



HERITAGE CANNABIS  
Holdings Corp

## HERITAGE CANNABIS HOLDINGS CORP

77 Bloor Street West Suite 600, Toronto, Ontario Canada, M5S 1M2  
Telephone: 905-232-4709 or Toll-Free Number: 1-888-940-5925

### INFORMATION CIRCULAR

as at February 28, 2020  
(except as otherwise indicated)

**This Information Circular is furnished in connection with the solicitation of proxies by the management of Heritage Cannabis Holdings Corp. (the “Company”) for use at the annual general and special meeting (the “Meeting”) of its shareholders to be held on Thursday, April 16, 2020 at the time and place and for the purposes set forth in the accompanying notice of the Meeting.**

In this Information Circular, references to the “Company”, “Heritage”, “we” and “our” refer to **Heritage Cannabis Holdings Corp.** “Common Shares” means common shares without par value in the capital of the Company. “Beneficial Shareholders” means shareholders who do not hold Common Shares in their own name and “intermediaries” refers to brokers, investment firms, clearing houses and similar entities that own securities on behalf of Beneficial Shareholders.

Unless otherwise indicated, all dollar amounts in this Information Circular are given as of February 28, 2020. All dollar amounts in this Information Circular refer to Canadian dollars, unless otherwise indicated.

### GENERAL PROXY INFORMATION

#### Solicitation of Proxies

The solicitation of proxies will be primarily by mail, but proxies may be solicited personally or by telephone by directors, officers and regular employees of the Company. The Company will bear all costs of this solicitation. We have arranged for intermediaries to forward the Meeting Materials (as defined below) to Beneficial Shareholders of record of those intermediaries and we may reimburse the intermediaries for their reasonable fees and disbursements in that regard.

#### Notice-and-Access

In November 2012, the Canadian Securities Administrators announced the adoption of regulatory amendments to securities laws governing the delivery of proxy-related materials by public companies. Public companies are now permitted to advise their shareholders of the availability of all proxy-related materials on an easily-accessible website, rather than mailing copies of the materials.

The Company has elected to use the notice and access procedure (“**Notice and Access**”) under National Instrument 51-102 – *Continuous Disclosure Obligations* and National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* (“**NI 54-101**”), for the delivery of Meeting Materials to shareholders for the Meeting. Under the provisions of Notice and Access, shareholders will receive a notice (“**Notice and Access Notice**”) containing information on how they can access the Company’s notice of Meeting and Information Circular (the “**Meeting Materials**”) electronically or how they can receive a printed copy of the Meeting Materials. Together with the Notice and Access Notice, shareholders will receive a form of proxy (“**Proxy**”), in the case of registered shareholders, enabling them to vote at the Meeting. The Meeting Materials will be posted on the Company’s website at <https://heritagecann.com/investors>, as of March 6, 2020, and will remain on the Company’s website for one year. The Meeting Materials will also be available on the Company’s SEDAR corporate profile at [www.sedar.com](http://www.sedar.com) as of, March 6, 2020. **All registered shareholders and Beneficial Shareholders will receive a Notice and Access Notice.**

#### Appointment of Proxyholders

The individuals named in the accompanying Proxy are directors and/or officers of the Company. **If you are a shareholder entitled to vote at the Meeting, you have the right to appoint a person or company other than either of the persons designated in the Proxy, who need not be a shareholder, to attend and act for you and on your behalf at the Meeting. You may do so either by inserting the name of that other person in the blank space provided in the Proxy or by completing and delivering another suitable form of proxy.**

### **Voting by Proxyholder**

The persons named in the Proxy will vote or withhold from voting the Common Shares represented thereby in accordance with your instructions on any ballot that may be called for. If you specify a choice with respect to any matter to be acted upon, your Common Shares will be voted accordingly. The Proxy confers discretionary authority on the persons named therein with respect to:

- (a) each matter or group of matters identified therein for which a choice is not specified, other than the appointment of an auditor and the election of directors;
- (b) any amendment to or variation of any matter identified therein; and
- (c) any other matter that properly comes before the Meeting.

**In respect of a matter for which a choice is not specified in the Proxy, the persons named in the Proxy will vote the Common Shares represented by the Proxy for the approval of such matter.**

### **Registered Shareholders**

Registered shareholders may wish to vote by Proxy whether or not they are able to attend the Meeting in person. Registered shareholders may choose one of the following options to submit their Proxy:

- (a) completing, dating and signing the enclosed Proxy and returning it to the Company's transfer agent, Computershare Investor Services Inc. ("**Computershare**"), by fax within North America at 1-866-249-7775, outside North America at (416) 263-9524, or by mail to the 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 or by hand delivery at 3<sup>rd</sup> Floor, 510 Burrard Street, Vancouver, British Columbia, Canada V6C 3B9;
- (b) use a touch-tone phone to transmit voting choices to a toll-free number. Registered shareholders must follow the instructions of the voice response system and refer to the Proxy for the toll-free number, the holder's account number and the control number; or
- (c) use the internet through the Computershare's website at [www.investorvote.com](http://www.investorvote.com). Registered shareholders must follow the instructions that appear on the screen and refer to the Proxy for the holder's account number and the control number.

In all cases the registered shareholder must ensure the Proxy is received at least 48 hours (excluding Saturdays, Sundays and statutory holidays) before the Meeting, or the adjournment thereof, at which the Proxy is to be used.

### **Beneficial Shareholders**

**The following information is of significant importance to shareholders who do not hold Common Shares in their own name.** Beneficial Shareholders should note that the only proxies that can be recognized and acted upon at the Meeting are those deposited by registered shareholders (those whose names appear on the records of the Company as the registered holders of Common Shares) or as set out in the following disclosure.

If Common Shares are listed in an account statement provided to a shareholder by a broker, then in almost all cases those Common Shares will not be registered in the shareholder's name on the records of the Company. Such Common Shares will more likely be registered under the names of an intermediary. In the United States, the vast majority of such Common Shares are registered under the name of Cede & Co. as nominee for The Depository Trust Company (which acts as depository for many U.S. brokerage firms and custodian banks), and in Canada, under the name of CDS & Co. (the registration name for The Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms).

Intermediaries are required to seek voting instructions from Beneficial Shareholders in advance of meetings of shareholders. Every intermediary has its own mailing procedures and provides its own return instructions to clients.

There are two kinds of Beneficial Shareholders – those who object to their name being made known to the issuers of securities which they own (called "**OBOS**" for Objecting Beneficial Owners) and those who do not object to the issuers of the securities they own knowing who they are (called "**NOBOs**" for Non-Objecting Beneficial Owners).

The Company is taking advantage of the provisions of NI 54-101 that permit it to directly deliver proxy-related materials to its NOBOs. As a result NOBOs can expect to receive a scannable Voting Instruction Form ("**VIF**") from our transfer agent. These VIFs are to be completed and returned to Computershare in the envelope provided or by facsimile. In addition, Computershare provides for both telephone voting and internet voting as described on the VIF itself, which contains complete instructions with respect to the Common Shares represented by the VIFs.

These securityholder materials are being sent to both registered and non-registered owners of the securities of the Company. If you are a non-registered owner, and the Company or its agent sent these materials directly to you, your name and address and information about your holdings of securities have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding securities on your behalf.

By choosing to send these materials to you directly, the Company (and not the intermediary holding securities on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in your request for voting instructions.

Beneficial Shareholders who are OBOs should follow the instructions of their intermediary carefully to ensure that their Common Shares are voted at the Meeting.

