TREES

TREES CORPORATION

ANNUAL INFORMATION FORM

FOR THE YEAR ENDED MARCH 31, 2023

June 29, 2023

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GENERAL

In this annual information form (this "**AIF**") unless otherwise noted or the context indicates otherwise, references to the "**Company**", "**Trees**", "**we**", "**us**" and "**our**" refer to Trees Corporation and its subsidiaries.

All financial information in this AIF is prepared in Canadian dollars and using International Financial Reporting Standards as issued by the International Accounting Standards Board. Unless otherwise noted herein, this AIF applies to the business activities and operations of Trees for the year ended March 31, 2023. Unless otherwise indicated, the information in this AIF is given as of June 28, 2023.

All dollar amounts in this AIF are expressed in Canadian dollars, except as otherwise indicated. References to US$ or "U.S. dollars" are to United States dollars.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This AIF and the documents incorporated into this AIF by reference contain "forward-looking statements" and "forward-looking information" within the meaning of applicable Canadian securities laws (forward-looking statements and forward-looking information being collectively referred to as "**forward-looking information**") that are based on expectations, estimates and projections as at the date of this AIF. Any statements that involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions, future events or performance (often, but not always, using words or phrases such as "expects" or "does not expect", "is expected", "anticipates" or "does not anticipate", "plans", "budget", "scheduled", "forecasts", "estimates", "believes" or "intends" or variations of such words and phrases or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved) are not statements of historical fact and may be forward-looking statements and are intended to identify forward-looking information. This forward-looking information is based on the beliefs of management of Trees, as applicable, as well as on assumptions and other factors, which management believes to be reasonable based on information available at the time such information was given.

This forward-looking information includes, but is not limited to, statements and information concerning:

- statements relating to the business and future activities of Trees after the date of this AIF;
- the ability of Trees to identify and build and/or acquire additional retail cannabis stores in the future in order to achieve its currently contemplated milestones; expectations for other economic, business, environmental, regulatory and/or competitive factors related to Trees;
- plans and objectives of management for future operations;
- forecast business results; anticipated financial performance; and
- other events or conditions that may occur in the future and other statements that are not historical facts.

Some of the risks which could affect future results and could cause results to differ materially from those expressed in the forward-looking statements contained herein include: regulatory approval and permits; changes in laws, regulations and guidelines; compliance with laws; environmental, health and safety laws; anti-money laundering laws and regulations; liability for actions of employees, contractors and consultants; limited operating history; there is no assurance that Trees will turn a profit or generate immediate revenues; difficulty to forecast; product price decreases; management of growth; Trees relies to a great extent on the expertise of its board of directors and officers, and any departures may impair Trees business and investments; credit risk and concentration; security risks; talent pool; reliance on key inputs; product sustainability; changing consumer preferences and customer retention; product liability; product recalls; positive test for THC or banned substances; reputational risk; Trees may be subject to significant competition; internal controls; promoting and maintaining brands; past performance not indicative of future results; results of future clinical research; intellectual property generally; Trees trade secrets may be difficult to protect; Trees may be exposed to infringement or misappropriation claims by third parties, which, if determined adversely to Trees, could subject Trees to significant liabilities and other costs; if Trees is unable to continually innovate and increase efficiencies, its ability to attract new customers may be adversely affected; operational risks; leases; reliance on established retail cannabis stores; risks relating to its suppliers; emerging industry risk; information technology systems and cyber security risks; Trees may be subject to risks associated with financial leverage; constraints on marketing products; personal information breaches; geo-political risk; force majeure; additional capital requirements; additional issuance of Common Shares will result in dilution; sales of substantial amounts of Common Shares may have an adverse effect on the market price of the Common Shares; Trees may face potential conflicts of interest; price volatility of publicly traded securities; investment by offshore investors; Trees business, financial condition, results of operations and cash flow may in the future be negatively impacted by challenging global economic conditions; liquidity; Trees Shareholders will have little or no rights to participate in Trees affairs; dividends; and costs of maintaining a public listing.

By its nature, forward-looking information, including future-oriented financial information or financial outlook, is based on assumptions and involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements expressed or implied herein to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. This above is not an exhaustive list of the factors that may affect any of the forward-looking information contained herein.

Forward-looking information is information about the future and is inherently uncertain. There can be no assurances that the forward-looking information will prove to be accurate. Actual results could differ materially from those reflected in the forward-looking information as a result of, among other things, the matters set out in this AIF generally and economic and business factors, some of which may be beyond the control of Trees. Some of the more important risks and uncertainties that could affect forward-looking information are described further under the heading "*Risk Factors*". Trees expressly disclaims any intention or obligation to update or revise any information contained in this AIF (including forward-looking information) except as required by applicable law, and Trees Shareholders (as defined herein) should not assume that any lack of update to information contained in this AIF means that there has been no change in that information since the date of this AIF and should not place undue reliance on forward-looking information.

MARKET AND INDUSTRY DATA

This AIF includes market and industry data that has been obtained from third-party sources, including industry publications. Trees believes that the industry data is accurate and that its estimates and assumptions are reasonable, but there is no assurance as to the accuracy or completeness of this data. Third-party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there is no assurance as to the accuracy or completeness of included information. Although the data is believed to be reliable, Trees has not independently verified any of the data from third-party sources referred to in this AIF or ascertained the underlying economic assumptions relied upon by such sources. Trees does not intend, and undertakes no obligation, to update or revise any such information or data, whether as a result of new information, future events or otherwise, except as, and to the extent required by, applicable Canadian securities laws.

GLOSSARY OF TERMS

In this AIF, unless otherwise defined in the body of this AIF, the following capitalized words and terms have the following meanings:

ABCA:	means the *Business Corporations Act,* R.S.A. 2000, c. B-9.
ACMPR:	means the *Access to Cannabis for Medical Purposes Regulations*, SOR/2016-230.
AGCO:	means the Alcohol and Gaming Commission of Ontario.
Associate, Affiliate and Insider:	have the respective meanings ascribed thereto in the Securities Act.
BCBCA:	means the *Business Corporations Act,* S.B.C 2002, c. 57 (British Columbia).
BCLDB:	means the BC Liquor Distribution Branch.
BCLCRB:	means British Columbia Liquor and Cannabis Regulation Branch.
Board:	means the board of directors of Trees or Trees PrivateCo as applicable in the particular circumstance in which such terms are used.
Camp Cannabis:	means 2707461 Ontario Ltd., a wholly owned indirect subsidiary of Trees incorporated under the laws of the Province of Ontario.
Cannabis Act:	means the *Cannabis Act,* S.C. 2018, c. 16.
Cannabis Control Act:	means the *Cannabis Control Act, 2017,* S.O. 2017, c. 26.
Cannabis Licence Act:	means the *Cannabis Licence Act, 2018,* S.O. 2018, c. 12.
Cannabis Regulations:	means the regulations published by the Federal Government of Canada under the Cannabis Act, including the *Cannabis Regulations*.
CBCA:	means the *Canada Business Corporations Act*, R.S.C. 1985, c C-44.
CBD:	means cannabidiol.
CDSA:	means the *Controlled Drugs and Substances Act,* S.C. 1996, c. 19.
Common Share:	means the common shares in the capital of Trees.
Director:	has the meaning ascribed thereto in the CBCA.
Equity Incentive Plan:	means the equity incentive compensation plan of Trees.
Gods Greenery, Inc.	means Gods Greenery, Inc. a wholly owned indirect subsidiary of Trees incorporated under the laws of the State of Delaware.
Hemp:	means the plant cannabis sativa L. and any part of that plant, including the seeds thereof, and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a THC concentration of not more than 0.3% on a dry weight basis.

IHR:	means the *Industrial Hemp Regulations*, SOR/2018-145.
Information Circular:	means the management information circular circulated to the Trees PrivateCo Shareholders on November 12, 2021.
IPCo:	means 11391461 Canada Ltd.
LCRB:	means the Liquor and Cannabis Regulation Branch of British Columbia.
MetroCannabis:	means 11819496 Canada Inc. (operating as Trees Cannabis), a wholly owned indirect subsidiary of Trees incorporated under the federal laws of Canada.
Miraculo:	means Miraculo Inc., a wholly owned inactive subsidiary of Trees incorporated under the laws of the Province of Ontario.
NEO:	means the Neo Exchange Inc.
NP 46-201:	means National Policy 46-201 *Escrow for Initial Public Offerings.*
OBCA:	means the *Business Corporations Act,* R.S.O. 1990, c. B.16. (Ontario).
OCH:	means Ontario Cannabis Holdings Corp., a wholly owned subsidiary of Trees incorporated under the laws of the Province of Ontario.
OCS:	means the *Ontario Cannabis Store.*
Odyssey:	means Odyssey Trust Company, a corporation incorporated under the laws of Alberta.
Ontario Consulting:	means OCH Ontario Consulting Corp., a wholly owned indirect subsidiary of Trees incorporated under the laws of the Province of Ontario.
Operator Licence:	means a retail operator licence issued by AGCO.
Option:	means an option to purchase Common Shares.
PSU:	mean a performance share unit of Trees.
Regulations:	means collectively the IHR and Cannabis Regulations.
RSU:	means a restricted share unit of Trees.
Securities Act:	means the *Securities Act* (Ontario) and the regulations thereunder, as from time to time amended.
THC:	means delta-9-tetrahydrocannabinol, a psychoactive chemical compound in cannabis.
Trees Shareholders:	means a holder of Common Shares from time to time, and “Trees Shareholders” means all of such holders.

GLOSSARY OF TERMS FOUND ELSEWHERE IN THIS AIF

101:	has the meaning ascribed to it in "*General Development of the Business - Three-Year History of Trees – 2020*".
101 APA:	has the meaning ascribed to it in "*General Development of the Business - Three-Year History of Trees – 2022*".
101 Assets:	has the meaning ascribed to it in "*General Development of the Business - Three-Year History of Trees – 2021*".
101 Asset Purchase:	has the meaning ascribed to it in "*General Development of the Business - Three-Year History of Trees – 2022*".
101 Licencing Agreement:	has the meaning ascribed to it in "*General Development of the Business - Three-Year History of Trees – 2021*".
101 Note:	has the meaning ascribed to it in "*General Development of the Business - Three-Year History of Trees – 2021*".
101 Purchase Agreement:	has the meaning ascribed to it in "*General Development of the Business - Three-Year History of Trees – 2022*".
101 Purchased Stores	has the meaning ascribed to it in "*General Development of the Business - Three-Year History of Trees – 2022*".
101 Share Purchase:	has the meaning ascribed to it in "*General Development of the Business - Three-Year History of Trees – 2022*".
101 SPA:	has the meaning ascribed to it in "*General Development of the Business - Three-Year History of Trees – 2022*".
101 Transaction:	has the meaning ascribed to it in "*General Development of the Business - Three-Year History of Trees – 2022*".
2018 Ministerial Order:	has the meaning ascribed to it in "*General Development of the Business – Regulatory Environment – Federal Regulatory Framework*".
406:	has the meaning ascribed to it in "*Corporate Structure - Name, Address and Incorporation*".
406 Amalgamation:	has the meaning ascribed to it in "*Corporate Structure - Name, Address and Incorporation*".
406 Amalgamation Agreement:	has the meaning ascribed to it in "*Corporate Structure - Name, Address and Incorporation*".
406 Arrangement:	has the meaning ascribed to it in "*Three-Year History of Trees – 406*".
406 Consolidation:	has the meaning ascribed to it in "*Corporate Structure - Name, Address and Incorporation*".
406 Continuance:	has the meaning ascribed to it in "*Corporate Structure - Name, Address and Incorporation*".
406 Shares:	has the meaning ascribed to it in "*Corporate Structure - Name, Address and Incorporation*".
420:	has the meaning ascribed to it in "*General Development of the Business - Three-Year History of Trees – Recent Developments*".

46-201 Escrow Agreement:	has the meaning ascribed to it in "*Escrowed Securities and Securities Subject to contractual Restriction on Transfer".*
AIF:	has the meaning ascribed to it in "*General*".
Amended 101 Note:	has the meaning ascribed to it in "*General Development of the Business - Three-Year History of Trees – 2022*".
August 2019 Lottery:	has the meaning ascribed to it in "*General Development of the Business – Regulatory Environment – Provincial Regulatory Framework".*
BC Handbook:	has the meaning ascribed to it in "*General Development of the Business – Regulatory Environment – Provincial Regulatory Framework".*
Camp Acquisition:	has the meaning ascribed to it in "*General Development of the Business - Three-Year History of Trees – 2022*".
Camp Convertible Debenture	has the meaning ascribed to it in "*General Development of the Business – Acquisitions - Camp*".
Camp SPA:	has the meaning ascribed to it in "*General Development of the Business - Three-Year History of Trees – 2022*".
Camp Vendor:	has the meaning ascribed to it in "*General Development of the Business - Three-Year History of Trees – 2022*".
Cannabis Control Act:	has the meaning ascribed to it in "*General Development of the Business – Regulatory Environment – Provincial Regulatory Framework".*
Cannabis Licence Act:	has the meaning ascribed to it in "*General Development of the Business – Regulatory Environment – Provincial Regulatory Framework".*
Cannabis Tracking and Licensing System:	has the meaning ascribed to it in "*General Development of the Business – Regulatory Environment – Federal Regulatory Framework".*
CCLA:	has the meaning ascribed to it in "*General Development of the Business – Regulatory Environment – Provincial Regulatory Framework".*
CDA:	has the meaning ascribed to it in "*General Development of the Business – Regulatory Environment – Provincial Regulatory Framework".*
Charter:	has the meaning ascribed to it in "*Audit Committee".*
Convertible Notes:	has the meaning ascribed to it in "*General Development of the Business - Three-Year History of Trees – 2022*".
EOI Applications:	has the meaning ascribed to it in "*General Development of the Business – Regulatory Environment – Provincial Regulatory Framework".*
Escrowed Securities:	has the meaning ascribed to it in "*Escrowed Securities and Securities Subject to contractual Restriction on Transfer".*
Forward-Looking Information:	has the meaning ascribed to it in "*Cautionary Note Regarding Forward-Looking Information*".
Governmental Authorities:	has the meaning ascribed to it in "*Risk Factors – Risk Related to the Regulatory Environment – Regulatory approval and permits*".
January 2019 Lottery:	has the meaning ascribed to it in "*General Development of the Business – Regulatory Environment – Provincial Regulatory Framework".*

Manager Licence:	has the meaning ascribed to it in "*General Development of the Business – Regulatory Environment – Provincial Regulatory Framework"*.
May 2022 Warrant:	has the meaning ascribed to it in "*General Development of the Business - Three-Year History of Trees – 2022*".
MetroCannabis Note:	has the meaning ascribed to it in "*General Development of the Business - Three-Year History of Trees – 2021*".
MetroCannabis Purchase Agreement:	has the meaning ascribed to it in "*General Development of the Business - Three-Year History of Trees – 2021*".
MetroCannabis Shares:	has the meaning ascribed to it in "*General Development of the Business – Acquisitions - MetroCannabis*".
Miraculo Amalgamation Agreement:	has the meaning ascribed to it in "*General Development of the Business - Three-Year History of Trees – 2022*".
Multi-Jurisdictional Operators:	has the meaning ascribed to it in "*Description of the Business – Competitive Conditions*".
New Licencing Agreement:	has the meaning ascribed to it in "*General Development of the Business - Three-Year History of Trees – 2022*".
NI 52-110:	has the meaning ascribed to it in "*Audit Committee"*.
November 2022 Warrants:	has the meaning ascribed to it in "*General Development of the Business - Three-Year History of Trees – 2022*".
OCH Amalgamation:	has the meaning ascribed to it in "*General Development of the Business - Three-Year History of Trees – 2020*".
OCH Amalgamation Agreement:	has the meaning ascribed to it in "*General Development of the Business - Three-Year History of Trees – 2020*".
Ontario Cannabis Regulations:	has the meaning ascribed to it in "*General Development of the Business – Regulatory Environment – Provincial Regulatory Framework".*
Operator Licence:	has the meaning ascribed to it in "*General Development of the Business – Regulatory Environment – Provincial Regulatory Framework".*
Proposed Transaction:	has the meaning ascribed to it in "*General Development of the Business - Three-Year History of Trees – Recent Developments*".
Provincial Regimes:	has the meaning ascribed to it in "*Risk Factors – Risk Related to the Regulatory Environment – Compliance with laws*".
Store Authorization:	has the meaning ascribed to it in "*Description of the Business*".
Trees Continuance:	has the meaning ascribed to it in "*Corporate Structure - Name, Address and Incorporation*".
Trees Consolidation:	has the meaning ascribed to it in "*Corporate Structure - Name, Address and Incorporation*".
Trees IP:	has the meaning ascribed to it in "*General Development of the Business - Three-Year History of Trees – 2022*".
Trees PrivateCo:	has the meaning ascribed to it in "*Corporate Structure - Name, Address and Incorporation*".

Trees PrivateCo Shares:	has the meaning ascribed to it in "*Corporate Structure - Name, Address and Incorporation*".
Tweed Note:	has the meaning ascribed to it in "*General Development of the Business - Three-Year History of Trees – 2020*".

