

HERITAGE CANNABIS HOLDINGS CORP.

ANNUAL INFORMATION FORM

For The Financial Year Ended October 31, 2017

December 7, 2018

929 Mainland Street
Vancouver, B.C.
V6B 1S3

HERITAGE CANNABIS HOLDINGS CORP.
ANNUAL INFORMATION FORM
FOR THE FINANCIAL YEAR ENDED OCTOBER 31, 2017

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TERMS OF REFERENCE

In this Annual Information Form (the “**AIF**”), unless the context otherwise dictates, references to the “Company”, “Heritage”, “we” and “our” refer to Heritage Cannabis Holdings Corp.

The information contained in this AIF is current as of October 31, 2017 with subsequent events disclosed to December 7, 2018.

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

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

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

- the Company’s expectations regarding its revenue, expenses and research and development operations;
- the Company’s anticipated cash needs and its needs for additional financing;
- the Company’s intention to grow the business and its operations;
- expectations with respect to future production costs and capacity;
- expectations regarding our growth rates and growth plans and strategies;
- expectations with respect to the approval of the Company’s licenses;
- expectations with respect to the future growth of its medical and recreational cannabis products;
- the medical benefits, safety, efficacy, dosing and social acceptance of cannabis;
- the Company’s competitive position and the regulatory environment in which the Company operates;
- the Company’s expected business objectives for the next twelve months;
- the Company’s plans with respect to the payment of dividends;
- the Company’s ability to obtain additional funds through the sale of equity or debt commitments;
- the future growth of the cannabis industry;
- the ability of the Company’s products access markets;
- the Company’s ability to expand into international markets;
- the Company’s relationship with its distribution partners;
- CBD oil processing efficiency and sales; and
- the variability of hemp farming.

Forward-looking statements are based on certain assumptions and analyses made by the Company in light of the experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate and are subject to risks and uncertainties. In making the forward-looking statements included in this AIF, the Company has made various material assumptions, including but not limited to (i) obtaining the necessary regulatory approvals; (ii) that regulatory requirements will be maintained; (iii) general business and economic conditions; (iv) the Company’s ability to successfully execute its plans and intentions; (v) the availability of financing on reasonable terms; (vi) the Company’s ability to attract and retain skilled staff; (vii) market competition; (viii) the

products and technology offered by the Company's competitors; and (ix) that the Company's current good relationships with its suppliers, service providers and other third parties will be maintained. Although the Company believes that the assumptions underlying these statements are reasonable, they may prove to be incorrect, and the Company cannot assure that actual results will be consistent with these forward-looking statements. Given these risks, uncertainties and assumptions, investors should not place undue reliance on these forward-looking statements. Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors, including those listed under "*Risk Factors*", which include:

- the Company is a development stage company with little operating history, a history of losses and the Company cannot assure profitability;
- the Company is reliant on government-issued cultivation licenses to produce cannabis products in Canada;
- the Company is subject to changes in Canadian laws regulations and guidelines which could adversely affect the Company's future business and financial performance;
- the Company may not be able to effectively manage its growth and operations, which could materially and adversely affect its business;
- the Company may become subject to litigation, including for possible product liability claims, which may have a material adverse effect on the Company's reputation, business, results from operations and financial condition;
- the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates;
- the Company faces competition from other companies where it will conduct business and those companies may have a higher capitalization, more experienced management or may be more mature as a business;
- the Company is reliant on management. If the Company is unable to attract and retain key personnel, it may not be able to compete effectively in the cannabis market;
- there is no assurance that the Company will obtain and retain any relevant licenses and its business is dependent upon such licenses;
- the Company's industry is experiencing rapid growth and consolidation that may cause the Company to lose key relationships and intensify competition;
- the Company expects to sell additional equity securities or secure debt facilities for cash to fund operations, capital expansion, mergers and acquisitions, which would have the effect of diluting the ownership positions of the Company's current shareholders;
- the Company currently has certain insurance coverage; however, because the Company operates within the cannabis industry, there are additional difficulties and complexities associated with such insurance coverage;
- the cultivation of cannabis and hemp includes risks inherent in an agricultural business including the risk of crop loss, sudden changes in environmental conditions, equipment failure, product recalls and others;
- the expansion of the medical cannabis industry may require new clinical research into effective medical therapies;
- under current and proposed Canadian regulations, as a licensed producer ("**Licensed Producer**") of cannabis, the Company may have restrictions on the type and form of marketing it can undertake which could materially impact sales performance;
- the Company's officers and directors may be engaged in a range of business activities resulting in conflicts of interest;
- in certain circumstances, the Company's reputation could be damaged;

- the Company is operating at a regulatory frontier. The cannabis industry is relatively new and is evolving and it is an industry that may not succeed;
- the Company is vulnerable to rising energy costs;
- the Company may not be able to obtain all necessary licenses, authorizations and permits or complete construction of its facilities on a timely basis, which could, among other things, delay or prevent the Company from becoming profitable;
- regulatory scrutiny of the Company's industry may negatively impact its ability to raise additional capital;
- the Company cannot assure you that a market will continue to develop or exist for the Common Shares and or what the market price of the Common Shares will be;
- the market price for Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond our control;
- the Company does not anticipate paying cash dividends; and
- future sales of Common Shares by existing shareholders could reduce the market price of the Company's shares.

If any of these risks or uncertainties materialize, or if assumptions underlying the forward-looking statements prove incorrect, actual results might vary materially from those anticipated in those forward-looking statements. The assumptions referred to above and described in greater detail under "*Risk Factors*" should be considered carefully by readers.

Certain of the forward-looking statements and forward-looking information and other information contained herein concerning the medical cannabis industry and the general expectations of the Company concerning the medical cannabis industry and concerning the Company are based on estimates prepared by the Company using data from publicly available governmental sources as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry which the Company believes to be reasonable. While the Company is not aware of any misstatement regarding any industry or government data presented herein, the medical cannabis industry involves risks and uncertainties that are subject to change based on various factors and the Company has not independently verified such third-party information.

The Company's forward-looking statements are based on the reasonable beliefs, expectations and opinions of management on the date of this AIF (or as of the date they are otherwise stated to be made). Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There is no assurance that such 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. We do not undertake to update or revise any forward-looking statements, except as, and to the extent required by, applicable securities laws in Canada.

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

GLOSSARY OF TERMS

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

“**1005477**” means 1005477 B.C. Ltd;

“**ACMPR**” means Health Canada’s *Access to Cannabis for Medical Purposes Regulations*;

“**AIF**” or “**Annual Information Form**” means this annual information form of the Company in respect of the year ended October 31, 2017;

“**Board**” or “**Directors**” means the directors of the Company as at the date of this document;

“**Cannabis Act**” means *An Act respecting cannabis and to amend the Controlled Drugs and Substances Act, the Criminal Code and other Acts* (Canada);

“**Cannabis Regulations**” means the Cannabis Regulations made under the Cannabis Act;

“**Cannacure**” means Cannacure Corporation;

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

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

“**Common Shares**” means the common shares without par value in the capital of the Company;

“**Company**” or “**Heritage**” means Heritage Cannabis Holdings Corp.;

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

“**FDR**” means the *Food and Drug Regulations* (Canada), as amended;

“**IFRS**” means International Financial Reporting Standards;

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

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

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

“**NCR**” means the *Narcotic Control Regulations* (Canada);

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

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

“**Options**” means stock options of the Company;

“**PhyeinMed**” means PhyeinMed Inc.;

“**Purefarma**” means Purefarma Solutions Inc.;

“**RSUs**” means restricted share units of the Company;

“**SEDAR**” means the System for Electronic Document Analysis and Retrieval filing system, available on the Internet at <http://www.sedar.com>;

“**TSXV**” means the TSX Venture Exchange; and

“**United States**” means the United States of America.

CORPORATE STRUCTURE

Name, Address And Incorporation

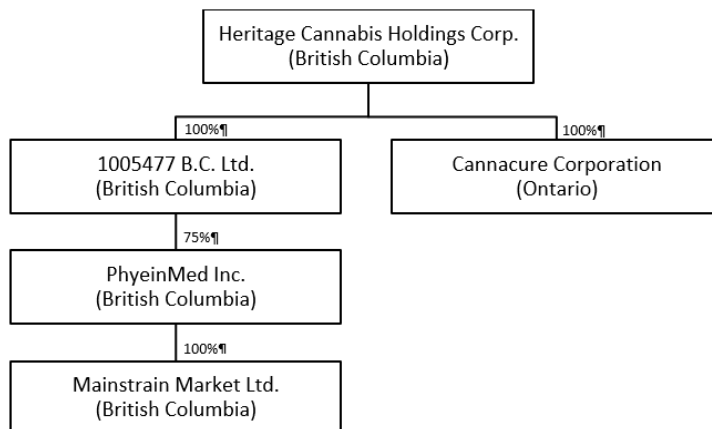
The Company was incorporated under the *Business Corporations Act* (British Columbia) on October 25, 2007 as “Trijet Mining Corp.” Upon completion of a fundamental “change of business” pursuant to CSE Policy on January 9, 2018 (the “**Change of Business**”), the Company changed its name to its present name, “Heritage Cannabis Holdings Corp.” and currently operates as a cannabis licensed producer.