The form of proxy supplied to you by your broker will be similar to the Proxy provided to registered shareholders by the Company. However, its purpose is limited to instructing the intermediary on how to vote your Common Shares on your behalf. Most brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (“**Broadridge**”) in the United States and in Canada. Broadridge mails a VIF in lieu of a Proxy provided by the Company. The VIF will name the same persons as the Company’s Proxy to represent your Common Shares at the Meeting. You have the right to appoint a person (who need not be a Beneficial Shareholder of the Company), other than any of the persons designated in the VIF, to represent your Common Shares at the Meeting, and that person may be you. To exercise this right, you should insert the name of the desired representative (which may be yourself) in the blank space provided in the VIF. The completed VIF must then be returned to Broadridge by mail or facsimile or given to Broadridge by phone or over the internet, in accordance with Broadridge’s instructions. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting, and the appointment of any shareholder’s representative. **If you receive a VIF from Broadridge, you cannot use that form to vote Common Shares directly at the Meeting. The VIF must be completed and returned to Broadridge, in accordance with its instructions, well in advance of the Meeting in order to have your Common Shares voted at the Meeting and to vote your Common Shares at the Meeting. If you have any questions respecting the voting of Common Shares held through a broker or other intermediary, please contact that broker or other intermediary for assistance.**

#### **Notice to Shareholders in the United States**

The solicitation of proxies is not subject to the requirements of Section 14(a) of the *U.S. Securities Exchange Act of 1934* (the “**Exchange Act**”) by virtue of an exemption applicable to proxy solicitations by foreign private issuers as defined in Rule 3b-4 of the Exchange Act. Accordingly, this Information Circular has been prepared in accordance with applicable Canadian disclosure requirements. Residents of the United States should be aware that such requirements differ from those of the United States applicable to proxy statements under the Exchange Act.

This document does not address any income tax consequences of the disposition of the Company’s Common Shares by the shareholders. Shareholders in a jurisdiction outside of Canada should be aware that the disposition of the Common Shares by them may have tax consequences both in those jurisdictions and in Canada, and are urged to consult their tax advisors with respect to their particular circumstances and the tax considerations applicable to them.

Any information concerning any properties and operations of the Company has been prepared in accordance with Canadian standards under applicable Canadian securities laws, and may not be comparable to similar information for United States companies.

Financial statements included or incorporated by reference herein have been prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board, and are subject to auditing and auditor independence standards in Canada. Such consequences for the Company shareholders who are resident in, or citizens of, the United States may not be described fully in this Information Circular.

The enforcement by the shareholders of civil liabilities under the United States federal securities laws may be affected adversely by the fact that the Company is incorporated or organized under the laws of a foreign country, that some or all of their officers and directors and the experts named herein are residents of a foreign country and that the major assets of the Company are located outside the United States.

## **Revocation of Proxies**

In addition to revocation in any other manner permitted by law, a registered shareholder who has given a Proxy may revoke it by:

- (a) executing a Proxy bearing a later date or by executing a valid notice of revocation, either of the foregoing to be executed by the registered shareholder or the registered shareholder's authorized attorney in writing, or, if the registered shareholder is a corporation, under its corporate seal by an officer or attorney duly authorized, and by delivering the Proxy bearing a later date to Computershare at any time up to and including the last business day that precedes the day of the Meeting or, if the Meeting is adjourned, the last business day that precedes any reconvening thereof, or to the chairman of the Meeting on the day of the Meeting or any reconvening thereof, or in any other manner provided by law; or
- (b) personally attending the Meeting and voting the registered shareholder's Common Shares.

A revocation of a Proxy will not affect a matter on which a vote is taken before the revocation.

## **INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON**

No director or executive officer of the Company, or any person who has held such a position since the beginning of the Company's financial year end on October 31, 2018, nor any nominee for election as a director of the Company, nor any associate or affiliate of the foregoing persons, has any substantial or material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting other than the election of directors and as may be set out herein.

## **VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES**

The board of directors (the "**Board**") of the Company has fixed February 26, 2020 as the record date (the "**Record Date**") for determination of persons entitled to receive notice of the Meeting. Only shareholders of record at the close of business on the Record Date who either attend the Meeting personally or complete, sign and deliver a Proxy in the manner and subject to the provisions described above will be entitled to vote or to have their Common Shares voted at the Meeting.

The authorized share structure capital of the Company is an unlimited number of Common Shares.

As of February 26, 2020, there were 473,718,024 Common Shares issued and outstanding, each carrying the right to one vote, in person or by proxy, at any shareholders' meeting. No group of shareholders has the right to elect a specified number of directors, nor are there cumulative or similar voting rights attached to the Common Shares.

The Company was incorporated under the laws of the Province of British Columbia on October 25, 2007 as "Trijet Mining Corp." Effective March 8, 2013, the Company changed its name to "Umbral Energy Corp." In connection with a "**change of business**" transaction within the meaning of such term in the policies of the Canadian Securities Exchange (the "**CSE**") to a medical marijuana issuer, on January 10, 2018, the Company changed its name from "Umbral Energy Corp." to "Heritage Cannabis Holdings Corp." The Common Shares are listed on the Canadian Securities Exchange under the trading symbol "CANN" and on the OTCQX under the symbol "HERTF".

To the knowledge of the directors and executive officers of the Company, as at February 26, 2020, there were no persons or corporations that beneficially owned, directly or indirectly, or exercised control or direction over, Common Shares carrying more than 10% of the voting rights attached to all outstanding Common Shares of the Company.

## **FINANCIAL STATEMENTS**

The audited financial statements of the Company for the fiscal years ended October 31, 2019 and October 31, 2018, the report of the auditor and the related management discussion and analysis were filed on SEDAR at [www.sedar.com](http://www.sedar.com) on February 28, 2020, and February 27, 2019, respectively. These audited financial statements will be tabled at the Meeting.

## **NUMBER OF DIRECTORS**

The Company's articles of continuance provide that the Board shall consist of a minimum of one and a maximum of ten directors. The Board presently consists of four directors and it is proposed that the number of directors of the Company for the ensuing year be fixed at four.

The *Business Corporations Act* (Ontario) (the "**OBCA**") provides that where a minimum and a maximum number of directors of a corporation is provided for in the articles of the corporation, the number of directors of the corporation and the number of directors to be elected at an annual meeting of the shareholders shall be such number as shall be determined from time to time by special resolution of the shareholders or, if a special resolution of the shareholders empowers the

directors to determine the number, by resolution of the directors. The OBCA further provides that where such a special resolution has been passed to empower the directors to determine the number of directors, the directors may not between meetings of shareholders appoint additional directors if, after such appointment, the total number of directors would be greater than one and one-third times the number of directors required to have been elected at the last annual meeting of shareholders. In other words, if so empowered by a special resolution, a board of directors could increase its size by up to a third between annual meetings of shareholders.

The Board feels that to remain effective and to continue to fully and properly dispense with the duties of the Board, it is desirable to permit the Board to determine from time to time the appropriate size of the Board. As a result, the Company is requesting that at the Meeting, the shareholders pass a special resolution, in accordance with the OBCA, to empower the Board to determine the number of directors on the Board from time to time within the minimum and the maximum number set in the Company's articles of continuance, by a resolution of the directors, subject to the limitations set out in the OBCA.