CORPORATE STRUCTURE

Name, Address and Incorporation

Trees Corporation was formed upon the amalgamation of Trees Corporation ("**Trees PrivateCo**") and 1287406 B.C. Ltd. ("**406**") on December 22, 2021, under the CBCA pursuant to the terms of an amended and restated amalgamation agreement dated November 10, 2021 (the "**406 Amalgamation Agreement**"). The 406 Amalgamation Agreement provided for, among other things, the amalgamation of Trees PrivateCo and 406 and the continuation of such entities as one corporation under the name "Trees Corporation" (the "**406 Amalgamation**") in accordance with the provisions of the CBCA.

Prior to the 406 Amalgamation, Trees PrivateCo (i) continued out of the jurisdiction of Alberta under the ABCA and into the federal jurisdiction of Canada under the CBCA (the "**Trees Continuance**"); and (ii) consolidated its Class A common shares (the "**Trees PrivateCo Shares**") on the basis of one (1) post-consolidation Trees PrivateCo Share for every fifteen (15) pre-consolidation Trees PrivateCo Shares (the "**Trees Consolidation**"). In connection with the 406 Amalgamation, 406 (i) continued out of the jurisdiction of British Columbia under the BCBCA and into the federal jurisdiction of Canada under the CBCA (the "**406 Continuance**"); and (ii) completed a consolidation of its common shares (the "**406 Shares**") on the basis of 1 post-consolidation 406 Share for every 0.77 pre-consolidation 406 Share (the "**406 Consolidation**"). The Trees Continuance, Trees Consolidation, and 406 Amalgamation, among other things, were approved at the annual and special meeting of the shareholders of the Trees PrivateCo held on December 3, 2021. The 406 Continuance, 406 Consolidation and Amalgamation were approved by 406 shareholders by written resolution.

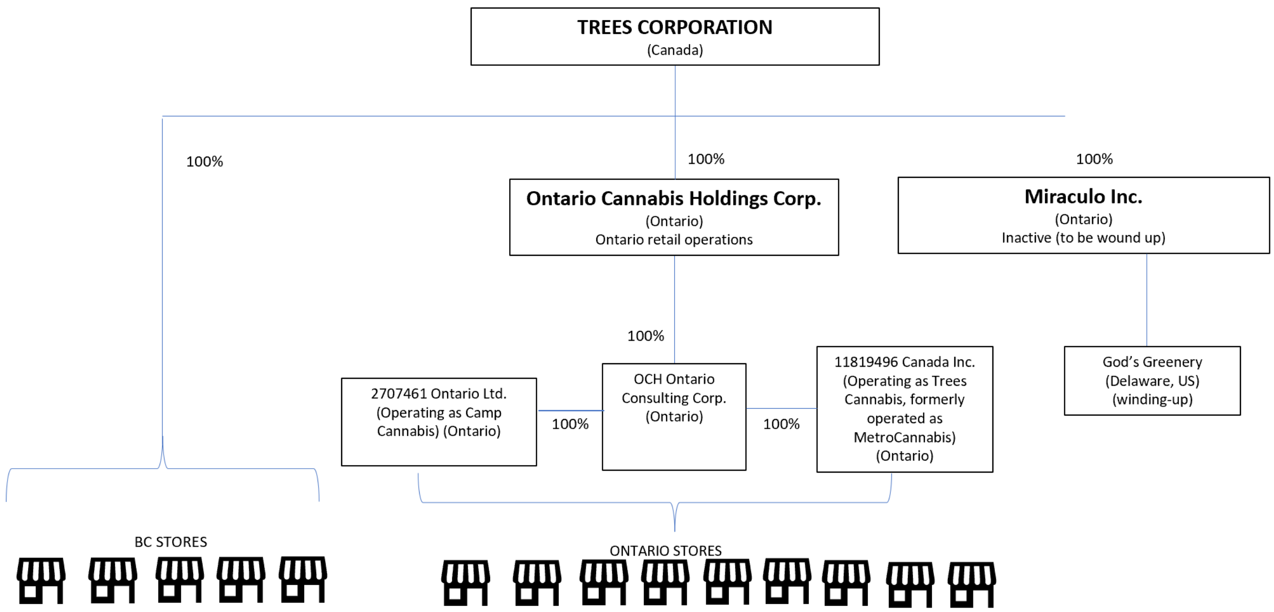
The Common Shares commenced trading on the NEO on January 11, 2022, under the symbol "TREE".

Trees head office is located at 190-7070e Farrell Road SE, Calgary, Alberta T2H 0T2 and Trees registered office is located at 181 Bay Street, Suite 1800, Toronto, ON M5J 2T9.

Inter-corporate Relationships

As at the date of this AIF, Trees has six (6) wholly owned, direct and indirect, subsidiaries, including: (i) Ontario Cannabis Holding Corp.; (ii) OCH Ontario Consulting Corp.; (iii) 11819496 Canada Inc. (dba Trees Cannabis, formerly operated as MetroCannabis); (iv) 2707461 Ontario Ltd. (dba Camp Cannabis); (ix) Miraculo Inc.; and (xi) Gods Greenery, Inc.

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



GENERAL DEVELOPMENT OF THE BUSINESS

On December 22, 2021, Trees and 406 completed the 406 Amalgamation under the CBCA pursuant to the terms of the 406 Amalgamation Agreement. The 406 Amalgamation Agreement provided for, among other things, the amalgamation of Trees PrivateCo and 406 and the continuation of such entities as one corporation under the name "Trees Corporation" in accordance with the provisions of the CBCA. On January 11, 2022, the Common Shares were listed for trading on the NEO under the trading symbol "TREE".

Three-Year History of Trees

406

406 was incorporated under the BCBCA as "1287406 B.C. Ltd." on February 3, 2021, as a wholly owned subsidiary of 1289625 B.C. Ltd. At a meeting of the shareholders of 1289625 B.C. Ltd. on March 30, 2021, the shareholders of 1289625 B.C. Ltd., including 406, approved an arrangement under the provisions of the BCBCA (the "**406 Arrangement**"). On April 1, 2021, the 406 Arrangement was approved by the Supreme Court of British Columbia such that each holder of common shares disposed of their holdings to 1289625 B.C. Ltd. and, in consideration therefor, received, among other things, 406 Shares, which resulted in 406 ceasing to be a subsidiary of 1289625 B.C. Ltd. Following the completion of the 406 Arrangement, 406 became a reporting issuer in the Provinces of British Columbia and Alberta.

Prior to the completion of the 406 Amalgamation, 406 had no material assets, did not have any operations and did not conduct any active business, other than the identification and evaluation of acquisition opportunities to permit 406 to acquire a business or assets in order to conduct commercial operations, and had no history of earnings.

Trees PrivateCo

Trees PrivateCo was incorporated under the laws of the Province of Alberta pursuant to the ABCA on February 22, 2018. On December 15, 2020, Trees PrivateCo changed its name from "Budbank Information

Systems Corp." to "Trees Corporation" pursuant to the filing of articles of amendment pursuant to the ABCA. Trees PrivateCo was incorporated for the purpose of exploring opportunities within the developing Canadian retail cannabis industry, with a focus on building and operating licensed cannabis retail stores.

2020

In March 2020, Ontario Consulting issued a secured grid promissory note (the "**Tweed Note**") in favour of Tweed Franchise Inc., a wholly owned subsidiary of Canopy Growth Corporation, with a principal amount of up to $3,000,000 and an interest rate of 8.5% per year, with accrued interest payable in monthly installments, for the purpose of constructing and opening retail cannabis stores in the Province of Ontario. The maturity date the Tweed Note is March 11, 2023**.** As at the date of this AIF, Tweed Franchise Inc. has advanced an aggregate of $900,000 to Ontario Consulting under the terms of the Tweed Note and the total indebtedness, including accrued and unpaid interest, owing under the Tweed Note is $900,000.

On June 19, 2020, OCH opened its first retail cannabis store in St. Catharines, Ontario.

On October 31, 2020, Trees PrivateCo entered into memorandum of understanding with OCH setting out the terms of the merger agreement dated as of January 29, 2021 among Trees PrivateCo, OCH, 2800962 Ontario Inc. and 1015712 B.C. Ltd. ("**101**") and an amalgamation agreement dated as of March 1, 2021 among Trees PrivateCo, OCH and 2800962 Ontario Inc. (the "**OCH Amalgamation Agreement**"). In March 2021, Trees PrivateCo acquired all of the issued and outstanding shares of OCH by way of a "three-cornered" amalgamation (the "**OCH Amalgamation**") pursuant to the terms of the OCH Amalgamation Agreement, resulting in the shareholders of OCH holding approximately 84% of the issued and outstanding Trees PrivateCo Shares as at the date of closing of the OCH Amalgamation. See "*Acquisitions – OCH*" for additional information concerning the OCH Amalgamation.

2021

On February 10, 2021, in connection with the then pending purchase of the all or substantially all of the assets of 101 (the "**101 Assets**") relating to three retail cannabis stores located in Victoria, British Columbia and two operating locations in Nanaimo, British Columbia (collectively, the "**101 Purchased Stores**"), 101 issued a secured grid promissory note (the "**101 Note**") in favour of Trees PrivateCo for the purpose of funding 101's operations until the close of the transactions contemplated by the second amended and restated asset purchase agreement between Trees PrivateCo and 101, dated October 22, 2019, as amended and restated February 24, 2020 and January 26, 2021 (the "**101 Purchase Agreement**"), inclusive of leasehold improvement costs relating to the operation of the 101 Purchased Stores. More specifically, the 101 Assets include, but are not limited to: (i) lease agreements relating to the premises on which each of the 101 Purchased Stores is located; (ii) the intellectual property relating to and used by the 101 Purchased Stores; (iii) all installed fixtures, leaseholder improvements, furniture and equipment located at the 101 Purchased Stores; and (iv) the goodwill associated with the 101 Purchased Stores. The outstanding principal amount of the 101 Note bears interest at the rate of 8.5% per annum from the date of advance noted on the grid under the 101 Note. The 101 Note was amended in connection with the restructuring of the 101 Transaction (as defined herein). As of the date of this AIF, the total indebtedness, including accrued and unpaid interest, owing under the Amended 101 Note (as defined herein) is $3,747,833.

In February 2021, Trees PrivateCo closed a brokered private placement of 5,840 12% convertible debentures of Trees PrivateCo in the aggregate principal amount of $5,840,000. In connection with the closing of the offering, Trees PrivateCo issued broker warrants to Cormak Securities Inc. and Richardson GMP Limited. Proceeds from the offering were used for general working capital purposes. Upon the completion of the 406 Amalgamation, all the convertible debentures issued in this offering were converted into Common Shares in accordance with their terms.

On May 11, 2021, Ontario Consulting, a wholly owned subsidiary of Trees PrivateCo, acquired all of the issued and outstanding common shares of MetroCannabis (the "**MetroCannabis Shares**") for an aggregate purchase price of $5,000,000, as amended, which was satisfied by way of the issuance, by Ontario Consulting, of a promissory note in the principal amount of $5,000,000 in favour of MetroCannabis (the "**MetroCannabis Note**"), as amended on October 26, 2021. The acquisition of MetroCannabis added a total of five retail cannabis stores to the Trees PrivateCo portfolio, all five are operational as of the date of this AIF. See "*Acquisitions – MetroCannabis*" for additional information concerning the acquisition of MetroCannabis.

On August 26, 2021, Trees PrivateCo entered into a letter of intent with 406 in connection with the consummation of the transactions contemplated by the 406 Amalgamation.

On September 10, 2021, October 28, 2021, and November 5, 2021, Trees PrivateCo closed a non-brokered private placement of 710 4.9% secured convertible debentures of Trees PrivateCo in the aggregate principal amount of $710,000. Upon the closing of the 406 Amalgamation, 500 convertible debentures were converted into Common Shares. The remaining 210 convertible debentures are no longer eligible to be converted at the option of the holder and mature on the two-year anniversary of the date of issuance. Trees retains the right, but not the obligation, to elect to prepay the principal amount and any and all unpaid accrued interest thereon, up to a date of prepayment as determined by Trees. Proceeds from the offering were used for general working capital purposes and debt repayment**.**

In September 2021, Trees PrivateCo and 101 entered into a license agreement (the "**101 Licencing Agreement**") in connection with the transactions contemplated by the 101 Purchase Agreement. Under the terms of the 101 Licencing Agreement, 101 granted Trees PrivateCo an exclusive, irrevocable, royalty free license to use all of the intellectual property used by 101 and developed by 101 in relation to the operation of a retail cannabis business for an initial term of five years subject to extension pursuant to the terms of the 101 Licensing Agreement. On March 24, 2022, the 101 Licensing Agreement was terminated upon the closing of the acquisition of 101 and the New Licencing Agreement (as defined herein) became effective.

On October 25, 2021, Trees PrivateCo closed its non-brokered private placement of 300 non-interest bearing secured convertible debentures of Trees in the aggregate principal amount of $300,000**.** Proceeds from the offering were used for general working capital purposes. Upon the closing of the 406 Amalgamation, the convertible debentures were converted into Common Shares in accordance with their terms.

On December 17, 2021, Trees PrivateCo closed a non-brokered private placement of 101,500,000 subscription receipts at a price of $0.02 per subscription receipt each on a pre-consolidation basis, for aggregate gross proceeds of $2,030,000. Pursuant to the terms of the subscription receipt agreement dated December 17, 2021, entered into between Trees PrivateCo and Odyssey, as subscription receipt agent, each subscription receipt was automatically exchanged, without payment of any additional consideration and any further action by the holder thereof, for one Trees PrivateCo Share, which were then consolidated pursuant to the Trees Consolidation and exchanged for Common Shares upon the closing of the 406 Amalgamation. In connection with the offering, Trees issued warrants to certain brokers.

On December 23, 2021, the 406 Amalgamation was completed, with the resulting entity being Trees. Prior to the 406 Amalgamation, (i) Trees PrivateCo completed the Trees Continuance and the Trees Consolidation; and (ii) 406 completed the 406 Continuance and the 406 Consolidation. The Trees Continuance, Trees Consolidation and 406 Amalgamation, among other things, were approved at the annual and special meeting of the shareholders of Trees PrivateCo held on December 3, 2021.

2022

The Common Shares commenced trading on the facilities of the NEO under the symbol "TREE" on January 11, 2022.

On February 1, 2022, Trees announced the resignations of each of Meysam Soltani and Scott Cunningham from the Board. On February 7, 2022, Trees announced the resignation of Jonathan Conquergood from his role as Chief Executive Officer and director of Trees.

On March 15, 2022, Trees acquired all of the issued and outstanding shares of Miraculo pursuant to the terms of an amalgamation agreement (the "**Miraculo Amalgamation Agreement**") entered into among Trees, Miraculo, 1000101203 Ontario Inc., a wholly owned subsidiary of Trees, and the shareholders of Miraculo. In connection with closing of the acquisition of Miraculo, Michael Klein was appointed as the Chief Executive Officer and as a director of Trees and G. Scott Paterson was appointed as a director.

On March 18, 2022, Trees announced the appointment of Lisa Dea to the Board with immediate effect.

In March 2022, in light of regulatory delays, Trees and 101 renegotiated the terms of their purchase transaction into two components, including: (i) a share purchase component (the "**101 Share Purchase**"), which was governed by the terms of the share purchase agreement (the "**101 SPA**") dated March 24, 2022 among Trees, 101 and IPCo; and (ii) an asset purchase component (the "**101 Asset Purchase**" and, together with the 101 Share Purchase, the "**101 Transaction**"), governed by the terms of the third amended and restated asset purchase agreement entered into on the closing of the 101 Share Purchase (the "**101 APA**").

The 101 SPA contemplated that Trees would acquire all of the issued and outstanding securities of IPCo, a company holding the "Trees" registered trademarks, including logos (the "**Trees IP**") and wholly owned by 101 prior to the closing of the 101 Share Purchase. Pursuant to the terms of the 101 SPA, 101 transferred all of the Trees IP to IPCo at fair market value and, on March 24, 2022, Trees purchased all of the shares of IPCo in consideration for the issuance of 5,933,333 Common Shares by Trees to 101. In connection with the closing of the 101 Share Purchase, the 101 Licencing Agreement was terminated, and a new licencing agreement (the "**New Licencing Agreement**") was entered into between 101 and IPCo, pursuant to which IPCo, now a wholly owned subsidiary of Trees, agreed to license, until the closing of the 101 Asset Purchase, the Trees IP to 101 in exchange for an accruing royalty. In addition, the 101 Note was amended to add additional covenants, guarantees and default provisions and to provide that the 101 Note is no longer forgivable (the "**Amended 101 Note**").

The 101 APA contemplated that Trees would acquire all of the remaining 101 Assets used to operate licenced retail cannabis locations in British Columbia. Pursuant to the terms of the 101 APA, all remaining 101 Assets not acquired by Trees pursuant to the 101 Share Purchase were conveyed to IPCo upon the satisfaction of all conditions precedent, including receipt of LCRB licensing approval and receipt of all required consents (including landlord consents) and remaining closing conditions. The purchase price paid for the 101 Assets was equal to the amount outstanding (inclusive of interest) under the Amended 101 Note on the date of closing of the 101 Asset Purchase and was satisfied by the issuance by IPCo of a note in favour of 101. On April 11, 2023, Trees closed the 101 Transaction for a total purchase price of $4,210,900.