The Company’s head office is located at 929 Mainland Street, Vancouver, BC V6B 1S3 and its registered and records office is located at Suite 1500 – 1055 West Georgia St., Vancouver, BC V6E 4N7.

The Common Shares are listed on the CSE under the trading symbol “CANN” and on the OTC Pink, operated by OTC Markets Group, under the trading symbol “HERTF”. The Company is a reporting issuer in Canada in the provinces of British Columbia, Alberta, and Ontario.

Inter-corporate Relationships

As at the date of the AIF, the Company has the following subsidiaries:



Cannacure was incorporated on December 12, 2013 under the *Business Corporations Act* (Ontario). The principal address of Cannacure is 333 Jarvis Street, Fort Erie ON L2A 2S9. The Company owns 100% of the issued and outstanding shares of Cannacure.

PhyeinMed was incorporated on July 4, 2014 under the *Business Corporations Act* (British Columbia) (the “**BC Act**”). The principal address of PhyeinMed is 929 Mainland Street, Vancouver, BC V6C 2B3 and the registered and records office of PhyeinMed is 3rd Floor, 1665 Ellis Street, Kelowna, BC V1Y 2B3. The Company indirectly owns 75% of the issued and outstanding shares of PhyeinMed.

Mainstrain Market Ltd. was incorporated on March 8, 2018 under the BC Act. Its principal address is 929 Mainland Street, Vancouver, BC V6C 2B3. PhyeinMed owns 100% of the issued and outstanding shares of Mainstrain Market Ltd.

1005477 was incorporated on June 16, 2014 under the BC Act. Its principal address is 929 Mainland Street, Vancouver, BC V6C 2B3. The Company owns 100% of the common shares of 1005477, which holds 75% of the issued and outstanding shares of PhyeinMed.

GENERAL DEVELOPMENT OF THE BUSINESS

Summary

The Company is a development stage company focused on developing cannabis based businesses in the emerging Canadian cannabis market through its wholly-owned Licensed Producer, Cannacure and its indirect subsidiary Licensed Producer, PhyeinMed. Cannacure and PhyeinMed hold licences issued by Health Canada pursuant to the Cannabis Regulations which allows the Company to cultivate at its properties located in Fort Erie, Ontario and Falkland, British Columbia. Both facilities operate under the Cannabis Act and operations include the following activities: (i) possession of cannabis; (ii) obtaining dried cannabis, fresh cannabis, cannabis plants or cannabis seeds by cultivating, propagating, and harvesting cannabis; and (iii) selling cannabis pursuant to subsection 11(5) of the Cannabis Regulations. Both Cannacure and PhyeinMed are planning to apply for processing licences under the Cannabis Act to allow for the extraction of oils within their licensed footprint. In addition to pursuing the businesses of PhyeinMed and Cannacure, the Company intends to seek other opportunities in the medical marijuana industry. See “*Overview of Business*”.

The Company was called for trading on the TSXV on January 6, 2010. On October 20, 2014, the Common Shares commenced trading on the CSE under the symbol “UMB.C” and the Company delisted its common shares from the TSXV on October 17, 2014. On January 9, 2018, upon completion of the Change of Business pursuant to CSE Policy, its Common Shares commenced trading under the symbol “CANN.C” and the Company now operates as a medical marijuana issuer.

Three Year History

During the three most recently completed financial years, the Company has transitioned from the business of acquiring and exploring mineral properties to the business of acquiring and developing cannabis based businesses. In 2014, the Company began considering other activities to increase shareholder value, including non-resource projects. Through consultation with management, the Company decided to pursue opportunities in the medical marijuana field.

Corporate Developments During the Financial Year Ended October 31, 2015

On December 9, 2014, the Company entered into a share exchange agreement (the “**2014 Share Exchange Agreement**”) for the acquisition of all the issued and outstanding shares of 1005477, a holding company which at that time owned 50% of the issued and outstanding common shares of PhyeinMed, an operating company incorporated in British Columbia which had submitted an application to Health Canada to legally grow, sell and distribute medical marijuana. Management determined the 50% interest in PhyeinMed was a joint venture under IFRS 11. Consequently, the investment in joint venture was accounted for using the equity method. The consideration paid for the shares was as follows:

- i. 3,000,000 Common Shares; and
- ii. \$129,500 of verifiable expenses reimbursed to the vendor.

On October 26, 2014, the Company entered into a loan agreement whereby the Company agreed to advance up to \$2,000,000 to PhyeinMed for working capital purposes (the “**PhyeinMed Loan Agreement**”). The advances were to be unsecured and due within 36 months from the date of the advance. The first \$550,000 advanced was not to accrue interest so long as the full sum was repaid prior

to 36 months from the date of the advance. All advances subsequent to the initial \$550,000 were to accrue interest at prime plus 2% from the date of the advance.

Corporate Developments During the Financial Year Ended October 31, 2016

Pursuant to a property purchase agreement dated April 20, 2016, the Company was granted the right to acquire an undivided 100% interest in 26 contiguous mineral claims located in Millard County, Utah known as the Tule Valley Project and a further 89 contiguous mineral claims totaling 1,780 acres located in Washoe County, Nevada known as the Gerlach Project. The Company made a \$10,000 cash payment and issued 1,500,000 Common Shares upon signing of the agreement to acquire an interest in the Tule Valley and Gerlach Lithium properties. It issued a further 1,500,000 Common Shares in the year ended October 31, 2017 as consideration for the properties.

On January 26, 2017, the Company entered into an assignment agreement with Equitorial Exploration Corp. (“**Equitorial**”), an arm’s length party, to assign the Company’s right, title and interest of the Tule Valley and Gerlach Projects. Under the terms of the assignment agreement, Equitorial paid \$150,000 plus claim staking costs of \$44,611 and issued 2,000,000 common shares in the capital of Equitorial upon closing. The Company recorded a \$69,051 loss on the sale of the property.

During the year ended October 31, 2016, the Company advanced \$137,044 for a 12 month digital marketing program to raise awareness of the Company’s projects to current and potential investors effective June 1, 2016.

Corporate Developments During the Financial Year Ended October 31, 2017

In February 2017, the Company initiated the purchase of a growing site for medical marijuana consisting of a total of 15,500 sq. ft. of buildings within approximately 13 acres of land located in Falkland, British Columbia (the “**Falkland Facility**”).

Pursuant to a share purchase agreement (the “**2017 Share Purchase Agreement**”) among 1005477, Estek Ventures Corp. (“**Estek**”), and Debra Senger, sole shareholder of Estek, on July 31, 2017, the Company acquired an additional 25% of the issued and outstanding common shares of PhyeinMed through its wholly owned subsidiary 1005477, which resulted in the Company obtaining control of PhyeinMed. The transaction was accounted for as a business combination achieved in stages in accordance with IFRS 3. The Company is considered the acquirer and PhyeinMed the acquiree. In consideration of the additional 25% interest in PhyeinMed, the Company: (i) paid \$120,000 cash; (ii) issued 7,000,000 Common Shares to Estek; (iii) agreed to issue an additional 4,000,000 Common Shares upon final award of ACMPR production licence approval; (iv) granted 2,000,000 Options and 4,000,000 RSUs to the former owner of PhyeinMed and consultants; and (v) agreed to increase the consulting fee of Debra Senger to \$10,000. In addition, the Company agreed to increase its committed funding under the PhyeinMed Loan Agreement from \$2,000,000 to \$5,000,000. In connection with the acquisition, Heritage filed a Business Acquisition Report Form 51-102F4. As at the date of this AIF, the Company owns 75% of the issued and outstanding common shares of PhyeinMed while Estek retains a 25% interest.

In connection with the acquisition, on August 31, 2017, the Company completed a non-brokered private placement of 43,700,000 units for gross proceeds of \$2,622,000. Each unit consisted of one Common Share and one common share purchase warrant entitling the holder to purchase one additional Common Share at \$0.10 per share for two years. A cash finders’ fee of \$91,900 was paid. The Company also issued 1,531,653 broker warrants exercisable at \$0.10 per warrant for a period of two years from closing. The broker warrants were valued at \$199,580 using a Black Scholes option pricing model using the following assumptions: (i) dividend yield of \$nil (ii) a risk-free interest rate of 1.24%; (iii) annualized volatility of

224%; and (iv) an expected life of two years. The Company also incurred a total of \$11,499 in legal fees required to close the transaction.

