | $0.195 | $0.14 | 13,391,901 |
| January 1, 2017 – March 31, 2017 | $0.195 | $0.055 | 38,439,303 |
| October 1, 2016 – December 31, 2016 | $0.095 | $0.06 | 10,630,635 |
| July 1, 2016 – September 30, 2016 | $0.10 | $0.055 | 13,462,381 |
| April 1, 2016 – June 30, 2016 | $0.125 | $0.03 | 25,868,462 |
| January 1, 2016 – March 31, 2016 | $0.05 | $0.005 | 5,794,142 |
| October 1, 2015 – December 31, 2015 | $0.015 | $0.005 | 641,700 |

**NOTES:**

(1) The Common Shares were halted effective June 2, 2017.

***Prior Sales***

Please see "*General Development of Business – Material Transactions – Financings*" for a summary of the securities sold by Choom for the 12-month period prior to May 1, 2018.

## ESCROWED SECURITIES

### Escrowed Securities and Securities Subject to Contractual Restriction on Transfer

Pursuant to the completion of the acquisition of Medi-Can, the Common Shares issued to Medi-Can Shareholders as consideration were escrowed pursuant to National Policy 46-201 – *Escrow for Initial Public Offerings* as follows: 10% on the closing of the Acquisition and thereafter over 36 months in six equal 15% releases.

| **Date of Release** | **Number of Common Shares to be Released** |
|---|---|
| Closing Date | 1,250,000[(1)] |
| Date that is 6 months from Closing Date | 1,875,000 |
| Date that is 12 months from Closing Date | 1,875,000 |
| Date that is 18 months from Closing Date | 1,875,000 |
| Date that is 24 months from Closing Date | 1,875,000 |
| Date that is 30 months from Closing Date | 1,875,000 |
| Date that is 36 months from Closing Date | 1,875,000 |
| **Total:** | **11,250,000** |

**NOTES:**
(1) 1,250,000 Common Shares have been released from escrow, therefore, 11,250,000 Common Shares remain in Escrow as at December 31, 2017.

Pursuant to the IGC Acquisition, a total of 6,400,000 Common Shares were issued to certain IGC shareholders as consideration will be escrowed as follows: 10% on the closing of the IGC Acquisition and thereafter over 24 months in four equal 22.5% releases.

| **Date of Release** | **Number of Common Shares to be Released** |
|---|---|
| Closing Date | 640,000 [(1)] |
| Date that is 6 months from Closing Date | 1,440,000 |
| Date that is 12 months from Closing Date | 1,440,000 |
| Date that is 18 months from Closing Date | 1,440,000 |
| Date that is 24 months from Closing Date | 1,440,000 |
| **Total:** | **6,400,000** |

## DIRECTORS AND OFFICERS

The Articles of Choom provide that the number of directors should not be fewer than three directors. Each director holds office until the close of the next annual general meeting of Choom, or until his or her successor is duly elected or appointed, unless his or her office is earlier vacated. The Board currently consists of four directors. Mr. Bogart is the President and Chief Executive Officer ("**CEO**") of Choom and therefore is non-independent. Stephen Tong, Kevin Puil and John Doo-Jin Oh are the independent members of the Board. Pursuant to the ITI Agreement, it is contemplated that on closing of the ITI Acquisition, the Board will consist of at least five directors and Michael Forbes will be appointed as an officer of the Company.

### Name, Occupation and Security Holding

The following table sets out the names of the directors and officers of Choom, the municipality and province of residence, their position with Choom, their principal occupation during the past 5 years, and the number and percentage of Common Shares which will be beneficially owned, directly or indirectly, or over which control or direction is exercised, by each of Choom's directors and officers.

