



# **Rubicon Organics Inc.**

**ANNUAL INFORMATION FORM**

**FOR THE YEAR ENDED DECEMBER 31, 2020**

**DATED AS OF SEPTEMBER 30, 2021**

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## ANNUAL INFORMATION FORM

In this annual information form (this “AIF”), unless otherwise noted or the context indicates otherwise, the terms “Company” and “Rubicon Organics” refer to Rubicon Organics Inc. and its direct and indirect subsidiaries and the terms “cannabis”, “CBD”, “client”, “license” and “THC” have the meanings given to such terms in the *Cannabis Act* (Canada) (the “Cannabis Act”) and the regulations made under the Cannabis Act (the “Cannabis Regulations”). All financial information in this AIF is prepared in Canadian dollars, except as otherwise indicated, and is prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

### FORWARD-LOOKING INFORMATION

This AIF contains “forward-looking information” and “forward-looking statements” (collectively, “forward-looking statements”) which are based upon the Company’s current internal expectations, estimates, projections, assumptions, and beliefs. Such statements can be identified by the use of forward-looking terminology such as “believe”, “expects”, “likely”, “may”, “will”, “should”, “intend”, “anticipate”, “plan”, “potential”, “proposed”, “estimate” and other similar words, including negative and grammatical variations thereof, or statements that certain events or conditions “may” or “will” happen, or discussions of strategy. Forward-looking statements include estimates, plans, expectations, opinions, forecasts, projections, targets, guidance, or other statements that are not statements of fact. Such forward-looking statements are made as of the date of this AIF. Forward-looking statements in this AIF include, but are not limited to, statements with respect to:

- the Company’s expectations regarding its revenue, expenses and operations;
- the Company’s anticipated cash needs and its needs for additional financing;
- the Company’s intention to grow the business and its operations;
- the Company’s expectations with respect to future production, development, costs and capacity;
- the Company’s expectations with respect to the approval and/or retention of the Company’s licenses and compliance with regulatory requirements;
- the Company’s expectations with respect to the future growth of the Company’s cannabis products, including delivery mechanisms;
- the Company’s competitive position and the regulatory environment in which the Company operates;
- the Company’s expected business objectives for the next 12 months, including its launch of a portfolio of brands and cannabis 2.0 products;
- the Company’s ability to obtain additional funds through the sale of equity or debt commitments;
- the Company’s ability to attract new customers and retain existing customers;
- the Company’s ability to attract, hire and retain employees;
- the Company’s ability to retain organic certification in Canada;
- the Company’s belief that organic products will command a higher price in the marketplace;
- any commentary related to general economic and political conditions;
- the Company’s ability to obtain new strains;
- medical benefits, viability, safety, efficacy and social acceptance of cannabis;
- anticipated trends and challenges in the Company’s industry;
- the Company’s business and the markets in which it operates;
- the Company’s objective to complete the optimization of the Delta Facility (as defined below) and achieve a production run rate of 11,000 kilograms of dried cannabis per year;
- the Company’s expectation that it will obtain EU-GMP (as defined below) certification and export its product to Germany;
- the anticipated effectiveness of the Company’s approach to risk-mitigation, business continuity planning and supply chain management and to increased hygiene protocols in response to COVID-19; and
- the Company’s anticipated success of any future outdoor grow program;

Forward-looking statements contained in certain documents incorporated by reference into this AIF are based on the key assumptions described in such documents. Certain of the forward-looking statements contained herein concerning the cannabis industry and the general expectations of the Company concerning the cannabis industry and concerning the Company are based on estimates prepared by the Company using data from publicly available governmental sources as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry which the Company believes to be reasonable. However, although generally indicative of relative market positions, market shares and performance characteristics, such data is inherently imprecise. While the Company is not aware of any misstatement regarding any industry or government data presented herein, the cannabis industry involves risks and uncertainties and is subject to change based on various factors.

Forward-looking statements are based on certain assumptions and analyses made by the Company in light of the experience and perception of historical trends, current conditions and expected future developments, and other factors it believes are appropriate and are subject to risks and uncertainties. In making the forward-looking statements included in this AIF, the Company has made various material assumptions, including but not limited to (i) obtaining the necessary regulatory approvals; (ii) that regulatory approvals will be maintained; (iii) general business and economic conditions; (iv) the Company's ability to successfully execute its plans and intentions; (v) the availability of financing on reasonable terms; (vi) the Company's ability to attract and retain skilled staff; (vii) market competition; (viii) the products and technology offered by the Company's competitors; and (ix) that the Company's current good relationships with its suppliers, service providers and other third parties will be maintained. Although the Company believes that the assumptions underlying these statements are reasonable, they may prove to be incorrect, and the Company cannot assure that actual results will be consistent with these forward-looking statements. Given these risks, uncertainties and assumptions, investors should not place undue reliance on these forward-looking statements. Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors, including those listed under "*Risk Factors*", which include:

- a local, regional, national or international outbreak of a contagious disease, such as COVID-19, could have an adverse effect on local economies and potentially the global economy, which may adversely impact the price and demand for the Company's products, as well as the Company's operations and supply chain;
- the Company has a limited operating history, a history of losses and the Company cannot assure profitability;
- there is uncertainty about the Company's ability to continue as a going concern;
- there is no assurance that the Company will turn profits or pay dividends;
- the Company had negative operating cash flow and there can be no assurance that the Company will be able to generate a positive cash flow from its operations, that additional capital or other types of financing will be available when needed, or that these financings will be on terms favourable to the Company;
- there are no assurances the Company's sales channels will remain accessible or that distributors will keep the Company's product listings, which if lost will impact the Company's ability to generate revenue;
- the Company's actual financial position and results of operations may differ materially from the expectations of the Company's management;
- the Company expects to incur significant ongoing costs and obligations relating to its investment in infrastructure, growth, regulatory compliance and operations;
- the Company is reliant on a loan secured against the Delta Facility which matures on June 29, 2023, and must be repaid by a combination of operating cash flows and refinancing. There can be no certainty that such refinancing will be available at terms acceptable to the Company, or at all;
- the optimization of the Delta Facility is subject to various potential problems and uncertainties and such optimization may be delayed or adversely affected by a number of factors beyond the Company's control;
- there are factors which may prevent the Company from the realization of growth targets;
- there can be no guarantee that Health Canada will extend or renew the licenses or that, if extended or renewed, the licenses will be extended or renewed on the same or similar terms, which could materially and adversely affect the business;
- the Company is subject to changes in laws regulations and guidelines which could adversely affect the Company's future business, financial condition and results of operations;
- a failure to identify the appropriate inputs and estimate the fair value of cannabis plants could result in material adjustments to the Company's results of operations;
- the Company may not be able to develop its products, which could prevent it from ever becoming profitable;

- failure to maintain the organic certification may have an adverse effect on the market price of the Company's products;
- a failure to meet and maintain international regulations and certifications for the export of cannabis products may impact the results of operations and financial condition of the Company;
- the Company may not be able to maintain its TSX-V listing requirements, which could adversely impact the results of the Company's operations or its financial condition.
- the Company may be unable to adequately protect its proprietary and intellectual property rights;
- the Company may be forced to litigate to defend its intellectual property rights, or to defend against claims by third parties against the Company relating to intellectual property rights;
- the Company may become subject to litigation, including for possible product liability claims, which may have a material adverse effect on the Company's reputation, business, results from operations and financial condition;
- the Company's operations are subject to environmental regulation in the jurisdictions in which it operates;
- the Company faces competition from other companies that have a higher capitalization and may have more experienced management or may be more mature as a business;
- if the Company is unable to attract and retain key personnel, it may not be able to compete effectively in the cannabis market;
- the size of the Company's target market is difficult to quantify and investors will be reliant on their own estimates on the accuracy of market data;
- the Company's industry is experiencing rapid growth and consolidation that may cause the Company to lose key relationships and intensify competition;
- the Company may continue to sell securities for cash to fund operations, capital expansion, mergers and acquisitions which will dilute the current shareholders;
- the Company currently has insurance coverage; however, because the Company operates within the cannabis industry, there are additional difficulties, complexities, and costs associated with maintaining such insurance coverage;
- obtaining new strains and developing new product offerings may not be successful or aligned to consumer demands;
- the cultivation of cannabis includes risks inherent in an agricultural business including the risk of crop loss, sudden changes in environmental conditions, equipment failure, product recalls and others;
- the cultivation of cannabis involves a reliance on third party transportation which could result in supply delays, reliability of delivery and other related risks;
- the Company may be subject to product recalls for product defects self-imposed or imposed by regulators;
- the Company is reliant on key inputs, such as water and utilities, and any interruption of these services could have a material adverse effect on the Company's finances and operational results;
- the expansion of the medical cannabis industry may require new clinical research into effective medical therapies, when such research is new to Canada and has been restricted in some international jurisdictions;
- under Canadian regulations, a licensed producer of cannabis has restrictions on the type and form of marketing it can undertake which could materially impact sales performance;
- the Company could be liable or face regulatory action for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims against the Company;
- the Company will be reliant on information technology systems and may be subject to damaging cyber-attacks;
- the Company may be subject to breaches of security at its facilities, or in respect of electronic documents and data storage, and may face risks related to breaches of applicable privacy laws;
- the Company's officers and directors may be engaged in a range of business activities resulting in conflicts of interest;
- we have expanded and intend to further expand our business and operations into jurisdictions outside of Canada, and there are risks associated with doing so;
- changes in the public's perception of medical and/or adult-use cannabis could increase future regulation;
- in certain circumstances, the Company's reputation could be damaged;
- the Company targets, among other segments, the premium adult-use cannabis market, which may not materialize, or in which the Company may not be able to develop or maintain a brand that attracts or retains customers;
- necessary security clearances take time to obtain and may impact the Company's ability to attract and retain board members and officers;
- the Company may not be able to enforce its legal rights;

- there is no certainty the Company will be able to achieve its Environmental, Social and Governance (“ESG”) targets;
- the adult-use recreational cannabis market in Canada may become oversupplied;
- the Company’s business is subject to risks associated with adverse economic conditions in Canada and globally, including economic slowdown, inflation and the disruption, volatility and tightening of credit and capital markets;
- the cost of compliance and ability to working with unsophisticated individuals and entities may adversely impact the Company;
- regulations and health safety concerns around vaping products may depress or inhibit the sale of certain Company products;
- a failure to adhere to environmental and employee health and safety regulations may give rise to material liabilities;
- failure to develop and maintain an effective system of internal controls increases the risk that we may not be able to accurately and reliably report our financial results or prevent fraud, which may harm our business, the trading price of our Common Shares, and market value of other securities;
- due to cannabis affiliations the Company may have difficulty accessing the service of banks and financial institutions, which may make it difficult to operate;
- some of the Company’s historical business activities, while believed to be compliant with applicable U.S. state and local law, may be deemed to be illegal under United States federal law;
- investors in the Company and the Company’s directors, officers and employees may be subject to entry bans into the United States;
- there is uncertainty of existing protection from United States federal prosecution;
- the Company’s securities have not been registered under the U.S. Securities Act;
- the market price for Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company’s control;
- the Company does not anticipate paying dividends;
- the increase in the number of Common Shares (as defined below) issued and outstanding as a result of public offerings, if any, may have a depressive effect on the price of the Common Shares;
- the ability of a shareholder to recover all or any portion of its investment upon dissolution or termination of the Company will depend on the amount of funds so realized and the claims to be satisfied from such funds;
- the continuation of the Company’s business of growing, storing, and distributing medical and recreational cannabis is dependent on the good standing of all licenses required to engage in such activities and upon adhering to all regulatory requirements related to such activities;
- the Company may not be able to obtain or maintain all necessary licenses and permits in a timely manner, which could, among other things, delay or prevent the Company from becoming profitable;
- there is no guarantee on the use of available funds by the Company;
- there can be no assurance that organic products will command a higher price in the marketplace, the results of which could adversely affect the Company’s ability to become profitable;
- failure to meet or maintain the organic certification standards may have an adverse impact on the market price of the Company’s products; and
- failure to meet or maintain the EU-GMP (as defined below) certification, required for the export of the Company’s products internationally, could adversely impact the results of the Company’s operations or its financial condition.

If any of these risks or other unknown risks or uncertainties materialize, or if assumptions underlying the forward-looking statements prove incorrect, actual results might vary materially from those anticipated in those forward-looking statements.

The purpose of forward-looking statements is to provide the reader with a description of management’s expectations, and such forward-looking statements may not be appropriate for any other purpose. You should not place undue reliance on forward-looking statements contained in this AIF or in any document incorporated by reference. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law. The forward-looking statements contained in this AIF are expressly qualified in their entirety by this cautionary statement.

## CORPORATE STRUCTURE

Rubicon Organics was incorporated under the *Business Corporations Act* (British Columbia) (the “**BCBCA**”) on May 15, 2015. On May 22, 2018, the Company changed its name from “West Coast Land Corporation” to “Rubicon Organics Inc.” and replaced its articles in their entirety, the effect of which included adding advance notice provisions for the election of directors. The common shares of the Company (the “**Common Shares**”) are listed on the TSX-V under the symbol “ROMJ” and on the OTCQX under the symbol “ROMJF”, and certain common share purchase warrants of the Company (issued on February 26, 2021, pursuant to the 2021 Prospectus Offerings (as defined below) are listed on the TSX-V under the symbol “ROMJ.WT”.

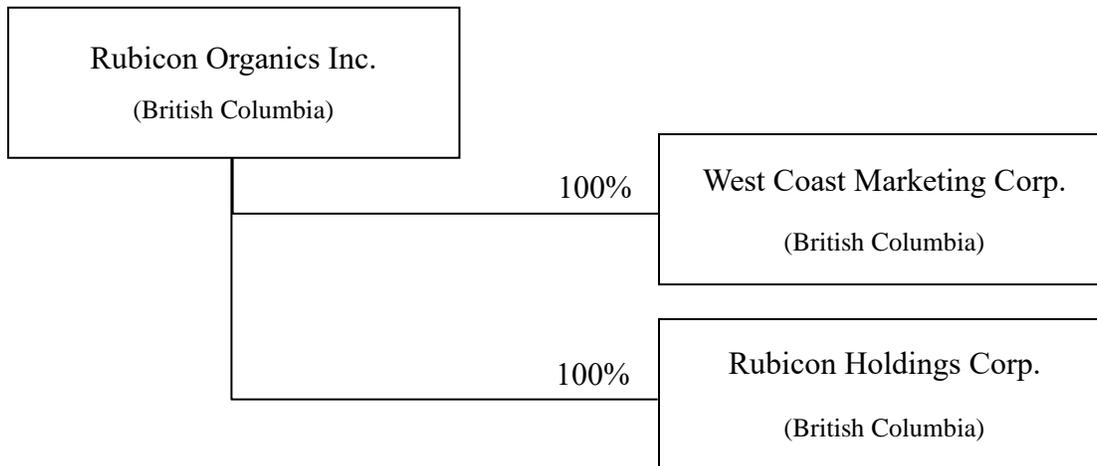
The address of the Company’s registered and records office is 1200 Waterfront Centre, 200 Burrard Street, PO Box 48600 Vancouver, British Columbia V7X 1T2. The Company’s head office is located at unit 505 – 744 West Hastings Street, Vancouver, British Columbia V6C 1A5. The Company’s corporate website can be accessed at [www.rubiconorganics.com](http://www.rubiconorganics.com).