On March 28, 2022, Trees and Ontario Consulting entered into a share purchase agreement with Barnard Cann Ltd. (the "**Camp Vendor**") to acquire all the issued and outstanding shares of the Camp Vendor. However, Trees and the Camp Vendor mutually agreed to terminate this agreement and instead enter into a new share purchase agreement (the "**Camp SPA**"), whereby Trees would acquire, from the Camp Vendor, all the issued and outstanding shares of Camp Cannabis for a total purchase price of $548,000 (the "**Camp Acquisition**"). The Camp Acquisition closed on July 13, 2022.

On May 9, 2022, Trees closed a non-brokered private placement of 34,166,665 units, at a price of $0.03 per unit, for aggregate gross proceeds $1,025,000. Each unit comprised of (i) one Trees Share; (ii) one-half of one common share purchase warrant (each whole warrant, a "**May 2022 Warrant**"), with each May 2022 Warrant entitling the holder thereof to purchase one Common Share at a price of $0.05 per Common Share until May 9, 2024, subject to an accelerated expiry date option of Trees in the event the closing price of the Common Shares on the NEO is greater than $0.20 for ten (10) non-consecutive trading days. Trees issued 1,866,666 broker warrants in connection with the offering. Proceeds from the offering were used by Trees to pay the cash portion of the Camp Acquisition purchase price, operating expenses and general working capital needs.

On June 14, 2022, Trees, through 101, opened a new cannabis retail store in Victoria, British Columbia, being Trees' fifth store in British Columbia.

On June 17, 2022, Trees announced the appointment of Campbell Becher to the Board with immediate effect.

On September 9, 2022, Trees announced the resignation of Lisa Dea from the Board.

On September 19, 2022, Trees announced the appointment of Campbell Becher as interim Chief Executive Officer of Trees in response to the receipt of resignation from Michael Klein as Chief Executive Officer and director of Trees. Additionally, Jeff Holmgren, in addition to his role as Chief Financial Officer, was appointed as the President of Trees.

On October 21, 2022, pursuant to the terns of a settlement agreement between Mr. Klein and Trees, Trees conveyed to Mr. Klein, ownership of the intellectual property rights to the cannabisMD, askCMD and God's Greenery, Inc. brands in lieu of payment obligations owed to Mr. Klein pursuant to his employment agreement.

On October 21, 2022, and November 28, 2022, Trees closed tranches of a non-brokered private placement offering of units for aggregate gross proceeds of $945,000. Each unit consisted of (i) one 12.0% secured convertible promissory note bearing a principal amount of $1,000, convertible into Common Shares at a conversion price of $0.015 per Common Share and maturing on October 21, 2025 (the "**Convertible Notes**"); and (ii) 66,667 Common Share purchase warrants of Trees, exercisable into Common Shares at a price of $0.015 per Common Share until October 21, 2025 (the "**November 2022 Warrants**"). The proceeds from the offering were used for general working capital purposes.

Recent Developments

On January 3, 2023, Trees closed a non-brokered private placement of 60 units of Trees in satisfaction of $60,000 of obligations owed to certain officers of Trees. Each unit consisted of (i) one Convertible Note; and (ii) 66,667 November 2022 Warrants.

On January 3, 2023, Trees issued 3,375,000 Common Shares, at a price of $0.04 per Common Share, to Hybrid Financial Ltd. in satisfaction of $135,000 of debt obligations owed to Hybrid Financial Ltd. pursuant to a marketing agreement dated October 15, 2021.

On February 16, 2023, Trees entered into a letter of intent with 420 Investments Ltd. ("**420**") pursuant to which Trees and 420 set out the basic terms and conditions of a proposed business combination transaction between the parties (the "**Proposed Transaction**"). The Proposed Transaction shall result in: (i) the combination of the business and assets of Trees and 420; and (ii) the shareholders of 420 owning a majority of the issued and outstanding Common Shares following the completion of the Proposed Transaction.

On April 11, 2023, Trees closed the 101 Transaction.

On May 4, 2023, Trees opened its 9th retail cannabis store in Ontario and 14th retail cannabis store Canada wide.

Acquisitions

OCH

Trees PrivateCo acquired all of the issued and outstanding shares of OCH pursuant to the terms of the OCH Amalgamation Agreement. Pursuant to the terms of the OCH Amalgamation Agreement, OCH amalgamated with 2800962 Ontario Inc., a wholly owned subsidiary of Trees PrivateCo, and the shareholders of OCH received an aggregate of 99,500,000 Trees PrivateCo Shares, which represented approximately 84% of the then outstanding Trees PrivateCo Shares, on a non-diluted basis. The Trees PrivateCo Shares issued to the shareholders of OCH were subject to the terms of an escrow agreement, and all of such Trees PrivateCo Shares were released from escrow in accordance with the terms of such agreement on August 24, 2021. Upon the closing of the OCH Amalgamation, Jon Conquergood and Jeff Holmgren assumed director positions and were appointed Chief Executive Officer and Chief Financial Officer of Trees PrivateCo, respectively.

Information Concerning OCH

OCH was incorporated on September 20, 2018, under the OBCA. From incorporation to June 19, 2020, OCH was in the development stage of scouting, negotiating and securing leased retail locations for corporate stores throughout the Province of Ontario for the purpose of operating a branded chain of high quality, accessible, community-based retail cannabis stores. On June 19, 2020, through its wholly owned subsidiary Ontario Consulting, OCH opened its first store in St. Catharines, Ontario and in February 2021, opened a second location in Toronto, Ontario. Subsequent to its acquisition by Trees on March 1, 2021 and pursuant to the terms of the OCH Amalgamation Agreement, OCH opened a third location in Etobicoke, Ontario in July 2021 and a fourth location in Brampton, Ontario in February 2022.

MetroCannabis

On May 11, 2021, Ontario Consulting, a wholly owned subsidiary of Trees PrivateCo, acquired the MetroCannabis Shares from the shareholders of MetroCannabis (the "**MetroCannabis Purchase Agreement**"). Pursuant to the terms of the MetroCannabis Purchase Agreement, the consideration for the MetroCannabis Shares was $5,000,000 and was satisfied by way of the issuance by Ontario Consulting of the MetroCannabis Note, in favour of Eli Abergel, as representative for and on behalf of himself and the other shareholders of MetroCannabis, in the principal amount of $5,000,000, subject to adjustment in accordance with the MetroCannabis Purchase Agreement. The MetroCannabis Note converted into Common Shares upon the closing of the 406 Amalgamation pursuant to the terms of the MetroCannabis Note.

Information Concerning MetroCannabis

MetroCannabis was incorporated on January 2, 2020, under the OBCA. During 2020, MetroCannabis secured leases for six retail locations within the Greater Toronto Area and successfully secured conditional licences for each such location prior to its acquisition by Trees on March 11, 2021. In accordance with the terms of the MetroCannabis Purchase Agreement, one of such six locations was transferred by the shareholders of MetroCannabis directly to an arms length third party licensed operator. Jon Conquergood, the former President and CEO of Trees, was deemed a related party to MetroCannabis and therefore recused himself from all matters pertaining to the transaction. On May 4, 2023, MetroCannabis opened a fourth location in Toronto, Ontario.

Miraculo

On March 15, 2022, Trees acquired all of the issued and outstanding shares of Miraculo pursuant to the terms of the Miraculo Amalgamation Agreement. Pursuant to the terms of the Miraculo Amalgamation Agreement, Miraculo amalgamated with 1000101203 Ontario Inc., a wholly owned subsidiary of Trees, and the shareholders of Miraculo received an aggregate of 13,639,917 Common Shares and an aggregate of 6,819,922 Common Share purchase warrants of Trees exercisable at a price of $0.11 per Common Share until December 31, 2024.

Information Concerning Miraculo

Miraculo is an integrated media, technology and consumer product company that addresses the needs of under-represented audiences in the medical cannabis and CBD markets. Miraculo operates several online platforms including "cannabisMD.com", a consumer-education platform designed to help guide consumers on their exploration of the benefits of medical cannabis and CBD and "askCMD.com", a proprietary recommendation engine guiding consumers to the CBD products that best fit their needs. On September 19, 2022, Michael Klein resigned from his role as Chief Executive Officer and director of Trees. On October 21, 2022, pursuant to the terns of a settlement agreement between Mr. Klein and Trees, Trees conveyed to Mr. Klein, ownership of the intellectual property rights to the cannabisMD, askCMD and God's Greenery, Inc. brands in lieu of payment obligations owed to Mr. Klein pursuant to his employment agreement.

Camp

On March 28, 2022, Trees and Ontario Consulting entered into share purchase agreement with the Camp Vendor to acquire all the issued and outstanding shares of the Camp Vendor. However, Trees and the Camp Vendor mutually agreed to terminate this agreement and instead entered into the Camp SPA, whereby Trees acquired all the issued and outstanding shares of Camp Cannabis for a total purchase price of $548,000. Upon the closing of the Camp Acquisition on July 13, 2022, a debt in the amount of $350,000 owing by the Camp Vendor to a certain creditor was terminated in exchange for the issuance, by Trees to the creditor, of an unsecured convertible debenture of Trees in the principal amount of $180,000 (the "**Camp Convertible Debenture**"). The Camp Convertible Debenture bears interest at a rate of 7.5% per annum, payable monthly in cash and matures on July 13, 2024. The principal amount of the Camp Convertible Debenture is convertible into Common Shares at the option of the holder, no sooner than July 13, 2023, at a conversion price being the greater of (a) $0.15; and (b) the closing price of the Common Shares on the NEO at the close of trading on the date prior to the conversion date, less a 10% discount.

Information Concerning Camp

Operational since February 2020, Camp operates one licensed retail cannabis store in Burlington, Ontario. Camp was an August 2019 Lottery (as defined herein) winner and as such was one of the earliest entrants to the Burlington community. Camp has established a strong loyalty among the Burlington consumer base.

DESCRIPTION OF THE BUSINESS

Trees is as an independent retail cannabis operator that currently operates in the Provinces of Ontario and British Columbia, where it owns and operates, through its wholly owned subsidiaries, fourteen fully licensed retail cannabis stores that sell cannabis products and accessories. Trees reports its operations under a single operating segment capturing retail sales of cannabis and cannabis related accessories.

As at the date of this AIF, Trees, directly and indirectly through its wholly owned subsidiaries, holds fourteen retail store authorizations issued by the governing authorities in Ontario and British Columbia ("**Store Authorizations**").

The following chart sets out the currently operational retail cannabis stores operated, directly or indirectly, by Trees as at the date of this AIF:

Address	Description of Type and Purpose of License	Ownership
1735 Kipling Ave, Etobicoke	Store Authorization	Trees
76 St. Claire Ave W, Toronto	Store Authorization	Trees
5485 Dundas St E, Etobicoke	Store Authorization	Trees
680 Rexdale Blvd, Etobicoke	Store Authorization	Trees
395 Ontario St., St. Catherines	Store Authorization	Trees
305 Port Union Road, Toronto	Store Authorization	Trees
131 Kennedy Road N, Brampton	Store Authorization	Trees
3007 New Street, Burlington	Store Authorization	Trees
3812A Bloor St, Toronto	Store Authorization	Trees
1483A Bowen Road, Nanaimo	Store Authorization	Trees
1545 Fort Street, Victoria	Store Authorization	Trees
230 Cook Street, Victoria	Store Authorization	Trees
510 5th Street, Nanaimo	Store Authorization	Trees
695 Alpha Street, Victoria	Store Authorization	Trees

As of the date of this AIF, Trees or its subsidiaries have no pending license applications for new retail cannabis stores.

Market for Products

Trees, as a retail cannabis operator through its wholly owned subsidiaries, sells cannabis products, cannabis accessories and other products permitted to be sold in accordance with applicable provincial legislation and regulations. In general, Trees and its subsidiaries, are only authorized to sell cannabis products purchased from an authorized provincial distributor and cannabis accessories and other items prescribed by the applicable provincial regulator. Cannabis accessories may include rolling papers or wraps, holders, pipes, water pipes, bongs and vaporizers, and other things represented to be used in the consumption of cannabis. Trees, to date, has completed the majority of its sales through in-store purchases, with approximately less than 5% of sales completed through online pre-orders for in-store pickup.

Cannabis Products

Trees acquires cannabis products, including cannabis flower, concentrates and edibles for resale to the Ontario market from the OCS and in British Columbia through the BCLDB. These products are shipped to Trees' retail cannabis stores directly by OCS and BCLDB. Both distributors maintain a single price model, which it charges to all cannabis retailers holding Store Authorizations issued by the AGCO and the BCLCRB. Both Ontario and British Columbia ensure that all cannabis retailers pay the same price for cannabis products. For the fiscal year ended December 31, 2021, cannabis products accounted for 94.4% of Trees total consolidated revenue. For the fiscal year ended March 31, 2023, cannabis products accounted for approximately 98% of Trees total consolidated revenue.

Cannabis Accessories

Trees acquires cannabis accessories from multiple vendors located across Canada. These accessories are shipped to Trees' retail cannabis stores directly by the applicable vendors. For the fiscal years ended December 31, 2021, and March 31, 2023, cannabis accessories have accounted for less than 5% of Trees total consolidated revenue.

Specialized Skills and Knowledge

Trees' directors and officers possess a wide range of professional skills and experience relevant to pursuing and executing on Trees' business strategy. Drawing on significant experience in various industries and sectors, Trees believes its management has a demonstrated track record of bringing together all of the key components for a successful retail cannabis company, such as significant industry experience, strong marketing skills, expertise in planning and financial controls, ability to execute on business development opportunities and capital markets expertise. The operational skills of Trees' management includes valuable knowledge and the ability to analyze demographics and consumer purchasing habits, and tailor product brands and consumer retail experiences based on relevant demographic data.

By leveraging the strengths and experiences of its management team (i.e., individuals who possess a wealth of combined knowledge and experience necessary for the research and development, sales, marketing, and distribution of cannabis products) Trees intends to, over time, establish itself as a leader in the psychedelic pharmaceutical and nutraceutical industry. Trees will continue to build out its team with specialists on an "as-needed" basis. Trees does not anticipate any material difficulties in obtaining any specialized skills or knowledge that it may require.

Competitive Conditions

The current landscape of cannabis retail in Canada, and, in particular, in the Provinces of Ontario and British Columbia, is increasingly competitive and has developed differently in each province based on provincially established retail regulatory standards. In the Province of Ontario cannabis retail was initially limited to a limited number of winning applicants in a Government of Ontario run lottery program. In December 2019, the Government of Ontario announced the opening of cannabis retail licensing to all qualifying applicants following which competition for securing retail leases, obtaining store licenses and operating retail stores ramped up substantially and has continued to expand at a rapid rate, with over 1,300 operational stores in Ontario and over 400 operational stores in British Columbia as at the date of this AIF. With increased competition in both provinces, the ability to secure quality leased locations from which to operate cannabis retail stores, has become increasingly difficult and as a result, the industry has seen an active acquisitions market as well capitalized operators consolidate smaller store chains and independent operators. Pricing competition also began to increase substantially in late 2021, with the entrance of low margin operators and the increase of retailers holding multiple licences across multiple jurisdictions ("**Multi-Jurisdictional Operators**") seeking market share through substantially lower gross margins.

As at the date of this AIF, management of Trees believes that its most significant competition will be from other Multi-Jurisdictional Operators, which may have greater resources or longer operating histories and that its competition can be broadly grouped into four categories: (a) Multi-Jurisdictional Operators; (b) large vertically integrated competitors; (c) government retailers; and (d) the illicit market.

Multi-Jurisdictional Operators

These competitors generally have a similar business strategy to Trees, operating a retail footprint across multiple Canadian provinces. These competitors may also be well capitalized and may have a relationship with an entity with an established retail operating history in Canada. Examples of Multi-Jurisdictional Operators competing with Trees include, but are not limited to, High Tide Inc., Nova Cannabis Inc. and Fire & Flower Holdings Corp.

Vertically Integrated Competitors

These competitors are generally also Licensed Producers (as defined in the *Cannabis Act*) that are able to produce the products sold at retail stores and may have significant scale and international operations. These competitors are generally well capitalized and have an established operating history in Canada. Examples of vertically integrated competitors include, but are not limited to, Canopy Growth Corp. (through its "Tweed" and "Tokyo Smoke" brands) and Delta 9 Cannabis Inc. (through its "Delta 9 Cannabis" brand).

Government Competition

Trees also faces competition from government wholesalers that sell directly to consumers online such as the OCS in Ontario and direct competition from the Government of British Columbia in the form of government-owned retail stores and online sales.

Illicit Market

Trees faces significant competition from persons continuing to operate in the illicit market. Management believes that until there is sufficient private retail coverage, methods of engaging potential customers and types of products legally available to consumers, competition from the illicit market will remain significant.

See "*Regulatory Environment*" for additional information relating to the regulatory framework in which Trees currently operates and in which it may operate in the future.

Foreign Operations

As at the date of this AIF, Trees does not actively operate in any jurisdiction outside of Canada.

Intangible Property

Regulatory licensing is a crucial element of the retail cannabis industry and Trees' business. Retail cannabis operators that are unable to obtain proper regulatory licenses, including Store Authorization licences in the Province of Ontario, are legally prohibited from operating a cannabis retail operation. Additionally, regulatory compliance obligations are strictly mandated at both the federal and provincial levels. Retail cannabis operators must adhere to federally mandated minimum operating standards involving limitations on selling and marketing practices with the principal objective being the protection of youth and other vulnerable segments of the population. Provincial regulators are responsible for meeting certain provincially established minimum operating standards for retail cannabis stores, with each Province having its own established rules.