| **Name and Municipality of Residence and Position with Choom** [(1)] | **Position and Period with Choom**[(1)] | **Director/Officer Since** | **Principal Occupation for the past five years** | **Number and Percentage of Common Shares Owned or Controlled**[(4)] |
|---|---|---|---|---|
| **Christopher Bogart**[(2)]<br>British Columbia, Canada<br>President, Chief Executive Officer and Director | President, CEO, and Director | Sep 18, 2006 | President, CEO, and Director of Choom | 2,076,750<br>(2.14%) |
| **Terese Gieselman**<br>British Columbia, Canada<br>Chief Financial Officer | Chief Financial Officer ("**CFO**") | August 13, 2008 | CFO, treasurer and corporate secretary of public companies | 100,000<br>(0.10%) |
| **Kevin Puil**[(2)]<br>British Columbia, Canada<br>Director | Director | May 17, 2017 | Chartered Financial Analyst Managing Partner at RIVI Capital LLC | Nil |
| **Stephen Tong**[(2)]<br>British Columbia, Canada<br>Director | Director | February 23, 2017 | Lawyer at Stella Law Corporation | 155,000<br>(0.16%) |
| **John Doo-Jin Oh**<br>British Columbia, Canada<br>Director | Director | November 16, 2017 | Manager at Shopify since 2015<br>Owner/manager of a private company since 2011 | 1,875,000<br>(1.93%) |

**NOTES:**

(1) The information as to principal occupation, business or employment and Common Shares beneficially owned or controlled is not within the knowledge of the management of Choom and has been furnished by the respective nominees.

(2) Member of the Audit Committee and anticipated member of corporate governance committee and compensation committee of Choom, once established.

(3) Christopher Bogart was appointed as President and Chief Executive Officer on August 3, 2010.

(4) Based on the Company's issued and outstanding as at May 1, 2018.

As at May 1, 2018, the directors and executive officers of Choom beneficially own, directly or indirectly, as a group 4,206,750 Common Shares of Choom representing approximately 4.33% of all outstanding voting securities of Choom on a non-dilutive basis.

The following are brief biographies of the above individuals:

| Name | Principal occupation and related experience |
|---|---|
| Christopher Bogart<br>President, Chief Executive Officer and Director | Mr. Bogart, 47, has extensive experience in the areas of resource finance, business development, strategic planning and corporate restructuring. Mr. Bogart was the Co-Founder and Interim CEO of InMed Pharmaceuticals (CSE: IN), and also a Co-founder of Magnum Uranium, a TSX.V company which was purchased by TSX Listed Energy Fuels (TSX:EFR). |
| Terese Gieselman<br>Chief Financial Officer | Ms. Gieselman, 55, has over 32 years of experience in the resource industry with the TSX, TSX.V, NASDAQ and AMEX, as Chief Financial Officer, treasurer and corporate secretary. |
| Kevin Puil<br>Director | Mr. Puil, 44, is currently the Managing Partner at RIVI Capital LLC. Previously, he was a partner and portfolio manager at Bolder Investment Partners (now Haywood Securities), in Vancouver, British Columbia, and more recently, he was a Portfolio Manager and Senior Analyst at a mutual fund in San Francisco, focusing on natural resources. Mr. Puil also serves as a board member and on the audit committee of several TSX listed companies. He holds a degree in Economics from the University of Victoria in British Columbia, and is a Chartered Financial Analyst (CFA) Charterholder. |
| Steven Tong<br>Director | Mr. Tong, 47, was educated at the University of British Columbia where he received his B.A. in 1992, and at the University of Manitoba where he received his LL.B. in 1998. Stephen was called to the Bar of British Columbia in 1999. The bulk of Stephen's practice focuses on financings including initial public offerings and private placements, public listings, reverse takeovers and changes of business, corporate restructuring, mergers and acquisitions, corporate governance and continuous disclosure matters. |
| John Doo-Jin Oh<br>Director | Mr. Oh, 47, is a well-regarded entrepreneur who has received entrepreneurial awards from the Greater Vernon Chamber of Commerce. Professionally, his passion for technology and e-commerce has led him to hold leadership roles for one of Canada's top SaaS companies. Mr. Oh earned a Master's degree in Interdisciplinary Graduate Studies from the University of British Columbia. |

**Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

To the best of Choom's knowledge, no director or executive officer of Choom is, as at the date hereof, or within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company (including Choom), that:

(a) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or

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

For the purposes of the above paragraph, "order" means a cease trade order, an order similar to a cease trade order; or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days.