Rubicon Organics’ subsidiaries are as follows:

Name	Place of Incorporation	Ownership Percentage
Rubicon Holdings Corp. (“ <b>RHC</b> ”)	BC, Canada	100%
West Coast Marketing Corporation (“ <b>WCMC</b> ”)	BC, Canada	100%

On October 1, 2020, the Company amalgamated Bridge View Greenhouses Ltd. (“**Bridge View**”) and Vintages Organic Cannabis Company Inc. (“**Vintages**”) into RHC. In this process, the Health Canada license issued in accordance with the Cannabis Act and Cannabis Regulations held by Vintages was transferred to RHC.

The Company’s current corporate structure is as follows:



**RHC.**, formerly Rubicon Organics Canada Corp., is a wholly-owned subsidiary of the Company, incorporated in British Columbia. RHC is a licensed producer under the Cannabis Act (“**Licensed Producer**” or “**LP**”) which allows the Company to cultivate, process and sell cannabis products from both its 125,000 sq. ft. high-tech greenhouse and 11-acre outdoor grow site in Delta, British Columbia (the “**Delta Facility**”) for recreational and medical-use markets in Canada.

**WCMC**, is a wholly-owned subsidiary of the Company incorporated in British Columbia to hold corporate assets and facilitate operations at the Company’s head office.

During the years ended December 31, 2020, and December 31, 2019, the following subsidiaries were consolidated prior to their sale or dissolution:

<b>Name</b>	<b>Transaction</b>	<b>Transaction Date</b>	<b>Place of Incorporation</b>	<b>Ownership Percentage</b>
Rubicon Holdings, Inc. (“ <b>RHI</b> ”)	Dissolved	Dec. 1, 2020	WA, USA	100%
West Coast Property Holdings, Inc. (“ <b>WCPH</b> ”)	Dissolved	Dec. 1, 2020	WA, USA	100%
Rubicon Property 1, LLC (“ <b>PROPI</b> ”)	Sold	Apr. 3, 2020	WA, USA	100%
Rubicon Property 2, LLC (“ <b>PROP2</b> ”)	Dissolved	Oct. 26, 2020	WA, USA	100%
Rubicon California, LLC (“ <b>CALI</b> ”)	Dissolved	Dec. 1, 2020	CA, USA	100%
Red Dog Operations, Inc. (“ <b>Red Dog</b> ”)	Dissolved	Oct. 26, 2020	WA, USA	100%
Seymour Soils, Inc. (“ <b>Seymour Soils</b> ”)	Dissolved	Oct. 26, 2020	WA, USA	100%
Great Pacific Brands, LLC (“ <b>GPB</b> ”)	Dissolved	Oct. 26, 2020	WA, USA	100%

*Entities that were amalgamated, dissolved, or sold prior to December 31, 2020:*

**Bridge View**, was an indirect wholly-owned subsidiary of the Company incorporated in British Columbia. Bridge View was purchased September 2017 and held the Company’s flagship Delta Facility assets. Bridge View was amalgamated with RHC on September 30, 2020.

**Vintages**, was an indirect wholly-owned subsidiary of the Company incorporated in British Columbia. Vintages was the Licensed Producer for the Company until its amalgamation with RHC on September 30, 2020.

**WCPH**, was a wholly-owned subsidiary of the Company incorporated in Washington State to function as a U.S. holding company for the Company’s U.S. property assets. On April 3, 2020, WCPH completed the sale of its 40,000 sq. ft. hybrid-greenhouse facility in Ferndale, Washington (the “**Washington Facility**”). On April 6, 2020, the Company announced the strategic exit from the U.S. to focus on its Canadian operations. On December 1, 2020, the Company fully dissolved WCPH.

**PROP2**, was an indirect wholly-owned subsidiary of the Company incorporated in Washington State to hold certain equipment related to the previous turn-key lease of a cannabis extraction lab in Bellingham, Washington to a state-licensed operator. On May 15, 2020, the Company terminated its lease of the extraction lab and sold its remaining extraction equipment. PROP2 was dissolved on October 26, 2020, and the Company no longer performs any ancillary services to the cannabis industry in the U.S.

**CALI**, was an indirect wholly-owned subsidiary of the Company incorporated in California to hold a 3-acre land parcel in Greenfield, California. After the parcel was sold on November 13, 2020, CALI was dissolved on December 1, 2020.

**RHI**, was a wholly-owned subsidiary of the Company incorporated in Washington State to function as a U.S. holding company for its U.S. operations. Prior to the Re-organization (as defined below) in May 2018, RHI was the parent company for the Rubicon group of companies. RHI was dissolved on December 1, 2020.

**Red Dog**, was an indirect wholly-owned subsidiary of the Company incorporated in Washington State for the purpose of holding certain employment agreements for former U.S. employees. Red Dog no longer has any U.S. employees and was dissolved on October 26, 2020.

**Seymour Soils**, was an indirect wholly-owned subsidiary of the Company incorporated in Washington State for the purpose of providing soil consulting services. Seymour Soils no longer provides any consulting services in the U.S. and was dissolved on October 26, 2020.

**GPB**, was an indirect wholly-owned subsidiary of the Company incorporated in Washington State to hold the intellectual property for Doctor & Crook Co.<sup>TM</sup> and 1964 Supply Co.<sup>TM</sup> brands in the US, which were previously licensed to state-

licensed cannabis operators in Washington State and California. On May 15, 2020, the Doctor & Crook Co.<sup>TM</sup> brand was sold to a third party. The 1964 Supply Co.<sup>TM</sup> brand has been registered in Canada by RHC and relaunched in the Canadian marketplace. The Company no longer licenses any of its brands in the U.S. and GPB was dissolved on October 26, 2020.

## GENERAL DEVELOPMENT OF THE BUSINESS

### Three Year History

#### *Fiscal 2018 (January 1, 2018, to December 31, 2018)*

In January 2018, Health Canada provided Vintages with a Confirmation of Readiness in respect of the ACMPR license application for the Delta Facility.

In January 2018, RHI entered into an agreement to obtain the right to control KG Inc. through its power to appoint and remove governing members of the entity. In consideration for control of this entity, RHI issued 300,000 Common Shares of RHI (valued at US\$2.00 per Common Share) and paid US\$20,000 cash to the governing members. In 2018, KG Inc. obtained a temporary state distribution license issued by the Bureau of Cannabis Control in California and entered into arrangements with state licensed distribution companies for distribution of the 1964 Supply Co.™ brand.

Up until May 2018, the business of the Company was operated by RHI. In May 2018, the Company and RHI completed a re-organization (the “**Re-organization**”) pursuant to which, among other things, the Company, previously the holder of approximately 14% of the issued and outstanding common shares of RHI, acquired the remaining issued and outstanding common shares of RHI from RHI shareholders in exchange for Common Shares of the Company on a 1:1 basis. As part of the Re-organization, previous RHI option holders exchanged their options to acquire common shares of RHI for options to acquire Common Shares of the Company on a 1:1 basis and on substantially similar terms to their original RHI options. Following the Re-organization, the Company’s business became primarily the former business of RHI.

On May 22, 2018, the Company changed its name from “West Coast Land Corporation” to “Rubicon Organics Inc.” and replaced its articles in their entirety, the effect of which included adding advance notice provisions for the election of directors.

On July 5, 2018, the Company announced the closing of a brokered private placement offering of special warrants for aggregate gross proceeds of \$11,816,168 (the “**2018 Special Warrant Offering**”). On October 9, 2018, each special warrant was automatically exercised for no additional consideration into units of the Company, each unit consisting of one Common Share and one-half of one Common Share purchase warrant. Concurrent with the 2018 Special Warrant Offering, the Company completed a private placement of 417,222 units of the Company for gross proceeds of \$1,355,972. On October 10, 2018, the Common Shares commenced trading on the CSE under the symbol “ROMJ”.

On August 15, 2018, the Company renamed its Class A Common shares as Common Shares, converted its Class B Common shares into Common Shares, and eliminated its Class B Common shares from its capital structure.

On August 15, 2018, the temporary state license of KG Inc. expired. On August 14, 2018, the Company signed a packaging licensing agreement with CMX Distribution Inc., a company licensed under California cannabis laws, to take on the sale of 1964 Supply Co.™ branded product in California, on terms substantially similar to its former agreement with KG Inc. As a result of the Company’s operational control over the entity, KG Inc. was consolidated in the financial statements of the Company in accordance with IFRS 10 up to March 31, 2020. KG Inc. has been inactive since its California state cannabis license expired in 2018 and the Company relinquished control of the entity on April 1, 2020.

On November 13, 2018, the Washington Facility was leased to an I-502 tier 3-licensed tenant (the “**Washington Tenant**”) in compliance with the Washington State Liquor and Cannabis Board. The Washington Tenant commenced cultivation at the facility in December 2018.

#### *Fiscal 2019 (January 1, 2019, to December 31, 2019)*

On February 1, 2019, Health Canada awarded a cultivation license and a processing license to the Company in respect of the Delta Facility (the “**Cultivation & Processing Licenses**”). As a result of receiving these licenses, the Company’s entire greenhouse facility is licensed for cultivation and processing. The Delta Facility has been specifically designed to utilize both industry leading LED technology and supplemental sunlight with the objective of allowing Rubicon Organics to produce organic cannabis at scale at the highest possible quality.

On March 20, 2019, the Company completed a \$6,000,000 mortgage financing loan commitment from an investment corporation (the “**First Mortgage**”). The First Mortgage is collateralized by the Company’s Delta Facility. On March 25, 2019, the Company drew \$5,000,000 under the First Mortgage, of which \$2,946,722 was used to settle the original Farm Credit Canada (“**FCC**”) mortgage on the property. The First Mortgage bears interest at a rate of 12.0% per annum and matures on September 30, 2020. The Company has the right to extend the First Mortgage by six months from the maturity date of September 30, 2020. On March 19, 2020, the Company agreed to cap the First Mortgage and will not draw the additional \$1,000,000.

On April 25, 2019, the Company completed a \$3,355,000 second mortgage financing loan from a group of lenders. The loan bears interest at a rate of 12.0% per annum (compounded quarterly) and matures on April 25, 2021. \$1,655,000 of the loan was provided by two executive officers and one insider shareholder and included the rollover of \$1,371,447 outstanding under certain revolving credit facilities. The lenders were also issued 671,000 warrants of the Company with an exercise price of \$4.50 per Common Share that expire on April 25, 2022. This facility is secured as a second mortgage against the Delta Facility, ranking pari-passu with other second mortgages.

On May 28, 2019, the Company entered into a \$5,000,000 second mortgage financing loan from an overseas lender. The loan bears interest at a rate of 12.0% per annum (compounded quarterly) and matures on May 28, 2021, with all interest and principal payments due at maturity. The lender was also issued 1,000,000 warrants of the Company with an exercise price of \$4.50 per Common Share that expire on May 28, 2022. This facility is secured as a second mortgage against the Delta Facility, ranking pari-passu with other second mortgages.

On April 29, 2019, the Company announced the successful completion of the first commercial scale, organic harvest at the Washington Facility.

On June 20, 2019, the Company announced that it commenced commercial cultivation of super-premium organic cannabis using selected strains from its genetic library at its Delta Facility.

On July 12, 2019, the Company entered into a \$500,010 second mortgage financing loan from a group of lenders. The loan bears interest at a rate of 12.0% per annum (compounded quarterly) and matures on July 12, 2021. The lenders were also issued 100,002 warrants of the Company with an exercise price of \$4.50 per Common Share that expire on July 12, 2022. This facility is secured as a second mortgage against the Delta Facility, ranking pari-passu with other second mortgages.

On July 16, 2019, the Delta Facility received its organic certification from the Fraser Valley Organic Producers Association (“**FVOPA**”), Canada’s preeminent certification body for organic operators. As a result, the Company is one of only a few LPs in Canada positioned to supply organic certified, super-premium cannabis grown at scale to a market where organic products are in high demand, short supply and priced at significant premiums. FVOPA’s rigorous certification program is compliant with International Organization for Standardization 17065, Canadian Organic Standards and BC Organic Certified programs.

On August 23, 2019, the Company completed an over-night marketed short form prospectus offering (the “**2019 Prospectus Offering**”) of 3,150,000 units of the Company (each, a “**Unit**”) at a price of \$2.70 per Unit for aggregate gross proceeds of \$8,505,000. Each Unit was comprised of one Common Share and one Common Share purchase warrant of the Company (each, a “**2019 Listed Warrant**”). Each 2019 Listed Warrant entitled the holder thereof to purchase one Common Share at a price of \$3.50 per Common Share until February 23, 2022, subject to an accelerated expiry if the volume-weighted average price of the Common Shares is equal to or greater than \$3.80 per Common Share for 20 consecutive trading days. On August 23, 2019, the 2019 Listed Warrants commenced trading on the CSE under the symbol “ROMJ.WT”. The 2019 Prospectus Offering was made pursuant to an agency agreement dated August 12, 2019 (the “**2019 Agency Agreement**”) among the Company and a syndicate of agents led by Desjardins Capital Markets and including Canaccord Genuity Corp., PI Financial Corp., and Mackie Research Capital Corporation.

On September 20, 2019, the Company granted 75,000 deferred share units (“**DSUs**”) to the Company’s independent directors under the Company’s DSU plan as compensation for their services. The DSUs vest immediately and may only be redeemed for an equivalent number of Common Shares of the Company upon a holder ceasing to be a director of Rubicon Organics.

On November 12, 2019, the Company completed its first commercial-scale harvest of organic certified, super-premium cannabis at its Delta Facility. The harvest passed all microbiology and contaminant testing to be fully compliant with Health Canada standards and has enabled the Company to submit its sales license amendment with Health Canada.

On December 5, 2019, the Company launched its first brand of organic certified cannabis, Simply Bare™ Organic, to the Canadian recreational market for sale in early 2020. Simply Bare™ Organic initially had two product offerings: BC Organic Blue Dream and BC Organic Creek Congo.