At the Meeting, shareholders of the Company will be asked to consider, and if deemed advisable, to pass, with or without variation, the following special resolution (the "**Board Size Resolution**") fixing the number of directors at four, and permitting the Board to determine the number of directors on the Board from time to time within the minimum and the maximum number set in the Company's articles of continuance, by a resolution of the directors, subject to the limitations set out in the OBCA:

"BE IT RESOLVED AS A SPECIAL RESOLUTION THAT the number of directors to be elected for the time being shall be four (4) and that the number of directors of the Company from time to time may be determined, within the minimum and maximum set out in the Company's articles of continuance, by a resolution of the directors, subject to the limitations set out in the *Business Corporations Act* (Ontario)."

In order to be passed, the Board Size Resolution requires the approval of two-thirds (66⅔%) of the votes cast thereon by shareholders of the Company present in person or represented by proxy at the Meeting. **The directors of the Company unanimously recommend that shareholders vote in favour of the Board Size Resolution. Unless otherwise directed, the persons named in the enclosed form of Proxy intend to vote FOR the Board Size Resolution.**

#### ELECTION OF DIRECTORS

The term of office of each of the current directors will end immediately before the election or appointment of directors at the Meeting. Unless the director's office is earlier vacated in accordance with the provisions of the OBCA, each director elected will hold office until immediately before the election or appointment of directors at the Meeting, or if no directors are then elected, until a successor is elected.

The following disclosure sets out the names of management's four nominees for election as directors, all major offices and positions with the Company and any of its significant affiliates that each nominee now holds, each nominee's principal occupation, business or employment, the period of time during which each nominee has been a director of the Company and the number of Common Shares of the Company beneficially owned by each, directly or indirectly, or over which each exercised control or direction, as at February 26, 2020.

Name of Nominee; Current Position with the Company and Province or State and Country of Residence	Principal Occupation	Period as a Director of the Company	Common Shares Beneficially Owned or Controlled <sup>(1)</sup>
Donald Ziraldo <sup>(6)(7)</sup> Non-Executive Chairman of the Board and Director Ontario, Canada	Chief Executive Officer ("CEO") and President of Condor Holdings Corp.	Since February 8, 2019	1,174,822 <sup>(2)</sup>
Clinton Sharples <sup>(7)</sup> CEO, President and Director Ontario, Canada	Partner, First Growth Management Inc. (private venture capital company).	Since May 29, 2013	4,781,000 <sup>(3)</sup>
Graeme L. Staley <sup>(6)</sup> Director British Columbia, Canada	CEO of Purefarma Solutions Inc.	Since December 14, 2018	6,666,667 <sup>(4)</sup>

Name of Nominee; Current Position with the Company and Province or State and Country of Residence	Principal Occupation	Period as a Director of the Company	Common Shares Beneficially Owned or Controlled <sup>(1)</sup>
Celine Arsenaault <sup>(6)(7)</sup> Director Ontario, Canada	Vice President Finance, Livingston International	Since February 8, 2019	Nil <sup>(5)</sup>

Notes:

- (1) The information as to principal occupation, business or employment and Common Shares beneficially owned or controlled is not within the knowledge of the management of the Company and has been furnished by the respective nominees.
- (2) 1,074,822 Common Shares are owned directly by Donald Ziraldo, and 100,000 Common Shares are owned indirectly by Aspen Ziraldo, over which account Donald Ziraldo has control and direction over. Mr. Ziraldo holds a total of 500,000 Options (as defined below) at an exercise price of \$0.34, expiring on February 8, 2024.
- (3) 3,640,000 Common Shares are owned directly by Clinton Sharples, 800,000 Common Shares are owned indirectly by Equival Inc., a private company owned and controlled by Mr. Sharples and 341,000 Common Shares are owned indirectly by First Growth Management, a private company owned and controlled by Mr. Sharples. Mr. Sharples holds a total of 280,500 Options at an exercise price of \$0.54 expiring on March 19, 2023 and a total of 500,000 Options at an exercise price of \$0.34 expiring on February 8, 2024. Mr. Sharples also owns 700,000 RSUs (as defined below).
- (4) 6,666,667 Common Shares are owned directly by Graeme Staley. Mr. Staley holds a total of 250,000 Options at an exercise price of \$0.34 expiring on February 8, 2024.
- (5) Celine Arsenaault holds 250,000 Options at an exercise price of \$0.34 expiring on February 8, 2024.
- (6) Member of the audit committee (the “**Audit Committee**”).
- (7) Member of the compensation committee (the “**Compensation Committee**”).

*Corporate Cease Trade Orders or Bankruptcies*

Other than set out below, there are, no current or proposed director is, or has been within the past 10 years, a director or executive officer of any other company that, while such person was acting in that capacity: (a) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days; (b) was subject to an event that resulted, after the current or proposed director ceased to be a director or executive officer of such company, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or (c) within a year of the current or proposed director 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.

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

*Personal Bankruptcies*

No current or proposed director has, within the past 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.

*Penalties or Sanctions*

No current or proposed directors has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable shareholder in deciding whether to vote for a proposed director.

**Unless otherwise directed, the persons named in the enclosed form of proxy intend to vote FOR the election of the nominees.**

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT EACH SHAREHOLDER VOTE “FOR” THE ELECTION OF THE ABOVE NOMINEES AS DIRECTORS.**

## APPOINTMENT OF AUDITOR

A firm of auditors is to be appointed by vote of the shareholders at the Meeting to serve as auditors of the Company until the close of the next annual meeting. MNP LLP, Chartered Professional Accountants (“MNP LLP”), 50 Burnhamthorpe Road West Suite 900, Mississauga, Ontario Canada, L5B 3C2 will be nominated at the Meeting for reappointment as auditor of the Company. MNP LLP have acted as auditors of the Company effective August 28, 2019. Prior to this time Morgan & Company LLP acted as auditors of the Company.

## AUDIT COMMITTEE AND RELATIONSHIP WITH AUDITOR

National Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators (“NI 52-110”) requires the Company, as a venture issuer, to disclose annually in its Information Circular certain information concerning the constitution of its audit committee and its relationship with its independent auditor, as set forth in the following:

### The Audit Committee’s Charter

The Audit Committee has a charter which charter is attached as Schedule A to this Information Circular.

### Composition of the Audit Committee

The members of the Audit Committee are composed of Celine Arsenault (Chair), Graeme L. Staley and Donald Ziraldo. Celine Arsenault and Donald Ziraldo are independent members of the Audit Committee. Graeme L. Staley is not independent as he is the CEO of Purefarma Solutions Inc., a British Columbia company which is 100% owned by the Company.

### Relevant Education and Experience

All members of the Audit Committee are considered to be financially literate.

### Audit Committee Oversight

The Audit Committee has not made any recommendations to the Board to nominate or compensate any auditor other than MNP LLP.

### Reliance on Certain Exemptions

The Company’s auditor, MNP LLP, has not provided any material non-audit services for fiscal year ended October 31, 2019.

### Pre-Approval Policies and Procedures

The Audit Committee is required to approve the engagement of the Company’s external auditors in respect of non-audit services.

### External Auditor Service Fees (By Category)

The following table summarizes the fees paid to the external auditors of the Company during their respective appointments, being MNP LLP and Morgan & Company LLP, in each of the last two fiscal years ended October 31, 2019 and October 31, 2018:

<u>Fiscal Year</u>	<u>Audit Fees<sup>2</sup></u>	<u>Audit-Related Fees<sup>3</sup></u>	<u>Tax Fees<sup>4</sup></u>	<u>All Other Fees<sup>5</sup></u>
2019 <sup>1</sup>	\$110,00	Nil	Nil \$	\$17,000
2018	\$65,183	Nil	\$3,500	\$17,000

Notes:

- (1) The 2019 fees represent the Company’s best estimate as at the date hereof.
- (2) “**Audit Fees**” include fees necessary to perform the annual audit of the Company’s consolidated financial statements.
- (3) “**Audit-Related Fees**” include other services that are performed by the auditor such as consultations or internal control reviews.
- (4) “**Tax Fees**” include fees for tax compliance, tax planning and tax advice. These services include preparing tax returns and corresponding with government tax authorities.
- (5) “**All Other Fees**” include all other non-audit services.