On September 29, 2017, the Company completed the purchase of the Falkland Facility. The purchase price of the land was \$995,000 and the Company paid applicable taxes and selling fees. In October, 2017, PhyeinMed began the full build-out of the Falkland Facility.

Corporate Development Subsequent to October 31, 2017

On January 29, 2018 the Company announced the creation of a newly formed Heritage Cannabis Advisory Board. Michele Cadario, Bob Simmonds, and Debra Senger joined the new board.

On January 9, 2018, the Company completed a Fundamental Change of Business pursuant to CSE Policy in order to operate as a medical marijuana issuer.

On January 16, 2018, the Company announced that it had signed a letter of intent to acquire 20% of Stanley Park Digital Ltd (“**SPD**”), a blockchain developer based in Vancouver, BC for \$500,000 in a combination of \$250,000 in cash and \$250,000 in Common Shares. Key terms of the letter of intent with SPD include the development of a Cannabis Supply Chain Management System which will be designed to track and document all aspects of production from ‘seed to sale’. Additional terms include Heritage obtaining certain Rights of First Refusal on selected projects, and first priority on future funding rounds. Development on a proprietary cannabis supply chain management system is currently being studied, but implementation is subject to Health Canada approval, which to date has been denied.

On January 18, 2018, the Company announced that Phase 2 construction on the two-story new build addition was scheduled to begin the week of January 22, 2018, and had started in conjunction with the completion of Phase 1.

On February 1, 2018, the Company announced that the Company’s wholly-owned subsidiary 1005477 made an accepted offer to acquire over 100 acres of farmland in Clearview Township, near Collingwood, Ontario. Terms of the purchase included a total purchase price of \$1,300,000. The offer included many subjects to the benefit of the buyer, including the award of a licence to produce cannabis. The Company advanced a deposit of 10% of the purchase price upon acceptance, with the remainder due at closing. Approval of the second site and licence permitting, construction is scheduled to begin in early 2019, with additional expansion to continue as demand grows.

On March 28, 2018, PhyeinMed signed an amended and restated wholesale agreement (the “**Canopy Agreement**”) with Canopy Growth Corporation (“**Canopy**”) to supply cannabis and cannabis products to the recreational marketplace via Canopy’s various sales channels. PhyeinMed’s management intends to substantially accelerate its speed to market utilizing Canopy’s national framework, in addition to the extensive retail channels. Management believes this partnership will allow PhyeinMed to significantly reduce acquisition costs for infrastructure, while driving early revenue

On February 6, 2018, the Company announced that PhyeinMed had initiated the process to apply for three cannabis retail store licences in Alberta.

On April 12, 2018, the Company entered into a branding agreement (the “**GLE Agreement**”) with GLE Brands Inc. (“**GLE**”), a branding company representing the ‘Cheech’s Private Stash’ brand of cannabis products. Pursuant to the GLE Agreement, the Company has the exclusive right to use cannabis and cannabis related products utilizing the ‘Cheech’s Private Stash’ brand throughout Canada for an initial period of two years from the date the Federal Government of

Canada legalized recreational use of cannabis. The Company has agreed to pay to GLE certain royalties depending upon retail sales targets as well as various milestone payments.

On May 24, 2018, the Company announced that PhyeinMed had submitted to Health Canada the evidence package of the site and facility completion. This was the final step of the application process, with the next step being PhyeinMed receiving a production licence and approval to cultivate cannabis at its location in Falkland, BC.

On June 14, 2018, the Company announced that PhyeinMed had commenced the construction of greenhouses as part of a revised Phase 2 plan for the production of Cannabis in Falkland, BC. The initial order of four greenhouses cost approximately \$350,000 and was funded from cash on hand.

On July 23, 2018, the Company announced that Health Canada had granted PhyeinMed a licence to cultivate cannabis, designating it as a Licensed Producer, pursuant to the ACMPR.

The Company also announced on July 23, 2018 that it had entered into a letter of intent effective July 20, 2018 whereby the Company would acquire all of the issued and outstanding shares of Cannacure.

On September 13, 2018, the Company announced that its Common Shares would commence trading on the OTC Pink, operated by OTC Markets Group, under the trading symbol “HERTF”.

On September 18, 2018, the Company entered into a binding letter of intent to acquire 100% of the issued and outstanding shares of Purefarma, a cannabinoid extraction company, in an all-share transaction. Under the terms of the arms-length agreement, Purefarma shareholders will receive 33,333,333 Common Shares at a deemed value of \$0.195 per share. In addition, the Purefarma shareholders have the potential to earn up to 16,000,000 Common Shares pursuant to an earn-out based on certain cumulative gross margin milestones achieved annually over the next four years. The Company will also pay cash royalties to Purefarma shareholders over a four year period based on Purefarma’s cumulative gross margin, and additional royalties related to Purefarma’s cumulative gross margin for its extraction business in certain international jurisdictions. The acquisition of Purefarma is subject to the parties entering into a definitive agreement. See “*Overview of Business - Proposed Acquisition of Purefarma Solutions Inc.*”

On October 15, 2018, the Company announced that Health Canada had granted Cannacure a licence to cultivate cannabis, designating it as a Licensed Producer, pursuant to the ACMPR.

On October 18, 2018, the Company entered into a definitive agreement (the “**Cannacure Agreement**”) whereby the Company would acquire all the issued and outstanding shares of Cannacure in an all-share transaction.

On November 5, 2018, the Company announced that it completed the acquisition of Cannacure. In accordance with the Cannacure Agreement, the Company completed its previously announced business combination by way of a three cornered amalgamation, pursuant to which Cannacure and 2659938 Ontario Limited, a newly incorporated and wholly-owned subsidiary of the Company, amalgamated under the name “Cannacure Corporation”. In consideration for the acquisition, the Company issued 133,333,326 Common Shares to the holders of Cannacure shares at a deemed value of \$0.30 per share. In connection with the acquisition of Cannacure, the Company also issued 4,000,000 Common Shares to an arm’s length third party as an advisory fee. In connection with the acquisition, Heritage filed a Business Acquisition Report.

On November 7, 2018, the Company closed a best efforts private placement of 30,000,000 special warrants at a price of \$0.25 per special warrant for aggregate gross proceeds of \$7,500,000. The offering

was conducted by a syndicate of agents led by Cormark Securities Inc. and included Canaccord Genuity Corp. Each special warrant entitles the holder thereof to receive, upon exercise or deemed exercise and without payment of additional consideration, one unit of the Company, subject to a penalty clause. All unexercised special warrants shall be deemed exercised on behalf of, and without any required action on the part of, the holders on the earlier of: (i) March 8, 2019 and (ii) the third business day after the date on which a receipt for a final short form prospectus qualifying the units underlying the special warrants is issued by the British Columbia Securities Commission, on behalf of the applicable securities commissions. Each unit is comprised of one Common Share and one Common Share purchase warrant. Each warrant entitles the holder to purchase one Common Share at an exercise price of \$0.35 on a date that is the earlier of (i) May 7, 2021 and (ii) 30 days following the date of any warrant acceleration notice. The agents received a cash commission of \$387,825 and an aggregate of 1,551,300 broker special warrants. Each broker special warrant will be automatically exercised without payment of additional consideration into one broker warrant. Each broker warrant is exercisable for one unit at an exercise price of \$0.25 for a period of 30 months from the closing date.

On November 13, 2018, the Company announced that PhyeinMed received an updated PhyeinMed Licence in accordance with the Cannabis Act and Cannabis Regulations (the “**PhyeinMed License**”). See “*Overview of Business – PhyeinMed Inc.*”

The Company announced on November 14, 2018, that Cannacure executed a memorandum of understanding with CannTrust Inc. (“**CannTrust**”) for cannabis genetics to be delivered for a one-year term. See “*Overview of Business – Cannacure Corporation.*”

On November 15, 2018, the Company announced that Cannacure received an updated Cannacure Licence in accordance with the Cannabis Act and Cannabis Regulations (the “**Cannacure License**”). See “*Overview of Business – Cannacure Corporation.*”

OVERVIEW OF BUSINESS

General

Heritage is a development stage company with strategic plans to continue to acquire and develop cannabis based businesses and products in Canada, and expand internationally through strategic partnerships. The Company, through its subsidiaries, holds 2 licences issued by Health Canada, each with individual focuses on growth, extraction and sales services. Through its subsidiaries, Heritage will look to expand its product offerings as Health Canada opens the market to edibles and other consumables.