On December 18, 2019, the Company entered into an agreement with Agro-Greens Natural Products Ltd. (“**Agro-Greens**”), a Health Canada licensed cannabis producer and processor, to distribute the Company’s Simply Bare™ Organic branded flower to provincial distributors and retailers in the Canadian recreational market (the “**Agro-Greens Agreement**”).

On December 19, 2019, the Company’s wholly owned subsidiary, Vintages, acquired rare new genetic material from Just Kush Enterprises Ltd. (“**Just Kush**”), a subsidiary of Liberty Leaf Holdings Ltd. The acquisition provides the Company with over 30 new strains, some of which are yet to be available for sale in Canada, for future commercial production. As part of the genetic purchase agreement, Rubicon Organics agreed to support Just Kush with services including assistance with cannabis sales and certain crop consulting.

#### ***Fiscal 2020 (January 1, 2020, to December 31, 2020)***

On January 20, 2020, the Company announced that, under the Agro-Greens Agreement, it received the first purchase orders for the Company’s Simply Bare™ Organic flower from both the British Columbia Liquor Distribution Branch (“**BCLDB**”) and National Cannabis Distribution (“**NCD**”) in Saskatchewan.

On January 16, 2020, the Board approved revolving credit lines with the CEO, CFO, President and CSO of the Company for \$500,000, \$300,000, \$150,000, and \$150,000, respectively, at an annual interest rate of 12% with repayment no later than December 31, 2020. On February 11, 2020, a shareholder of the Company entered into a revolving credit line with the Company for up to \$250,000 at the same terms. On April 21, 2020, the Board approved an increase in the revolving credit line with the CEO to \$1,000,000. As of May 19, 2020, all revolving credit lines with the CEO, CFO, President, CSO and shareholder have been fully repaid.

On March 2, 2020, the Company completed a \$4,006,800 (US\$3,000,000) debt financing loan from a U.S. real estate group. The loan was for a term of 24 months, bore interest at 12.9% per annum, and was secured by a first ranking mortgage on the Company’s Washington Facility. The loan was repaid on April 3, 2020, concurrent with the sale of the Washington Facility.

On April 3, 2020, the Company completed the sale of its Washington Facility for US\$8,500,000 to a group which includes Rubicon's CEO as a minority investor. Proceeds from the sale strengthen the Company's balance sheet, providing working capital to ramp-up production and sales across Canada. In connection with the sale, the Company also announced its strategic exit from the U.S. and its plans to sell its remaining U.S. assets in the coming months, which consists of a 3-acre land parcel in Greenfield, California, and certain cannabis extraction equipment.

On April 20, 2020, the Company announced that, under the Agro-Greens Agreement, it received the first purchase orders for the Company's Simply Bare™ Organic flower from the Ontario Cannabis Stores ("OCS"), making its product available in Ontario for the first time. Following the initial order from the OCS, the Company has received additional purchase orders.

On May 5, 2020, the Company received its medical sales license from Health Canada, allowing for direct to patient sales, as well as site amendments that allow for expansion of the Company's licensed area to include an 11-acre outdoor grow site.

On May 8, 2020, the Company received its sales amendment from Health Canada to sell dried and fresh cannabis products for recreational use directly to all provincial and territorial distributors (the "**Sales License**").

On May 15, 2020, the Company terminated its lease of the extraction lab in Washington and sold its remaining extraction equipment. The Company no longer performs any ancillary services to the cannabis industry in the U.S. The Company is commencing the final tax returns for its U.S. subsidiaries and expects to wind them down before the end of 2020.

On May 29, 2020, the Company closed the \$11,500,000 first tranche of its upsized non-brokered private placement of 5,744,681 units of the Company at a price of \$2.35 per unit for aggregate gross proceeds of \$13,500,000. Each unit is comprised one Common Share of the Company and one Common Share purchase warrant of the Company. Each warrant entitles the holder thereof to acquire one Common Share at a price of \$3.25 per Common Share at any time during the 12-month period following the closing date. On June 4, 2020, the Company closed the \$2,000,000 second and final tranche of the upsized non-brokered private placement.

On June 15, 2020, the Company announced that it has signed supply agreements directly with both the Alberta Gaming, Gaming, Liquor and Cannabis Commission ("**AGLC**") and the BCLDB for the sale and distribution of Simply Bare™ Organic cannabis products.

On June 18, 2020, the Company announced that it has signed a direct supply agreement with the OCS for the sale and distribution of Simply Bare™ Organic cannabis to provincial and private cannabis retailers.

On June 22, 2020, the Company announced that it has signed a product supply agreement with Canacur GmbH (the "**Canacur Agreement**"), a medical cannabis distributor incorporated in Nuremberg, Germany ("**Canacur**"). Pursuant to the Canacur Agreement, Canacur shall purchase dried cannabis from Rubicon Organics for an initial term of three years, with two optional two-year extensions available. In addition, Canacur has agreed to provide the Company up to \$700,000 as advance payment for product, which will be secured behind existing secured lenders on the Company's Delta Facility. This advance payment will assist the Company to prepare for European Union Good Manufacturing Practices ("**EU-GMP**") processing and certification. The Company expects first exports after obtaining its EU-GMP certification, which is expected in the second half of 2021 or early 2022.

On July 23, 2020, the Company received conditional approval to list the Common Shares and 3,150,000 warrants of the Company on the TSX-V. On August 19, 2020, the Equity Incentive Plan and Deferred Share Unit Plan were amended to comply with TSX-V listing requirements set forth in the conditional approval letter. The Company received final approval and commenced trading on the TSX-V on September 22, 2020.

On August 10, 2020, the Company executed an extension option on its First Mortgage debt extending the maturity date six months from September 30, 2020, to April 1, 2021.

On September 16, 2020, the Company announced an agreement with Wildflower Brands Inc. ("**Wildflower**") wherein Wildflower will license its brand and intellectual property to the Company for the production of Wildflower-branded CBD

Relief Sticks and CBD Cool Sticks in Canada. The Wildflower-branded products were launched in late March 2021 and were available in early April 2021 to consumers in Ontario, British Columbia, Alberta, and Saskatchewan.

On October 1, 2020, the Company amalgamated three Canadian subsidiaries: RHC, Bridge View and Vintages to continue as one entity being RHC. At the same time, Health Canada acknowledged and transitioned the Company's cannabis license previously held by Vintages into RHC. The amalgamation of these three subsidiaries consolidates over \$20 million in non-capital tax losses into the resulting company, available to offset against future taxable income.

On October 6, 2020, the Company announced a partnership with PAX LABS®, a leader in premium cannabis vaporization technology, wherein Rubicon Organics expects to launch organic cannabis oil pods for the PAX® ERA™ and PAX® ERA Pro™ premium vaporizers. Simply Bare™ Organic branded PAX® pods were made available for distribution in the second quarter of 2021.

On October 15, 2020, the Company granted 75,000 DSU's to Directors of the Company as compensation for their services. The DSU's vested immediately and may only be redeemed upon a holder ceasing to be a director of Rubicon Organics.

On October 26, 2020, the Company announced that it signed a cannabis 2.0 product distribution agreement with Canada House Wellness Group Inc (“**Canada House**”). Through the distribution agreement, Canada House distributed Rubicon Organics' line of concentrate products to Canada House's provincial distributors. In January 2021, the Company received authorization from Health Canada for the sale of extracts, topicals and edibles. During the first half of 2021, the Company listed its own products and no longer uses Canada House for the distribution of its products.

On October 26, 2020, the Company completed the dissolution of PROP2, GPB, Red Dog, and Seymour Soils. On November 17, 2020, the Company sold its final US asset, a three-acre parcel of land in Greenfield, California. The remaining US entities were formally dissolved by December 1, 2020, thereby completing the Company's exit from the United States.

On November 16, 2020, the Company elected to accelerate the expiry date of the 2019 Listed Warrants (the “**Accelerated Warrants**”). The Company was permitted to accelerate the expiry date of the warrants after its Common Shares' volume weighted average trading price exceeded \$3.80 for 20 consecutive trading days. As of the accelerated expiration date of December 16, 2020, 2,036,900 Accelerated Warrants were exercised for gross proceeds of \$7,129,150.

On November 24, 2020, the Company entered a letter of understanding (“**LOU**”) with the Société Québécoise du cannabis (“**SQDC**”) for the distribution of its cannabis products to consumers in the province of Québec. With this LOU, Rubicon commenced sales of its flagship Simply Bare™ Organic premium organic flower as well as launch 1964 Supply Co.™ flower and hash to the Québec market. The first purchase order with Quebec was received and completed in late December 2020.

On December 28, 2020, the Company granted an aggregate of 300,000 restricted share awards (“**RSAs**”) in accordance with the Company's equity incentive plan to certain officers of the Company. The RSAs vested immediately as compensation for their services. The officers all signed lockup agreements with the Company, whereby the RSA's will be release 25% on March 28, 2021, 25% on June 28, 2021, 25% on September 28, 2021, and 25% on December 28, 2021.

On December 29, 2020, the Company filed a base shelf prospectus (“**Base Shelf Prospectus**”), qualifying the distribution of up to \$40.0 million of securities of the Company to be raised through the issuance of various debt and equity securities of the Company over a period of up to 25 months from the date of the Base Shelf Prospectus through the filing of prospectus supplements.

#### ***Recent Developments (January 1, 2021, to September 30, 2021)***

On January 14, 2021, the Company announced that it received its Health Canada license sales amendment which authorizes the direct sale of cannabis topical, edible, and concentrate products to provincially authorized distributors/retailers and registered patients, in addition to dried and fresh cannabis products.

On February 26, 2021, the Company closed a bought deal short form prospectus offering (the “**2021 Prospectus Offering**”) of 6,052,631 units at \$3.80 per unit for aggregate gross proceeds of \$23.0 million. Each unit is comprised of one Common

Share and one-half common share purchase warrant (the “**2021 Listed Warrants**”). Each whole warrant entitles the holder to purchase one Common Share of the Company at a price of \$5.30 until February 26, 2024, subject to an accelerated expiry if the 20-trading day volume-weighted average price of the Common Shares on the TSX-V is equal to or greater than \$6.90 per Common Share. The 2021 Prospectus Offering was made pursuant to an agency agreement dated February 22, 2021 (the “**2021 Agency Agreement**”) among the Company and a syndicate of agents led by Raymond James Ltd. and including BMO Nesbitt Burns Inc., Desjardins Securities, and Mackie Research Capital Corporation.

On March 3, 2021, the Company announced that it has entered into an agreement with The Valens Company Inc. (“**Valens**”) for organic certified extraction services.

On March 31, 2021, the Company fully repaid the \$5.0 million first mortgage loan that matured.

On April 19, 2021, the Company announced signing a Cannabis Purchase and Sale Agreement with the Yukon Liquor Corporation (“**YLC**”) for the distribution of its portfolio of cannabis products to consumers in the Yukon territory. The Company has received its first purchase order and made its first shipment to the YCL in May 2021.

On April 23, 2021, the Company fully repaid a second mortgage tranche which had matured. The Company repaid a total of \$4,207,635 representing \$3,355,000 in principal and \$852,635 in accrued interest.

On April 23, 2021, the Company also early repaid a second mortgage tranche originally due on May 27, 2021. The Company repaid a total of \$6,268,057 representing \$5,000,000 in principal and \$1,268,057 in accrued interest.

On April 27, 2021, the Company announced that it has received its first direct purchase order from the Manitoba Liquor & Lotteries (“**MBLL**”). Rubicon was previously selling our portfolio of cannabis products to the MBLL indirectly through our Manitoba distributor.

On May 20, 2021, the Company announced that it has received its first purchase order from Cannabis NB (“**CNB**”), the New Brunswick’s provincial cannabis distributor and retailer.

On May 31, 2021, cultivation operations reached a steady state and Peter Doig, the Chief Scientific Officer, resigned as a full-time employee of the Company. Mr. Doig has transitioned to a consultant role as Scientific Advisor.

On June 3, 2021, the Company announced the publication of its inaugural Environmental, Social and Governance Report (“**ESG Report**”). The ESG Report reflects the Company’s determination to embed sustainability in a formal manner through its operations and supply chain, and to communicate its progress with stakeholders in a transparent and authentic manner. The ESG Report captures the period between January 1 and December 31, 2020, and is informed by leading sustainability and reporting frameworks including Global Reporting Initiative (GRI) Standards, the Ten Principles of the United Nations Global Compact (UNGC), the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-related Financial Disclosures (TCFD).

On June 25, 2021, the Company fully repaid a second mortgage tranche originally due on July 11, 2021. The Company fully repaid a total of \$562,756 representing \$500,010 in principal and \$62,756 in accrued interest.

On June 29, the Company issued an US\$8.0 million principal amount secured debenture (the “**Secured Debenture**”) in connection with a debt financing transaction. The Secured Debenture has a two-year term and bears interest at 6.5% annually. In connection with the transaction, the Company issued 907,000 bonus warrants. Each warrant entitles the holder to purchase one Common Share in the capital of the Company at an exercise price of \$4.00 per Common Share for a period of three-years from the date of issuance.

On July 8, 2021, the Company announced the creation of the Cannabis Cultivators of B.C. (“**CCBC**”) with leading cannabis producers Pure Sunfarms and Tantalus Labs. CCBC is a non-profit industry association dedicated to advocating for the growth of a responsible cannabis industry and advancing a favourable social, economic, and business environment for cannabis cultivation in BC.

On July 26, 2021, the Company entered several foreign exchange swaps to fix the future exchange rate of the principal and interest payments on the US\$8.0 million Debenture to 1.2580 CAD/USD. The foreign exchange swaps will settle on June 27, 2022, December 28, 2022, and June 27, 2023, at rates that range from 1.2589 to 1.2640 CAD/USD, which reflects the exchange rate spreads of 8.5 to 60.0 basis points on the swaps.

On July 29, 2021, the Company was granted a Research & Development License by Health Canada. The Research & Development License allows the Company to distribute and administer its cannabis for research purposes and to test and review its products based on taste, sight, smell, and touch.

On September 13, 2021, the Company announced that it has signed a Cannabis Products Supplier Agreement with Medical Cannabis by Shoppers Drug Mart Inc.

## DESCRIPTION OF THE COMPANY'S BUSINESS

### Summary

Rubicon Organics, through its wholly-owned subsidiaries, is a Licensed Producer under the Cannabis Act focused on producing and selling premium organic certified cannabis products for the recreational and medical-use markets in Canada. Rubicon Organics owns and operates the Delta Facility, a 125,000 sq. ft. high-tech greenhouse located on a 20-acre property in Delta, British Columbia. The Delta Facility was acquired in September 2017 and retrofitted in 2018 to comply with Health Canada standards in preparation for cannabis licensing.