## Exemption

The Company is a “**venture issuer**” as defined in NI 52-110 and is relying on the exemption in section 6.1 of NI 52-110 relating to Parts 3 (*Composition of Audit Committee*) and 5 (*Reporting Obligations*) of NI 52-110.

## CORPORATE GOVERNANCE

Corporate governance refers to the policies and structure of the board of directors of a company, whose members are elected by and are accountable to the shareholders of the company. Corporate governance encourages establishing a reasonable degree of independence of the board of directors of a company from executive management and the adoption of policies to ensure the board of directors recognizes the principles of good management. The Board is committed to sound corporate governance practices as such practices are both in the interests of shareholders and help to contribute to effective and efficient decision-making.

### Board of Directors

The Board is currently composed of Donald Ziraldo, Clinton Sharples, Graeme L. Staley and Celine Arsenault. All of the proposed nominees for election as directors are currently directors of the Company. National Instrument 58-101 *Disclosure of Corporate Governance Practices* (“**NI 58-101**”) suggests that the board of directors of a public company should be constituted with a majority of individuals who qualify as “independent” directors. An “**independent**” director is a director who is independent of management and is free from any interest and any business or other relationship which could, or could reasonably be perceived to materially interfere with the director’s ability to act with a view to the best interests of a company, other than interests and relationships arising from shareholding. In addition, where a company has a significant shareholder, NI 58-101 suggests that a board of directors should include a number of directors who do not have interests in either the company or the significant shareholder. Donald Ziraldo and Celine Arsenault are considered by the Board to be “independent” within the meaning of NI 58-101. Clinton Sharples, and Graeme L. Staley are considered to be “non-independent” within the meaning of NI 58-101 (Clinton Sharples is an executive officer of the Company, and Graham L. Staley is the CEO of Purefarma Solutions Inc. a British Columbia company 100% owned by the Company).

Given the relative small nature of the Company’s operations, the Board feels that the composition of its Board is adequate at the present time. The Board facilitates its exercise of supervision over the Company’s management through frequent meetings of the Board.

### Directorships

The directors of the Company currently do not hold directorships in other reporting issuers.

### Orientation and Continuing Education

The Company has not yet developed an official orientation or training program for new directors. The Company is currently engaged as a cannabis solutions provider under the *Cannabis Act*, S.C. 2018, c.16 and the *Cannabis Regulations*, SOR/2018-144, and new directors will be provided, through discussions and meetings with other directors, officers, and employees, with a thorough description of the Company’s business, properties, assets, operations and strategic plans and objectives. Orientation activities will be tailored to the particular needs and experience of each director and the overall needs of the Board.

Board meetings may also include presentations by the Company’s management and employees to give the directors additional insight into the Company’s business.

### Ethical Business Conduct

The Board conducts itself with high business and moral standards and follows all applicable legal and financial requirements. In that regard, the Board has adopted a written Code of Business Conduct and Ethics (the “**Code**”) for its directors, officers, employees and consultants. The Code establishes practices regarding compliance with the law and internal policies and guidelines, a Whistleblower Policy which details complaint procedures for financial concerns, disclosure obligations, and internal financial control. Each employee, officer, director, and material consultant is provided with a copy of the Code and certifies, among others, that he or she has understood the Code and that he or she will continue to comply with the terms of the Code.

Further, the Board has found that the fiduciary duties placed on individual directors by the Company’s governing corporate legislation and the common law, as well as the restrictions placed by applicable corporate legislation on the individual director’s participation in decisions of the Board in which the director has an interest, are sufficient to ensure that the Board operates independently of management and in the best interests of the Company and its shareholders.

## **Nomination of Directors**

The Company considers the size of the Board each year when it considers the number of directors to recommend to the Board for director nominees. The criteria for selecting new directors reflect the requirements of the listing standards of the CSE (or such other exchange or self-regulatory organization on which the Company's securities are listed for trading) with respect to independence and the following factors:

- (a) the appropriate size of the Board;
- (b) the needs of the Company with respect to the particular talents and experience of its directors;
- (c) personal and professional integrity of the candidate;
- (d) level of education and/or business experience;
- (e) broad-based business acumen;
- (f) the level of understanding of the Company's business and the mining and oil and gas industry in which it operates and other industries relevant to the Company's business;
- (g) the ability and willingness to commit adequate time to Board and committee matters;
- (h) the fit of the individual's skills and personality with those of other directors and potential directors in building a Board that is effective, collegial and responsive to the needs of the Company;
- (i) the ability to think strategically and a willingness to share ideas; and
- (j) diversity of experiences, expertise and background.

Once a decision has been made to add or replace a director, the task of identifying new candidates will fall on the Board. If a candidate looks promising, the Board will conduct due diligence on the candidate and interview the candidate and if the results are satisfactory, the candidate is invited to join the Board.

## **Compensation**

Notwithstanding the foregoing, given that the Company has not, as of yet, generated any significant cash flows from its operations and operates with limited financial resources to ensure that funds are available to complete scheduled programs, the Company must consider not only the financial situation of the Company at the time of the determination of executive compensation, but also the estimated financial situation of the Company in the mid and long-term. An important element of executive compensation is the grant of compensation securities (as defined below) by the Company to its employees, director and officers which do not require cash disbursement by the Company.

### Compensation Committee

The Company formed the Compensation Committee effective March 8, 2019.

The members of the Company's Compensation Committee are composed of Donald Ziraldo (Chair), Celine Arsenault and Clinton Sharples.

The Board as a whole has the responsibility of determining the compensation for the directors and CEO.

To determine compensation payable, the Board reviews compensation paid to directors and CEOs of other companies of similar size and stage of development in similar industries and then determines appropriate compensation reflecting the responsibilities and time and effort expended by each director and the CEO while taking into account the financial and other resources of the Company. In settling on the compensation, the Board annually reviews the performance of the CEO in light of the Company's objectives and considers other factors that may have influenced achievement of the Company's objectives.

## **Other Board Committees**

The Company disbanded its advisory board effective April 9, 2019.

The Board has no other committees other than the Audit Committee and Compensation Committee.

## **Assessments**

The Board monitors the adequacy of information given to directors, communication between the Board and management and the strategic direction and processes of the Board.

## STATEMENT OF EXECUTIVE COMPENSATION

### GENERAL

For the purposes of this Statement of Executive Compensation:

“**compensation securities**” includes stock options, convertible securities, exchangeable securities and similar instruments including stock appreciation rights, deferred share units and restricted stock units granted or issued by the company or one of its subsidiaries for services provided or to be provided, directly or indirectly, to the company or any of its subsidiaries;

“**NEO**” or “**named executive officer**” means each of the following individuals:

- (a) each individual who, in respect of the company, during any part of the most recently completed financial year, served as CEO, including an individual performing functions similar to a CEO;
- (b) each individual who, in respect of the Company, during any part of the most recently completed financial year, served as chief financial officer (“**CFO**”), including an individual performing functions similar to a CFO;
- (c) in respect of the company and its subsidiaries, the most highly compensated executive officer other than the individuals identified in paragraphs (a) and (b) at the end of the most recently completed financial year whose total compensation was more than \$150,000, for that financial year; and
- (d) each individual who would be a named executive officer under paragraph (c) but for the fact that the individual was not an executive officer of the Company, and was not acting in a similar capacity, at the end of that financial year.