PhyeinMed Inc.

PhyeinMed submitted its application to Health Canada under the MMPR on December 9, 2014. The application provided for the possession, sale, delivery, destruction and production of dried marijuana. Enhanced screening and many subsequent requests for additional information were completed satisfactorily. On January 22, 2016, PhyeinMed was notified by the offices of medical cannabis within Health Canada that the security clearance stage of the application was being initiated. On November 8, 2017, PhyeinMed was notified by the offices of medical cannabis within Health Canada that its ACMPR application had progressed through to the “Detailed Review and Initiation of Security Clearance Process” stage (stage 2 of 6) of the application process. All key personnel submitted with the application have undergone a rigorous and thorough screening process and been approved. The Company announced on February 16, 2017 that PhyeinMed received notification from Health Canada that its ACMPR application had progressed through to the Review Stage (stage 5 of 7) of the application process. PhyeinMed received its ACMPR Licence and approval to cultivate cannabis at their location in Falkland, British Columbia on July 20, 2018. On November 13, 2018, the Company announced that PhyeinMed received an updated PhyeinMed Licence in accordance with the Cannabis Act and Cannabis Regulations. In accordance with subsection 11(5) of the Cannabis Regulations, the updated PhyeinMed Licence authorizes PhyeinMed to sell cannabis to qualified licence holders under the Cannabis Act and Cannabis Regulations, as well as allowing for:

- the sale and distribution of dried cannabis, fresh cannabis, cannabis plants and cannabis plant seeds to any qualified licence holders;
- the sale and distribution of cannabis plants and cannabis plant seeds to a holder of a licence for a nursery; and
- the sale and distribution of cannabis plants and cannabis plant seeds that are cannabis products to a holder of a licence for sale, or a person authorized to sell cannabis.

The proposed growing site for growing medicinal marijuana is a 15,500 sq. ft. building within approximately 13 acres of land located in Falkland, British Columbia known as the Falkland Facility. The building is expected to have 10 growing rooms, a drying room, trimming room, packaging area and an appropriate and approved security level vault. An existing administration building located on the site will also house a reception area, 24/7 on site security offices, meeting rooms and offices. The master security plan, architectural drawings, survey certificate and threat assessment report were completed for both the buildings, as well as, a complete site security plan for the property perimeter was submitted with the application.

PhyeinMed intends to initiate an aggressive growth strategy, planning an additional expansion on the Falkland Facility. Management estimates that the expansion of the Falkland Facility utilizing 100% of the land use capabilities could allow for a total of 420,000 sq. ft. of growing capacity. The expansion plan includes two buildings and four phases of construction. The first phase is a building envelope of 130,000 sq. ft. The second phase is the second level completion of equal square footage bringing the total of the first building to 260,000 sq. ft. The second building, first floor phase three construction, is 80,000 sq. ft. The fourth and final phase construction of the second level completes the 420,000 square foot expansion plans. Once the entire project is completed and licensed the Company believes the Falkland Facility will have the potential to produce over 110,000 kg of cannabis per year or over \$500 million annually.

The current Falkland Facility is a 15,500 sq. ft. warehouse retrofit. With the recent events regarding changes allowed within the Health Canada application process, the Company is constructing a second level of the current warehouse increasing the grow capacity by an additional 5,000 sq. ft. from the original application of 10,500 sq. ft. A state-of-the-art retrofit of the existing warehouse utilizing a hybrid

hydroponic aeroponic grow method is expected to increase annual production to 3,700 kg of dry cannabis or over \$25 million annually.

In addition to this first phase of construction, PhyeinMed has chosen to accelerate the second phase of expansion on a brand new 14,000 sq. ft. two story facility which is expected to be built simultaneously with the retrofitting of its current building. These two facilities would represent over 37,000 sq. ft. of the planned 420,000 sq. ft. of cannabis production that PhyeinMed is targeting for this 13 acre location. The addition of the second phase is expected to increase the initial production of the Falkland Facility to 4,550 kg.

Supply Agreement with Canopy

On March 21, 2018, PhyeinMed signed an amended and restated agreement with Canopy to supply cannabis products via CraftGrow line on Tweed Main Street's online store. PhyeinMed stands to accelerate its speed to market through joining the CraftGrow program and leveraging their marketing and distribution network. Management expects this partnership will allow PhyeinMed to significantly reduce acquisition costs for infrastructure, while driving early revenue through Tweed Main Street's online store.

Cannacure Corporation

Cannacure was incorporated on December 12, 2013 under the *Business Corporations Act* (Ontario). The head office of the company is located at 333 Jarvis Street, Fort Erie ON L2A 2S9.

It received its Health Canada licence on October 12, 2018 under the ACMPR. On November 15, 2018, the Company announced that Cannacure received an updated Cannacure Licence in accordance with the Cannabis Act and Cannabis Regulations. In accordance with subsection 11(5) of the Cannabis Regulations, the updated Cannacure Licence authorizes Cannacure to sell cannabis to other qualified licence holders under the Cannabis Act and Cannabis Regulations, as well as allowing for:

- the sale and distribution of dried cannabis, fresh cannabis, cannabis plants and cannabis plant seeds to any qualified licence holders;
- the sale and distribution of cannabis plants and cannabis plant seeds to a holder of a licence for a nursery; and
- the sale and distribution of cannabis plants and cannabis plant seeds that are cannabis products to a holder of a licence for sale, or a person authorized to sell cannabis.

Cannacure primarily operations will take place in the 122,000 sq. ft. licensed facility located at 333 Jarvis Street, Fort Erie, ON, of which 24,000 sq. ft. which has been retrofitted for Cannabis activities. In accordance with the Cannacure License, these operations are expected to include the following activities under the Cannabis Act; possess Cannabis, obtain dried cannabis, fresh cannabis, cannabis plants or cannabis seeds by cultivating, propagating, harvesting cannabis and sell cannabis in accordance with subsection 11(5) of the Cannabis Regulations. Cannacure plans to commence cultivation operations by January 2019. Plans to further expand into phase two will be drafted and considered second quarter of 2019.

Cannacure entered into a three year option to purchase the 333 Jarvis Street facility on October 21, 2016 which was amended on July 19, 2018 as per the amended and restated option agreement for a purchase price of \$2.2 million plus applicable taxes (the "**Fort Erie Option**"). Cannacure also has an option to purchase an approximately 3.485 million sq. ft. greenhouse facility for \$66 million, which expires August 30, 2019. To date both Cannacure options are in good standing.

The Company announced on November 14, 2018 that Cannacure executed a memorandum of understanding with CannTrust that sets forth the term of a supply and purchase agreement the parties intend to enter into for cannabis genetics to be delivered for a one-year term. Under the terms of memorandum of understanding, Cannacure will purchase one of CannTrust's popular strains at a fixed rate, with CannTrust having a right of first refusal to purchase all bulk dried cannabis grown with these genetics, at a pre-determined range of pricing. The agreement allows for Cannacure, at its discretion, to request an increase in the number of clones it receives.

Proposed Acquisition of Purefarma Solutions Inc.

The Company announced on September 21, 2018, that it had entered into a binding letter of intent to acquire all of the issued and outstanding shares of Purefarma.

Purefarma, based in Kelowna, BC, is a manufacturer and wholesale processor of premium CBD oils. The Company expects this acquisition to provide an established pathway into the Canadian retail and wholesale markets, as well as overseas markets. Purefarma has an experienced extraction team, which is a key part of the overall vision for the Company to provide significant market access for both PhyeinMed and Cannacure.

Specialized Skill and Knowledge

Numerous aspects of the Company's business require specialized skills and knowledge. Such skills and knowledge include healthcare, real estate, business operations, regulatory compliance and finance.

The management team of Heritage has deep experience in investment banking and finance, healthcare services, real estate and construction, business operations, and legal and regulatory compliance. The Company's advisory board advises the Company's management from time to time and is comprised of members with expertise in various aspect of the cannabis industry, from medicine and science to cultivation, operations and advocacy. The Company harnesses these skills to support a diversified portfolio of cannabis industry investments for its shareholders.

Competitive Conditions

There is potential that the Company 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 Company.

Because of the early stage of the industry in which the Company operates, the Company 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 the Company 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, the Company will require a continued high level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company.

As of the date of this AIF, there are currently 133 Licensed Producers under the Cannabis Act in Canada, and 30 of those are in British Columbia. More information on the current list of Licensed Producers can be found on Health Canada's website at, <www.hc-sc.gc.ca/dhp-mps/marihuana/info/list-eng.php>.

See “*Risk Factors – Competition*”.

Employees

As at the end of the Company’s most recently completed financial year, October 31, 2017, the Company had 5 employees. As at the date of this AIF, the Company has 18 employees.