In late 2019, the Company decided to discontinue its U.S. operations, which consisted of providing ancillary services to the cannabis industry in the State of Washington and California. In the second quarter of 2020, the Company completed the sale of its Washington Facility, terminated the lease of its Washington extraction lab, and sold the related extraction equipment. As of May 15, 2020, the Company no longer performs any ancillary services to the cannabis industry in the US. On November 13, 2020, the Company sold its 3-acre parcel of land in California. All U.S. subsidiaries were dissolved or sold by the end of the 2020 fiscal year.

Over the next 12-months the Company is focused on launching new products under its existing brands and development arrangements for its international expansion.

### Products and Services

#### *Canada*

Through the Company's wholly-owned subsidiary, RHC, the Delta Facility is fully licensed to cultivate, process and sell cannabis products from both its 125,000 sq. ft. high-tech greenhouse and 11-acre outdoor grow site for recreational and medical-use markets in Canada.

In July 2019, the Company received its organic certification from the FVOPA to become one of only six LPs in Canada (at that time) to produce organic certified cannabis and subsequently completed its first commercial scale harvest in October 2019. In December 2019, the Company launched its first premium organic certified cannabis brand, Simply Bare™ Organic. From December 2020 until July 2021 the Company introduced 1964 Supply Co.™, LAB THEORY™, and Homestead Cannabis Supply™ to the Canadian market as part of executing on the Company's good, better, best strategy. During the third quarter of 2020 the Company signed a collaboration and brand licensing agreement to produce and sell Wildflower branded products in Canada. Wildflower products were made available to Canadian consumers at the beginning of April 2021.

The Company has direct supply agreements in place with the BCLDB, the AGLC, the OCS, the SQDC, and the YLC, and sells directly to CNB and the MBLL. The Company uses National Cannabis Distribution, to supply its products to Saskatchewan retailers and the Company utilizes its distribution agreements with Agro-Greens Natural Products Ltd., Hybrid Pharm, and Médicibus for distribution to the medical cannabis market. On June 22, 2020, the Company entered into a supply agreement with German distributor, Canacur, to sell Rubicon Organics' cannabis product to the German medical market. On September 10, 2021, the Company executed an agreement with Cannabis by Shoppers Drug Mart Inc. to purchase and distribute the Company's Simply Bare™ Organic hash, as well as both Wildflower CBD Relief Sticks and Wildflower CBD Cool Sticks in both 30g and 73g product formats.

As at March 31, 2020, all cultivation compartments at the Delta Facility were fully-planted and the Company is focused on optimizing its processes to achieve the run-rate greenhouse capacity of 11,000 kilograms per year of organic certified cannabis.

#### *United States*

The Company ceased its operations in Washington and California to focus on its Canadian cannabis business. As of May 15, 2020, the Company no longer performed any ancillary services to the cannabis industry in the US. Prior to this time,

the Company was in compliance with applicable licensing requirements and the regulatory frameworks enacted in both Washington and California.

Until the sale of the Washington Facility on April 3, 2020, the Company leased the facility to an I-502 Tier 3-licensed tenant. In addition, until the lease termination and related equipment sale on May 15, 2020, the Company sub-leased a turnkey cannabis oil extraction facility in Bellingham, Washington to a state-licensed processor tenant. The Company also provided ancillary services to participants in the cannabis industry in California through the sale of branded packaging to state-licensed operators until early 2019.

On October 26, 2020, the Company completed the dissolution of Prop 2, GPB, Red Dog, and Seymour Soils. The remaining US entities were formally dissolved by December 1, 2020, thereby completing the Company's exit from the United States.

### **Specialized Skill and Knowledge**

All aspects of the Company's business require specialized skills and knowledge. Such skills and knowledge include the areas of cultivation and growing of cannabis, and specifically the unique greenhouse agricultural skills required for the cultivation of organic cannabis in compliance with the Cannabis Act, directives issued by Health Canada and the stringent requirements of FVOPA, a leading organization in organic certification in Canada.

Rubicon Organics' experienced growing team and quality assurance team are focused on generating the highest quality and most consistent product that meets and exceeds the regulatory requirements. The Company practices strict regulatory compliance and maintains a high level of quality assurance and testing protocols to achieve customer satisfaction. In addition, the Company implements proven measures for additional certainty regarding the purity and safety of the cannabis it produces.

Rubicon Organics' consumer packaged goods ("CPG") expertise in areas of inventory management, market research, innovation, and brand building are expected to allow the Company to successfully distribute high quality cannabis products to the Canadian market. The Company's disciplined consumer focused approach and CPG experience are also supporting growth in a constantly evolving marketplace.

Management is composed of individuals who have extensive expertise in the cannabis and consumer packaged goods industry, complemented by an experienced Board of Directors (the "**Board**") with professionals from various relevant industries. See "Directors and Officers" for additional information.

### **Competitive Conditions**

As of the date of this AIF, Health Canada has a total of 771 companies on its list of licence holders which includes duplicate sites for some licence holders. There are also a number of unlicensed growers of cannabis who have or will seek to obtain some form of licence under the Cannabis Act. On May 8, 2019, Health Canada also introduced changes to the cannabis licensing process. Under the new approach, Health Canada requires new license applicants to have a fully built site that meets all the requirements of the Cannabis Regulations at the time of their application. The Company believes that the stringent application and compliance requirements may prove too onerous or expensive for some applicants.

In addition, there are illegal growers and retailers operating in the black market that, while operating illegally, still act as competitors to the Company by diverting customers away from the legal cannabis market.

The Company believes that its leadership team, brand strategy and commitment to super-premium and premium organic cannabis products will enable the Company to establish and retain a strong and sustainable position in the market. See "Risk Factors" for additional information.

### **Components**

The Cultivation & Processing Licenses allowed the Company to bring in an extensive library of unique and proven genetic starting materials including unique stabilized cultivars previously developed in the medical cannabis market, which are expected to be instrumental in Rubicon Organics' launch of new strains for the Canadian and international export markets.

The equipment used to cultivate and process cannabis is specialized but is readily available and not specific to the cultivation of cannabis. The Company does not anticipate any difficulty in obtaining equipment as needed.

### **Intangible Properties**

The ownership and protection of the Company's intellectual property is key to the Company's continued success. The Company's intangible assets are protected through trade secrets, technical know-how and proprietary information. The Company's intellectual property is protected by seeking and obtaining registered protection (including trademarks and patents) where possible, developing and implementing standard operating procedures and entering into agreements with parties that have access to the Company's inventions, trade secrets, technical know-how and proprietary information such as business partners, collaborators, employees and consultants, to protect the Company's confidentiality and ownership of its intellectual property. The Company preserves the integrity and confidentiality of its inventions, trade secrets, trademarks, technical know-how and proprietary information by maintaining physical security of the Company's premises and physical and electronic security of the Company's information technology systems.

### **Employees**

As at September 30, 2021, the Company had a total of 137 full-time employees and 3 part-time employees.

### **Canadian Regulatory Overview**

On April 13, 2017, the Government of Canada introduced Bill C-45 to amend the *Controlled Drugs and Substances Act* (which governs the ACMPR, the *Criminal Code* (Canada), the *Narcotic Control Regulations* ("NCR") and other related legislation to legalize and regulate the use of cannabis for recreational purposes. The Cannabis Act, the Cannabis Regulations, and related ancillary amendments to other legislation, came into effect October 17, 2018.

Pursuant to the Cannabis Act, individuals over the age of 18 are able to purchase fresh cannabis, dried cannabis, cannabis oil, and cannabis plants or seeds and are able to legally possess up to 30 grams of dried cannabis, or the dried flower equivalent in other products. The Cannabis Act also permits households to grow a maximum of four cannabis plants. This limit applies regardless of the number of adults that reside in the household. In addition, the Cannabis Act provides provincial, territorial, and municipal governments the authority to prescribe regulations regarding retail and distribution, as well as the ability to alter some of the existing baseline requirements, such as increasing the minimum age for purchase and consumption.

On July 11, 2018, the Government of Canada published the Cannabis Regulations in the Canada Gazette, Part II, to support the coming into force of the Cannabis Act, along with amendments to the NCR and certain regulations under the *Food and Drugs Act* (Canada). The Cannabis Regulations, among other things, outline the rules for the legal cultivation, processing, research, testing, distribution, sale, importation and exportation of cannabis and hemp in Canada, including the various classes of licenses that can be granted, and set standards for cannabis and hemp products made available for legal sale subsequent to October 17, 2018. Previously, medical cannabis was largely regulated by the ACMPR but, on October 17, 2018, the Cannabis Act and the Cannabis Regulations replaced this regime.

On December 22, 2018, the Government of Canada published the draft of the *Regulations Amending the Cannabis Regulations* (the "**Further Regulations**"). The Further Regulations amend the Cannabis Act and Cannabis Regulations to, among other things, allow the production of extracts (including concentrates), edibles and topicals in addition to the currently permitted product forms. The final version of the Further Regulations was published on June 13, 2019 and came into force on October 17, 2019.

On October 19, 2020, the Canadian Chamber of Commerce announced the launch of an industry-led review of the Cannabis Act to provide recommendations on how the federal government should improve Canada's legislative and regulatory frameworks for cannabis. Recommendations will be provided to the Minister of Health, who will initiate the required three-year review of the Cannabis Act on October 17, 2021.

### Licenses, Permits and Authorizations

The Cannabis Regulations establish six classes of licenses:

- Cultivation licenses;
- Processing licenses;
- Analytical testing licenses;
- Sales for medical purposes licenses;
- Research and development licenses; and
- Cannabis drug licenses.

The Cannabis Regulations also create subclasses for cultivation licenses (standard cultivation, micro-cultivation, and nursery) and processing licenses (standard processing and micro-processing). Different licenses and each sub-class therein, carry differing rules and requirements that are intended to be proportional to the public health and safety risks posed by each license category and each sub-class. Licenses issued pursuant to the Cannabis Regulations are valid for a period of no more than five years. The Cannabis Regulations permit cultivation license to be issued for both outdoor and indoor cultivation of cannabis, however no licensed activities can take place in a “dwelling-house”.

### Security Clearances

The Cannabis Act and Cannabis Regulations require several individuals to hold a valid security clearance, including directors, officers, and large shareholders of the licensee, including officers and directors of those companies who can exert direct control over the licensee, those who hold key positions, including the Responsible Person/Alternate Responsible Person, the Head of Security/Alternate Head of Security, the Master Grower/Alternate Master Grower and the Quality Assurance Person/Alternate Assurance Person(s) and anyone else specified by the Minister. Under the Cannabis Regulations, the Minister may refuse to grant security clearances to individuals with associations to organized crime or with past convictions for, or an association with, drug trafficking, corruption, or violent offences. Individuals who have histories of nonviolent, lower-risk criminal activity (for example, simple possession of cannabis, or small-scale cultivation of cannabis plants) are not precluded from participating in the legal cannabis industry, and the grant of security clearance to such individuals is at the discretion of the Minister and such applications are reviewed on a case-by-case basis.

### Cannabis Tracking System

Under the Cannabis Act, the Minister is authorized to establish and maintain a national cannabis tracking and licensing system (the “CTLS”). The CTLS has since been established to create a seed to sale tracking system to track cannabis throughout the supply chain to help prevent diversion of cannabis into, and out of, the illegal market. Under this tracking system, certain LPs are required to submit monthly reports to Health Canada, among other things. The information required to be reported is extensive.

### Products

The Cannabis Regulations set out the requirements for the sale of cannabis products at the retail level and permit the sale of dried cannabis, cannabis oil, fresh cannabis, cannabis plants and cannabis plant seeds, including in such forms as “pre-rolled” and in capsules. The Further Regulations permit and set out the requirements for the sale of cannabis edibles, cannabis topicals and cannabis extracts. The THC content and serving size of cannabis products is limited by the Cannabis Regulations and the Further Regulations, as applicable.

### Advertising and Promotion

The Cannabis Act prohibits the promotion of cannabis, cannabis accessories or services related to cannabis, including, but not limited to:

- by communicating information about its price or distribution;
- by doing so in a manner that there are reasonable grounds to believe could be appealing to young persons;
- by means of a testimonial or endorsement, however displayed or communicated;

- by means of the depiction of a person, character, or animal, whether real or fictional; or
- by presenting it or any of its brand elements in a manner that associates it or the brand element with, or evokes a positive or negative emotion about or image of, a way of life such as one that includes glamour, recreation, excitement, vitality, risk or daring.

The Cannabis Act does provide exceptions to these prohibitions in limited circumstances, including when the promotion is by means of an informational or brand-preference promotion and as long as that promotion is displayed in a manner that it cannot be viewed by people under the age of 18. Various provinces and territories have added additional restrictions on the promotion of cannabis which are significantly more strict, including increasing the age restrictions.

### Packaging and Labelling

The Cannabis Regulations and Further Regulations set out requirements pertaining to the packaging and labelling of cannabis products. Cannabis package labels must include specific information, such as:

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

A cannabis product’s brand name may only be displayed once on the principal display panel, or if there are separate principal display panels for English and French, only once on each principal display panel. It can be in any font style and any size, so long as it is equal to or smaller than the health warning message. The font must not be in metallic or fluorescent colour. In addition to the brand name, only one other brand element can be displayed.

All-over packaging wraps must be clear, and the interior surface and exterior surface of any container in which a cannabis product is packaged cannot have any embossing, texture, foil, or cut outs. Additionally, packages must be child-resistant and tamper-proof.

### Cannabis for Medical Purposes

Part 14 of the Cannabis Regulations sets out the regime for medical cannabis, which includes rules for non-medical use, to improve patient access, and reduce the risk of abuse within the medical access system. Patients who have the authorization of their healthcare provider have access to cannabis, either purchased directly from a federally licensed producer, or by registering to produce a limited amount of cannabis for their own medical purposes or designating someone to produce cannabis for them.

### Provincial Regulatory Regimes

While the Cannabis Act provides for the regulation by the Canadian federal government of, among other things, the commercial cultivation and processing of cannabis and the sale of medical cannabis, the various provinces and territories of Canada regulate certain aspects of adult use cannabis, such as distribution, sale, minimum age requirements, places where cannabis can be consumed, and a range of other matters.

Provincial and territorial governments in Canada have implemented varying regulatory regimes for the distribution and sale of cannabis for recreational or “adult-use” purposes, including a mix of public, private and hybrid distribution and sale models. There is no guarantee that the provincial and territorial frameworks supporting the legalization of cannabis for recreational use in Canada will continue on their current terms, or at all, or will not be amended or supplemented by additional legislation.

The Government of Canada introduced new penalties under the *Criminal Code* (Canada) in connection with the coming into effect of the Cannabis Act and the Cannabis Regulations, 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.

