THE HYDROPOTHECARY CORPORATION

ANNUAL INFORMATION FORM

For the fiscal year ended July 31, 2017

DATED: November 8, 2017

TABLE OF CONTENTS

ANNUAL INFORMATION FORM 3

FORWARD-LOOKING STATEMENTS 3

CORPORATE STRUCTURE 4

GENERAL DEVELOPMENT OF THE BUSINESS 6

DESCRIPTION OF THE BUSINESS 9

RISK FACTORS 13

DIVIDENDS 21

CAPITAL STRUCTURE 22

MARKET FOR SECURITIES 22

PRIOR SALES 23

ESCROWED SECURITIES AND SECURITIES SUBJECT TO RESTRICTION ON TRANSFER 23

DIRECTORS AND OFFICERS 24

PROMOTERS 28

LEGAL PROCEEDINGS AND REGULATORY ACTIONS 28

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS 28

TRANFER AGENT AND REGISTAR 28

MATERIAL CONTRACTS 28

AUDIT COMMITTEE INFORMATION 28

INTERESTS OF EXPERTS 30

ADDITIONAL INFORMATION 30

SCHEDULE A - AUDIT COMMITTEE CHARTER

ANNUAL INFORMATION FORM

In this annual information form ("**Annual Information Form**" or "**AIF**"), unless otherwise noted or the context indicates otherwise, the "Company", "THCX", "Hydropothecary", "we", "us" and "our" refer to The Hydropothecary Corporation and its wholly-owned subsidiaries, and the terms "cannabis", "client", "licensed producer" and "marijuana" have the meanings given to the terms "cannabis", "client", "licensed producer" and "marihuana" respectively in the *Access to Cannabis for Medical Purposes Regulations* (Canada) (the "**ACMPR**") made under the *Controlled Drugs and Substances Act* (Canada) (the "**CDSA**").

All currency amounts in this AIF are stated in Canadian dollars, unless otherwise noted.

FORWARD-LOOKING STATEMENTS

This Annual Information Form contains certain information that may constitute "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 "expect," "likely", "may," "will," "should," "intend," or "anticipate", "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 by discussions of strategy. Forward-looking statements include estimates, plans, expectations, opinions, forecasts, projections, targets, guidance, or other statements that are not statements of fact. The forward-looking statements included in this Annual Information Form are made only as of the date of this Annual Information Form. Forward-looking statements in this Annual Information Form include, but are not limited to, statements with respect to:

- the competitive and business strategies of the Company;
- the intention to grow the business, operations and potential activities of the Company;
- the intended expansion of the Company's facilities, its costs and receipt of approval from Health Canada to complete such expansion and increase production and sale capacity;
- the expected growth in the number of patients using the Company's medical marijuana;
- the expected growth in the Company's growing capacity;
- the number of grams of medical marijuana used by each patient;
- the methods used by the Company to deliver medical marijuana;
- the competitive conditions of the industry;
- whether the Company will have sufficient working capital and its ability to raise additional financing required in order to develop its business and continue operations;
- the applicable laws, regulations and any amendments thereof;
- the grant, renewal and impact of any licence or supplemental licence to conduct activities with cannabis or any amendments thereof;
- the anticipated future gross margins of the Company's operations;
- the anticipated changes to Canadian federal laws regarding adult recreational use and the business impacts on the Company; and
- the performance of the Company's business and operations.

Certain of the forward-looking statements and other information contained herein concerning the medical marijuana industry and the general expectations of THCX concerning the medical marijuana industry and the Company's business and operations are based on estimates prepared by THCX 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 THCX believe to be reasonable. However, although generally indicative of relative market positions, market shares and performance characteristics, such data is inherently imprecise. While THCX is not aware of any misstatement regarding any industry or government data presented herein, the medical marijuana industry involves risks and uncertainties that are subject to change based on various factors.

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. In particular, but without limiting the foregoing, disclosure in this Annual Information Form under "*Description of the Business*" as well as statements regarding the Company's objectives, plans and goals, including future operating results, economic performance and patient acquisition efforts may make reference to or involve forward-looking statements. 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. A number of factors could cause actual events, performance or results to differ materially from what is projected in the forward-looking statements. You should not place undue reliance on forward-looking statements contained in this Annual Information Form. We undertake 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 Company's forward-looking statements are expressly qualified in their entirety by this cautionary statement.