“**plan**” includes any plans, contract, authorization or arrangement, whether or not set out in any formal document, where cash, compensation securities or any other property may be received, whether for one or more persons; and

“**underlying securities**” means any securities issuable on conversion, exchange or exercise of compensation securities.

### DIRECTOR AND NAMED EXECUTIVE OFFICER COMPENSATION

#### Director and NEO Compensation, Excluding Options and Compensation Securities

The following table of compensation, excluding options and compensation securities, provides a summary of the compensation paid by the Company to NEOs and directors of the Company for the two completed financial years ended October 31, 2019 and October 31, 2018.

Options and compensation securities are disclosed under the heading “**Stock Options and Other Compensation Securities**” of this form.

Based on the definition above, the NEOs of the Company during the financial year ended October 31, 2019 were: Clinton Sharples, President, CEO and director, Erin Prohaska, CFO, and Daniel Phaure, Chief Operations Officer.

The directors of the Company who were not NEOs during financial year ended October 31, 2019 were Debra Senger, Donald Ziraldo, Celine Arsenault and Graeme L. Staley.

Graeme Staley was appointed a director of the Company on December 12, 2018.

Donald Ziraldo was appointed as Chairman/Non-Executive director of the Company on February 8, 2019.

Celine Arsenault was appointed as a director and chair of the Audit Committee on February 8, 2019.

Kristina Khersonski served as CFO and Corporate Secretary of the Company from May 24, 2013 to February 7, 2019.

Jagdip Bal served as CEO, President and a director of the Company from December 14, 2012 to September 4, 2018.

Clinton Sharples served as Interim President and CEO of the Company from September 4, 2018 to February 4, 2019. He also served Chairman/Non-Executive director of the Company from April 28, 2016 to February 8, 2019. Clinton Sharples was appointed CEO and President of the Company on February 8, 2019.

Debra Senger served as a director of the Company from September 4, 2018 to February 10, 2020.

Erin Prohaska was appointed as CFO of the Company on February 8, 2019.

Daniel Phaure was appointed as Chief Operations Officer of the Company on February 8, 2019.

**Table of Compensation, Excluding Compensation Securities in Financial Years ended October 31, 2018 and October 31, 2019**

The following table sets forth all direct and indirect compensation paid, payable, given or otherwise provided, directly or indirectly, by the Company to each NEO and each director of the Company:

Table of compensation excluding compensation securities							
Name and position	Year	Salary, consulting fee, retainer or commission (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of perquisites (\$)	Value of all other compensation (\$)	Total compensation (\$)
Clinton Sharples, CEO, President and Director	2019	180,000	nil	nil	nil	nil	180,000 <sup>(1)</sup>
	2018	90,000	nil	nil	nil	nil]	90,000 <sup>(2)</sup>
Jagdip Bal, former CEO, President and Director	2019	25,029	nil	nil	nil	nil	25,029 <sup>(3)</sup>
	2018	172,000	nil	nil	nil	nil	172,000 <sup>(4)</sup>
Kristina Khersonski, former CFO and Corporate Secretary	2019	6,000	nil	nil	nil	nil	6,000
	2018	nil	nil	nil	nil	nil	nil
Debra Senger, Director	2019	159,904	nil	nil	nil	nil	159,904 <sup>(5)</sup>
	2018	114,286	nil	nil	nil	nil	114,268 <sup>(6)</sup>
Donald Ziraldo, Director	2019	75,000	nil	nil	nil	nil	75,000 <sup>(7)</sup>
	2018	nil	nil	nil	nil]	nil	nil
Celine Arsenault, Director	2019	18,000	nil	nil	nil	nil	\$18,000
	2018	nil	nil	nil	nil	nil	nil
Graeme Staley, Director	2019	133,565	nil	nil	nil	nil	133,565
	2018	nil	nil	nil	nil	nil	nil
Daniel Phaire, Chief Operating Officer	2019	150,003	nil	nil	nil	nil	150,003
	2018	nil	nil	nil	nil	nil	nil
Erin Prohaska, CFO	2019	150,003	nil	nil	nil	nil	150,003 <sup>(8)</sup>
	2018	nil	nil	nil	nil	nil	nil

Notes:

- (1) \$180,000 was paid to Clinton Sharples/Equival Inc., of which Clinton Sharples is a director in common.
- (2) \$90,000 was paid to Clinton Sharples/Equival Inc., of which Clinton Sharples is a director in common.
- (3) \$25,029 was paid to Jagdip Bal/Infinity Alliance Corp., of which Jagdip Bal is a director in common.
- (4) \$172,000 was paid to Jagdip Bal /Infinity Alliance Corp., of which Jagdip Bal is a director in common.
- (5) \$159,904 was paid to Debra Senger /J Hamel Transport, of which Debra Senger is a director in common.
- (6) \$114,286 was paid to Debra Senger /J Hamel Transport, of which Debra Senger is a director in common.
- (7) \$75,000 was paid to Donald Ziraldo/Condor Holdings Corp., of which Donald Ziraldo is a director in common.
- (8) \$150,003 was paid to Erin Prohaska/2671815 Ontario Inc., of which Erin Prohaska is a director in common.

**Stock Options Plans and Other Incentive Plans**

10% “rolling” Share Option Plan (Option-Based Awards)

The Company has in place, a 10% rolling stock option plan, dated for reference October 23, 2014, as amended on May 13, 2019 (the “**Stock Option Plan**”), pursuant to which the Board can grant stock options (“**Options**”) to directors, officers,

employees, management and others who provide services to the Company. The Stock Option Plan provides compensation to participants and an additional incentive to work toward long-term Company performance. The Stock Option Plan was approved by the shareholders of the Company at the Company’s annual general meeting held on April 28, 2016.

Fixed Restricted Share Unit Plan (Share-Based Awards)

The Company has in place, a fixed restricted share unit plan dated for reference August 4, 2017 (the “**RSU Plan**”). The RSU Plan was approved by the shareholders of the Company at the Company’s annual general meeting held on August 20, 2018. The RSU plan was amended and approved by the shareholders of the Company at the Company’s annual general meeting held on August 9, 2019 by the way of an ordinary resolution of shareholders of the Company. The amendment provided that the number of Common Shares reserved for issuance as restricted share units under the Company’s RSU Plan dated August 4, 2017, be increased by an additional 9,000,000 Common Shares, to a total of 15,000,000 Common Shares.

The RSU Plan was designed to provide certain directors, employees, officers, other key employees and consultants of the Company and its related entities with the opportunity to acquire restricted share units (“**RSUs**”) of the Company in order to enable them to participate in the long-term success of the Company and to promote a greater alignment of their interests with the interests of the shareholders.

The Board (or a committee delegated by the Board) is responsible for administering the RSU Plan.