### Canadian Banking and Financial Services

As the cannabis industry expands in Canada, management of the Company expects cannabis-related businesses to increasingly seek banking and financial services from Canadian financial institutions. However, banks and financial institutions may consider cannabis-related businesses to be high-risk clients under the Canadian anti-money laundering regime. Accordingly, opening and maintaining accounts for cannabis-related businesses will require substantial resources and diligence on the part of financial institutions, especially in light of the obligation imposed on financial institutions under anti-money laundering legislation to engage in ongoing monitoring of clients and their activities.

### International Regulations

As the Company expects to begin international sale and distribution of its' products, additional regulatory requirements, with respect to the export and lawful sale of products in other international jurisdictions, will become applicable. The Company is actively working to meet the regulatory requirements in the jurisdictions that it may seek to export products.

## **DIVIDENDS AND DISTRIBUTIONS**

As of the date of this AIF, the Company has not declared dividends on its Common Shares. The Company currently intends to reinvest all future earnings in order to finance the development and growth of its business. As a result, the Company does not intend to pay dividends on its Common Shares in the foreseeable future. Any future determination to pay dividends will be at the discretion of the Board and will depend on the financial condition, business environment, operating results, capital requirements, and any contractual restrictions on the payment of dividends and any other factors that the Board deems relevant.

## **DESCRIPTION OF CAPITAL STRUCTURE**

The authorized capital of the Company consists of an unlimited number of Common Shares. As of the date hereof, there are 55,983,327 Common Shares outstanding.

Holders of Common Shares are entitled to receive notice of, attend, and vote at meetings of the shareholders. Each Common Share carries the right to one vote. Holders of Common Shares shall, in the absolute discretion of the directors, be entitled to receive non-cumulative dividends as may be declared in respect of the Common Shares then issued and outstanding. The directors of the Company shall be at liberty to declare dividends on any one or more classes of shares to the exclusion of any other class or classes of shares in the Company entitled to dividends, and no holder of any class of shares shall be entitled to receive dividends *pari passu* with, or in priority to, the holders of any other class or classes of shares of the Company entitled to receive dividends. In the event of the liquidation, dissolution or winding up of the Company or other distribution of assets of the Company among its shareholders to wind-up its affairs or on a reduction of capital the holders of Common shares shall be entitled to receive equally, on a per share basis, the amount paid up thereon together with any declared but unpaid dividends and any remaining property or assets of the Company.

The Common Shares do not have pre-emptive rights or exchange rights and are not subject to redemption, retraction, purchase for cancellation or surrender provisions. There are no sinking or purchase fund provisions, no provisions permitting or restricting the issuance of additional securities, and there are no provisions which are capable of requiring a security holder to contribute additional capital. For a description of the Company's dividend policy, see "Dividends and Distributions".

Provisions as to the modification, amendment or variation of the rights attached to the Common Shares are contained in the Company's Articles and the BCBCA. Generally speaking, substantive changes to the authorized share structure require the approval of the Company's shareholders by special resolution (at least two-thirds of the votes cast).

## MARKET FOR SECURITIES

### Trading Price and Volume

The outstanding Common Shares are traded on the TSX-V under the trading symbol “ROMJ”. The Common Shares and 2019 Listed Warrants of the Company were voluntarily delisted from the Canadian Securities Exchange at the close of trading on September 21, 2020 and commenced trading on the TSX-V at the opening of trading on September 22, 2020.

The following table sets forth the reported intraday high and low prices and monthly trading volumes of the Common Shares from January 2020 to August 2021.

Period	High Trading Price	Low Trading Price	Volume
January 2020	\$2.60	\$1.65	416,200
February 2020	\$2.53	\$1.98	258,300
March 2020	\$2.18	\$1.50	390,900
April 2020	\$2.45	\$1.50	314,400
May 2020	\$2.75	\$2.23	341,500
June 2020	\$2.80	\$2.40	268,300
July 2020	\$3.09	\$2.74	1,212,700
August 2020	\$3.43	\$2.95	348,100
September 2020	\$3.51	\$3.00	267,200
October 2020	\$4.40	\$3.36	942,200
November 2020	\$4.20	\$3.54	1,373,700
December 2020	\$3.77	\$3.00	928,900
January 2021	\$3.75	\$3.10	329,200
February 2021	\$4.30	\$3.04	1,038,400
March 2021	\$3.85	\$2.89	3,868,300
April 2021	\$3.60	\$2.94	878,300
May 2021	\$3.10	\$2.40	511,600
June 2021	\$2.70	\$2.20	631,900
July 2021	\$2.55	\$2.25	427,700
August 2021	\$2.52	\$2.15	267,100
September 2021	\$2.57	\$2.20	218,200

On September 30, 2021, the closing price per Common Share on the TSX-V was \$2.59.

On November 16, 2020, the Company elected to accelerate the expiry date of the 2019 Listed Warrants. The Company was able to accelerate the expiry date to December 16, 2020, on the basis that it met the metric for volume weighted average trading price. As at December 16, 2020, 2,036,900 of these warrants were exercised and 1,113,100 expired.

The 2021 Listed Warrants, issued in association with the February 2021 financing, are traded on the TSX-V under the trading symbol “ROMJ.WT”. The following table sets forth the reported intraday high and low prices and monthly trading volumes of the 2021 Listed Warrants from March 2021 to September 2021. As of the date hereof, 3,026,315 of the 2021 Listed Warrants are outstanding.

Period	High Trading Price	Low Trading Price	Volume
March 2021 <sup>(1)</sup>	\$0.50	\$0.25	169,100
April 2021	\$0.70	\$0.32	25,100
May 2021	\$0.32	\$0.22	4,900
June 2021	\$0.27	\$0.27	21,000
July 2021	\$0.27	\$0.27	4,000
August 2021 <sup>(2)</sup>	n/a	n/a	-
September 2021 <sup>(2)</sup>	n/a	n/a	-

(1) The Listed Warrants first traded on March 2, 2021

(2) No trading during the period

On September 30, 2021, the closing price per 2021 Listed Warrant on the TSX-V was \$0.05.

### Prior Sales

The following tables summarizes the issuances of securities convertible or exchangeable into Common Shares, for the period January 1, 2020, to September 30, 2021.

#### Stock Options

<u>Date of Issuance</u>	<u>Description of Transaction</u>	<u>Price per Security<sup>(1)</sup></u>	<u>Number of Securities</u>
August 18, 2020	Option Issuance	\$3.33	92,500
October 14, 2020	Option Issuance	\$4.10	80,000
April 26, 2021	Option Issuance	\$3.25	77,500

(1) Represents the exercise price of the stock options.

#### Warrants

<u>Date of Issuance</u>	<u>Description of Transaction</u>	<u>Price per Security<sup>(1)</sup></u>	<u>Number of Securities</u>
May 29, 2020	Non-Brokered Private Placement	\$3.25	4,893,617
May 29, 2020	Finder Warrants	\$3.25	22,766
June 4, 2020	Non-Brokered Private Placement	\$3.25	851,064
February 26, 2021	Prospectus Offering	\$5.30	3,026,315
June 29, 2021	Secured Debenture	\$4.00	907,000

(1) Represents the exercise price of the Warrants.

#### Share Based Awards

<u>Date of Issuance</u>	<u>Description of Award Type</u>	<u>Price per Security</u>	<u>Number of Securities</u>
October 15, 2020	Deferred Share Units	\$4.10 <sup>(2)</sup>	75,000
December 28, 2020	Restricted Share Awards	\$2.44 <sup>(1)</sup>	300,000
April 16, 2021	Restricted Share Units	\$3.15 <sup>(2)</sup>	2,540,000

(1) The opening share price on December 29, 2020, was \$3.49. The recipients of the RSA's signed lockup agreements with the Company, thus reducing the fair value to \$2.44.

(2) Represents the closing share price of the Company on the date of issuance.

### ESCROWED SECURITIES

As at the date of this AIF, the securities of the Company subject to escrow are shown in the following table:

<u>Designation of Class</u>	<u>Total Number of securities held in escrow or that are subject to a contractual restriction on transfer</u>	<u>Percentage of class at the date of AIF</u>
Common Shares	9,850,217 <sup>(1)</sup>	17.6% <sup>(3)</sup>
Options	1,199,250 <sup>(2)</sup>	33.9% <sup>(4)</sup>

(1) 9,850,217 Common Shares are subject to escrow requirements pursuant to an escrow agreement among the Company, Odyssey Trust Company and certain securityholders of the Company dated October 2, 2018 (the "Initial Listing Escrow Agreement") in connection with the Company's initial listing on the CSE.

(2) 1,199,250 options are subject to escrow requirements pursuant to the Initial Listing Escrow Agreement.

(3) Based on 55,983,327 issued and outstanding Common Shares at the date of this AIF.

(4) Based on 3,535,416 issued and outstanding Options at the date of this AIF.

The final escrow release for the shares subject to the initial Listing Escrow Agreement will be released on October 10, 2021. The following automatic timed releases apply to the securities escrowed under the Initial Listing Escrow Agreement:

<b>Date of Automatic Timed Release</b>	<b>Amount of Escrowed Securities Released</b>
On the date the Company's securities are listed on a Canadian exchange	1/10 of the escrow securities
6 months after the listing date	1/6 of the remaining escrow securities
12 months after the listing date	1/5 of the remaining escrow securities
18 months after the listing date	1/4 of the remaining escrow securities
24 months after the listing date	1/3 of the remaining escrow securities
30 months after the listing date	1/2 of the remaining escrow securities
36 months after the listing date	The remaining escrow securities

## DIRECTORS AND EXECUTIVE OFFICERS

The following table sets out, for each of the Company's directors and executive officers, the person's name, province or state and country of residence, position with us, principal occupation, and the date on which the person became a director or executive officer. The Company's directors are expected to hold office until the Company's next annual general meeting of shareholders. The Company's directors are elected annually and, unless re-elected, retire from office at the end of the next annual general meeting of shareholders. As a group, the directors and executive officers beneficially own or control, directly or indirectly, a total of 13,522,698 Common Shares, representing 24.2% of the Common Shares outstanding as at the date of this AIF.

### Directors and Executive Officers at the date of this AIF

<b>Name and Province or State and Country of Residence</b>	<b>Position with the Company</b>	<b>Age</b>	<b>Director/Officer Since</b>	<b>Principal Occupation</b>
Jesse McConnell <sup>(4)</sup> British Columbia, Canada	Chief Executive Officer ("CEO") and Director	44	May 15, 2015	CEO of the Company since May 20, 2015, Mr. McConnell has proven track record of developing and producing premium consumer cannabis brands and products, which spans over two decades of experience. Previously the co-founder of Whistler Medical Marijuana Corp., until its eventual sale to Aurora Cannabis Inc. in 2019.
Margaret Brodie <sup>(4)</sup> British Columbia, Canada	Chief Financial Officer ("CFO") and Director	43	May 24, 2018	CFO of the Company since November 10, 2016. Ms. Brodie also serves as Director of Plata Latina Minerals Corp., a mining company, and formerly CFO (2012 – 2016). In addition, Ms. Brodie has acted as CFO for Riva Gold Corporation (TSX-V), a mining company, until its purchase by Arizona Mining Inc. in 2013 (2010-2013) and Armor Minerals Corp (2015), a mining company. Prior to that, Ms. Brodie was a Senior Manager with KPMG LLP in Vancouver, British Columbia and London, United Kingdom.
Tim Roberts British Columbia, Canada	President	44	October 16, 2018	President of the Company since November 2018. Previously, Managing Director of Red Bull GmbH New Zealand and Brazil from May 2013 to May 2018.

Bryan Disher <sup>(1)(2)(3)</sup> British Columbia, Canada	Director and Chairman of the Board	64	April 24, 2019 <sup>(5)</sup>	Director at Cypress Development Corporation, an advanced stage lithium company, since August 2021; Director at The Registered Plan Private Investments Inc., an investment company, since December 2016; and Director at Minds + Machines Group Limited, an internet domain company, since April 2019. Director at Balmoral Resources Ltd., a mining company, from March 2016 through May 2020. Previously, Managing Partner and Assurance Leader at PricewaterhouseCoopers Ukraine from March 2011 to June 2015 and prior to that Partner at PricewaterhouseCoopers in Canada.
David Donnan <sup>(1)(3)(4)</sup> Illinois, United States	Director	66	April 24, 2019 <sup>(5)</sup>	Partner Emeritus at Kearney, a management consulting company, in Chicago since April 2019 (formerly a Senior Partner since January 2010). Adjunct Professor, Faculty of Engineering Northwestern University Chicago (2020), Limited Partner at Spiral Sun Ventures, Director of the Academy of Nutrition and Dietetics, a non-profit organization, (2018-2021), and FamilyFarmed, a non-profit organization, (2018). Has held senior leadership positions with Bridge Strategy Group LLC, a consulting firm, Checkpoint Systems North America, a retail technology provider, KPMG LLP, and Canada Packers, a food processing company.
John Pigott <sup>(1)(3)</sup> Ontario, Canada	Director	64	May 24, 2018	Chief Executive Officer of Club Coffee Inc., a manufacturing company, in Etobicoke, Ontario since February 2007 and Chief Executive Officer of Morrison Lamothe Inc., since June 1989.
Julie Lassonde Ontario, Canada	Board Observer <sup>(6)</sup>	49	n/a	Ms. Lassonde has over 25 years of experience in the mining and finance sectors in senior executive and board roles. She also has an extensive philanthropic leadership background. Her current involvements include York University, where she serves on the executive committee of the Board of Governors, and as chair of the External Relations committee; Royal Ontario Museum, where she is a member of the Board of Governors; National Gallery of Canada Foundation, where she is on the Board of Directors, the Executive Committee and chairs the Investment Committee; Canadian Engineering Memorial Foundation, where she is President; and the Pierre Lassonde Family Foundation, where she is a Director. Ms. Lassonde holds a degree in Civil Engineering from Queen's University and an Executive MBA from Brown University and IE University.

(1) Member of the Audit Committee.

(2) Chair of the Audit Committee.

(3) Member of the Compensation Committee.

(4) Member of the Nomination and Governance Committee

(5) Bryan Disher and David Donnan were members of the Board since May 24, 2018, but resigned on January 25, 2019, due to delay in obtaining security clearances necessary for Health Canada licensing. Bryan Disher and David Donnan were re-appointed to the Board on April 24, 2019.

(6) Julie Lassonde has been elected to the board by the shareholders at the Annual General Meeting and is eligible to become a director of the Company. Once she is granted her security clearance by Health Canada it is expected the directors of the Company will appoint her to the Board. Until Ms. Lassonde's directorship is effective she will be invited to participate in certain Board and Committee meetings as an observer.