CANADIAN REGULATORY LANDSCAPE

Background

On October 17, 2018, the Cannabis Act and the Cannabis Regulations came into force, legalizing the sale of cannabis for adult recreational use. Prior to the Cannabis Act and the Cannabis Regulations coming into force, only the sale of medical cannabis was legal and was regulated by the ACMPR made under the *Controlled Drugs and Substances Act* (Canada) (the “CDSA”), and the Cannabis Act and the Cannabis Regulations also replaced the CDSA and the ACMPR as the governing laws and regulations in respect of the production, sale and distribution of medical cannabis and related oil extract. Given that the Cannabis Act and the Cannabis Regulations are very new, the impact of such regulatory changes on the Company’s business is unknown. See “*Risk Factors*”.

The Cannabis Act provides a licensing and permitting scheme for the production, importation, exportation, testing, packaging, labelling, sending, delivery, transportation, sale, possession and disposal of cannabis for non-medicinal (i.e., adult use) use, to be implemented by regulations made under the Cannabis Act. The Cannabis Act maintains separate access to cannabis for medical purposes, including providing that import and export licenses and permits will only be issued in respect of cannabis for medical or scientific purposes or in respect of industrial hemp.

The Cannabis Regulations, among other things, set out regulations relating to the following matters: (1) Licences, Permits and Authorizations; (2) Security Clearances; (3) Cannabis Tracking System; (4) Cannabis Products; (5) Packaging and Labelling; (6) Cannabis for Medical Purposes; and (7) Drugs Containing Cannabis.

Transitional provisions of the Cannabis Act provide that every license issued under Section 35 of the ACMPR that was in force immediately before the day on which the Cannabis Act came into force (being October 17, 2018) was deemed to be a licence issued under the Cannabis Act, and that such licence will continue in force until it is revoked or expires.

Licences, Permits and Authorizations

The Cannabis Regulations establish six classes of licenses under the Cannabis Act: cultivation licenses; processing licenses; analytical testing licenses; sales licenses; research licenses; and cannabis drug licenses. The Cannabis Regulations also create subclasses for cultivation licenses (standard cultivation, micro-cultivation and nursery) and processing licenses (standard processing and micro-processing). Different licenses and each subclass therein carry differing rules and requirements that are intended to be proportional to the public health and safety risks posed by each license category and each subclass. The Cannabis Regulations provide that all licences issued under the Cannabis Act must include both the effective date and expiry date of the license, and may be renewed on or before the expiry date.

The Cannabis Regulations permit license holders to conduct activities only at the site and building set out in the license (except for destruction, antimicrobial treatment and distribution) and no licensed activities

can take place in a “dwelling-house”. The holder of a license must not produce, test, store, package or label cannabis outdoors, except for obtaining cannabis by cultivating, propagating or harvesting it.

Security Clearances

Certain people associated with cannabis licensees, including individuals occupying a “key position” such as directors, officers, large shareholders and individuals identified by the Minister of Health (the “**Minister**”), must hold a valid security clearance issued by the Minister. Under the Cannabis Regulations, the Minister may 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.

Security clearances issued under the ACMPR are considered to be security clearances for the purposes of the Cannabis Act and Cannabis Regulations. In addition, the Cannabis Regulations provide a three-month grace period for current licence holders to identify those individuals that require security clearances and to apply for such security clearances (i.e., until January 17, 2019).

Cannabis Tracking System

Under the Cannabis Act, the Minister is authorized to establish and maintain a national cannabis tracking system. The purpose of this system is to track cannabis throughout the supply chain to help prevent diversion of cannabis into, and out of, the legal market. The Cannabis Regulations provide the Minister 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. The Minister has introduced the Cannabis Tracking and Licensing System, and licence holders are required to use this system to submit monthly reports to the Minister, among other things.

Cannabis Products

The Cannabis Regulations set out the requirements for the sale of cannabis products at the retail level and permit the sale of dried cannabis, cannabis oil, fresh cannabis, cannabis plants, and cannabis seeds after it has been packaged and labelled for sale to a customer. The THC content and serving size of cannabis products is limited by the Cannabis Regulations. The sale of edible cannabis products and concentrates (such as hashish, wax and vaping products) are currently prohibited but expected to be permitted within one year following the Cannabis Act coming into force. The Cannabis 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 Cannabis Regulations include 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 Cannabis Regulations set out requirements pertaining to the packaging and labelling of cannabis products which are intended to promote informed consumer choice and allow for the safe handling and transportation of cannabis, while also reducing the appeal of cannabis to youth and promoting safe consumption. These requirements require plain packaging for cannabis products, including strict requirements for logos, colours and branding, as well as packaging that is tamper-proof and child-resistant. The Cannabis Regulations further require mandatory health warnings, standardized cannabis symbol and specific product information. Cannabis package labels must include specific information, such as: (i) product source information, including the class of cannabis and the name, phone number and

email of the cultivator or a manufacturer; (ii) a mandatory health warning, rotating between Health Canada's list of standard health warnings; (iii) the Health Canada standardized cannabis symbol; and (iv) information specifying THC and CBD content. The Cannabis Regulations provide a six-month transitional period to allow licensed holders to sell cannabis products labelled in accordance with the ACMPR.

Advertising

The Cannabis Act introduces restrictions regarding the promotion of cannabis products. Subject to a few exceptions, all promotions of cannabis products are prohibited unless authorized by the Cannabis Act.

Health Products and Cosmetics Containing Cannabis

Health Canada has taken 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. The Cannabis Regulations do not apply to cannabis-derived ingredients which are exempt from the definition of "cannabis" (such as non-viable seeds, mature stalks without any leaf, flower, seed or branch, roots of cannabis plants). These exempt ingredients, or cannabis-derived ingredients that contain no more than 10 parts per million THC, and which fall within the Industrial Hemp Regulations, can be used in cosmetics and natural health products, so long as no health claims are made.

Cannabis for Medical Purposes

With the Cannabis Act and the Cannabis Regulations having come into force on October 17, 2018, the medical cannabis regime migrated from the CDSA and the ACMPR to the Cannabis Act and the Cannabis Regulations. The medical cannabis regulatory framework under the Cannabis Act and the Cannabis Regulations remains substantively the same as existed under the CDSA and the ACMPR, with adjustments to create consistency with rules for non-medical use, improve patient access, and reduce the risk of abuse within the medical access system.

Under Part 14 of the Cannabis Regulations, patients have three options for obtaining cannabis for medical purposes: (i) they can continue to access cannabis by registering with licensed producers; (ii) they can register with Health Canada to produce a limited amount of cannabis for their own medical purposes; or (iii) they can designate someone else to produce cannabis for them. With respect to (ii) and (iii), starting materials, such as marijuana plants or seeds, must be obtained from licensed producers. Management believes it is possible that (ii) and (iii) could significantly reduce the addressable market for the Company's products and could materially and adversely affect the business, financial condition and results of operations of the Company. However, management of the Company believes that many patients may be deterred from opting to proceed with options (ii) or (iii) since such steps require applying for and obtaining registration from Health Canada to grow cannabis, as well as the up-front costs of obtaining equipment and materials to produce such cannabis.

Provincial Regulatory Framework

While the Cannabis Act provides for the regulation of the commercial production of cannabis for recreational purposes and related matters by the federal government, the Cannabis Act provides that the provinces and territories of Canada have authority to regulate other aspects of recreational cannabis (similar to what is currently the case for liquor and tobacco products), such as sale and distribution, minimum age requirements, places where cannabis can be consumed, and a range of other matters.

At present, the Company has entered into third-party supply agreements with distributors in the provinces of Ontario, Manitoba, Quebec, New Brunswick, Prince Edward Island and Newfoundland and Labrador.

All Canadian provinces and territories have announced proposed regulatory regimes for the distribution and sale of cannabis for recreational purposes within those jurisdictions. There are essentially three general frameworks that the provinces and territories have proposed: (i) private cannabis retailers licensed by the province; (ii) government run retail stores; or (iii) a combination of both frameworks (e.g., privately licensed bricks and mortar retail stores, while online retail stores are operated by the applicable provincial government). Regardless of the framework, the recreational cannabis market is ultimately supplied by federally licensed cultivators and processors. In many cases, the provinces that have or propose to have privately licensed retailers have or will have a government run wholesaler. Such privately licensed retail stores are or will be required to obtain their cannabis products from the wholesalers, while the wholesalers, in turn, acquire the cannabis products from the federally licensed cultivators and processors. In addition, each of these Canadian jurisdictions has established a minimum age of 19 years old, except for Québec and Alberta, where the minimum age is 18.