Equity Compensation Plans Information

	Number of securities to be issued upon exercise of outstanding Options/RSUs	Weighted-average exercise price of outstanding Options/RSUs	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Plan Category	(a)	(b)	(c)
Equity compensation plans approved by securityholders - 10% rolling Stock Option Plan	15,650,584 Options	\$0.28 Options	22,721,218 Options
Equity compensation plans approved by securityholders - fixed RSU Plan	6,000,000 RSUs	N/A	9,000,000 RSUs
Total	15,650,584 Options 6,000,000 RSUs		22,721,218 Options 9,000,000 RSUs

**Stock Options and Other Compensation Securities**

**Outstanding Compensation Securities**

Financial year ended October 31, 2019

The following table sets forth all compensation securities (both option-based and share-based) granted or issued to each NEO and director by the Company or any subsidiary thereof during the financial year ended October 31, 2019:

Compensation Securities							
Name and position	Type of compensation security	Number of compensation securities, number of underlying securities, and percentage of class	Date of issue or grant M-D-Y	Issue, conversion or exercise price (\$)	Closing price of security or underlying security on date of grant (\$)	Closing price of security or underlying security at year end (\$)	Expiry Date M-D-Y
Clinton Sharples, CEO and President	Options	500,000 1.06%	02-08-19	0.34	0.335	0.245	02-08-24
	RSUs	nil	nil	nil	nil	nil	nil

Kristina Khersonski, former CFO and Corporate Secretary	Options	50,000 0.11%	02-08-19	0.34	0.335	0.245	02-08-24
	RSUs	nil	nil	nil	nil	nil	nil
Debra Senger, Director	Options	250,000 0.53%	12-08-19	0.34	0.335	0.245	02-08-24
	RSUs	nil	nil	nil	nil	nil	nil
Donald Ziraldo, Director	Options	500,000 1.06%	02-08-19	0.34	0.335	0.245	02-08-24
	RSUs	nil	nil	nil	nil	nil	nil
Celine Arsenault, Director	Options	250,000 0.53%	02-08-19	0.34	0.335	0.245	02-08-24
	RSUs	nil	nil	nil	nil	nil	nil
Graeme Staley, Director	Options	250,000 0.53%	02-08-19	0.34	0.335	0.245	02-08-24
	RSUs	nil	nil	nil	nil	nil	nil
Daniel Phaure, Chief Operating Officer	Options	500,000 1.06%	02-08-19	0.34	0.335	0.245	02-08-24
	RSUs	nil	nil	nil	nil	nil	nil
Erin Prohaska, CFO	Options	500,000 1.06%	02-08-19	0.34	0.335	0.245	02-08-24
	RSUs	nil	nil	nil	nil	nil	nil

### **Exercise of Compensation Securities by NEOs and Directors**

Financial Year Ended October 31, 2019

**No NEO's or directors of the Company exercised any compensation securities granted or issued to them under the Stock Option Plan or the RSU Plan during the year ended October 31, 2019.**

### **Director Compensation**

There are no arrangements under which directors were compensated by the Company during the completed financial year ended October 31, 2018.

During the financial year ended October 31, 2019, the Company entered into compensation agreements with Celine Arsenault and Donald Ziraldo for services performed in their capacity as directors. Both directors are entitled to a fixed monthly compensation amount, and are eligible for additional discretionary benefits, including Options.

Celine Arsenault received \$18,000 in compensation in addition to 250,000 Options at an exercise price of \$0.34 expiring on February 8, 2024.

Donald Ziraldo received \$75,000 in compensation in addition to 500,000 Options at an exercise price of \$0.34 expiring February 8, 2024. Donald Ziraldo is also entitled to an equity bonus equal to 500,000 Common Shares of the Company.

### **Employment, Consulting and Management Agreements**

The Company did not have any employment, consulting or management agreements or arrangements with any of the Company's current NEOs or directors in financial year ending October 31, 2019.

### **Oversight and Description of Director and Named Executive Officer Compensation**

The compensation of the executive officers is determined by the Compensation Committee, based in part on recommendations from the CEO. The Board recognizes the need to provide a compensation package that will attract and retain qualified and experienced executives, as well as align the compensation level of each executive to that executive's level of responsibility. The objectives of the Company's compensation policies and practices are:

1. to reward individual contributions in light of the Company's performance;
2. to be competitive with companies with whom the Company competes for talent;
3. to align the interests of the executives with the interests of the shareholders; and
4. to attract and retain executives who could help the Company achieve its objectives.

The basic component of executive compensation consists of a consulting fee component and performance-based variable incentive compensation, which may be comprised of cash bonuses or stock option grants or restricted share unit awards. The allocation of value to these different compensation elements will not be based on a formula, but rather will be intended to reflect market practices as well as the Compensation Committee's discretionary assessment of an executive officer's past contribution and the ability to contribute to future short and long-term business results. Specifically, the objectives of consulting fees are to recognize market pay and acknowledge the competencies and skills of individuals. The rate established for each executive officer is intended to reflect each individual's responsibilities, experience, prior performance and other discretionary factors. The objectives of incentive bonuses in the form of cash payments will be designed to add a variable component of compensation, based on corporate and individual performances for executive officers and employees. The objectives of stock options or restricted share units will be to reward achievement of long-term financial and operating performance and focus on key activities and achievements critical to the ongoing success of the Company. The Company has no other forms of compensation, other than payments made from time to time to individuals or companies they control for the provision of consulting services. Such consulting services are paid for by the Company, to the best of its ability, at competitive industry rates for work of a similar nature by reputable arm's length service providers. Actual compensation will vary based on the performance of the executives relative to the achievement of goals and the price of the Company's securities, as well as the financial condition of the Company.

The Compensation Committee assumes responsibility for reviewing and monitoring the long-range compensation strategy of the Company's senior management. The Compensation Committee reviews the compensation of senior management on an annual basis taking into account compensation paid by other issuers of similar size and activity.

In the course of its deliberations, the Compensation Committee considered the implications of the risks associated with adopting the compensation practices currently in place. The Compensation Committee does not believe that its current compensation practices creates a material risk that the NEOs or any director or employee of the Company would be encouraged to take as being inappropriate or excessive. The Board will continue to include this consideration in its deliberations and believes that it would detect actions of management and employees of the Company that constitute or would lead to inappropriate or excessive risks.

#### Base Salary or Consulting Fees

Base salary ranges for executive officers are determined upon a review of companies within the cannabis-based industry, which are of the same size as the Company, at the same stage of development as the Company and considered comparable to the Company.

In determining the base salary of an executive officer, the Compensation Committee considers the following factors:

- (a) the particular responsibilities related to the position;
- (b) salaries paid by other companies in the cannabis-based industry which are of similar size as the Company;
- (c) the experience level of the executive officer;
- (d) the amount of time and commitment which the executive officer devotes to the Company; and
- (e) the executive officer's overall performance in relation to the achievement of corporate milestones and objectives.

#### Compensation Review Process

The Compensation Committee conducts reviews with regard to directors' compensation once a year. To make its recommendation on directors' compensation, the Board takes into account the types of compensation and the amounts paid to directors of comparable publicly traded Canadian companies and aligns the interests of directors with the return to shareholders. The Compensation Committee decides the compensation of the Company's officers, based on industry standards and the Company's financial situation.

#### Bonus Incentive Compensation

The Company's objective is to achieve certain strategic objectives and milestones. The Board will consider executive bonus

compensation dependent upon the Company meeting those strategic objectives and milestones and will ascertain if sufficient cash resources are available for the grant of bonuses. The Board approves executive bonus compensation dependent upon compensation levels based on recommendations of the CEO. Such recommendations are generally based on information provided by companies that are similar in size and scope to the Company's operations.

#### Equity Participation

Equity participation is accomplished through the Company's Stock Option Plan and RSU Plan. The Company believes that encouraging its executives and employees to become shareholders is the best way of aligning their interests with those of its shareholders. Options and RSUs are granted to executives and employees taking into account a number of factors, including the amount and term of any Options or RSUs previously granted, base salary and bonuses and competitive factors. The amounts and terms of the Options and RSUs granted are determined by the directors of the Company based on recommendations put forward by the CEO. The Company emphasizes the provisions of option and restricted share units grants to maintain executive motivation.