Trees operates all of its retail cannabis stores under the brand name "Trees Cannabis". The "Trees Cannabis" brand is an increasingly recognizable cannabis retail brand that embodies the values and attributes of the west coast cannabis community, viewed by many as the focal center of the Canadian cannabis movement. With its origins dating back to 2015 as a brand for unlicensed cannabis compassion clinics on Vancouver island, Trees Cannabis became synonymous with quality and authenticity among the B.C. consumption community. Until the closing of the 101 Share Purchase, the "Trees Cannabis" brand name and related intellectual property were licensed by Trees from 101 pursuant to the terms of the 101 Licencing Agreement entered into between Trees and 101 in connection with the transactions contemplated by the 101 Purchase Agreement. Under the terms of the 101 Licencing Agreement, 101 granted Trees an exclusive, irrevocable, royalty free license to use all of the intellectual property used by 101 and developed by 101 in relation to the operation of a retain cannabis business for an initial term of five years subject to extension pursuant to the terms of such agreement. Upon the closing of the 101 Share Purchase, the 101 Licencing Agreement terminated as Trees indirectly acquired the Trees IP from 101 by way of the purchase of all of the issued and outstanding shares of IPCo, following which IPCo licensed the Trees IP back to 101 pursuant to the terms of the New Licencing Agreement.

In addition, Trees and its subsidiaries own the following material trademarks:

Trademark	Jurisdiction	Application/Registration Date
"Trees"	Canada	January 2, 2019 (Registration Date)
"Trees and Design"	Canada	March 28, 2019 (Registration Date)
"Corner Cannabis"	Canada	November 12, 2019 (Application Date)
"Rediviva Cannabis"	Canada	October 2, 2019 (Application Date)
"Chinook Cannabis"	Canada	October 2, 2019 (Application Date)
"Cardiff Cannabis"	Canada	October 2, 2019 (Application Date)
"Village Vines"	Canada	October 2, 2019 (Application Date)

Cyclical or Seasonality of Business

While the Trees Business is not typically cyclical or seasonal, Cannabis retail is still relatively in its infancy stage of development within Canada, beginning with Canadian legalization in October 2018. Predictable cyclical patterns are still developing as the industry continues to expand through retail location growth and further impacted continued product development and product category expansion. Consumption among Canadians has demonstrated relative stability with increased sales patterns developing over holiday seasons such as Christmas, statutory long weekends and summer-time months of July and August. However, this is further impacted by micro-regional factors such as community demographics, industries, tourism and post-secondary educational institutions.

Economic Dependence

Trees is entirely dependent on the OCS and the BCLDB for the purchase and resale of all of its cannabis products in the Provinces of Ontario and British Columbia, respectively, as there is no alternative provincially regulated supplier of cannabis products from which a retail cannabis operator may acquire cannabis for resale in the Provinces of Ontario and British Columbia. To date, Trees has not encountered any significant or long-lasting issues of short supply or limited provision of cannabis products from the OCS or the BCLDB and has been free to purchase sufficient volume and variety of product to satisfy Trees' consumer demand across all product categories.

Changes to Contracts

It is not expected that Trees business will be affected in the current fiscal year by the renegotiation or termination of contracts or sub-contracts.

Employees

As at March 31, 2023, Trees, including its wholly owned subsidiaries, had 62 employees and 3 full-time contractors. As at the date of this AIF, Trees, including its wholly owned subsidiaries, has an aggregate of 104 employees and 3 contractors.

Regulatory Environment

The production, distribution and sale of cannabis is tightly controlled by the Canadian federal and provincial governments. On October 17, 2018, the Cannabis Act came into force as law with the effect of legalizing the recreational use of cannabis by adults across Canada. The Cannabis Act replaced the ACMPR, which permitted access to cannabis for medical purposes for only those Canadians who had been authorized to use cannabis by their health care practitioner. The ACMPR regime was originally enacted under the CDSA and has been incorporated as Part 14 under the Cannabis Act.

Federal Regulatory Framework

The Cannabis Act permits the recreational use of cannabis by adults and regulates, among other things, the production, distribution and sale of cannabis products, cannabis accessories and services related to cannabis in Canada, for both recreational and medical purposes. Pursuant to the Cannabis Act, subject to provincial and territorial regulations and medical allowances, individuals over the age of 18 are able to purchase fresh cannabis, dried cannabis, cannabis oil, cannabis extracts, cannabis edibles, cannabis topicals and cannabis plants or seeds and are able to legally possess up to 30 grams of dried cannabis (or the prescribed equivalent amount) in public. The Cannabis Act also permits households to grow a maximum of four cannabis plants for their own use, which has been restricted by certain provinces. This limit applies regardless of the number of adults that reside in the household. In addition, the Cannabis Act provides provincial and territorial governments the authority to regulate the retail sale and distribution of recreational cannabis products in the applicable province or territory, as well as certain other matters, such as the minimum age for purchase and consumption.

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

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

Licences, Permits and Authorizations

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

- cultivation licences – standard cultivation, micro-cultivation and nursery cultivation;
- processing licences – standard processing and micro-processing;

- sale for medical purposes;
- analytical testing;
- research; and
- cannabis drug licence.

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

Security Clearances

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

Cannabis Tracking System

The Minister is authorized to establish and maintain a national cannabis tracking system. The Cannabis Regulations provide the Minister with the authority to make a ministerial order that would require specified persons to report specific information about their authorized activities with cannabis, in the form and manner specified by the Minister. The cannabis tracking system (together with the licensing portal, collectively known as the "**Cannabis Tracking and Licensing System**") was published in the Canada Gazette, Part II, on September 5, 2018 and came into effect on October 17, 2018 (the "**2018 Ministerial Order**"). The 2018 Ministerial Order was repealed and replaced by the new ministerial order, the Cannabis Tracking System Order, published in the Canada Gazette, Part II on June 26, 2019 and in force on October 17, 2019 in order to address the unique public health and public safety risks associated with the three new classes of cannabis, being edible cannabis, cannabis extracts and cannabis topicals authorized by the *Regulations Amending the Cannabis Regulations* (New Classes of Cannabis) on October 17, 2019.

The purpose of this system is to enable the submission of licence applications, amendments and renewals through an online portal and track the flow of cannabis throughout the supply chain as a means of preventing the illegal inversion and diversion of cannabis into and out of the regulated system. Under the Cannabis Tracking and Licensing System, a holder of a licence for cultivation, licence for processing, or a licence for sale for medical purposes is required to submit monthly reports to Health Canada. Provincial regulators coordinate submission of reporting by provincially licensed retailers, or by the province itself in jurisdictions where government stores are the sole source of supply of recreational cannabis products to consumers in the province.

Cannabis Products

The Cannabis Regulations set out the product categories that are permitted for sale. These include dried and fresh cannabis flower, cannabis extracts, edible cannabis, cannabis topicals and cannabis plants and seeds.

Among numerous other product composition restrictions, THC content and serving size of cannabis products is limited by the Cannabis Regulations.

A processing licence is required in order to produce any retail-packaged cannabis product of any class for sale directly to medical consumers (by holders of a licence for medical sale) or to provincial wholesalers for ultimate sale to recreational consumers by provinces or provincially licensed retailers. If a processing licence holder processes edible cannabis and non-cannabis food products on the same site, then the production, packaging, labelling, and storage of cannabis and food products must be conducted in separate buildings to minimize contamination risks.

For medical cannabis patients registered with Health Canada, Health Canada requires that medical documents be written to include the amount of dried cannabis in grams per day a patient may consume. This amount can be converted into other cannabis product forms based on an equivalency factor set out in the Cannabis Regulations.

Licence holders are required to provide 60 days notice to Health Canada of their intent to sell any new cannabis products.

Product Composition

The Cannabis Regulations place restrictions on product composition specific to each class of cannabis product, including specific THC limits. The Cannabis Act does not prescribe different rules for cannabis products sold for medical purposes and cannabis products sold for recreational purposes. Examples of product-specific restrictions include:

- **Edible cannabis:** must be shelf stable; only food and food additives will be allowed to be used as ingredients in edible cannabis and the use of food additives will need to be in accordance with the limits and purposes that are prescribed for foods; must not have caffeine added, however the use of ingredients containing naturally occurring caffeine will be permitted in edible cannabis products provided that the total amount of caffeine in each immediate container does not exceed 30 milligrams; must not contain alcohol in excess of 0.5% w/w; must not contain anything that would cause the sale of the edible cannabis, if it was a food regulated under the *Food and Drugs Act*, to be prohibited and must not be fortified with vitamins or mineral nutrients.
- **Cannabis extracts:** must not contain ingredients that are sugars, sweeteners or sweetening agents, nor any ingredient listed on Column 1 of Schedule 2 to the *Tobacco and Vaping Products Act* (which is a list of ingredients that are prohibited in vaping products) except if those ingredients and their levels are naturally occurring in an ingredient used to produce the extract.
- **Cannabis topicals:** must not contain anything that may cause injury to the health of the consumer when the product is used as intended or in a reasonably foreseeable way.

Packaging and Labelling

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

- product source information, including the name, phone number and email of the cultivator;

- information about the product including class of cannabis, amount, brand name, lot number, among others;
- a mandatory health warning, rotating between Health Canada's list of standard health warnings;
- the Health Canada standardized cannabis symbol; and
- information specifying THC and CBD content.

Advertising

The Cannabis Act places a general ban on promotion of cannabis, cannabis accessories or any service related to cannabis, unless the promotional activity is specifically authorized under the Cannabis Act. Specific authorizations include advertising for the purpose of sale to other licence holders and promotion at the point of sale if the promotion indicates only its availability or price. Further, brand preference and informational promotions are permitted if the promotion is:

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

Promotions that are permitted by a specific authorization under the Cannabis Act are still subject to restrictions, including that they cannot be false or misleading, cannot suggest any health or other benefit and cannot associate cannabis with an alcoholic beverage, a tobacco product or a vaping product.

Import / Export Permits for Medical or Scientific Purposes

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

Provincial Regulatory Framework

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

Below is a summary of the applicable laws and regulations of each of the provincial jurisdictions where Trees operates or intends to operate the Trees Business.

Ontario

Cannabis in Ontario is regulated pursuant to the *Cannabis Control Act, 2017* (the "**Cannabis Control Act**") and the *Cannabis Licence Act, 2018* (the "**Cannabis Licence Act**"). The Cannabis Control Act creates provincial prohibitions relating to cannabis possession, cultivation, use, sale, distribution, transportation and other matters. Some of these prohibitions overlap with criminal prohibitions under the Cannabis Act.

The Cannabis Licence Act created a licensing regime for privately-owned retail cannabis outlets administered by the AGCO. The AGCO administers the regime pursuant to the statute, its regulations and the *Registrar's Standards for Cannabis Retail Stores*, which are issued pursuant to the AGCO's rule-making authority and power to establish standards and requirements regarding the retail distribution of cannabis in Ontario.

The legal age for possession and consumption of cannabis in Ontario is 19. Subject to the property owner rights, cannabis smoking or vaping is permitted anywhere that tobacco smoking or e-cigarettes is permitted in Ontario. Homegrown cannabis for personal use is permitted in accordance with the Cannabis Act.

The Cannabis Licence Act was not in place in Ontario upon the coming into force of the Cannabis Act on October 17, 2018. Consequently, adult-use cannabis was initially distributed in Ontario exclusively through online sales by the OCS, a provincial crown corporation governed by the *Ontario Cannabis Retail Corporation Act*, 2017. Once the Cannabis Licence Act was implemented, the AGCO began issuing licenses to operate cannabis retail store fronts to successful licence applicants.

The OCS continues to operate as an online (only) seller of recreational retail cannabis products in the province and acts as the exclusive wholesale distributor between Licensed Producers (as defined in the Cannabis Act) and AGCO-licensed retailers in the province. Licensed cannabis retail stores in Ontario are only permitted to sell cannabis products obtained from the OCS, as well as cannabis accessories and items that relate in some direct way to cannabis or its use (such as an item that depicts cannabis or its use or is cannabis-themed), but not any food or drink (other than edible cannabis products). AGCO-licensed retailers are permitted to take online or telephone orders for cannabis and sell it directly to the purchaser – either in-store, for curb-side pick-up or by delivery, all in accordance with applicable AGCO policies.

Three licenses from the AGCO are required to operate a retail store under the Cannabis Licence Act, including: (i) a retail operator licence (the "**Operator Licence**"); (ii) a Store Authorization; and (iii) a cannabis retail manager licence (the "**Manager Licence**"). A cannabis retail store may only open once a Store Authorization is received in respect of that specific location. Only applicants for or holders of an Operator Licence may apply for a Store Authorization. In addition, any individual, other than the holder of the Operator Licence, acting in a management function within a cannabis retail store (e.g., supervising employees, overseeing sales, managing compliance issues) must obtain a Manager Licence.

Certain eligibility criteria must be met with respect to each licence. Store Authorizations will not be issued for proposed locations that are within prescribed distances from schools or for locations within municipalities that opted out of having cannabis stores located within their boundaries prior to January 22, 2019. The AGCO can also refuse an applicant if it is not satisfied that the applicant will exercise sufficient control (directly or indirectly) over its retail business, including over the premises, equipment and facilities.

On December 13, 2018, the Government of Ontario announced that, due to national supply shortages of cannabis only those who had been selected through a lottery process were permitted to apply for an Operator Licence (the "**January 2019 Lottery**"). In order to enter into the January 2019 Lottery, applicants were required to submit an expression of interest application ("**EOI Applications**") and meet certain eligibility criteria. A maximum of twenty-five (25) Store Authorizations were permitted to be allocated to the January 2019 Lottery winners. For the purposes of the January 2019 Lottery, the Ontario Cannabis Regulations divided the Province of Ontario into five regions and allocated the available twenty-five (25) Store Authorizations among those regions. An applicant and its Affiliates could collectively submit only one EOI Application for each region. The results of the January 2019 Lottery were announced on January 11, 2019.

On July 3, 2019, the Government of Ontario announced that the AGCO would allow an additional fifty (50) cannabis retail stores, forty-two (42) of which would be allocated by way of a second lottery of EOI

Applications submitted between August 7-9, 2019 (the "**August 2019 Lottery**") and eight (8) of which would be allocated on a first-come, first-served basis in respect of complete applications for Store Authorizations on First Nations reserves. The forty-two (42) available Store Authorizations in the August 2019 Lottery were also allocated among the five regions. The *General Regulations* under the Cannabis Licence Act (the "**Ontario Cannabis Regulations**") were further amended to implement these changes. The results of the August 2019 Lottery were announced on August 21, 2019.

On December 12, 2019, the Government of Ontario announced that it would be moving toward an open market for retail cannabis. Amendments to the Ontario Cannabis Regulations eliminated the lottery process effective January 6, 2020, and opened the retail store operator application process to any interested applicant instead of only lottery winners. On March 2, 2020, the restriction on the total number of Store Authorizations permitted in the province was revoked. In addition, the March 2, 2020, amendments removed the regional distribution limits and retail stores were permitted to be opened in all Ontario municipalities that had not "opted out" of the retail cannabis system by passing a municipal council resolution prior to January 2, 2020. New limits were applied to how many Store Authorizations one retail store operator could hold. Holders of an Operator Licence were permitted to have up to thirty (30) stores until September 1, 2021, and are now permitted up to seventy-five (75) stores.

As of the date of this AIF, a corporation is not eligible to be issued an Operator Licence if more than 25% of the corporation is owned or controlled, directly or indirectly, by one or more Licensed Producers or their Affiliates (as defined in the regulation under the Cannabis Licence Act).

Cannabis delivery and curbside pick-up services had temporarily been authorized under the *Reopening Ontario (A Flexible Response to COVID-19) Act, 2020*. On March 15, 2022, the Government of Ontario implemented new rules, which enabled cannabis retailers to offer delivery and curbside pick-up services on a permanent basis. In relation to the delivery of cannabis products, the rules state: (i) cannabis products can only be delivered to persons who are at least 19 years of age; (ii) deliveries can only be done by the Store Authorization holders or their employees; (iii) deliveries can only be made to a residence or private place within Ontario and must be delivered to the address specified in the order; (iv) delivery orders must be placed with a specific store location and such order must originate and be fulfilled from that same store with products that are stored on-premises; (v) store locations are required to maintain a record of all deliveries; (vi) cannabis products cannot be removed from such store location for delivery unless an order has been received and if removed for delivery but not delivered, must be returned to the same store from which the delivery originated on the same such day; and (vii) cannabis products must only be delivered at a time when the physical cannabis retail store is open to the public. In relation to curbside pick-up transactions, the rules require that all curbside pick-up transactions be completed by a Store Authorization holder or their employees. Furthermore, all curbside pick-up transactions must be completed in an area adjacent to the store that is captured by the store's surveillance system.