### **Cease Trade Orders or Bankruptcies**

None of the directors or executive officers has, within the 10 years prior to the date of this AIF, been a director, chief executive officer or chief financial officer of any company (including us) that, while such person was acting in that capacity (or after such person ceased to act in that capacity but resulting from an event that occurred while that person was acting in such capacity) was the subject of a cease trade order, an order similar to a cease trade order, or an order that denied the Company access to any exemption under securities legislation, in each case for a period of more than 30 consecutive days.

None of the Company's directors or executive officers has, within the 10 years prior to the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or comprise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, been a director or executive officer of any company, that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or comprise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

### **Penalties or Sanctions**

None of the Company's directors or executive officers or any shareholder holding sufficient securities of the Company to affect materially the control of the Company 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 been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

### **Conflicts of Interest**

To the best of the Company's knowledge, there are no known existing or potential material conflicts of interest among the Company and the Company's directors, officers or other members of management of the Company as a result of their outside business interests except that certain of the Company's directors and officers serve as directors, officers or advisors of other companies, and therefore it is possible that a conflict may arise between their duties to the Company and their duties as a director, officer or advisor of such other companies.

In addition, on April 3, 2020, the Company completed the sale of its 40,000 sq. ft. hybrid greenhouse in Ferndale, Washington for US\$8.5 million to a group of real estate investors (the "**Buyers**"). The Buyers are led by the cannabis license holder who has leased the facility from Rubicon Organics since November 2018 and includes Jesse McConnell, Rubicon Organics' CEO, who also holds a minority interest in the Buyer entity.

## **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

The Company and its subsidiaries may from time to time be involved in legal proceedings of a nature considered normal to its business. The Company is not and was not, during the most recently completed financial year, party to, and its property is not and was not, during the most recently completed financial year, the subject of, any legal proceedings and no such proceedings are known by the Company to be contemplated.

There have been no: (i) penalties or sanctions imposed against the Company by a court relating to securities legislation or by a securities regulatory authority during the most recently completed financial year; (ii) penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision; and (iii) settlement agreements the Company entered into before a court relating to securities legislation or with a securities regulatory authority during the most recently completed financial year.

## INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the best of the Company's knowledge, there are no known existing or potential material conflicts of interest, nor have there been any known existing or potential material conflicts of interest during the three most recently completed financial years, among the Company and the Company's directors, officers or other members of management of the Company as a result of their outside business interests except that certain of the Company's directors and officers serve as directors, officers or advisors of other companies, and therefore it is possible that a conflict may arise between their duties to the Company and their duties as a director, officer or advisor of such other companies.

## TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares is Odyssey Trust Company in Vancouver, British Columbia.

## MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only contracts entered into by the Company since the beginning of the last financial year, or before the beginning of the last financial year that is still in effect, which may be regarded as material, are the following:

- (a) 2021 Agency Agreement;
- (b) the board nomination agreement with Jesse McConnell (the "**Board Nomination Agreement**"); and
- (c) the warrant indenture governing the warrants issued pursuant to the 2021 Prospectus Offering between the Company and Odyssey Trust Company dated February 26, 2021.

Copies of each of the material contracts are available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

The Board Nomination Agreement provides that at any meeting of the shareholders of the Company at which the election or removal of directors to or from the Board is to be considered, Mr. McConnell is entitled, by providing more than 60 days written notice, to nominate one Board member for successive terms. Any nominee must be eligible to serve as a director of the Company pursuant to applicable corporate and securities laws, the rules, and policies of any exchange on which the Company's Common Shares are listed or quoted and other regulatory provisions to which the Company is subject.

If a nominee shall be disqualified, be removed, or resign or otherwise cease to be a director of the Company, Mr. McConnell will have the right to designate a further nominee to fill the vacancy so created. The Board Nomination Agreement will automatically terminate if Mr. McConnell's ownership of the Company's issued and outstanding Common Shares decreases to below 10%.

## INTERESTS OF EXPERTS

Deloitte LLP is the auditor of the Company. Deloitte LLP is independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of British Columbia.

## **RISK FACTORS**

The risks and uncertainties described below are those the Company currently believes to be material, but they are not the only ones the Company faces. If any of the following risks, or any other risks and uncertainties that the Company has not yet identified or that the Company currently considers not to be material, actually occur or become material risks, the Company's business, prospects, financial condition, results of operations and cash flows could be materially and adversely affected. In that event, the market price of the Company's securities could decline, and you could lose part or all of your investment.

### **Risks Generally Related to the Company**

#### ***Public Health Crises, Including COVID-19***

A local, regional, national, or international outbreak of a contagious disease, such as COVID-19, could have an adverse effect on local economies and potentially the global economy, which may adversely impact the price and demand for the Company's products. COVID-19 could affect the Company's ability to conduct its operations and may result in temporary shortages of staff to the extent its work force is impacted. Such an outbreak, if uncontrolled, could have a material adverse effect on our business, financial condition, results of operations and cash flows, including lost revenue and our ability to obtain financing on favourable terms (if at all).

The COVID-19 pandemic may also impact the opening of stores in Canada, purchases at existing stores, and provincial purchasing relationships. The Company's business is dependent on a number of key supply chains which could be adversely disrupted by a number of factors including, among others, major health issues or pandemics. The ultimate extent of the impact of COVID-19 or any epidemic, pandemic or other health crisis on the Company's business, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of COVID-19 or any other such epidemic, pandemic or other health crisis and actions taken to contain or prevent their further spread. These factors are beyond our control, may adversely affect us, our customers and our suppliers or cause disruptions to their and our businesses and may impact their ability to supply us or our ability to supply them.

#### ***The Company has a limited operating history, a history of losses and the Company cannot assure profitability***

The Company has been incurring operating losses and cash flow deficits since the inception of such operations, as it attempts to create an infrastructure to capitalize on the opportunity for value creation that is emerging from the legalization of recreational cannabis in Canada. The Company's lack of operating history makes it difficult for investors to evaluate the Company's prospects for success. Prospective investors should consider the risks and difficulties the Company might encounter, especially given the Company's lack of an operating history, there is no assurance that the Company will be successful, and the likelihood of success must be considered in light of its relatively early stage of operations.

#### ***Uncertainty about the Company's ability to continue as a going concern***

The Company has not yet generated substantial revenue from its primary asset in British Columbia. The Company's ability to continue as a going concern is dependent upon its ability in the future to grow its revenue and achieve profitable operations and, in the meantime, to obtain the necessary financing to meet its obligations and repay its liabilities when they become due. External financing, predominantly by the issuance of equity and debt, will be sought to finance the operations of the Company; however, there can be no certainty that such funds will be available at terms acceptable to the Company, or at all.

#### ***There is no assurance that the Company will turn profits or pay dividends***

There is no assurance as to whether the Company will be profitable or pay dividends. The Company 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, the Company's 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.

In the event that any of the Company's historical investments or operations, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such historical investments or operations in the U.S. were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under applicable legislation. This could restrict or otherwise jeopardize the ability of the Company to declare or pay dividends, effect other distributions, or subsequently repatriate such funds back to Canada.

***The Company had negative operating cash flow for the financial years ended December 31, 2020, December 31, 2019, and December 31, 2018, and for the six months ended June 30, 2021***

The Company had negative operating cash flow for the financial years ended December 31, 2020, December 31, 2019, and December 31, 2018, and for the six months ended June 30, 2021. To the extent that the Company has negative operating cash flow in future periods, it may need to allocate a portion of its cash reserves to fund such negative cash flow. The Company may also be required to raise additional funds through the issuance of equity or debt securities. There can be no assurance that the Company will be able to generate a positive cash flow from its operations, that additional capital or other types of financing will be available when needed or that these financings will be on terms favourable to the Company.

***There are no assurances the Company's sales channels will remain accessible or that distributors will keep the Company's product listings, which if lost will impact the Company's ability to generate revenue***

The Company maintains supply agreement with each province in which it sells cannabis as well as with private distributors to deliver its products to retailers and consumers. These provincial entities and private distributors review and list the products they wish to sell in their market. While the Company maintains agreements in all major markets across Canada there are no guarantees these contracts are renewed or that these entities maintain or grow the number of product listings they currently have with the Company. Should any contract be cancelled, or any product be de-listed, there may be negative impacts on the Company's ability to sell and monetize its inventory.

***The Company's actual financial position and results of operations may differ materially from the expectations of the Company's management***

The Company's actual financial position and results of operations may differ materially from management's expectations. The Company has experienced some changes in its operating plans and certain delays in the timing of its plans. As a result, the Company's revenue, net income, and cash flow may differ materially from the Company's projected revenue, net income, and cash flow. The process for estimating the Company's revenue, net income and cash flow requires the use of judgment in determining the appropriate assumptions and estimates. These estimates and assumptions may be revised as additional information becomes available and as additional analyses are performed. In addition, the assumptions used in planning may not prove to be accurate, and other factors may affect the Company's financial condition or results of operations.

***The Company expects to incur significant ongoing costs and obligations related to its investment in infrastructure, growth, regulatory compliance, and operations***

The Company expects to incur significant ongoing costs and obligations related to its investment in infrastructure and growth and for regulatory compliance, which could have a material adverse impact on the Company's results of operations, financial condition, and cash flows. In addition, future changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company. The Company's efforts to grow its business may be more costly than expected, and the Company may not be able to increase its revenue enough to offset its higher operating expenses. The Company may incur significant losses in the future for a number of reasons, including unforeseen expenses, difficulties, complications and delays, and other unknown events. If the Company is unable to achieve and sustain profitability, the market price of the Common Shares may significantly decrease.

### ***Refinancing debt on the Delta Facility***

The Company currently has US\$8,000,000 of debt outstanding secured against the Delta Facility which matures June 29, 2023. In addition, Canacur has provided the Company \$465,497 as advance payment for product, which is secured against the Delta Facility, behind existing secured lenders. The debt outstanding must be repaid by delivery of product, or failing such method, by repayment in cash. Upon maturity of the debt, there can be no certainty that such refinancing will be available at terms acceptable to the Company, or at all.

### ***Facility Optimization and Expansion***

The optimization of the Delta Facility is subject to various potential problems and uncertainties and such optimization may be delayed or adversely affected by a number of factors beyond Rubicon Organics' control. These uncertainties include the failure to obtain regulatory approvals, permits, delays in the delivery or installation of equipment by suppliers, difficulties in integrating new equipment with existing facilities, shortages in materials or labor, defects in design, diversion of management resources, and insufficient funding or other resource constraints. The actual cost of the optimization may exceed the amount budgeted. As the result of delays, cost overruns, changes in market circumstances or other factors, Rubicon Organics may not be able to achieve the intended economic benefits from the optimization of the Delta Facility, which in turn may affect Rubicon Organics' business, prospects, financial condition, and results of operations. In addition, any future expansion of the Delta Facility is subject to Health Canada regulatory approvals. The delay or denial of such approvals may have a material adverse impact on the business of Rubicon Organics and may result in Rubicon Organics not meeting anticipated or future demand when it arises.

### ***There are factors which may prevent the Company from the realization of growth targets***

The Company is currently in the stage of expansion from early development. There is a risk that business objectives will not be achieved on time, on budget, or at all, as they can be adversely affected by a variety of factors, including some that are discussed elsewhere in these "Risk Factors" and the following:

- reliance on the Delta Facility as the sole facility for its Canadian operations;
- delays in obtaining, or conditions imposed by, regulatory approvals;
- facility design errors;
- the Company's ability to successfully withstand the economic impact of COVID-19, including in relation to staffing of the Delta Facility and the launch of the Company's new brands and products into new provinces and associated revenue;
- environmental pollution;
- non-performance by third party contractors;
- increases in materials or labour costs;
- construction performance falling below expected levels of output or efficiency;
- breakdown, aging or failure of equipment or processes;
- contractor or operator errors;
- operational inefficiencies;
- labour disputes, disruptions or declines in productivity;
- inability to attract sufficient numbers of qualified workers;
- disruption in the supply of energy and utilities;
- major incidents and/or catastrophic events such as fires, explosions, pandemics, or storms; and
- labour shortages and supply chain disruptions caused by global catastrophes such as the COVID-19 pandemic.

### ***Reliance on Licenses***

The continuation of Rubicon Organics' business of growing, storing, and distributing medical and recreational cannabis is dependent on the good standing of all licenses required to engage in such activities and upon adhering to all regulatory requirements related to such activities. Vintages was granted the Cultivation & Processing Licenses from Health Canada on February 1, 2019, pursuant to the Cannabis Act. This license was subsequently transferred to RHC on September 30, 2020, when Vintages was amalgamated.

The licenses are valid until February 1, 2022, at which point, RHC must apply to Health Canada for renewal. Failure to comply with the requirements of the licenses or any failure to maintain the licenses would have a material adverse impact on the business, financial condition, and operating results of Rubicon Organics. Although Rubicon Organics believes it will meet the requirements of the Cannabis Act for future extensions or renewal of the licenses, there can be no guarantee that Health Canada will extend or renew the licenses or that, if extended or renewed, the licenses will be extended or renewed on the same or similar terms. Should Health Canada not extend or renew the licenses, or should it renew the licenses on different terms, the business, financial condition, and results of operations of Rubicon Organics could be materially and adversely affected.

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

The Cannabis Act, and related ancillary amendments to other legislation, came into effect October 17, 2018. As a result, the Company's operations are subject to various laws, regulations and guidelines relating to the manufacture, management, packaging/labelling, advertising, sale, transportation, storage, and disposal of cannabis but also including laws and regulations relating to drugs, controlled substances, health and safety, the conduct of operations and the protection of the environment. Changes to such laws, regulations, and guidelines due to matters beyond the control of the Company may cause adverse effects to its operations. The Company endeavours to comply with all relevant laws, regulations, and guidelines.

The Cannabis Act may also materially and adversely affect the future business, financial condition, and results of operations of the Company, as, among other things, the legislation permits home cultivation, and implements restrictions on advertising and branding. It is possible that such developments could significantly adversely affect the future business, financial condition, and results of operations of the Company.

***Valuation of cannabis plants***

Pursuant to IFRS, the Company measures the value of its cannabis plants using the income approach at fair value less costs to sell up to the point of harvest. As market prices are generally not available for cannabis plants while they are growing, the Company is required to make assumptions and estimates relating to, among other things, future plant yields, cannabis prices and production costs. The assumptions and estimates used to determine the fair value of the cannabis plants, and any changes to such prior estimates, directly affect the Company's reported results of operations. If actual yields, prices, costs, market conditions or other results differ from the Company's estimates and assumptions, there could be material adjustments to the Company's results of operations.