Ontario: In Ontario, the distribution and retail sale of recreational cannabis is to be conducted through the Ontario Cannabis Retail Corporation (“**OCRS**”), a subsidiary of the Liquor Control Board of Ontario, while recreational cannabis is sold online through the Ontario Cannabis Store platform. Ontario will allow the sale of recreational cannabis by private retailers with a target date of April 1, 2019. In addition, the regulatory regime in Ontario:

- requires private retailers to obtain both a retail operator license and a retail store authorization. Retail store authorizations are only to be issued to persons holding a retail operator license. Separate retail store authorizations are to be required for each cannabis retail store, but a licensed retail operator may hold more than one retail store authorization and operate multiple stores. Private retailers are not permitted to sell cannabis on-line, but may only sell cannabis in person at an authorized retail store;
- requires an individual at least 19 years of age who wishes to supervise or manage employees of a cannabis retail store, oversee or coordinate the sale of cannabis, manage compliance issues in relation to the sale of cannabis or have signing authority to purchase cannabis, enter into contracts or make offers of employment to obtain a cannabis retail manager license;
- limits a person who is authorized by a license issued under the Cannabis Act to produce cannabis for commercial purposes (and their affiliates) to operating one retail cannabis store, which must be located on or within the site set out in the license. The term “affiliate” is not currently defined, although it may be in future regulations. The definition of affiliate may have the effect of limiting the ability of federally licensed producers from entering into the consumer retail market in Ontario;
- prohibits federally licensed producers from promoting their products by way of providing any material inducement to cannabis retailers;
- permits municipalities and reserve band councils to opt out of the retail cannabis market by resolution. Municipalities may pass a resolution no later than January 22, 2019. Municipalities that opt out may later lift the prohibition on retail cannabis stores by subsequent resolution. Municipalities may not pass a bylaw providing for a further system of licensing over the retail sale of cannabis; and

- may impose further restrictions through future regulation. Cannabis retail store operators are only permitted to purchase cannabis from the OCRS, which may set a minimum price for cannabis or classes of cannabis.

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

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

Saskatchewan: In Saskatchewan, recreational cannabis is sold by private retailers. The Saskatchewan Liquor and Gaming Authority is to issue approximately 60 retail permits to private operators in as many as 40 Saskatchewan municipalities and First Nation communities, with municipalities and First Nation communities having the option of opting out of having a retail cannabis store if they choose.

Manitoba: In Manitoba, a “hybrid model” for cannabis distribution applies where the supply of cannabis is secured and tracked by the Manitoba Liquor and Lotteries Corp.; however, licensed private retail stores are permitted to sell recreational cannabis.

Québec: In Québec, all recreational marijuana must be managed and sold through outlets of the Société québécoise du cannabis, a subsidiary of the Société des alcools du Québec, and its online site.

New Brunswick: In New Brunswick, recreational cannabis is sold through a network of tightly-controlled, stand-alone stores through Cannabis NB, a subsidiary of the New Brunswick Liquor Corporation.

Nova Scotia: In Nova Scotia, the Nova Scotia Liquor Corporation is responsible for the regulation of cannabis in the province, and recreational cannabis is only to be sold publicly through government-operated storefronts and online.

Prince Edward Island: In Prince Edward Island, similar to Nova Scotia, cannabis must be sold publicly, through government stores and online.

Newfoundland and Labrador: In Newfoundland and Labrador, recreational cannabis must be sold through licensed private stores, with its crown-owned liquor corporation, the Newfoundland and Labrador Liquor Corp. (the “NLC”), overseeing the distribution to private sellers who may sell to consumers. The NLC controls the possession, sale and delivery of cannabis, and sets prices. It is also the initial online retailer, although licenses may later be issued to private interests. The Government of Newfoundland and Labrador has issued a request for proposals for private retailers.

Yukon: The Yukon limits the initial distribution and sale of recreational cannabis to government outlets and government-run online stores, and allows for the later licensing of private retailers.

Northwest Territories: The Northwest Territories relies on the N.W.T. Liquor Commission to control the importation and distribution of cannabis, whether through retail outlets or by mail order service run by the liquor commission. Communities in the Northwest Territories are able to hold a plebiscite to prohibit cannabis, similar to options currently available to restrict alcohol in the Northwest Territories.

Nunavut: The Nunavut *Cannabis Act* establishes the licensing system for the retail sale of recreational cannabis. The Nunavut legislation contemplates the sale of cannabis through both public and licensed private retail stores and online. Sales will initially will only be through the Liquor and Cannabis Commission and its agent. Under the Nunavut *Cannabis Act*, a person can submit an application for a licence to operate a cannabis store, remote sales store, or cannabis lounge. This application process will likely not be in place until 2019.

RISK FACTORS

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

Limited Operating History

The Company has a limited history of operations and is considered a development stage company. As such, the Company is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of its success must be considered in light of its early stage of operations.

Additional Financing

From time to time, the Company may require additional financing. The Company'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 the Company 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 Common Shares, and existing holders of such shares may experience dilution.

Reliance on Licences

Failure to comply with the requirements of the PhyeinMed License and Cannacure Licences, or any failure to maintain the licences would have a material adverse impact on the business, financial condition and operating results of PhyeinMed and Cannacure and, as a result, of the Company.

Reliance on the Facility

To date, the Company's activities and resources have been primarily focused on its licensed Falkland Facility. Adverse changes or developments affecting this facility may have a material and adverse effect on the Company's ability to produce medical cannabis, business, financial condition and prospects.

Volatile Market Price for Common Shares

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

- actual or anticipated fluctuations in the Company'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 the Company operates;
- addition or departure of the Company'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 the Company's industry generally and its business and operations;
- announcements of developments and other material events by the Company 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 the Company or its competitors;
- operating and share price performance of other companies that investors deem comparable to the Company 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 the Company'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 the Company'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, the Company's operations could be adversely impacted and the trading price of Common Shares may be materially adversely affected.

Holding Company Status

The Company is a holding company and essentially all of its operating assets are the capital stock of its subsidiaries. As a result, investors in the Company are subject to the risks attributable to its subsidiaries. As a holding company, the Company conducts substantially all of its business through its subsidiaries, which generate substantially all of its revenues. Consequently, the Company'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 the Company. 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 the Company'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 the Company.

Management of Growth

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require continued implementation and improvement of its operational and financial systems and to expand, train and manage its employee base. The inability of the Company 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 the Company 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 the Company's business, operating results or financial condition.

Conflicts of Interest

The Company may be subject to various potential conflicts of interest because of the fact that some of its officers and directors may be engaged in a range of business activities. In addition, the Company'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 the Company, as applicable. External business interests may require significant time and attention of the Company's executive officers and directors. In some cases, executive officers and directors may have fiduciary obligations associated with external business interests that may interfere with their abilities to devote time to the Company's business and affairs, as applicable, and this could adversely affect the Company's operations.

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

Litigation

The Company 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 the Company becomes involved be determined against it, such a decision may adversely affect the Company's ability to continue operating, adversely affect the market price of Common Shares and use significant resources. Even if the Company is involved in litigation and succeeds, litigation can redirect significant company resources. Litigation may also create a negative perception of the PhyeinMed's brand, and ultimately the Company's brand.

Dividends

The Company's policy is to retain earnings to finance the development and enhancement of its products and to otherwise reinvest in the Company's businesses. Therefore, the Company 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 directors of the Company and will depend on, among other things, financial results, cash requirements, contractual restrictions and other factors that the board of directors of the Company 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 the Company.

Liquidity Risk

The Company's ability to remain liquid over the long term depends on its ability to obtain additional financing. The Company 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. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due.

Risks related to operating in the Cannabis Industry

Licensing Requirements Under the Cannabis Regulation

The market for cannabis (including medical marijuana) in Canada is regulated by the Cannabis Act, and the Cannabis Regulations, the NCR, the *Industrial Hemp Act* (Canada) and other applicable law. Health Canada is the primary regulator of the industry as a whole. The Cannabis Regulations created conditions for a new commercial industry that is responsible for cannabis production and distribution.

Any applicant seeking to become and remain a Licensed Producer under the Cannabis Regulations is subject to stringent Health Canada licensing requirements. Failure to comply with the licensing requirement would have a material adverse effect on the Company and its financial condition.

The Cannabis Industry is Subject to Competition

There is potential that the Company 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 PhyeinMed.

Because of the early stage of the industry in which the Company operates in the cannabis area, the Company 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 the Company 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, the Company will require a continued high level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and

client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company.

Cannabis is Not an Approved Drug or Medicine

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.