British Columbia

The Province of British Columbia has adopted two bills pertaining to the authorization and regulation of cannabis activities: Bill 30, the *Cannabis Control and Licensing Act* (British Columbia) ("**CCLA**") and Bill 31, the *Cannabis Distribution Act* ("**CDA**") both of which received royal assent on May 31, 2018, and were proclaimed into force on July 12, 2018, with the exception of certain provisions to come into force in accordance with regulations or certain other instruments. The *Cannabis Licencing Regulation*, issued under the CCLA, along with the CCLA and the CDA, provide the legal framework for adult-use cannabis sales in British Columbia.

On July 5, 2018, the Province of British Columbia published the B.C. Cannabis Private Retailer Guide, a guide to the B.C. cannabis retail store licensing process. On August 13, 2018, the Province of British

Columbia published its Cannabis Retail Store Licence Terms and Conditions: A handbook for the sale of non-medical cannabis in British Columbia (the "**BC Handbook**"), which is regularly updated.

The CCLA prohibits: (a) consumption of cannabis on school properties and in vehicles; (b) smoking and vaping cannabis anywhere that tobacco smoking and vaping are prohibited, in addition to playgrounds, sports fields, skate parks, and other places where children commonly gather; (c) public intoxication; (d) the sale of adult-use cannabis to an intoxicated person; (e) minors under the age of 19 from possessing, consuming, purchasing or attempting to purchase cannabis; and (f) vertical arrangements with Licensed Producers including exclusivity agreements and payments to promote, induce or further the sale of a particular class or brand of cannabis. The Lieutenant Governor in Council may also make regulations, including with respect to marketing, advertisement and promotion of cannabis or sponsorship involving advertising or promoting of cannabis or a licensee.

Under the CCLA and CDA, adult-use cannabis may be sold by both private and government-owned retailers pursuant to licences awarded by the LCRB. The British Columbia Liquor Distribution Branch is the exclusive wholesaler responsible for distribution of cannabis products in British Columbia.

The CCLA prohibits the LCRB from issuing a licence to a person closely associated with a Licensed Producer such that they are likely to promote the sale of such Licensed Producer's cannabis products to the exclusion of another federal Licensed Producer. The BC Handbook indicates that the general manager of the LCRB may place a condition on the retailer's licence, prohibiting the retailer from selling a Licensed Producer's products if either the retailer or Licensed Producer holds a 20% or greater voting interest in the other, if any person holds a 20% or greater voting interest in both the retailer and Licensed Producer, or in the event an immediate family member of the retailer has an interest in a federal licence holder. Family members include spouses, parents, siblings, children, and in-laws. Relationships respecting a less than 20% voting interest must nonetheless be disclosed, and the LCRB must be satisfied that the retailer is not likely to promote the sale of cannabis of the Licensed Producer.

Other than requiring that a cannabis retail store be located in a permanent building/structure and not co-sharing the retail space with another business, there are no other provincial requirements regarding the location of cannabis retail stores. The LCRB defers to municipalities to set restrictions on the location of cannabis retail stores in their communities through land use by-laws.

The BC Handbook sets out detailed requirements for cannabis retail store licensees, including:

- (a) prohibitions on:
  - (i) associations with use of the name of or joint advertising with another business, other than another licensed cannabis store – the BC Handbook specifically sets out restrictions on names that: (1) use the words "pharmacy", "apothecary" or "dispensary" (in a traditional or non-traditional spelling); (2) have graphics associated with a pharmacy (e.g., green cross); and (3) include language that encourages intoxication;
  - (ii) customer loyalty programs; and
  - (iii) in-store games or entertainment; and
- (b) restrictions on gift card programs.

The LCRB released a policy directive on March 20, 2020, that retailers may offer reservations or sales of non-medical cannabis, cannabis accessories, gift cards, and in July 2021 that delivery services could be provided to customers through an online system or by telephone. The BC Handbook outlines that the online system must be administered and operated, in whole or in part by the retailers or a third party on behalf of the retailer, have an age verification tool that restricts entry to adults only, and complies will all rules and requirements that apply to the licensee.

As of July 15, 2021, retailers can deliver non-medical cannabis or provide curbside pick-up at a location immediately outside the retail store. Only retailers or their employees can process, prepare and deliver orders. Cannabis may only be delivered to an address in British Columbia provided by the patron at the point of sale and must be to an individual over the age of 19. The retailer must collect the name and signature of the individual who receives delivery. Retailers are required to charge the regular retail price for non-medical cannabis, and may charge a separate delivery fee, but must advise customers of any delivery charges at the time of ordering. As of July 8, 2022, retailers can deliver non-medical cannabis to consumers through common carriers such as Canada Post.

The BC Handbook prohibits Licensed Producers or marketers from buying shelf space, offering weight discounts or other discounted product in exchange for marketing benefits. Cannabis retail stores must carry and make available to consumers a representative selection of brands of cannabis from a variety of suppliers that are not associated with or connected with each other. Cannabis retail stores are prohibited from selling snacks, tobacco or other items not related to cannabis.

The LCRB commenced accepting applications for adult-use cannabis retail store licences on August 10, 2018. Potential retailers are required to receive municipal government approval before the LCRB will issue a cannabis retail licence. Each municipality is responsible for implementing their own land.

RISK FACTORS

The acquisition of any of the securities Trees is speculative, involving a high degree of risk and should be undertaken only by persons whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. An investment in the securities of Trees should not constitute a major portion of an individual's investment portfolio and should only be made by persons who can afford a total loss of their investment. Investors should evaluate carefully the following risk factors associated with Trees' securities, along with the risk factors described elsewhere in this AIF.

Risks Related to the Regulatory Environment

Regulatory approval and permits

The operations of Trees will require licences and permits from various Canadian provincial, regional, local or municipal government, any agency, administration, board, bureau, commission, department, service, or other instrumentality or political subdivision of the foregoing, and any person with jurisdiction exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government or monetary policy, including any court or arbitration authority (collectively, "**Governmental Authorities**"). Trees currently has all permits and licences that it believes are necessary to carry on its current business operations with the intention of obtaining additional licences and permits for additional operations. Trees will require additional licences or permits in the future to achieve its intended operations and there can be no assurances that Trees will be able to obtain all such additional licences and permits. In addition, there can be no assurances that any existing licence or permit will be renewed when required or that such existing licences and permits will not be revoked.

Trees may be required to obtain or renew further government permits and licences for its operations. Obtaining, amending or renewing the necessary governmental permits and licences can be a time-consuming process, potentially involving numerous regulatory agencies, and involving public hearings and costly undertakings on Trees part. The duration and success of Trees efforts to obtain, amend and renew permits and licences are contingent upon many variables not within its control, including the interpretation of applicable requirements implemented by the relevant permitting or licensing authority. Trees may not be able to obtain, amend or renew permits or licences that are necessary to its operations, including with respect to the contemplated expansion of its operations and the commencement of operations at its currently conditionally licenses, but unopen, retail cannabis stores. Any unexpected delays or costs associated with the permitting and licensing process could impede the ongoing or proposed operations of Trees. To the extent necessary permits or licences are not obtained, amended or renewed, or are subsequently suspended or revoked, Trees may be curtailed or prohibited from proceeding with its ongoing operations or planned development and commercialization activities. Such curtailment or prohibition may result in a material adverse effect.

Trees will be dependent on its suppliers' licences, or ability to obtain additional licences, which are subject to ongoing compliance and reporting requirements. Failure to comply with the requirements of these licences or any failure to obtain or maintain such licences could have a material adverse effect on the business, financial condition and operating results of Trees. There can be no guarantee that Health Canada or provincial regulators will issue, extend or renew these licences or, if issued, extended or renewed, that they will be issued, extended or renewed on terms that are favourable to Trees' suppliers and Trees. Should Health Canada or provincial regulators not issue, extend or renew the licences or should they issue or renew the licences on terms that are less favourable to such supplier and Trees than anticipated, the business, financial condition and results of the operations of Trees could be materially adversely affected.

Changes in laws, regulations and guidelines

The Cannabis Act became effective on October 17, 2018. However, uncertainty remains with respect to the implementation of the Cannabis Act, federal regulations thereunder as well as the various provincial and territorial regimes governing the distribution and sale of cannabis for adult-use purposes. The impact of these new laws, regulations and guidelines on the business of Trees, including increased costs of compliance and other potential risks cannot be predicted, and accordingly, Trees may experience adverse effects.

The Canadian federal regulatory regime requires plain packaging in order to prohibit testimonials, lifestyle branding and packaging that is appealing to youth. The purpose of the packaging and labeling rules set out in the Cannabis Act is to promote informed consumer choice, allow for the safe handling and transportation of cannabis, and to reduce the appeal of the products to youth. Vendors must package cannabis in a way that is tamper-proof, child-resistant, prevents contamination and ensures dryness. The Canadian federal regulatory regime also require plain packaging, with strict requirements for logos, colours and branding. In particular, the restriction on the use of logos and brand names on cannabis products could have a material adverse effect on Trees business, financial condition and results of operation.

Provincial governments in Canada have also implemented varying regulatory regimes for the distribution and sale of cannabis for adult-use purposes. The provincial regimes have been subject to a number of changes since their implementation and it is expected that additional changes will occur in the near, medium and long term. It cannot be known what changes in provincial regulation regarding the distribution and sale of cannabis for adult-use purposes will or will not occur. There is no guarantee that provincial legislation will be enacted according to the terms announced by such provinces, or at all, or that any such legislation, if enacted, will remain in any anticipated form or create the growth opportunities that are currently anticipated by Trees. Each province faces its own unique set of regulatory challenges that could have a material adverse effect on Trees business, financial condition and results of operation.

Compliance with laws

Trees and many of its suppliers' operations are subject to various laws, regulations and guidelines. Trees intends to comply with all relevant laws, regulations and guidelines. However, there is a risk that Trees interpretation of laws, regulations and guidelines, including, but not limited to the CDSA, the Cannabis

Act, the Cannabis Regulations, the various provincial regimes governing the sale of adult-use recreational cannabis (the "**Provincial Regimes**") and applicable stock exchange rules and regulations may differ from those of others, and Trees and its suppliers' operations may not be in compliance with such laws, regulations and guidelines. In addition, achievement of Trees business objectives is contingent, in part, upon compliance with regulatory requirements enacted by Governmental Authorities and, where necessary, obtaining regulatory approvals. The impact of regulatory compliance regimes, any delays in obtaining, or failure to obtain regulatory approvals required by Trees may significantly delay or impact the development and operations of Trees business and could have a material adverse effect on the business, results of operations and financial condition of Trees. Any potential non-compliance could cause the business, financial condition and results of the operations of Trees to be adversely affected. Furthermore, any amendment to or replacement of the Cannabis Regulations, the Cannabis Act, the Provincial Regimes or other applicable rules and regulations governing the activities of Trees and its suppliers may cause adverse effects to Trees operations. The risks to the business of Trees or its suppliers associated with the decision to amend or replace the Cannabis Regulations, the Cannabis Act, any Provincial Regime and subsequent regulatory changes could reduce the potential customers of Trees and could materially and adversely affect the business, financial condition and results of operations of Trees.

It is unclear how certain regulatory bodies will interpret commercial agreements with respect to licensed retail cannabis operations. Trees intends to enter into commercial agreements in compliance with all applicable laws, however, provincial regulators are continuing to provide guidance on how cannabis retailers should interpret certain Provincial Regimes. In the event provincial regulators indicate that they shall interpret certain Provincial Regimes in a manner inconsistent with that of cannabis retailers, including, but not limited to Trees, this could result in Trees being unable to enter into certain commercial agreements or provide certain services which could have a material adverse effect on the business, results or operations and financial condition of Trees.

Trees will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with applicable laws and regulations 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 or remedial actions. Parties may be liable for civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permitting requirements, or more stringent application of existing laws or regulations may have a material adverse effect on Trees or its suppliers, resulting in increased capital expenditures or production costs, reduced levels of cannabis production or abandonment or delays in the development of facilities which could have a material adverse effect on the business, results of operations and financial condition of Trees.

The introduction of new tax laws, regulations or rules, or changes to, or differing interpretation of, or application of existing tax laws, regulations or rules could result in an increase in Trees taxes, or other governmental charges, duties or impositions. No assurance can be given that new tax laws, regulations or rules will not be enacted or that existing tax laws, regulations or rules will not be changed, interpreted or applied in a manner which could result in Trees profits being subject to additional taxation or which could otherwise have a material adverse effect on Trees.

Due to the nature of Trees operations, various legal and tax matters may be outstanding from time to time. If Trees is unable to resolve any of these matters favourably, there may be a material adverse effect on Trees.

Environmental, health and safety laws

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

As with other companies engaged in similar activities or that own or operate real property, Trees faces inherent risks of environmental liability at its current and historical production sites. Certain environmental laws impose strict and, in certain circumstances, joint and several liability on current or previous owners or operators of real property for the cost of the investigation, removal or remediation of hazardous substances as well as liability for related damages to natural resources. In addition, Trees may discover new facts or conditions that may change its expectations or be faced with changes in environmental laws or its enforcement that would increase its liabilities. Furthermore, the costs of complying with current and future environmental and health and safety laws, or Trees liabilities arising from past or future releases of, or exposure to, regulated materials, may have a material adverse effect on its businesses, financial condition and results of operations.

Anti-money laundering laws and regulations

Trees is subject to a variety of laws and regulations that involve money laundering, financial recordkeeping and proceeds of crime, including the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada), the *Criminal Code* (Canada), as amended and the rules and regulations thereunder, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities.

Liability for actions of employees, contractors and consultants

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

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

Risks Related to the Business and Operations of Trees

Limited operating history

Trees has a very limited history of operations and are considered a start-up company. As such, Trees 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 Trees will be successful in achieving a return on shareholders' investment and the likelihood of our success must be considered in light of our early stage of operations.

There is no assurance that Trees will turn a profit or generate immediate revenues

There is no assurance as to whether Trees will be profitable, earn revenues, or pay dividends. Trees has incurred and anticipates that it will continue to incur substantial expenses relating to the development and initial operations of its business. The payment and amount of any future dividends will depend upon, among other things, Trees results of operations, cash flow, financial condition, and operating and capital requirements. There is no assurance that future dividends will be paid, and, if dividends are paid, there is no assurance with respect to the amount of any such dividends.

Difficulty to forecast

Trees will need to rely largely on its own market research to forecast industry trends and statistics as detailed forecasts are, with certain exceptions, not generally available from other sources at this early stage of the cannabis industry. A failure in the demand for Trees products to materialize as a result of competition, technological change, change in the regulatory or legal landscape or other factors could have a material adverse effect on Trees business, financial condition and results of operations.

Product price decreases

The markets for businesses in the CBD and Hemp extracts industries are highly competitive and becoming increasingly saturated. The prices for both CBD isolate, and distillate have fluctuated significantly and most recently have shown a decreasing trend. While Trees believes market prices will stabilize, a continued decline in the price of CBD isolate and distillate may have a material adverse effect on Trees results of operations and financial condition.

Management of growth

The ability to achieve desired growth will depend on Trees ability to identify, evaluate and successfully negotiate investment opportunities with target companies. Achieving this objective in a cost-effective manner will be a product of Trees sourcing capabilities, the management of the investment process, the ability to provide capital on terms that are attractive to target companies and access to financing on acceptable terms. Failure to effectively manage any future growth and successfully negotiate suitable investments could have a material adverse effect on the business, financial condition or results of operations of Trees.

As Trees grows, Trees will also be required to hire, train, supervise and manage new employees. Trees may experience a period of significant growth in the number of personnel that will place a strain upon its management systems and resources. Their future will depend in part on the ability of its officers and other key employees to implement and improve financial and management controls, reporting systems and procedures on a timely basis and to expand, train, motivate and manage the workforce. Trees personnel, systems, procedures and controls may be inadequate to support its future operations. Failure to effectively manage any future growth could have a material adverse effect on the businesses, financial condition or results of operations of Trees.

Trees relies to a great extent on the expertise of its board of directors and officers, and any departures may impair Trees business and investments

The successful ongoing operation of Trees requires substantial expertise. The members of the board of directors of Trees have exclusive authority to make decisions and to exercise investment acquisition discretion on behalf of Trees. The success of Trees depends to a great extent upon the expertise of the Board and officers. The loss of the services of any member of the board of directors or one or more of the officers could have a material adverse effect on the business, financial condition or results of operations of Trees.

Credit risk and concentration

Credit risk is the risk that Trees will incur a loss because its customers, clients or counterparties fail to discharge its contractual obligations. Financial instruments that potentially subject Trees to a significant concentration of credit risk consist primarily of cash and cash equivalents and accounts receivable. The maximum amount of credit risk exposure is limited to carrying amounts of these balances in the consolidated financial statements.

Security risks

The business premises of Trees operating locations may be targets for theft. While Trees has implemented security measures at each location and continue to monitor and improve its security measures, its facilities could be subject to break-ins, robberies and other breaches in security. If there was a breach in security and Trees fell victim to a robbery or theft, the loss of Hemp plants, cultivation and production equipment or other products could have a material adverse effect on the business, financial condition or results of operations of Trees.

Talent pool

Trees future success largely depends upon the continued services of their executive officers and management team. If one or more of Trees executive officers are unable or unwilling to continue in their present positions, Trees may not be able to replace them readily, if at all. Additionally, Trees may incur additional expenses to recruit and retain new executive officers. If any of Trees executive officers joins a competitor or forms a competing company, it may lose some or all of its customers. Moreover, Trees does not maintain “key person” life insurance on any of its executive officers. Because of these factors, the loss of the services of any of these key persons could adversely affect its business, financial condition and results of operations, and thereby an investment in its stock.