CORPORATE STRUCTURE

Name, Address and Incorporation

The Company is in the business of producing, marketing and selling medical marijuana through its indirect wholly-owned subsidiary, 167151 Canada Inc. ("**167 Canada**"), from its facilities in Gatineau, Québec. 167 Canada is a licensed producer under the ACMPR.

The Company was incorporated under the *Business Corporations Act* (Ontario) (the "**OBCA**") on October 29, 2013 as BFK Capital Corp. ("**BFK**"). The Company completed its initial public offering as a Capital Pool Company under Policy 2.4 of the TSX Venture Exchange (the "**TSXV**") on November 12, 2014 and its common shares (the "**Common Shares**") commenced trading on the TSXV under the symbol "BFK.P" on November 17, 2014.

On March 15, 2017, pursuant to a Qualifying Transaction in accordance with Policy 2.4 of the TSXV (the "**Qualifying Transaction**"), BFK completed a reverse take-over business combination transaction with The Hydropothecary Corporation ("**Predecessor THCX**"), a corporation incorporated under the *Canada Business Corporations Act*, (the "**CBCA**"), pursuant to which it acquired all the issued and outstanding common shares of Predecessor THCX. In connection with the completion of the Qualifying Transaction, the Company filed articles of amendment under the OBCA on March 15, 2017 to consolidate, prior to the acquisition of the common shares of Predecessor THCX, its Common Shares on a 1 post-consolidation share for every one-and-a-half (1.5) pre-consolidation shares basis (the "**Consolidation**"), and to change its name to "The Hydropothecary Corporation". As a result of the Qualifying Transaction, the Company met the TSXV listing requirements for a Tier 1 issuer and the Common Shares commenced trading on the TSXV under the symbol "THCX" on March 21, 2017.

The Company's head office is located at 120 Chemin de la rive, Gatineau, Québec, J8M 1V2. The Company's registered office is located at Suite 6000, 1 First Canadian Place, 100 King Street West, Toronto, Ontario, M5X 1E2. The Company's telephone number is 1-844-406-1852. The Company's business website is www.thehydropothecary.com and its corporate and investor relations website is www.thcx.com.