#### Risks Associated with the Company's Compensation Program

The Board has not proceeded in a formal evaluation of the considered implications of the risks associated with the Company's compensation policies and practices. The Board and the CEO are responsible for setting and overseeing the Company's compensation policies and practices.

Executive compensation is comprised of short-term compensation in the form of a consulting fees and long-term ownership through the Company's Stock Option Plan and RSU Plan. This structure ensures that a significant portion of executive compensation (stock options and restricted share units) are both long-term and "at risk" and, accordingly, is directly linked to the achievement of business results and the creation of long-term shareholder value. As the benefits of such compensation, if any, are not realized by officers until a significant period of time has passed, the ability of officers to take inappropriate or excessive risks that are beneficial to their compensation at the expense of the Company and the shareholders is extremely limited.

The Company does not use any specific practices to identify and mitigate compensation policies that could encourage an officer or individual to take inappropriate or excessive risks. These matters are dealt with on a case-by-case basis. The Company currently believes that none of its policies encourage its officers to take such risks. The Company has not identified any risks arising from its compensation policies and practices that are reasonably likely to have a material adverse effect on the Company.

Risks, if any, may be identified and mitigated through regular meetings of the Board during which financial and other information of the Company are reviewed. No risks have been identified arising from the Company's compensation policies and practices that are reasonably likely to have a material adverse effect on the Company.

#### Benefits and Perquisites

As of the year ended October 31, 2019, the Company does not offer any benefits or perquisites to its NEOs other than entitlements in accordance with the provisions of the Stock Option Plan and the RSU Plan or as otherwise disclosed and discussed herein.

#### Hedging by Directors or NEOs

The Company has not, to date, adopted a policy restricting its executive officers and directors from purchasing financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, which are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by executive officers or directors. The Company is not, however, aware of any directors or officers having entered into this type of transaction.

#### **Pension Disclosure**

The Company does not have a pension plan that provides for payments or benefits to the NEOs, directors or employees at, following, or in connection with retirement.

### **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

As of October 31, 2019, the Company was owed \$48,831 from a company owned by the former shareholders of Purefarma Solutions Inc. and controlled by Peter Yuzek, Graeme Staley, and persons related to Graeme Staley. Graeme Staley is the CEO of Purefarma Solutions Inc. and has been a director of the Company since December 14, 2018.

Other than as set out above, no directors, proposed nominees for election as directors, executive officers or their respective associates or affiliates, or other management of the Company were indebted to the Company as of the end of the financial year end October 31, 2019 or as at the date hereof.

#### **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

To the knowledge of management of the Company, other than set out in this Information Circular, no “**informed person**” (defined as a director, officer or holder of 10% or more of the Common Shares) or nominee for election as a director of the Company or any associate or affiliate of any informed person or proposed director had any interest in any transaction which has materially affected or would materially affect the Company or any of its subsidiaries during financial year ended October 31, 2019.

#### **MANAGEMENT CONTRACTS**

Other than as set out in this Information Circular, there are no management functions of the Company, which are to any substantial degree performed by a person or company other than the directors or NEOs of the Company.

#### **PARTICULARS OF MATTERS TO BE ACTED UPON**

At the Meeting, shareholders will be asked to vote on the following:

1. Number of Directors – To consider and, if deemed advisable, to pass, with or without variation, a special resolution fixing the number of directors of the Company at four (4) and permitting the board of directors, by resolution, to determine the number of directors, subject to the OBCA. See “Number of Directors” as detailed in the Company’s Information Circular;
2. Election of Directors – To elect directors of the Company for the ensuing year. At the Meeting, four individuals are proposed to be elected to the Board. See “Election of Directors” as detailed in the Company’s Information Circular; and
3. Appointment of Auditors – To re-appoint MNP LLP, as auditors of the Company for the ensuing year. See “Appointment of Auditors” as detailed in the Company’s Information Circular.

#### **ADDITIONAL INFORMATION**

Financial information is provided in the audited financial statements of the Company for the financial year ended October 31, 2019, the report of the auditor and the related management’s discussion and analysis, which were filed on SEDAR at [www.sedar.com](http://www.sedar.com), will be placed before the Meeting.

Additional information relating to the Company is filed on SEDAR at [www.sedar.com](http://www.sedar.com) and upon request from the Company at 77 Bloor Street West Suite 600, Toronto, Ontario Canada, M5S 1M2 at telephone number 905-232-4709 or the Company’s toll-free number:1-888-940-5925. Copies of documents will be provided free of charge to security holders of the Company. The Company may require the payment of a reasonable charge from any person or company who is not a securityholder of the Company, who requests a copy of any such document.

#### **OTHER MATTERS**

The Board is not aware of any other matters which it anticipates will come before the Meeting as of the date of mailing of this Information Circular. **HOWEVER, IF OTHER MATTERS WHICH ARE NOT KNOWN TO THE MANAGEMENT SHOULD PROPERLY COME BEFORE THE MEETING, THE ENCLOSED FORM OF PROXY WILL BE USED TO VOTE ON SUCH MATTERS IN ACCORDANCE WITH THE BEST JUDGMENT OF THE PERSONS VOTING THE PROXY.**

The contents of this Information Circular and its distribution to shareholders has been approved by the Board.

**DATED** at Toronto, February 28, 2020.

**BY ORDER OF THE BOARD**

(Signed) “*Clinton Sharples*”

Clinton Sharples  
President and Chief Executive Officer

**SCHEDULE A**  
**AUDIT COMMITTEE CHARTER OF HERITAGE CANNABIS HOLDINGS CORP.**



HERITAGE **CANNABIS**  
Holdings Corp

## AUDIT COMMITTEE CHARTER

## AUDIT COMMITTEE CHARTER

---

### **Purpose**

The Board of Directors (the “Board”) of Heritage Cannabis Holdings Corp. (“Heritage”) has established the Audit Committee (the “Committee”) as a standing committee of the Board with responsibilities in relation to:

- a. overseeing the audit and financial reporting process;
- b. ensuring the adequacy and effectiveness of Heritage’s internal controls and procedures for financial reporting; and
- c. ensuring the adequacy and effectiveness of Heritage’s risk management program.

The Committee is hereby constituted with all the powers and duties conferred on it by the laws governing Heritage and such powers and duties as may be conferred on it from time to time by resolution of the Board.

### **Members**

---

The members of the Committee (the “Members”) are appointed annually by the Board. The Board will appoint not less than three directors as Members and one Member to be Chair of the Audit Committee.

The Committee and each Member must meet the independence and audit committee composition requirements promulgated by all governmental and regulatory bodies exercising control over Heritage as may be in effect from time to time, including those of any stock exchange upon which Heritage’s shares are listed

All Members must be financially literate. At least one Member must have a professional accounting certification (or equivalent) or comparable experience and background that results in that Member’s financial sophistication.

Any Member may be removed or replaced at any time by the Board as needed. A Member shall cease to be a Member upon ceasing to be a Heritage director. The Board will fill vacancies on the Committee by the appointment of other qualified directors.

### **Duties**

---

The Committee performs a number of roles including:

- a. assisting directors to meet their responsibilities;
- b. providing better communication between directors and Heritage’s external auditors;
- c. enhancing the independence of the external auditors;
- d. increasing the credibility and objectivity of financial reports; and
- e. strengthening the role of the directors by facilitating in-depth discussions amongst directors, management and the external auditors.