**Bankruptcies**

To Choom's knowledge, no director, officer or promoter of Choom, or a securityholder, or a proposed director, officer, or promoter of Choom or security holder, anticipated to hold sufficient securities of Choom to affect materially the control of Choom, or a personal holding company of such persons has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to holder the assets of the director, officer or Promoter.

**Penalties or Sanctions**

To Choom's knowledge, no proposed director, officer or promoter of Choom, or a securityholder anticipated to hold sufficient securities of Choom to affect materially the control of Choom, has:

(a) 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

(b) been subject to any other penalties or sanctions imposed by a court or regulatory body, including a self-regulatory body that would be likely to be considered important to a reasonable securityholder making an investment decision.

**Conflicts of Interest**

Certain of the directors and officers of Choom are also directors and officers of other reporting and non-reporting issuers. The directors of Choom are bound by the provisions of the BCBCA to act honestly and in good faith with a view to the best interests of Choom and to disclose any interests, which they may have in any project or opportunity of Choom. If a conflict of interest arises at a meeting of the Board, any director in a conflict will disclose his interest and abstain from voting on such matter.

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

## PROMOTERS

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

Within the two most recently completed financial years ended June 30, 2017 and June 30, 2016 and to the date of this AIF, no person has been a Promoter of the Company.

## LEGAL PROCEEDINGS

There are no legal proceedings outstanding, threatened or pending, as of the date hereof, by or against Choom or to which Choom is a party or to which its properties are subject, nor to Choom's knowledge are any such legal proceedings contemplated which could become material to a purchaser of securities of Choom.

## REGULATORY ACTIONS

There are no regulatory actions outstanding, threatened or pending, as of the date hereof, by or against Choom or to which Choom is a party or to which its properties are subject, nor to Choom's knowledge are any such legal proceedings contemplated which could become material to a purchaser of securities of Choom.

## INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

None of Choom's directors, senior officers and principal shareholders or any of their associates or affiliates have a material interest, direct or indirect, in any transactions in which Choom has participated since incorporation or will have any material interest in any proposed transaction, which has materially affected or will materially affect Choom.

## TRANSFER AGENT AND REGISTRARS

Choom's registrar and transfer agent for its Common Shares is Computershare Investor Services Inc. of Vancouver, B.C.

## MATERIAL CONTRACTS

The following are the only material contracts, other than those contracts entered into in the ordinary course of business, which Choom has entered into since the beginning of the last financial year before the date of this disclosure, entered into prior to such date but which contract is still in effect, or to which Choom is or will become a party to (see "*General Development of Business – Material Transactions – Cannabis*"):

- the Medi-Can Agreement;
- the IGC SPA;
- the ABcann Supply Agreement;
- the ITI Agreement; and
- the Clarity Option Agreement.

## INTEREST OF EXPERTS

### Names of Experts

The following are the persons or companies who were named as having prepared or certified a statement, report or valuation in this AIF either directly or in a document incorporated by reference and whose profession or business gives authority to the statement, report or valuation made by the person or company:

Smythe LLP, the Company's independent auditors, has prepared an independent audit report dated September 19, 2017 in respect of the Company's audited consolidated financial statements for the years ended May 31, 2017 and 2016.

### Interests of Experts

Smythe LLP, auditors of the Company, have confirmed that they are independent of the Company within the meaning of the 'Rules of Professional Conduct' of the Institute of Chartered Accountants of British Columbia.

## AUDIT COMMITTEE

The Company's audit committee (the "**Audit Committee**") has various responsibilities as set forth in National Instrument 52-110 *Audit Committees* ("**NI 52-110**") made under securities legislation, concerning constitution of its audit committee and its relationship with its independent auditor and among such responsibilities being a requirement that the audit committee establish a written charter that sets out its responsibilities.

### Audit Committee Charter

A copy of the charter of the audit committee is available as Schedule "A" to this AIF.