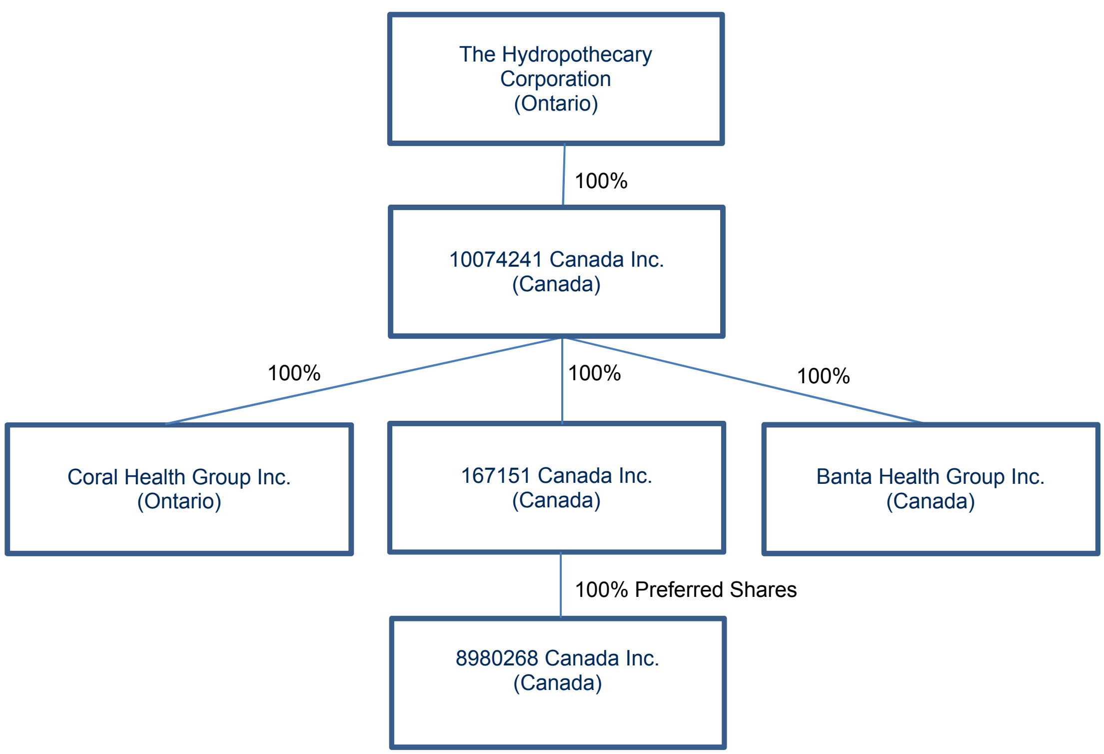
Intercorporate Relationships

THCX has four wholly-owned subsidiaries, being 10074241 Canada Inc. ("**1007 Canada**"), 167 Canada, Banta Health Group Inc. and Coral Health Group Inc.

1007 Canada was formed on March 15, 2017 through the amalgamation under the CBCA of Predecessor THCX and 1010070 Canada Inc., a wholly-owned subsidiary of the Company, under the Qualifying Transaction. 167 Canada was incorporated under the CBCA on June 5, 1989. Predecessor THCX acquired all of the issued and outstanding shares of 167 Canada on November 5, 2014. Banta and Coral were incorporated by Predecessor THCX under the CBCA and the OBCA respectively on August 2, 2016 and November 25, 2016 respectively.

In addition to these subsidiaries, the Company, indirectly through 167 Canada, owns all of the preferred shares of 8980268 Canada Inc. ("**898 Canada**") and has an irrevocable right to acquire the one issued and outstanding common share of 898 Canada, which is jointly owned by Michael Munzar and Vincent Chiara, directors of the Company. See "*Description of the Business - The Company's Facilities*".

The following chart illustrates, as of the date hereof, the Company's corporate structure including details of the jurisdiction of formation of each subsidiary.



GENERAL DEVELOPMENT OF THE BUSINESS

Three-Year History

Introduction

Predecessor THCX was incorporated under the CBCA in August 2013 with the strategic purpose of seeking a licence under the regulatory regime for medical marijuana introduced by Health Canada in 2013, the *Marihuana for Medical Purposes Regulations* (the "**MMPR**"), and developing a premium brand and offering a suite of products and services for this new market. In November 2014, Predecessor THCX acquired 167 Canada, which had received a licence under the MMPR in March 2014 to produce, possess and destroy medical marijuana.

Through 167 Canada as its wholly-owned subsidiary, Predecessor THCX commenced commercial production and sales of legal medical marijuana in Canada. Predecessor THCX had its first harvest on October 8, 2014.

Between March 2014 and November 2016, Predecessor THCX completed various private placement financings to funds its operations and investigated options for going public and raising additional capital to grow its business. These financings by Predecessor THCX included:

(a) various private placements of common shares or units consisting of common shares and warrants which were completed between March 2014 and November 2016 at various prices for aggregate gross proceeds of approximately $27.8 million;

(b) a private placement of common shares which was completed on November 4, 2016 for aggregate gross proceeds of $2.5 million; and

(c) a private placement of US$3,275,000 principal amount of secured convertible debentures which was completed on November 14, 2016.

Reverse Takeover and Qualifying Transaction

On November 16, 2016, Predecessor THCX entered into an agreement with BFK to proceed with the Qualifying Transaction.

Predecessor THCX and BFK subsequently completed the Qualifying Transaction on March 15, 2017 to form the Company. Under the Qualifying Transaction, BFK acquired all the issued and outstanding common shares in the capital of Predecessor THCX by way of a three-cornered amalgamation, pursuant to which a wholly-owned subsidiary of BFK amalgamated with Predecessor THCX and each Predecessor THCX shareholder received six (6) post-Consolidation Common Shares in the capital of BFK for each THCX common share held. In addition, as part of the Qualifying Transaction, BFK completed the Consolidation and changed its name from "BFK Capital Corp." to "The Hydropothecary Corporation", and the directors and management of Predecessor THCX became the directors and management of the Company.