As Trees grows, it will need to hire additional human resources to continue to develop its businesses. However, experienced talent in the areas of Hemp and CBD research and development, growing Hemp and extraction, as well as senior management, are difficult to source, and there can be no assurance that the appropriate individuals will be available or affordable. Without adequate personnel and expertise, the growth of the business of Trees may suffer. There can be no assurance that Trees will be able to effectively manage growth, and any failure to do so could have a material adverse effect on the business, financial condition or results of operations of Trees.

Reliance on key inputs

The cultivation, extraction and production of Hemp and Hemp derivative products is dependent on a number of key inputs and their related costs including raw materials, electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could have a material adverse effect on the anticipated businesses, financial condition or results of operations of Trees. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a sole source supplier was to go out of business, Trees might be unable to find a replacement for such source in a timely manner or at all. Any inability to secure required supplies and services or to do so on appropriate terms could have a material adverse effect on the business, financial condition or results of operations of Trees.

In addition, Hemp growing operations consume considerable energy, making Trees vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business of Trees.

Product sustainability

If the products Trees sells do not have the physiological effects intended, the business may suffer. Trees products may contain innovative ingredients or combinations of ingredients. There is little long-term experience with human or other animal consumption of certain of these ingredients or combinations thereof in concentrated form. Trees products could have certain side effects if not taken as directed or if taken by a consumer that has certain medical conditions. Furthermore, there can be no assurance that any of the products, even when used as directed, will have the effects intended or will not have harmful side effects.

Changing consumer preferences and customer retention

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

Product liability

Trees manufactures, processes or distributes products designed to be ingested by humans, and therefore faces an inherent risk of exposure to product liability claims, regulatory action and litigation if products are alleged to have caused loss or injury. In addition, the manufacture and sale of cannabis products involves the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of Hemp products alone or in combination with other medications or substances could occur. Although Trees has quality control procedures in place, Trees may be subject to various product liability claims, including, among others, that the products produced by Trees, or the products purchased by Trees from a third party, caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances.

In addition, there has been consumer class action litigation initiated against various companies selling food and dietary supplements containing CBD, based on the argument that the products are not compliant dietary supplement and food products, and labeling the products as such is itself a false claim. It is also very common for dietary supplement, food and cosmetic products to be the subject of consumer class actions initiated on the premise that such products are making false claims in the products' labeling and advertising. Litigation of this nature needs to be evaluated on a case-by-case basis to ascertain validity of the claims, and the resulting impact on a company that is the subject of such litigation.

Although Trees is insured against such claims, a product liability claim or regulatory action could result in increased costs, could adversely affect the reputation of Trees, and could have a material adverse effect on the business, financial condition or results of operations of Trees. There can be no assurances that product liability insurance will be obtained or maintained on acceptable terms or with adequate coverage against potential liabilities.

Product recalls

Despite Trees quality control procedures, cultivators, manufacturers and distributors of products are sometimes subject to the recall or return of its 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 products produced by Trees, or any of the products purchased by Trees from a third party, are recalled due to an alleged product defect or for any other reason, Trees could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall and may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. Additionally, if one of the products produced by Trees, or one of the products purchased by Trees from a third party, were subject to recall, the image of that product and Trees could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for products produced by Trees or purchased from a third party and could have a material adverse effect on the business, financial condition or results of operations of Trees.

Positive test for THC or banned substances

Trees products are made from Hemp, which contains trace amounts of THC. As a result, certain of Trees products contain low levels of THC. THC is considered a banned substance in many jurisdictions. Moreover, the regulatory framework for legal amounts of consumed THC is evolving. Whether or not ingestion of THC (at low levels or otherwise) is permitted in a particular jurisdiction, there may be adverse consequences to end users who test positive for trace amounts of THC attributed to use of Trees products. In addition, certain metabolic processes in the body may cause certain molecules to convert to other molecules which may negatively affect the results of drug tests. A claim or regulatory action against Trees based on such positive test results could adversely affect Trees reputation and could have a material adverse effect on its business and operational results.

Reputational risk

Trees believes that the CBD industry (and the cannabis industry in general) is highly dependent upon consumer perception regarding the safety, efficacy and quality of the products. Consumer perception can be significantly influenced by scientific research or findings, regulatory proceedings, litigation, media attention and other publicity regarding the consumption of CBD or cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the CBD or cannabis markets or any particular product, are consistent with currently held views. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the cannabis industry and demand for its products and services, which could affect Trees business, financial condition and results of operations and cash flows. Trees dependence upon consumer perception 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 Trees, its business, financial condition, results of operations and cash flows. Further, adverse publicity, reports or other media attention regarding the safety, efficacy and quality of CBD or cannabis in general, or Trees products specifically, or associating the consumption of CBD or cannabis with illness or other negative effects or events, could have 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 legally, appropriately, or as directed.

In addition, parties outside of the CBD or cannabis industries with which Trees does business may perceive that they are exposed to reputational risk as a result of Trees cannabis related business activities. For example, Trees could receive a notification from a financial institution advising it that they would no longer maintain banking relationships with those in the CBD or cannabis industry. Similarly, e–commerce platforms may refuse to carry or continue to carry Trees products on its platforms. Trees may, in the future, have difficulty establishing or maintaining bank accounts or other business relationships that they need to operate its businesses. Failure to establish or maintain business relationships could have a material adverse effect on Trees.

Trees may be subject to significant competition

A number of other companies engage in, and could engage in, a business similar to the business of Trees, operate businesses in competition with Trees and purchase assets or make investments that Trees will also seek to purchase or make. This competition may increase the price Trees will have to pay for assets or make it more difficult for Trees to operate at a profit and to purchase assets. The inability to operate at a profit and acquire assets on terms favorable to Trees may adversely impact the revenue stream that Trees receives and, thus, adversely impact the ability of Trees to pay distributions.

If the number of users of cannabis products in Canada increases, the demand for products will increase and Trees expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. In addition, Trees expects to face competition from new entrants due to the early stage of the industry in which Trees operates. There could be future regulatory or legislative changes which increase the amount of available cannabis licenses in jurisdictions in which Trees will operate, which could have the effect of increasing competition. To be competitive, Trees will require a continued high level of investment in research and development, marketing, sales and client support. Trees may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could have a material adverse effect on the businesses, financial condition or results of operations of Trees.

Internal controls

Effective internal controls are necessary for Trees to provide reliable financial reports and to help prevent and detect fraud. Although Trees undertakes a number of procedures and implements a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on Trees under Canadian securities law, Trees cannot be certain that such measures will ensure that Trees will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm Trees results of operations or cause it to fail to meet its reporting obligations.

Promoting and maintaining brands

Trees believes that establishing and maintaining the brand identities of products is a critical aspect of attracting and expanding a large customer base. Promotion and enhancement of brands will depend largely on success in providing high quality products. If customers and end users do not perceive Trees products to be of high quality, or if Trees introduces new products or enter into new business ventures that are not favorably received by customers and end users, Trees will risk diluting brand identities and decreasing its attractiveness to existing and potential customers. Moreover, in order to attract and retain customers and to promote and maintain brand equity in response to competitive pressures, Trees may have to substantially increase financial commitment to creating and maintaining a distinct brand loyalty among customers. If Trees incurs significant expenses in an attempt to promote and maintain brands, this could cause a material adverse effect on the business, financial condition or results of operations of Trees.

Past performance not indicative of future results

The prior investment and operational performance of Trees is not indicative of the future operating results of Trees.

Results of future clinical research

Research in Canada, the U.S. and internationally regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis or isolated cannabinoids (such as CBD, THC and delta-8 tetrahydrocannabinol) remains in early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids (such as CBD, THC and delta-8 tetrahydrocannabinol). Although Trees will rely on the articles, reports and studies support its beliefs regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding, and perceptions relating to, cannabis.

Future research studies and clinical trials may reach negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to cannabis, which could have a material adverse effect on the demand for Trees products with the potential to lead to a material adverse effect on the business, financial condition or results of operations of Trees. There is no assurance that such adverse publicity reports or other media attention will not arise.

Intellectual property generally

The success of Trees will depend, in part, on the ability of Trees to maintain and enhance trade secret protection over its existing and potential proprietary techniques and processes. Trees may be vulnerable to competitors who develop competing technology, whether independently or as a result of acquiring access to the proprietary products and trade secrets of Trees. In addition, effective future patent, copyright and trade secret protection may be unavailable or limited in certain foreign countries and may be unenforceable under the laws of certain jurisdictions. Failure of Trees to adequately maintain and enhance protection over its proprietary techniques and processes, as well as over its unregistered intellectual property, including the policies and procedures and training manuals, could have a material adverse effect on the business, financial condition or results of operations of Trees.

Trees trade secrets may be difficult to protect

Trees success depends upon the skills, knowledge and experience of its scientific and technical personnel, its consultants and advisors, as well as its licensors and contractors. Because Trees operates in several highly competitive industries, Trees relies in part on trade secrets to protect its proprietary technology and processes. However, trade secrets are difficult to protect. Trees enters into confidentiality agreements with its key executives and corporate partners in connection with various potential transactions. These agreements generally require that the receiving party keep confidential and not disclose to third parties confidential information developed by the receiving party or made known to the receiving party by it during the course of the receiving party's relationship with it. These agreements also generally provide that inventions conceived by the receiving party in the course of rendering services to it will be its exclusive property, and Trees enters into assignment agreements to perfect its rights.

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

Trees may be exposed to infringement or misappropriation claims by third parties, which, if determined adversely to Trees, could subject Trees to significant liabilities and other costs

Trees success will likely depend on its ability to use and develop new extraction technologies, recipes, know–how and new strains of cannabis without infringing the intellectual property rights of third parties. Trees cannot assure that third parties will not assert intellectual property claims against them. Trees will be subject to additional risks if entities licensing to them intellectual property do not have adequate rights in any such licensed materials. If third parties assert copyright or patent infringement or violation of other intellectual property rights against Trees, Trees will be required to defend itself in litigation or administrative proceedings, which can be both costly and time consuming and may significantly divert the efforts and resources of management personnel. An adverse determination in any such litigation or proceedings to which Trees may become a party could subject them to significant liability to third parties, require them to seek licenses from third parties, to pay ongoing royalties or subject Trees to injunctions prohibiting the development and operation of its applications.

If Trees is unable to continually innovate and increase efficiencies, its ability to attract new customers may be adversely affected

In the area of innovation, Trees will have to be able to develop new technologies and products that appeal to its customers. This depends, in part, on the technological and creative skills of its personnel and on its ability to protect its intellectual property rights. Trees may not be successful in the development, introduction, marketing, and sourcing of new technologies or innovations, that satisfy customer needs, achieve market acceptance, or generate satisfactory financial returns.

Operational risks

Trees may be affected by a number of operational risks and may not be adequately insured for certain risks, including: labor disputes; catastrophic accidents; fires; blockades or other acts of social activism; equipment defects, malfunction and failures, changes in the regulatory environment; impact of non–compliance with laws and regulations; outbreak of a global pandemic (including COVID-19) that can cause interruption of operations, shortage of staff, disruption of supply chain and market volatility; and natural phenomena, such as inclement weather conditions, floods, earthquakes, ground movements, accidents and explosions that can cause personal injury, loss of life, suspension of operations, damage to facilities, business interruption and damage to or destruction of property, equipment and the environment. There is no assurance that the foregoing risks and hazards will not result in damage to, or destruction of, Trees properties, grow facilities and extraction facilities, personal injury or death, environmental damage, or have an adverse impact on Trees operations, costs, monetary losses, potential legal liability and adverse governmental action, any of which could have a material adverse effect on the business, financial condition or results of operations of Trees.

Trees will continuously monitor its operations for quality control and safety. However, there are no assurances that Trees safety procedures will always prevent such damages and Trees may be affected by liability or sustain loss in respect of certain risks and hazards. Although Trees will maintain insurance coverage that they believe to be adequate and customary in the industry, there can be no assurance that such insurance will be adequate to cover the liabilities. In addition, there can be no assurance that Trees will be able to maintain adequate insurance in the future at rates they considers reasonable and commercially justifiable. Trees may elect not to insure against certain risks due to cost of or ease of procuring such insurance. The occurrence of a significant uninsured claim, a claim in excess of the insurance coverage limits then maintained by Trees, or a claim at a time when they are not able to obtain liability insurance, could have a material adverse effect on the businesses, financial condition or results of operations of Trees. This lack of insurance coverage could have a material adverse effect on the anticipated business, financial condition or results of operations of Trees.

Leases

Trees may, from time to time, enter into lease agreements for locations in respect of which at the time of entering such agreement, Trees does not have a license or permit to sell cannabis and cannabis products. In the event Trees is unable to obtain applicable licensed and authorizations to sell cannabis and cannabis products at such locations in compliance with applicable laws, such leases may become a liability of Trees without a corresponding revenue stream. In the event that Trees is unable to obtain permits and licenses at numerous locations for which Trees has or will have a lease obligation, this could have a material adverse effect on Trees.

Reliance on established retail cannabis stores

The Store Authorizations held by Trees are specific to individual cannabis retail stores. Any adverse changes or disruptions to the functionality, security and operation of Trees sites or any other form of non-compliance may place the Store Authorizations held by Trees at risk and have a material adverse effect on the business of Trees. As Trees retail cannabis business continues to grow, any expansion to or update of the current operating cannabis retail stores of Trees, or the introduction of new cannabis retail stores, will require the approval of the applicable cannabis regulatory authority. There can be no guarantee that the applicable cannabis regulatory authority will approve any such expansions or renovations, which could have a material adverse effect on the business of Trees.

Risks relating to its suppliers

Cannabis retailers are dependent on the supply of cannabis products from Licensed Producers (as defined in the Cannabis Act). There can be no assurances that there will be a sufficient supply of cannabis available to Trees to purchase and to operate its business or satisfy demand. Licensed Producers' growing operations are dependent on a number of key inputs and their related costs, including raw materials and supplies. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact Licensed Producers and, in turn, Trees financial condition and operating results. Any inability of Licensed Producers to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on Trees business, financial condition and operating results.

The facilities of Trees suppliers could be subject to adverse changes or developments, including but not limited to a breach of security, which could have a material adverse effect on Trees business, financial condition and prospects. Any breach of the security measures and other facility requirements, including any failure to comply with recommendations or requirements arising from inspections by Health Canada or other legal or regulatory requirements could also have an impact on Trees suppliers' ability to continue operating under their licences or the prospect of renewing their licences or on Trees ability or willingness to sell product sourced from a supplier, which may have a material adverse effect on Trees.

Emerging industry risk

The relatively new development of the Hemp and cannabis industry nationally presents numerous and material risks. Many of these risks are not inherent in other developing or mature industries. Many of the risks are unknown, as are its potential consequences. The risks range from the potential collapse of the cannabis industry that might result from changes in laws or the enforcement of existing laws to the failure of individual businesses that might result from volatile market conditions that sometimes accompany the development of new markets and industries. Additionally, the cannabis industry is currently characterized by an absence of industry and product standards, ever-shifting legal landscapes with multiple frameworks, rapidly shifting public opinion, and a scarcity of capital. Realization of any of these risks could have a material adverse effect on the business, financial condition or results of operations of Trees.

Trees is operating its businesses in a relatively new industry and market, and Trees success will depend in part on its ability to attract and retain customers, develop and maintain commercial relationships and develop innovative products. In addition to being subject to general business risks applicable to a business involving a regulated consumer product, Trees will need to make significant investments in its business strategy. Trees expects that competitors will undertake similar investments. Competitive conditions, consumer preferences, customer requirements and spending patterns in this industry and market are relatively unknown and may have unique circumstances that differ from other existing industries and markets and cause Trees future efforts to develop its business to be unsuccessful or to have undesired consequences for it. As a result, Trees may not be successful in its efforts to attract customers, leverage commercial partnerships or develop new cannabis products and produce and distribute these cannabis products, or these activities may require significantly more resources than currently anticipated in order to be successful.

Information technology systems and cyber security risks

Trees use of technology is expected to be critical in its continued operations. Trees is expected to be susceptible to operational, financial and information security risks resulting from cyber-attacks and/or technological malfunctions. Successful cyber-attacks or technological malfunctions affecting Trees, or its service providers can result in, among other things, financial losses, the inability to process transactions, the unauthorized release of customer information or confidential information and litigation arising therefrom, and reputational risk.

Trees has not experienced any material losses to date relating to cybersecurity attacks, other information breaches or technological malfunctions. However, there can be no assurance that Trees will not incur such losses in the future. As cybersecurity threats continue to evolve, Trees may be required to use additional resources to continue to modify or enhance protective measures or to investigate security vulnerabilities.

Trees may be subject to risks associated with financial leverage

Trees may incur debt. As funds are borrowed, such financing will increase the risk of an investment in the Common Shares because debt service increases the expense of operation of Trees. In addition, lenders may require restrictions on future borrowing, distributions and operating policies. Trees ability to meet its debt obligations will depend upon Trees future performance and will be subject to financial, business and other factors affecting Trees business and operations, including general economic conditions. There are no assurances that Trees will be able to meet its debt obligations.