***The Company may not be able to develop its products, which could prevent it from ever becoming profitable***

If the Company cannot successfully develop, manufacture, and distribute its products, or if the Company experiences difficulties in the development process, such as capacity constraints, quality control problems or other disruptions, the Company may not be able to develop market-ready commercial products at acceptable costs, which would adversely affect the Company's ability to effectively enter the market. A failure by the Company to achieve a low-cost structure through economies of scale or improvements in cultivation and manufacturing processes would have a material adverse effect on the Company's commercialization plans and the Company's business, prospects, results of operations and financial condition.

***Organic Certification and Products***

The Company believes that organic products will command a higher price in the marketplace and has completed an organic certification process with FVOPA, a leading organization in organic certification in Canada. FVOPA provides inspection and certification for sustainable development and maintains organic standards on products, systems, and services. The certification process generally includes validation of inputs, production methods and preparation procedures in accordance with Canadian organic product regulation. Organic certification aims to guarantee the organic integrity of products throughout the entire production chain. Failure to maintain the organic standards may have an adverse effect on the market price of the Company's products.

### ***International Sales Channels and Certification***

If the Company cannot successfully meet and maintain its EU-GMP certification, or other similar required certifications for export, and its export permit obligations with regulators, the Company would not be able to export its products internationally, which may have a material adverse effect on the Company's commercialization plans and the Company's business, prospects, results of operations and financial condition. Exported product may not be accepted by the receiving country due to various reasons including a failure to adhere to import regulations or unacceptable product specifications unique to that jurisdiction. The rejection and return of the Company's product from a foreign jurisdiction may impact the results of operations and financial condition of the Company.

### ***The Company may not be able to maintain its TSX-V listing requirements***

The Company must maintain the listing requirements of the TSX-V to continue being listed. The inability to meet or maintain these listing requirements could adversely affect the results of the Company's operations or its financial condition.

### ***The Company may be unable to adequately protect its proprietary and intellectual property rights***

The Company's ability to compete may depend on the superiority, uniqueness, and value of any intellectual property and technology that it may develop. To the extent the Company is able to do so, to protect any proprietary rights of the Company, the Company intends to rely on a combination of patent, trademark, copyright and trade secret laws, confidentiality agreements with its employees and third parties, and protective contractual provisions. Despite these efforts, any of the following occurrences may reduce the value of any of the Company's intellectual property:

- the market for the Company's products and services may depend to a significant extent upon the goodwill associated with its trademarks and trade names;
- patents in the cannabis industry involve complex legal and scientific questions and patent protection may not be available for some or any products;
- the Company's applications for trademarks and copyrights relating to its business may not be granted and, if granted, may be challenged or invalidated;
- issued patents, trademarks and registered copyrights may not provide the Company with competitive advantages;
- the Company's efforts to protect its intellectual property rights may not be effective in preventing misappropriation of any of its products or intellectual property;
- the Company's efforts may not prevent the development and design by others of products similar to or competitive with, or superior to those the Company develops;
- another party may obtain a blocking patent and the Company would need to either obtain a license or design around the patent in order to continue to offer the contested feature or service in its products; or
- the expiration of patent or other intellectual property protections for any assets owned by the Company could result in significant competition, potentially at any time and without notice, resulting in a significant reduction in sales. The effect of the loss of these protections on the Company and its financial results will depend, among other things, upon the nature of the market and the position of the Company's products in the market from time to time, the growth of the market, the complexities, and economics of manufacturing a competitive product and regulatory approval requirements but the impact could be material and adverse.

### ***The Company may be forced to litigate to defend its intellectual property rights, or to defend against claims by third parties against the Company relating to intellectual property rights***

The Company may be forced to litigate to enforce or defend its intellectual property rights, to protect its trade secrets or to determine the validity and scope of other parties' proprietary rights. Any such litigation could be very costly and could distract its management from focusing on operating the Company's business. The existence and/or outcome of any such litigation could harm the Company's business. Further, because the content of much of the Company's intellectual property concerns cannabis and other activities that may not be legal in some foreign jurisdictions and the specifics of which may be unfamiliar to or misunderstood by courts, the Company may face additional difficulties in defending its intellectual property rights.

***The Company may become subject to litigation, including for possible product liability claims, which may have a material adverse effect on the Company's reputation, business, results from operations, and financial condition***

The Company may be named as a defendant in a lawsuit or regulatory action. The Company may also incur uninsured losses for liabilities which arise in the ordinary course of business, or which are unforeseen, including, but not limited to, employment liability and business loss claims. Any such losses could have a material adverse effect on the Company's business, results of operations, sales, cash flow or financial condition.

Further, the production of substances for use or consumption by humans can result in product liability claims by consumers. Product liability claims can be expensive, difficult to defend and may result in large judgments or settlements against the Company. The Company may not be able to obtain or maintain adequate insurance or other protection against potential liabilities arising from product sales. Product liability claims could also result in negative perception of the Company's products or other reputational damage which could have a material adverse effect on the Company's business, results of operations, sales, cash flow or financial condition.

***The Company's operations are subject to environmental regulation in the jurisdictions in which it operates***

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

Government environmental approvals and permits are currently, and may in the future be, required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from its proposed business activities or from proceeding with the development of its operations as currently proposed.

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

***The Company faces competition from other companies where it will conduct business that have higher capitalization, and may have more experienced management or be more mature as a business***

An increase in the companies competing in this industry could limit the ability of the Company to expand its operations. Current and new competitors may be better capitalized, have a longer operating history, have more expertise and may be able to develop higher quality equipment or products, at the same or a lower cost. The Company cannot provide assurances that it will be able to compete successfully against current and future competitors. Competitive pressures faced by the Company could have a material adverse effect on its business, operating results, and financial condition. In addition, despite Canadian federal legalization of marijuana, illicit or "black-market" operations remain abundant and present substantial competition to the Company. In particular, illicit operations, despite being largely clandestine, are not required to comply with the extensive regulations that the Company must comply with to conduct business, and accordingly may have significantly lower costs of operation.

***If the Company is unable to attract and retain key personnel, it may not be able to compete effectively in the cannabis market***

The Company's success has depended and continues to depend upon its ability to attract and retain key management, including the Company's CEO, technical experts, and sales personnel. The Company will attempt to enhance its management and technical expertise by continuing to recruit qualified individuals who possess desired skills and experience in certain targeted areas. The Company's inability to retain employees and attract and retain sufficient additional

employees or engineering and technical support resources could have a material adverse effect on the Company's business, results of operations, sales, cash flow or financial condition.

Shortages in qualified personnel or the loss of key personnel could adversely affect the financial condition of the Company, results of operations of the business and could limit the Company's ability to develop and market its cannabis-related products. The loss of any of the Company's senior management or key employees could materially adversely affect the Company's ability to execute its business plan and strategy, and the Company may not be able to find adequate replacements on a timely basis, or at all. The Company does not maintain key person life insurance policies on any of our employees.

***The size of the Company's target market is difficult to quantify and investors will be reliant on their own estimates on the accuracy of market data***

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

***The Company's industry is experiencing rapid growth and consolidation that may cause the Company to lose key relationships and intensify competition***

The cannabis industry is undergoing rapid growth and substantial change, which has resulted in an increase in competitors, consolidation, and formation of strategic relationships. Acquisitions or other consolidating transactions could harm the Company in a number of ways, including by losing strategic partners if they are acquired by or enter into relationships with a competitor, losing customers, revenue and market share, or forcing the Company to expend greater resources to meet new or additional competitive threats, all of which could harm the Company's operating results. As competitors enter the market and become increasingly sophisticated, competition in the Company's industry may intensify and place downward pressure on retail prices for its products and services, which could negatively impact its profitability.

***The Company may continue to sell securities for cash to fund operations, capital expansion, mergers and acquisitions that will dilute the current shareholders***

The continued development of the Company will require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of current business objectives or the Company going out of business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company.

If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences, and privileges superior to those of holders of Common Shares. The Company's 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 directors of the Company have discretion to determine the price and the terms of issue of further issuances. Moreover, additional Common Shares will be issued by the Company on the exercise of options under the Company's stock option plan and upon the exercise of outstanding warrants. In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other companies. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. The Company may require additional financing to fund its operations to the point where it is generating positive cash flows. Negative cash flow may restrict the Company's ability to pursue its business objectives.

***The Company currently has insurance coverage; however, because the Company operates within the cannabis industry, there are additional difficulties, complexities, and costs associated with such insurance coverage***

The Company believes that it and its subsidiaries currently have insurance coverage with respect to workers' compensation, general liability, directors' and officers' insurance, fire and other similar policies customarily obtained for businesses to the extent commercially appropriate; however, because the Company is engaged in and operates within the cannabis industry, there are exclusions and additional difficulties and complexities associated with such insurance coverage that could cause the Company to suffer uninsured losses, which could adversely affect the Company's business, results of operations, and profitability. There is no assurance that the Company will be able to obtain insurance coverage at a reasonable cost or fully utilize such insurance coverage, if necessary. Additionally, the Company may experience losses that our insurance policies have specific exclusions for or events that the Company is unable obtain insurance for resulting in losses having material adverse effects.

***Obtaining new strains and developing new product offerings may not be successful or aligned to consumer demands***

While the Company has proven to be successful at acquiring and growing new strains, there is no guarantee the Company will continue to be able to acquire and cultivate new strains in the future. Furthermore, there is no certainty that the selected strains and new products offerings will have sufficient consumer demand to be sold for a profit, if at all. An inability to access new strains or innovate new products, which delight consumers may result in depressed sales, product returns, inventory write-offs, and other adverse impacts on the Company's operations.

***The cultivation of cannabis includes risks inherent in an agricultural business including the risk of crop loss, sudden changes in environmental conditions, equipment failure, product recalls and others***

The Company's future business involves the growing of marijuana, an agricultural product. Such business will be subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. Although the Company expects that any such growing will be completed indoors under climate-controlled conditions, there can be no assurance that natural elements will not have a material adverse effect on any such future production. There is also no guarantee that natural elements will not impact the health, yield, consistency, or consumer appeal of product grown on the Company's 11-acre outdoor grow area.

***The cultivation of cannabis involves a reliance on third party transportation which could result in supply delays, reliability of delivery and other related risks***

In order for customers of the Company to receive their product, the Company will rely on third party transportation services. This can cause logistical problems with and delays in patients obtaining their orders and cannot be directly controlled by the Company. Any delay by third party transportation services may adversely affect the Company's financial performance.

Moreover, security of the product during transportation to and from the Company's facilities is critical due to the nature of the product. A breach of security during transport could have material adverse effects on the Company's business, financials, and prospects. Any such breach could impact the Company's future ability to continue operating under its licenses or the prospect of renewing its licenses.

***The Company may be subject to product recalls for product defects self-imposed or imposed by regulators***

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure. If any of the Company's products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant number of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Company has detailed procedures in place for testing its products, there can be no assurance that any quality, potency, or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action, or lawsuits. Additionally, if one of the Company's significant brands were subject to recall, the image of that brand and the Company could be harmed. A recall for any of the foregoing reasons

could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

***The Company is reliant on key inputs, such as water and utilities, and any interruption of these services could have a material adverse effect on the Company's finances and operational results***

The Company's business is dependent on a number of key inputs and their related costs including raw materials and supplies related to its growing operations, as well as 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 materially impact the business, financial condition, and operating results of the Company. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition, and operating results of the Company.

***The expansion of the medical cannabis industry may require new clinical research into effective medical therapies, when such research is new to Canada and has been restricted in some international jurisdictions***

Research in Canada and internationally regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis or isolated cannabinoids (such as CBD and THC) remains in its early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids (such as CBD and THC). Although the Company believes that 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. Given these risks, uncertainties and assumptions, investors should not place undue reliance on such articles and reports. Future research studies and clinical trials may draw opposing conclusions or reach negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to medical cannabis, which could have a material adverse effect on the demand for the Company's products with the potential to lead to a material adverse effect on the Company's business, financial condition, and results of operations.

***Under Canadian regulations, a licensed producer of cannabis has restrictions on the type and form of marketing it can undertake which could materially impact sales performance***

The development of the Company's future business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by Health Canada. The regulatory environment in Canada limits the Company's ability to compete for market share in a manner similar to other highly regulated industries, including significant limitations on promotion. If the Company 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, the Company's sales and operating results could be adversely affected.

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

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

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

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

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

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

***The Company may be subject to breaches of security at its facilities, or in respect of electronic documents and data storage and may face risks related to breaches of applicable privacy laws***

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

***The Company's officers and directors may be engaged in a range of business activities resulting in conflicts of interest***

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

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

***We have expanded and intend to further expand our business and operations into jurisdictions outside of Canada, and there are risks associated with doing so***

We are expanding our operations and business into jurisdictions outside of Canada, some of which are emerging markets, but there can be no assurance that any market for our products will develop in any such foreign jurisdiction. The continuation or expansion of our operations internationally will depend on our ability to renew or secure the necessary permits, licenses, or other approvals in those jurisdictions. An agency's denial of or delay in issuing or renewing a permit, license, or other approval, or revocation or substantial modification of an existing permit or approval, could prevent us from continuing our operations in or exports to other countries.

Operations in non-Canadian markets may expose us to new or unexpected risks or significantly increase our exposure to one or more existing risk factors. In addition, we are subject to a wide variety of laws and regulations domestically and internationally with respect to the flow of funds and product across international borders and the amount of medical cannabis we export may be limited by the various drug control conventions to which Canada is a signatory.

While we continue to monitor developments and policies in the emerging markets in which we operate and assess the impact thereof to our operations, such developments cannot be accurately predicted and could have an adverse effect on the Corporation's business, operations, or profitability.

***Changes in the public's perception of medical and/or adult-use cannabis could increase future regulation***

Government policy changes or public opinion may also result in a significant influence over the regulation of the cannabis industry in Canada, or elsewhere. A negative shift in the public's perception of cannabis in any applicable jurisdiction could affect future legislation or regulation. Any inability to fully implement the Company's expansion and sales strategies may have a material adverse effect on the Company's business, financial condition, and results of operations.

***In certain circumstances, the Company's reputation could be damaged***

Damage to the Company's reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. The increased usage of social media and other web-based tools used to generate, publish, and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views regarding the Company and its activities, whether true or not. Although the Company believes that it operates in a manner that is respectful to all stakeholders and that it takes care in protecting its image and reputation, the Company does not ultimately have direct control over how it is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Company's overall ability to advance its projects, thereby having a material adverse impact on financial performance, financial condition, cash flows and growth prospects.