**Composition of the Audit Committee**

A member of the audit committee is independent if the member has no direct or indirect material relationship with Choom. A material relationship means a relationship which could, in the view of an issuer's board of directors, reasonably interfere with the exercise of a member's independent judgment, or is one of the relationships that is deemed material, which are described above under "*Board of Directors*".
A member of the audit committee is considered financially literate if he or she 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 Choom's financial statements.
The current members of the audit committee are Christopher Bogart, Stephen Tong and Kevin Puil. All members of the audit committee are financially literate. Mr. Puil and Mr. Tong are the independent member of the audit committee. Christopher Bogart, is considered "not independent" as he is the current President and CEO and is an "insider" or management director.

**Relevant Education and Experience**

*Christopher Bogart* has several years of experience in financing, corporate development, and business management and has been involved in the junior resource sector and biotechnology sectors for over 15 years in the capacity of Vice President of Corporate Development and President and Chief Executive Officer roles.

*Kevin Puil* is a Chartered Financial Analyst with over 15 years' experience in investment management and is currently a Managing Partner at RIVI Capital LLC. From 1996 to 2005, he was a financial advisor with Goepel McDermid (Raymond James), and a partner at Bolder Investment Partners in Vancouver, B.C. from 2008 to 2013, he was engaged as a portfolio manager at Malcolm Gissen & Associates and Senior Analyst at the Encompass Fund in San Francisco, focusing on natural resources. Mr. Puil holds a degree in economics from the University of Victoria and obtained a CFA designation in 2003.

*Stephen Tong* has been a securities lawyer in Vancouver since 1999, and has served on the boards of numerous public and private companies in various industries.

**Reliance on Certain Exemptions**

At no time since the commencement of Choom's most recently completed financial year has Choom relied on the exemption in Section 2.4 of NI 52-110 (*De Minimis Non-audit Services*), or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110 (*Exemptions*).

**Audit Committee Oversight**

At no time since the commencement of Choom's most recent completed financial year was a recommendation of the audit committee to nominate or compensate an external auditor not adopted by the Board.

**Pre-Approval Policies and Procedures**

As at the date of this Circular, the audit committee has not adopted any specific policies or procedures for the engagement for non-audit services.

**External Auditor Service Fees (By Category)**

The aggregate fees billed by Choom's external auditors Smythe LLP, Chartered Professional Accountants in each of the last two fiscal years for audit fees are as follows**:**

| Financial Year Ending | Audit Fees[1] | Audit Related Fees[2] | Tax Fees[3] | All Other Fees[4] |
|---|---|---|---|---|
| 2017 | $14,000 | Nil | $2,000 | Nil |
| 2016 | $14,000 | Nil | $2,000 | Nil |

**NOTES:**

(1) The Audit Fees are fees billed by Choom`s external auditor for services provided in auditing the annual financial statements.

(2) Audit Related Fees are fees billed for assurance and related services by Choom`s external auditor that are reasonably related to the performance of the audit or review of Choom`s financial statements.

(3) Tax Fees are fees billed by the external auditor for tax compliance, tax advice and planning.

(4) All Other Fees are fees billed by the external auditor for products and services not included in the categories described above.

## ADDITIONAL INFORMATION

Additional information relating to Choom is available through the internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) which can be accessed at www.sedar.com. Shareholders may request copies of Choom's financial statements and MD&A by contacting Choom at #350-409 Granville Street, Vancouver, British Columbia V6C 1T2.

# SCHEDULE "A"
# AUDIT COMMITTEE CHARTER

*Mandate*

The primary function of the audit committee (the "**Committee**") is to assist the board of directors (the "**Board of Directors**") in fulfilling its financial oversight responsibilities by reviewing the financial reports and other financial information provided by the Company to regulatory authorities and shareholders, the Company's systems of internal controls regarding finance and accounting and the Company's auditing, accounting and financial reporting processes. Consistent with this function, the Committee will encourage continuous improvement of, and should foster adherence to, the Company's policies, procedures and practices at all levels. The Committee's primary duties and responsibilities are to:

- Serve as an independent and objective party to monitor the Company's financial reporting and internal control system and review the Company's financial statements.
- Review and appraise the performance of the Company's external auditors.
- Provide an open avenue of communication among the Company's auditors, financial and senior management and the Board of Directors.