Constraints on marketing products

The development of Trees business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by government regulatory bodies. The regulatory environment in Canada may limit Trees ability to compete for market share in a manner similar to other industries. If Trees is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, Trees sales and operating results could be adversely affected.

Personal information breaches

Trees collects and stores personal information about its customers and is responsible for protecting that information from privacy breaches. A privacy breach may occur through procedural or process failure, information technology malfunction, or deliberate unauthorized intrusions. Theft of data for competitive purposes, particularly customer lists and preferences, is an ongoing risk whether perpetrated via employee collusion or negligence or through deliberate cyber attack. Any such theft or privacy breach would have a material adverse effect on Trees business, financial condition and results of operations.

Geo-political risk

Aside from business factors arising from the marketplace, Trees or its customers, partners, suppliers or vendors may operate in foreign countries and as such they may be impacted by political decisions and other factors beyond its control. There are a variety of decisions governments make that can affect individual businesses, industries, and the overall economy. These include taxes, spending, regulation, currency valuation, trade tariffs, labor laws such as the minimum wage, and environmental regulations. The laws, even if just proposed, can have an impact. Regulations can be set at all levels of government, including federal, provincial and local, as well as in other countries that can have an impact on Trees business plans and intended installation and operation of network equipment, including environmental regulations and permitting. Other factors such as acts of terrorism and government responses to terrorism, and changes in government regulation of the products and services to be developed and offered by Trees may negatively impact Trees. Trees may expand to additional countries and markets in the future which would also be subject these and other geo-political risks.

Force majeure

One or more of Trees current or planned operations or its assets may be negatively impacted by weather, climate disturbances, cybercrime, sabotage, terrorism, or other acts or conditions beyond Trees control, which may have a material impact on Trees ability to operate one or more or all of its businesses.

Risks Related to Tree’s Market and Securities

Additional capital requirements

Trees will likely need additional capital to sustain its operations and will likely need to seek further financing, which Trees may not be able to obtain on acceptable terms or at all. If Trees fails to raise additional capital, as needed, its ability to implement its business models and strategies could be compromised. To date, Trees operations and expansion of its business have been funded primarily from cash-flow from operations as substantially supplemented by the proceeds of debt and equity financings. Trees expects to require substantial additional capital to fund the expansion of its business, expand its product lines, develop its intellectual property base, and establish its targeted levels of commercial production.

Even if Trees is able to obtain financing for its near-term operations and expansion, Trees expects that it will require additional capital thereafter. Trees capital needs will depend on numerous factors including: (i) its profitability; (ii) the release of competitive products by competition; (iii) the level of investment in research and development; (iv) the amount of capital expenditures, including acquisitions; and (v) refinancing debt and debt servicing.

If Trees raises additional funds through the issuance of equity or convertible debt securities, the percentage ownership held by its existing stockholders will be reduced and its stockholders may experience significant dilution. In addition, new securities may contain rights, preferences or privileges that are senior to those of its securities. If Trees raises additional capital by incurring debt, this will result in increased interest expense. If Trees raises additional funds through the issuance of securities, market fluctuations in the price of its securities could limit its ability to obtain equity financing.

No assurance can be given that any additional financing will be available to Trees or, if available, will be on terms favorable to it. If Trees is unable to raise capital when needed, its businesses, financial condition, and results of operations would be materially adversely affected, and they could be forced to reduce or discontinue its operations.

Additional issuance of Common Shares will result in dilution

Trees may issue additional securities in the future in connection with acquisitions, offerings and financing transactions (including through the sale of securities convertible into or exchangeable or exercisable for Common Share**s**, which would dilute a shareholder's holdings in Trees. Trees articles permit the issuance of an unlimited number of Common Shares, and shareholders will have no pre-emptive rights in connection with such further issuance. The Board has the discretion to determine the price and the terms of further issuances. Trees cannot predict the effect that future issuances and sales of its securities will have on the market price of the Common Shares. Issuances of a substantial number of additional securities of Trees, or the perception that such issuances could occur, may adversely affect prevailing market prices for the Common Shares. With any additional issuance of Trees securities, investors will suffer dilution to its voting power and Trees may experience dilution in its revenue per share.

Sales of substantial amounts of Common Shares may have an adverse effect on the market price of the Common Shares

Sales of substantial amounts of Common Shares, or the availability of such securities for sale, could adversely affect the prevailing market prices for the Common Shares. A decline in the market prices of the Common Shares could impair Trees ability to raise additional capital through the sale of securities should it desire to do so.

Trees may face potential conflicts of interest

Trees operations may present potential conflicts of interest, including, but not limited to, the following:

- *Other Personal Investments.* Certain officers or members of the board of directors of Trees may serve in advisory capacities to businesses engaged in the cannabis industry and may have equity interests in a business engaged in various aspects of the cannabis industry.
- *Time Commitment.* Officers are employed on a full-time basis with Trees and will devote substantially all of its business time to Trees affairs. The Board and the officers of Trees may spend a portion of its personal time managing other business endeavors, subject to the condition that such personal time does not interfere with its respective duties to Trees.

Trees Shareholders of Trees will not be represented by Trees legal counsel. Trees Shareholders should consult with its own legal counsel and other advisors when considering the transaction.

Price volatility of publicly traded securities

The market price for the Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond Trees control, including, but not limited to the following:

- actual or anticipated fluctuations in Trees quarterly results of operations;
- recommendations by securities research analysts;
- changes in the economic performance or market valuations of companies in the industry in which Trees will operate;
- addition or departure of Trees 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 Trees industry generally and its business and operations both domestically and abroad;
- announcements of developments and other material events by Trees 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 Trees or its competitors;
- operating and share price performance of other companies that investors deem comparable to Trees 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 Trees industry or target markets.

In recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that fluctuations in price of the Common Shares will not occur. The market price of the Common Shares could be subject to significant fluctuations in response to variations in quarterly and annual operating results, the results of any public announcements Trees makes, general economic conditions, and other factors. Increased levels of volatility and resulting market turmoil may adversely impact the price of the Common Shares.

Investment by offshore investors

Cannabis-related financial transactions are subject to a variety of laws that vary by jurisdiction, many of which are unsettled and still developing. While the interpretations of these laws are unclear, in some jurisdictions, financial benefit, directly or indirectly, arising from conduct that would be considered unlawful in such jurisdiction may be viewed to be within the purview of such laws, and persons receiving any such benefit, including investors in an applicable jurisdiction, may be subject to liability. Each prospective investor should contact his, her or its own legal advisor.

Trees business, financial condition, results of operations and cash flow may in the future be negatively impacted by challenging global economic conditions

Future disruptions and volatility in global financial markets and declining consumer and business confidence could lead to decreased levels of consumer spending. Trees operations could be affected by the economic context should the unemployment level, interest rates or inflation reach levels that influence consumer trends and spending and, consequently, impact Trees sales and profitability. These macroeconomic developments could negatively impact Trees business, which depends on the general economic environment and levels of consumer spending. As a result, Trees may not be able to maintain is existing customers or attract new customers, or Trees may be forced to reduce the price of its products. Trees is unable to predict the likelihood of the occurrence, duration, or severity of such disruptions in the credit and financial markets and adverse global economic conditions. Any general or market-specific economic downturn could have a material adverse effect on Trees business, financial condition, results of operations and cash flow.

It is not possible to foresee all risks which may affect Trees. Moreover, Trees cannot predict whether they will successfully effectuate its current business plans. Each prospective investor is encouraged to carefully analyze the risks and merits of an investment in Trees and should take into consideration when making such analysis, among others, the *Risk Factors* discussed herein.

Liquidity

Trees cannot predict at what prices the Common Shares will trade and there can be no assurance that an active trading market will develop or be sustained. There is a significant liquidity risk associated with an investment in Trees.

Also, the cannabis industry is emerging. There can be no assurance that an active and liquid market for Common Shares will develop and shareholders may find it difficult to resell its Common Shares. Accordingly, no assurance can be given that Trees will be successful.

Trees Shareholders will have little or no rights to participate in Trees affairs

With the exception of the limited rights of shareholders under applicable laws, the day-to-day decisions regarding the management of Trees affairs will be made exclusively by the officers and board of directors of Trees. Trees Shareholders will have little or no control over Trees future business and investment decisions, its business, and its affairs, including, without limitation, cultivation operations and real estate. Trees may also retain other officers and agents to provide various services to Trees, over which the Trees Shareholders will have no control. There can be no assurance that the officers, board of directors or other agents of Trees will effectively manage and direct the affairs of Trees.

Dividends

Holders of Common Shares will not have a right to dividends on such shares unless declared by the board of directors of Trees. It is not anticipated that Trees will pay any dividends in the foreseeable future. Dividends paid by Trees would be subject to tax and, potentially, withholdings. The declaration of dividends is at the discretion of the Board, even if Trees has sufficient funds, net of its liabilities, to pay such dividends, and the declaration of any dividend will depend on Trees financial results, cash requirements, future prospects and other factors deemed relevant by the Board.

Costs of maintaining a public listing

As a public company, there are costs associated with legal, accounting and other expenses related to regulatory compliance. Securities legislation and the rules and policies of the NEO require listed companies to, among other things, adopt corporate governance and related practices, and to continuously prepare and disclose material information, all of which add to a company's legal and financial compliance costs. Trees may also elect to devote greater resources than it otherwise would have on communication and other activities typically considered important by publicly traded companies.

DIVIDEND AND DISTRIBUTIONS

Trees does not currently intend to declare any dividends payable to the holders of the Common Shares. Trees has no restrictions on paying dividends, but if Trees generates earnings in the foreseeable future, it expects that they will be retained to finance growth. The Board will determine if and when dividends should be declared and paid in the future based upon Trees financial position at the relevant time.

DESCRIPTION OF CAPITAL STRUCTURE

As of the date of this AIF, the authorized share capital of Trees consists of an unlimited number of Common Shares of which 201,848,825 are issued and outstanding. Trees has reserved an aggregate of up to 25,189,878 Common Shares for issuance upon the exercise of 8,554,995 Options at a weighted average exercise price of $0.09 per Common Share, and upon the vesting of 16,376,868 RSUs in accordance with the agreements governing such RSUs and the Equity Incentive Plan and upon the vesting of 258,015 PSUs in accordance with the agreements governing the PSUs.

Holders of Common Shares are entitled to one vote for each Common Share held at all meetings of shareholders of Trees, to receive dividends if, as and when declared by the Board, and to participate ratably in any distribution of property or assets upon the liquidation, winding-up or other dissolution of Trees. The Common Shares carry no pre-emptive rights, conversion or exchange rights, or redemption, retraction, repurchase, sinking fund or purchase fund provisions. There are no provisions requiring a holder of Common Shares to contribute additional capital, and no restrictions on the issuance of additional securities by Trees. There are no restrictions on the repurchase or redemption of Common Shares by Trees except to the extent that any such repurchase or redemption would render Trees insolvent.

MARKET FOR SECURITIES

Trading Price and Volume

The Common Shares commenced trading on the NEO following the completion of the Transaction on a post-Consolidation basis under the stock symbol "TREE" on January 11, 2022. The following table sets forth, for the periods indicated, the reported high and low prices and the trading volume of the Common Shares on the NEO. The closing price of the Common Shares on the NEO on March 31, 2023, was $0.015.

COMMON SHARES			
	Price Range		
Period	High (C$)	Low (C$)	Trading Volume
January 1-31, 2022	0.19	0.065	1,331,395
February 1-28, 2022	0.125	0.055	978,525
March 1-31, 2022	0.075	0.04	446,596

COMMON SHARES			
	Price Range		
Period	High (C$)	Low (C$)	Trading Volume
April 1-30, 2022	0.075	0.03	3,542,915
May 1-31, 2022	0.04	0.03	1,646,728
June 1-30, 2022	0.035	0.02	1,438,518
July 1-31, 2022	0.05	0.015	357,069
August 1-31, 2022	0.03	0.01	4,614,892
September 1-30, 2022	0.015	0.01	390,662
October 1-31, 2022	0.01	0.005	1,012,562
November 1-30, 2022	0.05	0.005	2,432,876
December 1-31, 2022	0.03	0.005	3,003,656
January 1-31, 2023	0.03	0.005	1,749,862
February 1-28, 2023	0.03	0.02	306,004
March 1-31, 2023	0.025	0.01	848,208

Prior Sales

During the fiscal year ended March 31, 2023, Trees has not issued or purchased any securities other than as set out below:

Date	Number	Type of Security	Issue / Exercise Price (C$) per share	Type of Issuance
March 15, 2022	6,819,922	Warrants	0.11	Private Placement(1)
May 9, 2022	17,383,333	Warrants	0.05	Private Placement
May 9, 2022	1,866,666	Broker Warrants	0.03	Private Placement
May 20, 2022	6,190,696	Options	0.03	Stock Option Grant
May 20, 2022	17,741,607	RSUs	-	RSU Grant
June 16, 2022	3,003,286	Options	0.03	Stock Option Grant
June 16, 2022	2,729,478	RSUs	-	RSU Grant
July 13, 2022	1	Convertible Debenture	0.15	Private Placement(2)
October 21, 2022	200	Convertible Debentures	0.015	Private Placement
October 21, 2022	13,333,400	Warrants	0.015	Private Placement
November 28, 2022	745	Convertible Debentures	0.015	Private Placement
November 28, 2022	49,666,915	Warrants	0.015	Private Placement
January 3, 2023	60	Convertible Debentures	0.015	Private Placement
January 3, 2023	4,000,020	Warrants	0.015	Private Placement

Notes:

(1) 13,639,917 Common Shares and 6,819,922 Common Share purchase warrants of Trees were issued to the shareholders of Miraculo in connection with Trees acquisition of Miraculo. For more information concerning Trees acquisition of Miraculo see "*General Development of the Business – Acquisitions – Miraculo*".

(2) The Camp Convertible Debenture was issued by Trees to a certain creditor of Camp Cannabis in connection with the closing of the Camp Acquisition. For more information concerning the Camp Acquisition and the Camp Convertible Debenture see "*General Development of the Business – Acquisitions – Camp*".

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

The following tables detail the number of Common Shares that were, to Trees knowledge, held in escrow as of the date of the date of this AIF (the "**Escrowed Securities**"):

Designation of Class	Number of Securities held in Escrow	Percentage of Class
Common Shares	4,982,288[(1)]	2.47%[(2)]

Notes:

(1) Trees is classified as an "established Company" by the NEO as defined in National Policy 46-201 – *Escrow for Initial Public Offerings*, and therefore the Escrowed Securities are subject to an eighteen-month escrow under NP 46-201 pursuant to an escrow agreement among Trees, the holders of the Escrowed Securities and Odyssey (the "**46-201 Escrow Agreement**").

(2) Calculated based on 201,848,825 Common Shares issued and outstanding as at the date hereof, on an undiluted basis.

The Escrowed Securities subject to the 46-201 Escrow Agreement will be released from escrow on the following schedule:

Release Date	Amount of Escrowed Securities Released
Listing Date (January 11, 2022)	1/4 of the Escrowed Securities
6 months after the Listing Date (July 11, 2022)	1/3 of remaining Escrowed Securities
12 months after the Listing Date (January 11, 2023)	1/2 of remaining Escrowed Securities
18 months after the Listing Date (July 11, 2023)	The remaining Escrowed Securities

DIRECTORS AND EXECUTIVE OFFICERS

The following table lists the names, municipalities of residence of the directors and officers of Trees, their positions and offices to be held with Trees, and their principal occupations during the past five years and the number of securities of Trees that are beneficially owned, directly or indirectly, or over which control or direction will be exercised by each. Each of the directors is elected to hold office until the next annual meeting of the shareholders of Trees or until a successor is duly elected or appointed.

Name, Municipality of Residence and Position Held	Principal Occupation for the Past Five Years	Appointed as of	Number and Percentage of Common Shares Beneficially Owned or Controlled
Campbell Becher[(1)] Caledon, Ontario Canada Interim Chief Executive Officer, Director	Trees – Interim Chief Executive Officer (2022 - Present) Becher Family Holdings (2021 – Present) Haywood Securities Inc. – Managing Director (2016 – 2020)	June 2022	2,063,500[(4)] (1.02%)
Jeff Holmgren, Calgary, Alberta Canada President, Chief Financial Officer, Director	Trees– President (2022 - Present) and CFO (2021 - Present) OCH – Exec VP & CFO (2018 - 2021) The Green Company (dba NewLeaf Cannabis) – CFO (2018)	March 2021	460,613 (0.02%)

Name, Municipality of Residence and Position Held	Principal Occupation for the Past Five Years	Appointed as of	Number and Percentage of Common Shares Beneficially Owned or Controlled
Fraser Clarke (1)(2)(3) St. John's, Newfoundland Canada Director	Massage Addict Inc. – CEO (2014 - Present)	November 2020	9,222,951 (4.57%)
James Ward Toronto, Ontario Canada Director	406 – CEO, CFO & Director (2021) O'Shaughnessy Financial Services Limited – Partner (2019 - Present) Michael Vukets & Associates – Principal (2012 – 2019)	December 2021	129,870 (0.06%)
G. Scott Paterson (1)(2)(3) Toronto, Ontario Canada Director	Paterson Partners – President (2002 - Present)	March 2022	4,208,920(5) (2.09%)

Notes:

(1) Member of the Audit Committee.
(2) Member of the Corporate Governance and Nominating Committee.
(3) Member of the Compensation Committee.
(4) Mr. Becher holds 1,363,500 Common Shares through 1361535 BC Ltd. and 700,000 Common Shares through Port Arthur Transaction Holdings Corp.
(5) Mr. Paterson holds 1,415,066 Common Shares through Patstar Inc.