***The Company targets, among other segments, the premium adult-use cannabis market, which may not materialize, or in which the Company may not be able to develop or maintain a brand that attracts or retains customers***

The Company targets users of cannabis in the Canadian adult-use cannabis market who are looking for premium products; however, such a market may not materialize or be sustainable. If this premium market does materialize, the Company may not be successful in creating and maintaining consumer perceptions of the value of premium products. The promotion of cannabis is strictly regulated in Canada. For example, promotion is largely restricted to the place of sale and subject to prescribed conditions set out in the Cannabis Act, the Cannabis Regulations and Further Regulations. Among other restrictions, the Cannabis Act prohibits testimonials and endorsements, lifestyle branding and promotion that is appealing to young persons. Such restrictions on advertising, marketing and the use of logos and brand names, and other restrictions on advertising imposed by Canadian federal or provincial laws or regulations, or similar regulations imposed in other jurisdictions, may prevent the Company from creating and maintaining consumer perceptions in the value of its premium products and establishing itself as a premium producer. If the Company cannot successfully compete in the premium market, the Company may face significant challenges in gaining or maintaining a market share in Canada or in other cannabis markets in which it operates, or it may be forced to sell products at a lower price, which may materially adversely affect results of operations.

***Necessary security clearances take time to obtain and may impact the Company's ability to attract and retain board members and officers***

The Cannabis Act and Cannabis Regulations require several individuals to obtain and maintain a valid security clearance, including directors, officers, and large shareholders of the Company. A security clearance cannot be valid for more than five years and must be renewed before the expiry of a current security clearance. There is no assurance that any of the Company's existing directors and officers who presently or may in the future require a security clearance will be able to obtain or renew such clearances or that new personnel who require a security clearance will be able to obtain one. Prospective qualified directors or officers may be deterred from accepting appointments to positions in the cannabis industry that require security clearances due to the onus of the lengthy application process and uncertainty that a security clearance will be granted at all. Inability to attract and retain such qualified directors and officers may result in a material adverse effect on the Company's business, operating results, financial condition, or prospects.

***The Company may not be able to enforce its legal rights***

One director of the Company, David Donnan, resides outside of Canada, in the US. Although he has appointed Borden Ladner Gervais LLP as his agent for service of process in Canada, it may not be possible for investors to enforce judgments in Canada against him. The Company has subsidiaries which are organized under the laws of foreign jurisdictions. Given that the Company has and plans to own certain assets that are or will be located outside of Canada, investors may have difficulty in enforcing against foreign assets of the Company, any judgments obtained by the Canadian courts or Canadian securities regulatory authorities and predicated on the civil liability provisions of Canadian securities legislation or otherwise. Similarly, in the event a dispute arises from the Company's foreign operations, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of courts in Canada.

***There is no certainty the Company will be able to achieve its Environmental, Social and Governance ("ESG") targets***

While the Company has incorporated certain ESG objectives into its strategic plan it may not be economically feasible to execute the desired changes to the business. The Company's inability to achieve its ESG objects may have effects on its social license to operate, brand equity, and corporate identity, which could have knock on impacts to operations, hiring, and the sale of product.

***The adult-use recreational cannabis market in Canada may become oversupplied***

The Company and other cannabis producers in Canada may produce more cannabis than is needed to satisfy the collective demand of the Canadian market, and the Company may be unable to export that oversupply into other jurisdictions where cannabis use is fully legal under all applicable laws of such jurisdictions. As a result, the available supply of cannabis could exceed demand, resulting in a significant decline in the market price for cannabis. If this were to occur, there is no assurance that the Company would be able to generate sufficient revenue from the sale of adult-use recreational cannabis to result in profitability.

***Macroeconomic and other geo-political risks***

The Company's business is subject to risks associated with adverse economic conditions in Canada and globally, including economic slowdown, inflation and the disruption, volatility and tightening of credit and capital markets. Increases in unemployment rates, tax increases, governmental spending cuts or a return of high levels of inflation could adversely affect consumer spending patterns and result in a reduction in consumption of cannabis products in Canada and elsewhere in the world, including the Company's products. The Company's business, prospects, financial condition, results of operations and prospects may suffer as a result. These conditions could also worsen cash flows, liquidity, and access to capital for the Company and cause other financial hardships for the Company and its suppliers, distributors, retailers, and clients, thereby adversely impacting the Company's ability to produce and distribute its products. In addition, natural disasters, pandemic outbreaks, boycotts, civil unrest (including recent protests in Canada, the U.S. and abroad) and other geo-political disruptions could adversely affect the Company. These events may damage the Company's properties, deny the Company access to an adequate workforce, increase the cost of energy and other raw materials, temporarily or permanently close the

Company's facilities, disrupt the production, supply and distribution of the Company's products, and disrupt the Company's information systems.

***The cost of compliance and ability to working with unsophisticated individuals and entities may adversely impact the Company***

The market for cannabis products is highly volatile. Many entities and persons operating in the industry were formerly involved in the illegal market. Some still are, and many operate in unconventional ways. Some of these unconventional ways, which represent challenges to the Company, include not keeping appropriate financial records, inexperience with business contracts, not having access to customary business banking relationships, not having quality manufacturing relationships, and not having customary distribution arrangements. They may not be accustomed to entering into written agreements or keeping financial records according to Generally Accepted Accounting Principles. These entities and persons may not pay attention to obligations to which they have agreed in written contracts. Therefore, it may become challenging for the Company to enter into more complex commercial transactions, which could limit the Company's growth or otherwise adversely affect the Company. Any one of these challenges, if not managed, could adversely impact the Company. These challenges may also increase the cost of the Company's operations in the near-term.

***Risks regarding vaping products***

During the second quarter of 2021 the Company made Simply Bare™ Organic branded PAX® pods available for distribution in Canada. The Company also intends to launch other vaping related products in the future. In Canada and the US there have been public warnings to stop using certain vaping liquids containing cannabis derivatives and ingredients, such as CBD and THC, in light of a potential but unconfirmed link to lung injuries such as severe pulmonary illness. Reported lung injuries associated with the use of cannabis derivative containing vaping liquids have resulting in certain provinces either banning or delaying the sale of vaping liquids and vaping products to consumers. In response, Health Canada issued an information update advising Canadians who use cannabis derivative containing vaping liquids to monitor themselves for symptoms of pulmonary illness. There may be further governmental and private sector actions aimed at reducing the sale of or prohibiting cannabis containing vaping liquids and/or seeking to hold manufacturers of cannabis containing vaping liquids responsible for the adverse health effects associated with the use of these vaping products. These actions, combined with potential deterioration in the public's perception of cannabis containing vaping liquids, may result in a reduced market for the Company's vaporizer products. Federal, provincial, and local regulations or actions that prohibit or restrict the sale of the Company's vaporizer products including cannabis derivative vaping liquids, or that decrease consumer demand for the Company's products by prohibiting their use, raising the minimum age for their purchase, raising the purchase prices to unattractive levels via taxation, or banning their sale, could adversely impact the Company's business, financial condition, results of operations and prospects.

***Environmental and employee health and safety regulations***

The Company's operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. The Company will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on our manufacturing operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

***Failure to develop and maintain an effective system of internal controls increases the risk that we may not be able to accurately and reliably report our financial results or prevent fraud, which may harm our business, the trading price of our Common Shares and market value of other securities***

The Company maintains a system of internal controls over financial reporting ("ICFR") to ensure the Company's financial reporting is reliable and that its financial statements have been prepared in accordance with IFRS. Regardless of how well controls are designed, internal controls have inherent limitations and can only provide reasonable assurance that the controls are meeting the Company's objectives in providing reliable financial reporting information in accordance with IFRS.

Effective internal controls are required for us to provide reasonable assurance that our financial results and other financial information are accurate and reliable. Any failure to design, develop or maintain effective controls, or difficulties encountered in implementing, improving or remediation lapses in internal controls may affect our ability to prevent fraud, detect material misstatements, and fulfill our reporting obligations. As a result, investors may lose confidence in our ability to report timely, accurate and reliable financial and other information, which may expose us to certain legal or regulatory actions, thus negatively impacting our business, the trading process of our Common Shares and market value of other securities.

***Participants in the cannabis industry may have difficulty accessing the service of banks and financial institutions, which may make it difficult for us to operate***

Because cannabis remains illegal federally in the United States, Canadian banks and financial institutions with U.S. affiliations remain wary of providing services to businesses in the cannabis industry, as the associated funds may technically be considered proceeds of crime in the U.S. Consequently, businesses involved in the cannabis industry continue to have trouble establishing banking infrastructure and relationships. The inability or limitation on our ability to open or maintain a bank account, obtain other banking services, or obtain business services may make it difficult to operate and conduct business.

**Risk Factors Specifically Related to the U.S. Regulatory System**

The Company no longer performs any ancillary services to the cannabis industry in the U.S and is currently in the process of exiting the U.S. entirely, therefore the Company expects to have reduced the risks associated with cannabis in the U.S. described below.

***Cannabis is Illegal under U.S. Federal Law***

The Company previously had agreements for brand licensing, consulting services and facilities leasing with licensed processors and producers in Washington (and previously in California). Although these activities are permitted by state law in the states where the Company was engaged in business, directly or with agreements with licensed entities, these activities remain illegal under federal law. Marijuana remains a Schedule I controlled substance under the federal CSA, and the penalties for violating the federal CSA are very serious and, depending on the quantity of marijuana involved, may include criminal penalties of up to life in prison and a fine of up to U.S.\$50,000,000 on a first offense<sup>1</sup>. In addition, the federal government can seize and seek the civil forfeiture of the real or personal property used to facilitate the sale of marijuana as well as the money or other proceeds received in connection with such sale.

***Some of the Company's historical business activities are illegal under U.S. federal law***

Although certain states and territories of the U.S. authorize medical or recreational cannabis production and distribution by licensed or registered entities, under U.S. federal law, the possession, use, cultivation, and transfer of cannabis and drug paraphernalia is illegal. An investor's contribution to and involvement in such activities may result in federal civil and/or criminal prosecution, including forfeiture of his, her or its entire investment.

Because the possession and use of cannabis and drug paraphernalia is illegal under U.S. federal law, the Company may be deemed to have historically been aiding and abetting illegal activities through the contracts it entered into and the products and services that it provided. As a result, U.S. law enforcement authorities, in their attempt to regulate the illegal use of cannabis and drug paraphernalia, may seek to bring an action or actions against the Company, including, but not limited to, a claim regarding the Company aiding and abetting another's criminal activities. The federal aiding and abetting statutes provide that anyone who "commits an offense against the U.S. or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal." Prosecution under U.S. Federal law would have a material negative effect on the Company's business and operations. The enforcement of relevant U.S. federal laws is a significant risk.

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<sup>1</sup> [Title 21 United States Code \(USC\) Controlled Substances Act; Part D of Subchapter I](#)

***Investors in the Company and the Company’s directors, officers and employees may be subject to entry bans into the U.S.***

Because cannabis remains illegal under U.S. federal law, those employed at or investing in state licensed U.S. cannabis companies could face detention, denial of entry or lifetime bans from the U.S. for their business associations with cannabis U.S. businesses. Given the Company no longer has any ancillary cannabis business in the US this risk is expected to be low. Entry happens at the sole discretion of U.S. Customs and Board Protection (“**CBP**”) officers on duty, and these officers have wide latitude to ask questions to determine the admissibility of a foreign national. The government of Canada has started warning travelers on its website that previous use of cannabis, or any substance prohibited by U.S. federal laws, could mean denial of entry to the US. Business or financial involvement in the legal cannabis industry in Canada or in the U.S. could also be reason enough for U.S. border guards to deny entry. On September 21, 2018, CBP released a statement outlining its current position with respect to enforcement of the laws of the US. It stated that Canada’s legalization of cannabis will not change CBP enforcement of U.S. laws regarding controlled substances and because cannabis continues to be a controlled substance under U.S. law, working in or facilitating the proliferation of the legal marijuana industry in U.S. states where it is deemed legal, or Canada may affect admissibility to the US. As a result, CBP has affirmed that, employees, directors, officers, managers, and investors of companies involved in business activities related to cannabis in the U.S. or Canada (as the Company historically has been), who are not U.S. citizens face the risk of being barred from entry into the U.S. for life. On October 9, 2018, CBP released an additional statement regarding the admissibility of Canadian citizens working in the legal cannabis industry. CBP stated that a Canadian citizen working in or facilitating the proliferation of the legal cannabis industry in Canada coming into the U.S. for reasons unrelated to the cannabis industry will generally be admissible to the US; however, if such person is found to be coming into the U.S. for reasons related to the cannabis industry, such person may be deemed inadmissible.

**Risks Related to the Company’s Securities**

***The Company’s securities have not been registered under the U.S. Securities Act***

The Common Shares have not been, and may never be, registered under the U.S. Securities Act or under applicable state or foreign securities laws. In addition, subscribers may be unable to deposit Rubicon Organics securities with a U.S. brokerage house.

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

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

- actual or anticipated fluctuations in the Company’s quarterly results of operations;
- recommendations by securities research analysts;
- changes in the economic performance or market valuations of companies in the industry in which the Company operates;
- addition or departure of the Company’s executive officers and other key personnel;
- release or expiration of lock-up or other transfer restrictions on outstanding Common Shares;
- sales or perceived sales of additional Common Shares;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by, or involving, U.S. entities or the Company’s 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;
- operating and share price performance of other companies that investors deem comparable to the Company or from a lack of market comparable companies;
- impacts from pandemics or other major global events such as the COVID-19 pandemic;
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Company’s industry or target markets; and
- regulatory changes in the industry.

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

***The Company does not anticipate paying dividends***

The Company's current policy is to retain earnings to finance the development and enhancement of the Company's products and to otherwise reinvest in the Company. Therefore, the Company does not anticipate paying dividends on the Common Shares in the foreseeable future. The Company's dividend policy will be reviewed from time to time by the Board in the context of the Company's earnings, financial condition, and other relevant factors. Until the time that the Company does pay dividends, which the Company may never do, the Company's shareholders will not be able to receive a return on their Common Shares unless they sell them.

***Dilution to Common Shares***

The increase in the number of Common Shares issued and outstanding as a result of public offerings, may have a depressive effect on the price of the Common Shares. In addition, as a result of such additional Common Shares, the ownership of the business and voting power of the Company's existing shareholders will be diluted.

***Loss on Dissolution or Termination of the Company***

Upon the dissolution and termination of the Company, the proceeds realized from the liquidation of assets, if any, will be distributed to the shareholders only after the claims of all creditors have been satisfied. Accordingly, the ability of a shareholder to recover all or any portion of its investment under such circumstances will depend on the amount of funds so realized and the claims to be satisfied from such funds.

**ADDITIONAL INFORMATION**

Additional financial information is also provided in the Company's audited financial statements and related management's discussion and analysis for the fiscal year ended December 31, 2020.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, and securities authorized for issuance under equity compensation plans, is contained in the Company's management information circular for the most recent annual meeting of shareholders. Additional information relating to Rubicon Organics can be found on SEDAR at [www.sedar.com](http://www.sedar.com).