*Composition*

The Committee shall be comprised of three directors as determined by the Board of Directors, the majority of whom shall be free from any relationship that, in the opinion of the Board of Directors, would interfere with the exercise of his or her independent judgment as a member of the Committee.

At least one member of the Committee shall have accounting or related financial management expertise. All members of the Committee that are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices. For the purposes of the Company's Charter, the definition of "financially literate" is 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 presumably be expected to be raised by the Company's financial statements.

The members of the Committee shall be elected by the Board of Directors at its first meeting following the annual shareholders' meeting. Unless a Chair is elected by the full Board of Directors, the members of the Committee may designate a Chair by a majority vote of the full Committee membership.

*Meetings*

The Committee shall meet a least once annually, or more frequently as circumstances dictate. As part of its job to foster open communication, the Committee will meet at least annually with the Chief Financial Officer and the external auditors in separate sessions.

*Responsibilities and Duties*

To fulfill its responsibilities and duties, the Committee shall:

<u>Documents/Reports Review</u>

(a) Review and update this Charter annually.

(b) Review the Company's financial statements, MD&A and any annual and interim earnings, press releases before the Company publicly discloses this information and any reports or other financial information (including quarterly financial statements), which are submitted to any governmental body, or to the public, including any certification, report, opinion, or review rendered by the external auditors.

External Auditors

(c) Review annually, the performance of the external auditors who shall be ultimately accountable to the Board of Directors and the Committee as representatives of the shareholders of the Company.

(d) Obtain annually, a formal written statement of external auditors setting forth all relationships between the external auditors and the Company, consistent with Independence Standards Board Standard 1.

(e) Review and discuss with the external auditors any disclosed relationships or services that may impact the objectivity and independence of the external auditors.

(f) Take, or recommend that the full Board of Directors take, appropriate action to oversee the independence of the external auditors.

(g) Recommend to the Board of Directors the selection and, where applicable, the replacement of the external auditors nominated annually for shareholder approval.

(h) At each meeting, consult with the external auditors, without the presence of management, about the quality of the Company's accounting principles, internal controls and the completeness and accuracy of the Company's financial statements.

(i) Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Company.

(j) Review with management and the external auditors the audit plan for the year-end financial statements and intended template for such statements.

(k) Review and pre-approve all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Company's external auditors. The pre-approval requirement is waived with respect to the provision of non-audit services if:

(i) the aggregate amount of all such non-audit services provided to the Company constitutes not more than five percent of the total amount of revenues paid by the Company to its external auditors during the fiscal year in which the non-audit services are provided;

(ii) such services were not recognized by the Company at the time of the engagement to be non-audit services; and

(iii) such services are promptly brought to the attention of the Committee by the Company and approved prior to the completion of the audit by the Committee or by one or more members of the Committee who are members of the Board of Directors to whom authority to grant such approvals has been delegated by the Committee.

Provided the pre-approval of the non-audit services is presented to the Committee's first scheduled meeting following such approval such authority may be delegated by the Committee to one or more independent members of the Committee.

*Financial Reporting Process*

(a) In consultation with the external auditors, review with management the integrity of the Company's financial reporting process, both internal and external.

(b) Consider the external auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting.

(c) Consider and approve, if appropriate, changes to the Company's auditing and accounting principles and practices as suggested by the external auditors and management.

(d) Review significant judgments made by management in the preparation of the financial statements and the view of the external auditors as to appropriateness of such judgments.

(e) Following completion of the annual audit, review separately with management and the external auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.

(f) Review any significant disagreement among management and the external auditors in connection with the preparation of the financial statements.

(g) Review with the external auditors and management the extent to which changes and improvements in financial or accounting practices have been implemented.

(h) Review any complaints or concerns about any questionable accounting, internal accounting controls or auditing matters.

(i) Review certification process.

(j) Establish a procedure for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

*Other*

Review, with the Company's counsel, any legal matters that could have a significant impact on the Company's financial statements and to review any related-party transactions.