As of the date of this AIF, all directors and officers as a group, beneficially own, directly or indirectly, an aggregate of 16,085,854 Common Shares on a non-diluted basis, representing approximately 7.97% of the outstanding Common Shares on a non-diluted basis.

Campbell Becher, Interim Chief Executive Officer and Director

Mr. Becher has extensive experience in the capital markets industry. He was a Managing Director of Haywood Securities Inc, from 2016 to 2020 focused on Special Situations. He has been actively involved in the investment industry since 1993. Mr. Becher spent eight years in retail at RBC Dominion and BMO Nesbitt Burns before pursuing merchant banking for six years with Bearbeech Capital and Becher McMahon. From 2008 to 2014, he served as President & CEO of Byron Capital Markets Ltd., an investment bank headquartered in Toronto with offices in Montreal and Vancouver. Since 2021, Mr. Becher has also held the position of President at Becher Family Holdings.

Jeffrey Holmgren, President, Chief Financial Officer and Director

Mr. Holmgren has an extensive background in corporate finance beginning in 2003 with Ernst & Young LLP, where he provided advisory services to a diverse range of private and public companies around the globe. In 2008, Mr. Holmgren took a senior financial advisor role with Progress Energy Trust where he participated in numerous capital raises in excess of $200 million. In 2008, Mr. Holmgren assumed the role of CFO for Rodinia Oil Corp. where he was instrumental in listing the company on the TSX-V. In 2011, Mr. Holmgren became CFO of Westfire Energy Ltd., and navigated its sale to LongRun Exploration for approximately $400 million. In 2013, Mr. Holmgren cofounded Kaisen Energy Corp and served as the CFO until his departure in 2018 when he joined NewLeaf Cannabis as CFO in the early phase of its ascent to becoming Canada's largest cannabis retail company prior to its sale in September 2018 to Meta Growth Corp. Soon after he co-founded OCH, and on March 1, 2021, in connection with the closing of the amalgamation of 2800962 Ontario Inc. and OCH, Mr. Holmgren assumed the role of Chief Financial Officer and director of Trees and on February 7, 2022 Mr. Holmgren assumed the role of President of Trees.

Fraser Clarke, Director

Mr. Clarke is the owner and Chief Executive Officer of Massage Addict Incorporated, a national retailer of Registered Massage Therapy, Chiropractic Care and Acupuncture services. He is also currently a board member and Chair of the audit committee of ClearStream Energy Services. Mr. Clarke was previously the President and Chief Executive Officer of Herbal Magic, a Canadian weight loss and nutrition company, from February 2011 to August 2013, and previously the President and Chief Operating Officer of Herbal Magic Inc. from February 2009 to February 2011. From October 2002 to July 2007, he was President and Chief Executive Officer of Hair Club for Men, and prior to this role, Mr. Clarke was an Associate at CCC Investment Banking and an Associate at Ernst & Young LLP. Mr. Clarke holds a Bachelor of Commerce Honours from Memorial University and is a designated Chartered Accountant and Certified Financial Analyst.

G. Scott Paterson, Director

G. Scott Paterson is a Toronto-based entrepreneur, financier and investor focused on technology and media. Mr. Paterson currently serves as Executive Chairman of FutureVault Inc., Chairman of QYOU Media Inc., Lead Director of Giftagram Inc. and as a Director of Lions Gate Entertainment Canada Corp. Mr. Paterson was a Top 40 Under 40, has been a TedTalk speaker, had a chapter dedicated to him in Peter C Newman's Titans, has been profiled in Time Magazine as 'One of Canada's 21st Century Leaders', has been profiled in Newsweek as 'One of 17 People to Watch Globally', was awarded Western University's top Alumni Award and has been a Speaker on behalf of countless organizations such as Mastercard, EY Entrepreneur of the Year and the National Angel Capital Organization.

Mr. Paterson has served as a Trustee of the Art Gallery of Ontario, obtained his ICD.d designation as a graduate of the Institute of Corporate Director's at Rotman School of Management, earned a Certificate in Entertainment Law from Osgoode Hall Law School and holds an active ACTRA membership. Mr. Paterson has also served as Chair of the Toronto Venture Stock Exchange, Vice Chair of the Toronto Stock Exchange, a Governor of the Investment Dealers Association, a Director of the Canadian Investor Protection Fund and a Director of the Canadian Securities Institute.

James Ward, Director

James is a Chartered Professional Accountant who began his career at Deloitte auditing and reporting for public companies. He then moved on to Goldman Sachs and ultimately into his current partnership role at O'Shaughnessy Financial, a private wealth firm specializing in life insurance and tax minimization strategies for affluent Canadian families. In 2021, Mr. Ward became the Chief Executive Officer, Chief Financial Officer and a director of 406 and following the closing of the 406 Amalgamation, Mr. Ward became a director of Trees.

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

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

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

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

Except as stated below, to the knowledge of Trees, no director or executive officer of Trees or any shareholder holding a sufficient number of Common Shares to affect materially the control of Trees:

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

(b) has, within the last ten (10) years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his assets;

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

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

Mr. Paterson reached a voluntary settlement with the Ontario Securities Commission twenty two years ago in December 2001 in respect to administrative proceedings which included a suspension of his registration for two years. There were no allegations that Mr. Paterson had violated any securities law, statute, regulation or policy statement.

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

CONFLICTS OF INTEREST

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

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

PROMOTERS

Other than as disclosed below, no person or company is a promoter of Trees, or has been, within the two years immediately preceding the date of this AIF, a promoter of Trees.

Paul Matthew Hill may be considered to be a promoter of Trees in that he took the initiative in founding and organizing Trees PrivateCo. As at March 31, 2023, Trees is currently indebted to Mr. Hill in the amount of $594,369 pursuant to the terms of a demand promissory note dated September 1, 2020, as amended. As at the date of this AIF, Mr. Hill owns, or exercises control or direction over, 9,842,876 Common Shares, representing approximately 4.87% of the outstanding Common Shares.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

To Trees knowledge, there are no legal proceedings or regulatory actions material to Trees to which it is a party, or has been a party to, or of which any of its property is or was the subject matter, and no such proceedings or actions are known by Trees to be contemplated.

There have been no penalties or sanctions imposed against Trees by a court or regulatory authority, and Trees has not entered into any settlement agreements before any court relating to provincial or territorial securities legislation or with any securities regulatory authority, in the three (3) years prior to the date of this AIF.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No (i) director or executive officer of Trees, (ii) person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of any class or series of Trees outstanding voting securities; and (iii) Associate or Affiliate of any of the persons or companies referred to in (i) or (ii) herein, has, during the fiscal year ended March 31, 2023, the three (3) preceding fiscal years and the current fiscal year, any material interest in any transactions or any proposed transactions which has materially affected or will materially affect Trees, other than:

On March 15, 2022, Trees completed its acquisition of Miraculo. Prior to the completion of the acquisition, G. Scott Paterson was a Director of Miraculo. Upon completion of the acquisition, G. Scott Paterson was appointed to the Board as a Director. For more information concerning Trees acquisition of Miraculo see "*General Development of the Business – Acquisitions – Miraculo*".

On December 22, 2021, Trees PrivateCo and 406 completed the 406 Amalgamation. Prior to the completion of the 406 Amalgamation, James Ward was the Chief Executive Officer, Chief Financial Officer and a Director of 406. Upon completion of the 406 Amalgamation, James Ward was appointed to the Board as a Director. For more information concerning the 406 Amalgamation see "*Corporate Structure - Name, Address and Incorporation*".

On March 1, 2021, Trees PrivateCo completed the OCH Amalgamation. Prior the completion of the OCH Amalgamation, Jeff Holmgren was the Executive Vice President and Chief Financial Officer of OCH. Upon completion of the OCH Amalgamation, Jeff Holmgren was appointed to the Board as a Director and was appointed the Chief Financial Officer of Trees PrivateCo. For more information concerning the OCH Amalgamation see "*General Development of the Business - Three-Year History of Trees – 2020*".

AUDITOR, TRANSFER AGENT AND REGISTRAR

Odyssey Trust Company, at its Calgary, Alberta office acts as Trees transfer agent and registrar and Zeifmans LLP, at its Toronto, Ontario office acts as Trees auditor.

MATERIAL CONTRACTS

Material contracts of Trees, other than contracts entered into in the ordinary course of business, that were entered into within the last financial year or before the last financial year but still in effect:

1. the 46-201 Escrow Agreement;

2. the Ontario Cannabis Store Agreement with the OCS dated June 11, 2020 with respect to the provision of wholesale cannabis products for resale in licensed cannabis stores operated by Trees; and

3. the British Columbia LDB Agreement dated March 16, 2023 with respect to the provision of wholesale cannabis products for resale in licensed cannabis stores operated by Trees.

INTERESTS OF EXPERTS

No person or corporation whose profession or business gives authority to a statement made by the person or corporation and who is named as having prepared or certified a part of this AIF or as having prepared or certified a report or valuation described or included in this AIF holds any beneficial interest, direct or indirect, in any securities or property of Trees or of an Associate or Affiliate of Trees and no such person is expected to be elected, appointed or employed as a director, senior officer or employee of Trees or of an Associate or Affiliate of Trees and no such person is a promoter of Trees or an Associate or Affiliate of Trees.

Zeifmans LLP is the auditor of Trees and has confirmed that they are independent within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations.

AUDIT COMMITTEE

Audit Committee's Charter

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

Composition of Audit Committee

As at the date of this AIF, the Audit Committee is composed of Fraser Clarke, G. Scott Paterson and Campbell Becher each of whom is a director of Trees. Lisa Dea, who served on the Audit Committee as an independent director, resigned from the Board effective September 9, 2022.

Fraser Clarke and G. Scott Paterson are “independent” as such term is defined in National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”). Campbell Becher is not “independent” as such term is defined in NI 52-110. However, Campbell Becher was appointed to the Audit Committee following the resignation of Lisa Dea on September 9, 2022, and Trees is relying on the exemption set out in Section 3.5 of NI 52-110 in respect of his appointment. Trees is of the opinion that all members of the Audit Committee are “financially literate” as such term is defined in NI 52-110.

Relevant Education and Experience

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

Fraser Clarke – Mr. Clarke is the Owner and Chief Executive Officer of Massage Addict Incorporated, a national retailer of Registered Massage Therapy, Chiropractic Care and Acupuncture services. He is also currently a board member and Chair of the audit committee of ClearStream Energy Services. Mr. Clarke was previously the President and Chief Executive Officer of Herbal Magic, a Canadian weight loss and nutrition company, from February 2011 to August 2013, and previously the President and Chief Operating Officer of Herbal Magic Inc. from February 2009 to February 2011. From October 2002 to July 2007, he was President and Chief Executive Officer of Hair Club for Men, and prior to this role, Mr. Clarke was an Associate at CCC Investment Banking and an Associate at Ernst & Young LLP.

G. Scott Paterson **–** Mr. Paterson is a Toronto-based entrepreneur, financier and investor focused on technology and media. Mr. Paterson has served as a Trustee of the Art Gallery of Ontario, obtained his ICD.d designation as a graduate of the Institute of Corporate Director's at Rotman School of Management, earned a Certificate in Entertainment Law from Osgoode Hall Law School and holds an active ACTRA membership. Mr. Paterson has also served as Chair of the Toronto Venture Stock Exchange, Vice Chair of the Toronto Stock Exchange, a Governor of the Investment Dealers Association, a Director of the Canadian Investor Protection Fund and a Director of the Canadian Securities Institute.

Campbell Becher **–** Mr. Becher has extensive experience in the capital markets industry. He was a Managing Director of Haywood Securities Inc, from 2016 to 2020 focused on Special Situations. He has been actively involved in the investment industry since 1993. Mr. Becher spent eight years in retail at RBC Dominion and BMO Nesbitt Burns before pursuing merchant banking for six years with Bearbeech Capital and Becher McMahon. From 2008 to 2014, he served as President & CEO of Byron Capital Markets Ltd., an investment bank headquartered in Toronto with offices in Montreal and Vancouver. Since 2021, Mr. Becher has also held the position of President at Becher Family Holdings.

Reliance on Certain Exemptions

In respect of the fiscal year ended March 31, 2023, Trees is relying on the exemption set out in section 3.5 of NI 52-110.

Audit Committee Oversight

At no time since the commencement of Trees most recently completed financial year have any recommendations by the Audit Committee respecting the nomination and compensation of Trees external auditors not been adopted by the Board.

Pre-Approval Policies and Procedures

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

External Auditor Service Fees (By Category)

The aggregate fees billed by Trees external auditors during the financial year ended March 31, 2023 and December 31, 2021 are as follows:

Financial Period Ending	Audit Fees ($)[(1)]	Audit Related Fees ($)[(2)]	Tax Fees ($)[(3)]	All Other Fees ($)[(4)]
March 31, 2023	$155,000	-	-	-
December 31, 2021	$426,300	-	-	-

Notes:
(1) "Audit Fees" includes fees necessary to perform the annual audit of Trees financial statements. These services include reviewing interim financial statements and disclosure documents related to financings and other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.
(2) "Audit-Related Fees" include services that are traditionally performed by the auditor.
(3) "Tax Fees" include fees for all tax services other than those included in "Audit Fees" and "Audit-Related Fees". This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.
(4) "All Other Fees" include all other non-audit services, the aggregate fees billed for products and services, other than the services reported under notes (1), (2) and (3) above.

ADDITIONAL INFORMATION

Additional information relating to Trees can be found under Trees profile on SEDAR at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Trees securities and securities authorized for issuance under equity compensation plans is contained in the Information Circular, as filed on SEDAR on November 12, 2021.

Additional financial information is provided in Trees consolidated financial statements and MD&A for fiscal year ended March 31, 2023.

EXHIBIT "A"
AUDIT COMMITTEE CHARTER

National Instrument 52-110 – *Audit Committees* (the "**Instrument**") relating to the composition and function of audit committees was implemented for reporting issuers and, accordingly, applies to every Neo Exchange Inc. listed company, including the Company. The Instrument requires all affected issuers to have a written audit committee charter which must be disclosed, as stipulated by Form 52-110F2, in the management information circular of the Company wherein management solicits proxies from the security holders of the Company for the purpose of electing directors to the board of directors.

This Charter has been adopted by the board of directors in order to comply with the Instrument and to more properly define the role of the Committee in the oversight of the financial reporting process of the Company. Nothing in this Charter is intended to restrict the ability of the board of directors or Committee to alter or vary procedures in order to comply more fully with the Instrument, as amended from time to time.

PART 1

Purpose:

The purpose of the Committee is to:

(a) improve the quality of the Company's financial reporting;

(b) assist the board of directors to properly and fully discharge its responsibilities;

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

(d) enhance the external auditor's independence;

(e) increase the credibility and objectivity of financial reports; and

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

1.1 Definitions

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

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

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

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

"**Committee**" means the committee established by and among certain members of the board of directors for the purpose of overseeing the accounting and financial reporting processes of the Company and audits of the financial statements of the Company;

"**Company**" means Trees Corporation;

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

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

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

"independent" means independent only as determined by both the Instrument and the NEO Exchange Listing Manual;

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

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

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

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

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

1.2 Meaning of Financially Literate

For the purposes of this Charter, an individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

PART 2

2.1 Audit Committee

The board of directors has hereby established the Committee for, among other purposes, compliance with the Instrument.

2.2 Relationship with External Auditors

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

2.3 Committee Responsibilities

1. The Committee shall be responsible for making the following recommendations to the board of directors:

   (a) the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company; and

   (b) the compensation of the external auditor.

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

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

(b) reviewing with management and the external auditor any proposed changes in major accounting policies, the presentation and impact of significant risks and uncertainties, and key estimates and judgements of management that may be material to financial reporting;

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

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

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

(f) reviewing the post-audit or management letter, containing the recommendations of the external auditor, and management's response and subsequent follow up to any identified weakness;

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

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

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

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

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

(l) reviewing the appointments of the chief financial officer and any key financial executives involved in the financial reporting process, as applicable.

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

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

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

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

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

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

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

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

9. As applicable, the Committee shall establish, periodically review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the issuer.

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

2.4 De Minimis Non-Audit Services

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

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

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

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

2.5 Delegation of Pre-Approval Function

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

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

PART 3

3.1 Composition

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

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

2. Every Member shall be independent.

3. Every Member shall be financially literate.

4. The board of directors of the Company shall appoint or re-appoint the Members after each annual meeting of shareholders of the Company.

PART 4

4.1 Authority

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

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

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

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

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

PART 5

5.1 Required Disclosure

The Company must include in its Annual Information Form the disclosure required by Form 52-110F1.

5.2 Disclosure in Information Circular

If management of the Company solicits proxies from the security holders of the Company for the purpose of electing directors to the board of directors, the Company shall include in its management information circular a cross-reference to the sections in the Company's Annual Information Form that contain the information required by section 5.1.

PART 6

6.1 Meetings

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

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

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