Regulatory Risks

The Company 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. The Company's ability to grow, store and sell medical cannabis in Canada with respect to its facilities is dependent on obtaining its licences from Health Canada and the need to maintain such licences in good standing. Failure to: (i) comply with the requirements of its licences; and (ii) maintain its licences would have a material adverse impact on the business, financial condition and operating results of the Company.

The Company 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 our operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

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 the Company'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 the Company's earnings and could make future capital investments or the Company'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

The Company'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 the Company's operations.

Government approvals and permits are currently, and may in the future, be required in connection with PhyeinMed's operations. To the extent such approvals are required and not obtained, the Company 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. The Company may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

The Company is subject to changes in Canadian laws, regulations and guidelines which could adversely affect the Company's future business, financial condition and results of operations.

The Company's operations will be subject to various laws, regulations and guidelines relating to the manufacture, management, packaging/labelling, advertising, sale, transportation, storage and disposal of medical cannabis but also including laws and regulations relating to drugs, controlled substances, health and safety, the conduct of operations and the protection of the environment. Changes to such laws, regulations and guidelines due to matters beyond the control of the Company may cause adverse effects business, financial condition and results of operations of the Company. The Company endeavours to comply with all relevant laws, regulations and guidelines. To the best of the Company's knowledge, the Company is in compliance or in the process of being assessed for compliance with all such laws, regulations and guidelines.

On June 30, 2016, the Canadian Federal Government established the Task Force to seek input on the design of a new system to legalize, strictly regulate and restrict access to marijuana. On November 30, 2016, the Task Force completed its review and published a report outlining its recommendations. On April 13, 2017, the Canadian Federal Government released Bill C-45, which proposes the enactment of the Cannabis Act, to regulate the production, distribution and sale of cannabis for unqualified adult use. On October 17, 2018, the Cannabis Act, as well as laws to address drug-impaired driving, protect public health and safety and prevent youth access to cannabis, came into force.

The Cannabis Act prohibits testimonials and branding and packaging that is appealing to youth. The restrictions on advertising, marketing and the use of logos and brand names could have a material adverse impact on the Company's business, financial condition and results of operation. The legislative framework pertaining to the Canadian adult-use cannabis market is developing and subject to change. In addition, the governments of every Canadian province and territory have, to varying degrees, announced proposed, and in some cases enacted, regulatory regimes for the distribution and sale of cannabis for adult-use purposes within those jurisdictions. There is no guarantee that provincial legislation regulating the distribution and sale of cannabis for adult-use purposes will be enacted according to all the terms announced by such provinces and territories, or at all, or that any such legislation will create the growth opportunities that the Company currently anticipates. While the impact of any new legislative framework for the regulation of the Canadian adult-use cannabis market is uncertain, any of the foregoing could result in a material adverse effect on the Company's business, financial condition and results of operation.

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 the Company's ability to conduct sales and marketing activities and could have a material adverse effect on the Company's respective businesses, operating results and financial conditions.

Competition

There is potential that the Company will face intense competition from other companies, some of which can be expected to have more financial resources, industry, manufacturing and marketing experience than the Company. 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 the Company.

The government of Canada has only issued to date a limited number of licences under the ACMPR to produce and sell medical cannabis. There are, however, several hundred applicants for licences. The number of licences granted could have an impact on the operations of the Company. Because of the early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. According to Health Canada, there were 133 Licensed Producers as of the date of this AIF. If the number of users of medical cannabis in Canada increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Company will require a continued level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company.

Risks Inherent in an Agriculture Business

The Company'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 the Company 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.

Vulnerability to Rising Energy Costs

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

Product Liability

As a manufacturer and distributor of products designed to be ingested or inhaled by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused 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 the Company's products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the Company's products caused injury, 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 the Company could result in increased costs, adversely affect the Company's reputation with its respective clients and consumers generally, and adversely affect the results of operations and financial conditions of the Company.

Product Recalls

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 the Company's products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention.

Operating Risk and Insurance Coverage

The Company has insurance to protect its assets, operations and employees. While the Company 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 the Company is exposed. However, the Company 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. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon the Company's financial performance and results of operations.

Unfavourable Publicity or Consumer Perception

Management of the Company believes the medical marijuana industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the medical marijuana produced. Consumer perception of the Company's proposed products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical marijuana products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the medical marijuana market or any particular product, or consistent with earlier publicity.

Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's proposed products and the business, results of operations, financial condition and cash flows of the Company. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for its proposed products, and the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical marijuana in general, or the Company's proposed products specifically, or associating the consumption of medical marijuana with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

DIVIDENDS AND DISTRIBUTIONS

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

DESCRIPTION OF CAPITAL STRUCTURE

The Company's authorized share capital consists of an unlimited number of Common Shares without par value. As of the date of this AIF, there were 341,252,776 Common Shares issued and outstanding. Holders of Common Shares:

- have one vote per share on election of each director and other matters submitted to a vote of stockholders;
- do not have cumulative voting rights;
- have equal rights with all holders of issued and outstanding Common Shares to receive dividends from funds legally available therefore, if any, when, as and if declared from time to time by the Board; and
- are entitled to share equally with all holders of issued and outstanding Common Shares in all of our assets remaining after payment of liabilities, upon liquidation, dissolution or winding up of the Company's affairs.

MARKET FOR SECURITIES

Trading Price And Volume

On October 20, 2014, the Company began trading on the CSE under the trading symbol "UMB" and it delisted its Common Shares from the TSXV. On January 9, 2018, upon completion of the Change of Business pursuant to CSE Policy and change of name to "Heritage Cannabis Holdings Corp.", the Common Shares began trading under the trading symbol "CANN".

The table below summarizes the range and volume of trading prices for each of the months stated:

Month	Price Range (\$)		Monthly Volume (#)
	Monthly High Price	Monthly Low Price	
CSE			
November 2016	0.055	0.030	18,852,678
December 2016	0.040	0.025	13,091,622
January 2017	0.040	0.025	8,302,993
February 2017	0.110	0.030	76,370,488
March 2017	0.085	0.050	24,930,759
April 2017	0.080	0.060	22,973,036
May 2017	0.070	0.0500	10,324,938
June 2017	0.100	0.050	30,093,396

July 2017	0.130	0.065	56,249,759
August 2017	0.155	0.075	44,334,167
September 2017	0.140	0.110	20,156,266
October 2017	0.200	0.130	33,333,823
November 1-2, 2017 ⁽¹⁾	0.150	0.140	682,665
January 10-31, 2018 ⁽²⁾	0.840	0.455	97,961,744
February 2018	0.740	0.400	88,217,521
March 2018	0.580	0.455	28,660,703
April 2018	0.480	0.295	34,668,691
May 2018	0.360	0.220	37,884,832
June 2018	0.375	0.250	21,101,879
July 2018	0.360	0.260	17,016,131
August 2018	0.335	0.190	20,868,525
September 2018	0.345	0.250	28,618,145
October 2018	0.340	0.210	34,030,293
November 2018	0.250	0.150	30,170,006

Notes:

(1) Trading was halted on November 2, 2017.

(2) Trading resumed January 10, 2018.

Prior Sales

During the financial year ended October 31, 2017, the Company issued the following securities convertible into Common Shares.

Date of Issue	Class of security	Number of securities issued	Issue price per security
November 24, 2016	Incentive Stock Options ⁽¹⁾	830,000	N/A
February 10, 2017	Incentive Stock Options ⁽²⁾	3,450,000	N/A
February 17, 2017	Incentive Stock Options ⁽³⁾	2,200,000	N/A
February 27, 2017	Incentive Stock Options ⁽⁴⁾	6,000,000	N/A
May 4, 2017	Incentive Stock Options ⁽⁵⁾	500,000	N/A
June 21, 2017	Incentive Stock Options ⁽⁶⁾	500,000	N/A
August 16, 2017	Incentive Stock Options ⁽⁷⁾	2,000,000	N/A
August 31, 2017	Warrants ⁽⁸⁾	43,700,000	\$0.06
August 31, 2017	Finder's Warrants ⁽⁹⁾	1,531,653	N/A

Notes:

(1) Issued to directors, officers, employees and/or consultants pursuant to the Company's stock option plan, exercisable at \$0.05 per Common Share expiring on November 24, 2021.

(2) Issued to directors, officers, employees and/or consultants pursuant to the Company's stock option plan, exercisable at \$0.07 per Common Share expiring on February 10, 2022.