The Committee will have the specific duties and responsibilities set out below, as well as other such duties that are, in the opinion of the Board, in line with the purpose of the Committee as stated above.

### ***Relationship with Auditors***

The Committee is responsible for managing, on behalf of Heritage’s shareholders, the relationship between Heritage and its external auditors. In furtherance of this responsibility, the Committee shall:

- f. be directly responsible for recommending the selection and determining the compensation of the external auditor;
- g. oversee 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 Heritage;
- h. establish procedures to monitor the independence of the external auditor and take necessary actions to eliminate all factors that might impair or be perceived to impair the independence of the external auditor;
- i. annually require the external auditors to identify the relationships that may affect its independence;
- j. establish procedures for review and approval of all audit and permitted non-audit services provided by external auditors;
- k. pre-approve all non-audit services to be provided to Heritage or its subsidiaries by the external auditor, which pre-approval may be delegated to any Member; and
- l. provide the external auditor with the opportunity to meet with the Committee or the Board without management present at each regularly scheduled meeting of the Committee or the Board.

### ***Audit and Financial Reporting***

The Committee is responsible for overseeing the audit and financial reporting process. In furtherance of this responsibility, as delegated by the Board, the Committee shall:

- a. review, establish and monitor each annual audit of the external auditor with a written audit plan, including scope, fees and schedule;
- b. review with both management and the external auditor the appropriateness and acceptability of Heritage's critical accounting policies and any proposed changes thereto;
- c. review with management and the external auditor the presentation and impact of significant risks and uncertainties associated with Heritage's business, all alternative treatments of financial information in accordance with International Financial Reporting Standards that have been discussed with management, the material assumptions made by management relating to them and their effect on Heritage's financial statements;
- d. question management and the external auditor regarding financial reporting issues discussed during the fiscal period;
- e. review any problems experienced by the external auditors in performing audits;
- f. review and discuss the audited annual financial statements in conjunction with the external auditor and review with management all significant variances between comparative reporting periods;
- g. review and discuss the external auditor's report with the external auditor and management;
- h. review all material written communications between the external auditor and management, including post audit or management letters containing recommendations of the external auditors, management's response and follow up with respect to the identified weaknesses;
- i. review with management and with the external auditors, as appropriate, Heritage's financial statements, MD&A and annual and interim earnings press releases prior to their public dissemination;
- j. satisfy itself that adequate procedures are in place for the review of Heritage's public disclosure of financial information extracted or derived from Heritage's financial statements, other than the public dissemination referred to in (i) above;
- k. review with management Heritage's relationship with the regulators and the quality of its filings with the regulators; and
- l. review with the General Counsel ("**GC**") any current or anticipated litigation or legal activity that could have a material effect on Heritage's financial position.

### ***Internal Controls and Procedures***

The Committee is responsible for overseeing the design, implementation and on-going effectiveness of a system of internal controls. In furtherance of this responsibility, as delegated by the Board, the Committee shall:

- a. establish, monitor and review policies and procedures for internal accounting, financial control and management information ("**Internal Controls**");
- b. establish procedures for: (i) the receipt, retention and treatment of complaints received by Heritage regarding accounting, internal accounting controls or auditing matters; and (ii) the confidential, anonymous submission by Heritage employees of concerns regarding questionable accounting or auditing matters;
- c. monitor compliance with Heritage's Fraud Prevention Policy and coordinate and review all investigations undertaken thereunder;
- d. consult with the external auditor regarding the adequacy of the Internal Controls.
- e. address, on a regular basis, any perceived shortcomings in the Internal Controls;
- f. review the involvement of officers and directors in any matter related to business ethics or potential conflict of interest and advise the Board on the appropriate course of action;
- g. review and approve Heritage's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor;
- h. prior to Heritage entering into any Related Party Transaction, review the Related Party Transaction and recommend its approval or rejection. For the purposes of this Mandate, a "**Related Party Transaction**" means a business transaction or contract between Heritage and a party in which a Heritage director or officer has a direct or indirect interest. This direct or indirect interest could exist by virtue of the following: (i) the party is the director or officer; (ii) the director or officer, or their relative or spouse, is on the board of directors or is an officer of the

- party entering into such a business transaction with Heritage; or (iii) the director or officer, or their relative or spouse, has a financial interest in the party entering into such a business transaction with Heritage;
- i. annually, review any ongoing Related Party Transactions and report to the Board; and
  - j. obtain from management adequate assurances that all statutory payments and withholdings have been made.

#### ***Risk Management***

The Committee is responsible for overseeing the process by which Heritage assesses and manages risk. In furtherance of this responsibility, as delegated by the Board, the Committee shall:

- a. identify risks inherent in Heritage's business ("Risks");
- b. maintain policies and procedures that address the Risks on a reasonable, cost- effective basis;
- c. in conjunction with management, review, on an annual basis, all aspects of Heritage's risk management program, including all significant policies and procedures relating to insurance coverage, foreign exchange exposures and investments (including Heritage's use of financial risk management instruments);
- d. monitor compliance with environmental codes of conduct and legislation; and
- e. monitor compliance with safety codes of conduct and legislation.

#### ***Other***

In furtherance of its duties, the Committee shall:

- a. meet regularly with management to discuss any areas of concern to the Committee or management;
- b. consider whether the quality of employees involved in the audit and financial reporting process and the processes described herein meets an acceptable standard; and
- c. annually review the effectiveness of the Committee in fulfilling its duties as set out in this Charter and in a manner consistent with the mandate adopted by the Board.

### **Meetings, Structure and Reporting**

---

The Committee meets as at least four (4) times annually or more frequently as it determines is necessary to fulfill its responsibilities. A majority of the Committee shall constitute a quorum. At all meetings of the Committee, every question shall be decided by a majority of the votes cast on the question. The Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO") and GC shall attend Committee meetings upon the Committee's request and, subject to the Committee requesting otherwise, the Corporate Secretary, or his designee, shall act as secretary at all Committee meetings. The audit partner from the external auditor will be invited to meet with the Committee at least twice a year and may request a meeting with the Committee at any time.

The Committee shall report to the Board on all proceedings, deliberations, decisions and recommendations of the Committee at the first subsequent meeting of the Board and at such other times and in such manner as the Board may require or as the Committee may, in its discretion, consider advisable.

#### **Chairperson**

The Chairperson's primary role is to ensure that the Committee functions properly, meets its obligations and responsibilities, fulfills its purpose and that its organisation and mechanisms are in place and are working effectively. More specifically, the Chairperson shall:

- a. chair meetings of the Committee;
- b. in consultation with the Chairperson of the Board, the Lead Director, the Members, the CFO and Corporate Secretary, set the agendas for the meetings of the Committee;
- c. in collaboration with the Chairperson of the Board, the Lead Director, the CEO, the CFO and the Corporate Secretary, ensure that agenda items for all Committee meetings are ready for presentation and that adequate information is distributed to Members in advance of such meetings in order that Members may properly inform themselves on matters to be acted upon;
- d. assign work to Members;
- e. act as liaison and maintain communication with the Board to optimize and co-ordinate input from directors, and to optimize the effectiveness of the Committee;
- f. provide leadership to the Committee with respect to its functions as described in this Charter and as otherwise may be appropriate; and
- g. be available to the CFO one full business day per calendar quarter to provide advice and guidance.

## **Authority**

---

The Committee shall have unrestricted access to Heritage's external auditors, Heritage personnel and documents and shall be provided with the resources necessary to carry out its duties. The Committee may, in its sole discretion and at Heritage's expense, retain and agree to compensate independent counsel or advisors to assist with the performance of its duties.