- (3) Issued to directors, officers, employees and/or consultants pursuant to the Company's stock option plan, exercisable at \$0.09 per Common Share expiring on February 17, 2022.
- (4) Issued to directors, officers, employees and/or consultants pursuant to the Company's stock option plan, exercisable at \$0.065 per Common Share expiring on February 27, 2022.
- (5) Issued to directors, officers, employees and/or consultants pursuant to the Company's stock option plan, exercisable at \$0.06 per Common Share expiring on May 04, 2022.
- (6) Issued to directors, officers, employees and/or consultants pursuant to the Company's stock option plan, exercisable at \$0.055 per Common Share expiring on June 21, 2022.
- (7) Granted to the President of PhyeinMed, in connection with the 2017 Share Purchase Agreement, exercisable at \$0.10 per Common Share expiring on August 16, 2022.
- (8) Issued pursuant to the Company's \$2,622,000 non-brokered private placement of units. Each warrant entitles the holder to acquire an additional Common Share at a price of \$0.10 per Common Share until August 30, 2019.
- (9) Finder's Warrants were issued pursuant to the Company's \$2,622,000 non-brokered private placement of units. Each Finder's Warrant entitles the holder to acquire an additional Common Share at a price of \$0.10 per Common Share until August 30, 2019.

Subsequent to the financial year ended October 31, 2017, the Company issued the following securities convertible into Common Shares.

Date of Issue	Class of security	Number of securities issued	Issue price per security
November 15, 2017	Incentive Stock Options ⁽¹⁾	6,850,000	N/A
January 22, 2018	Incentive Stock Options ⁽²⁾	700,000	N/A
March 19, 2018	Incentive Stock Options ⁽³⁾	861,000	N/A
April 30, 2018	Incentive Stock Options ⁽⁴⁾	1,250,000	N/A

Notes:

- (1) Issued to directors, officers and/or consultants of the Company pursuant to the Company's stock option plan, exercisable at \$0.14 per Common Share expiring November 15, 2022.
- (2) Issued to directors, officers, employees and/or consultants pursuant to the Company's stock option plan, exercisable at \$0.59 per Common Share expiring on January 18, 2023.
- (3) Issued to directors, officers, employees and/or consultants pursuant to the Company's stock option plan, exercisable at \$0.54 per Common Share expiring on March 19, 2023.
- (4) Issued to directors, officers, employees and/or consultants pursuant to the Company's stock option plan, exercisable at \$0.35 per Common Share expiring on April 30, 2023.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

Pursuant to the 2017 Share Purchase Agreement, Estek agreed to enter into a voluntary escrow agreement dated July 18, 2017 with LML&S Services Inc. acted as escrow agent and whereby 7,000,000 Common Shares issued to Estek in partial consideration of the 25% interest in PhyeinMed were escrowed and will be released as follows:

- i. 10% released upon closing of the 2017 Share Purchase Agreement (the "**First Release Date**");
- ii. 15% released on the date that is six months after the First Release Date;
- iii. 15% released on the date that is twelve months after the First Release Date;
- iv. 15% released on the date that is eighteen months after the First Release Date;

- v. 15% released on the date that is twenty-four months after the First Release Date;
- vi. 15% released on the date that is thirty months after the First Release Date; and
- vii. the remaining 15% released on the date that is thirty-six months after the First Release Date.

The table below includes the details of escrowed securities that held by Estek during the year ended October 31, 2017:

Designation of class	Number of securities held in escrow	Percentage of class
Common Shares ⁽¹⁾	7,000,000	2.05% ^{(2) (3)}

Notes:

(1) Estek Ventures Corp. is a company controlled by Debra Senger, Chief Executive Officer of PhyeinMed.

(2) Based on 341,252,776 Common Shares issued and outstanding as of December 6, 2018.

(3) Effective October 17, 2018, all escrowed shares were released from escrow.

DIRECTORS AND OFFICERS

Name, Occupation and Security Holding

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

Name, Province or State, and Country of Residence	Positions with the Company	Date of Appointment	Principal Occupation within the past five years	Common Shares Beneficially Owned or Controlled
Kristina Khersonski Vancouver, British Columbia, Canada	CFO & Corporate Secretary	May 24, 2013	CPA, CGA. Accountant with 15 years experience providing consulting and financial services to public companies in various industries.	Nil
Clinton Sharples ⁽³⁾ Toronto, Ontario, Canada	Interim CEO & Chairman	May 29, 2013	Partner, First Growth Management Inc. (private venture capital company).	3,906,000 ⁽¹⁾
Bradley Culver ⁽³⁾ Calgary, Alberta, Canada	Director	March 11, 2013	Geophysicist; Independent contractor. Previously, Senior Exploration Geophysicist, Birchcliff Energy Ltd. from 2010 to 2013.	292,000 ⁽²⁾
Debra Senger Vernon,	Director	September 4, 2018	Founder and CEO, PhyeinMed Inc. Over 20 years of experience in the management of public companies.	7,600,000 ⁽⁴⁾

Name, Province or State, and Country of Residence	Positions with the Company	Date of Appointment	Principal Occupation within the past five years	Common Shares Beneficially Owned or Controlled
British Columbia, Canada				

Notes:

(1) 2,765,000 Common Shares are owned directly by Mr. Sharples, 800,000 Common Shares are owned indirectly by Equival Inc., a private company owned and controlled by Mr. Sharples, and 341,000 Common Shares are held indirectly by First Growth Management, a private company owned and controlled by Mr. Sharples. Mr. Sharples holds a total of 345,500 incentive stock options at an exercise price of \$0.54 expiring on March 19, 2023.

(2) Mr. Culver holds a total of 200,000 incentive stock options at an exercise price of \$0.14 expiring on November 15, 2022. Mr. Culver also holds a total of 860,000 common share purchase warrants at an exercise price of \$0.10 expiring on August 30, 2019.

(3) Member of Audit Committee.

(4) 2,400,000 Common Shares are owned directly by Ms. Senger and 5,200,000 are owned indirectly by Estek Ventures Corp., a private company owned and controlled by Ms. Senger. Ms. Senger holds a total of 2,000,000 incentive stock options at an exercise price of \$0.10 expiring August 16, 2022.

As of the date of the AIF, the Company's directors and executive officers, as a group, beneficially owned, directly or indirectly, or exercised control of direction over 11,798,000 Common Shares, representing approximately 3.45% of the issued and outstanding Common Shares.

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

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

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

Bradley Culver was a director of Probe Resources Ltd. ("**Probe**") (now known as Rooster Energy Ltd.), a TSXV listed company, at the time Probe was issued a cease trade order on January 7, 2011, for failure to file its annual financial statements and management's discussion and analysis for its financial year ended August 31, 2010 in the required time. Probe announced by press release dated November 16, 2010 that the company's U.S. subsidiaries filed voluntary Chapter 11 petitions in U.S. Bankruptcy Court for the Southern District of Texas in Houston, Texas. Mr. Culver resigned prior to the filing of the Chapter 11 proceeding in November 2012. Probe Resources Ltd. emerged from its Chapter 11 bankruptcy filing on

April 15, 2011 and then brought its filings up to date. On February 6, 2012, the cease trade order was lifted.

Bradley Culver was a director of Lands End Resources Ltd. (“**Lands End**”), a former Canadian National Stock Exchange (now CSE) listed company, at the time Lands End was suspended from trading for failure to comply with Exchange requirements on April 5, 2011. On July 6, 2011, Lands End was delisted from the Exchange.

Clinton Sharples was a director of Thermal Energy International Inc. (“**Thermal Energy**”), a TSXV listed company, at the time the shares of Thermal Energy were halted on July 22, 2009, pending clarification of Thermal Energy’s affairs, including certain deficiencies in compliance with the policies of the TSXV. Thermal Energy cooperated with the TSXV during their review and its shares resumed trading on October 15, 2009.

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

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

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

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

CONFLICTS OF INTEREST

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

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

PROMOTORS

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

No person or company has been, within the two most recently completed financial years or during the current financial year, a promoter of the Company or of a subsidiary of the Company.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

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

Regulatory Proceedings

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

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

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

TRANSFER AGENTS AND REGISTRARS

The Company's Registrar and Transfer Agent is Computershare Investor Services Inc., located at 510 Burrard Street, 2nd Floor, Vancouver, British Columbia V6C 3B9.

MATERIAL CONTRACTS

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

1. 2014 Share Exchange Agreement;
2. 2017 Share Purchase Agreement;
3. PhyeinMed Licence;
4. Cannacure Licence;
5. The Cannacure Agreement; and
6. The Fort Erie Option.

INTERESTS OF EXPERTS

Names of Experts

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

Morgan & Company LLP is the external auditor of the Company and reported on the Company's audited financial statements for the years ended October 31, 2017 and 2016, which are filed on SEDAR.

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

Interests of Experts

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

ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness, the Company's principal

shareholders, and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Company's most recently filed management information circular available on SEDAR at www.sedar.com. Additional financial information is provided in our consolidated financial statements and management's discussion and analysis for the financial year ended October 31, 2017.