In connection with the Qualifying Transaction, Predecessor THCX completed a brokered private placement of 3,335,000 common shares at a price of $4.50 per share (equivalent to 20,010,000 Common Shares at a price of $0.75 per share on a post-Qualifying Transaction basis) for gross proceeds of $15.0 million. Additionally, Predecessor THCX completed a private placement offering of 714,286 common shares at a price of $3.50 per share (equivalent to 4,285,716 Common Shares at a price of $0.58 per share on a post-Qualifying Transaction basis) for gross proceeds of $2.5 million pursuant to the exercise of a shareholder's right to subscribe that was previously granted by Predecessor THCX.

Under the Qualifying Transaction, the Company issued a total of 68,428,824 Common Shares to the holders of shares of Predecessor THCX. Following closing of the Qualifying Transaction, the Company had a total of 70,266,594 Common Shares outstanding. In addition, 22,532,979 Common Shares of the Company were reserved for issuance upon the conversion or exercise of secured convertible debentures, unsecured convertible debentures, warrants and options issued to the holders of Predecessor THCX secured convertible debentures, unsecured convertible debentures, warrants and options.

Capital Markets

Following the completion of its initial public offering as a Capital Pool Company under Policy 2.4 of the TSXV on November 12, 2014, the Common Shares commenced trading on the TSXV under the symbol “BFK.P” on November 17, 2014.

With the subsequent completion of the Qualifying Transaction between Predecessor THCX and BFK, the Company met the TSXV listing requirements for a Tier 1 issuer and the Common Shares commenced trading on the TSXV under the symbol “THCX” on March 21, 2017.

Licences

Through 167 Canada, the Company is licensed to produce and sell medical marijuana as a licensed producer under the provisions of the ACMPR. Predecessor THCX was issued its initial licence under the MMPR to cultivate medical marijuana through 167 Canada in March 2014 and its licence was amended in May 2015 to permit it to sell medical marijuana. The MMPR were replaced by the ACMPR in August 2016. THCX’s current licence under the ACMPR was most recently renewed on June 21, 2017 and will be up for renewal on October 15, 2019. The Company’s licence is issued by Health Canada to Hydropothecaire/Hydropothecary, the operating name of the business run by THCX through 167 Canada.

The Company’s licence designates it as a licensed producer and permits the production, sale, possession, shipping, transportation, delivery and destruction of fresh marijuana, dried marijuana, marijuana plants, marijuana seeds, cannabis oil and cannabis resin, all as set out therein, delivered pursuant to the ACMPR and CDSA. The licence covers Buildings 1, 2, 3, 4, 5, 7 and 8 at the Company’s facilities as described below and authorizes unlimited production of marijuana.

THCX’s licence has a current term ending on October 15, 2019. At the end of each term of the licence, THCX must submit an application for renewal to Health Canada containing information prescribed by the ACMPR. THCX is not currently aware of any reason why it would not be able to receive a renewal of its licence in October 2019.

Conversion of Secured Convertible Debentures

On April 11, 2017, the Company announced that the entire US$3,275,000 principal amount of its outstanding secured convertible debentures had been converted into equity, resulting in the issuance of 4,678,494 Common Shares. The debentures automatically converted to Common Shares after the Company became a reporting issuer, listed on the TSXV and maintained a volume weighted average trading price equal to or greater than the debenture conversion price of USD$0.70 per share for 15 days. The Company also paid accrued interest of US$107,711 in the relation to the conversion of the debentures.

Detection of Myclobutanil and Voluntary Product Recall

On May 2, 2017, the Company commenced a voluntary stop-sale and stop-shipment on all products which was taken as a precautionary measure immediately following a Health Canada notification on May 1, 2017 that test results of cannabis leaf samples taken on March 8, 2017 indicated the presence of myclobutanil, a general use fungicide registered for use on a wide range of food crops but which is not approved for use on cannabis. The results indicated levels of 0.023 parts per million (ppm) and 0.012 ppm. Hydropothecary had been conducting voluntary pesticide testing on all lotted products since February 2, 2017 through a certified third party laboratory, and all such pesticide test results had been negative for pesticides at a level of 0.05 ppm. THCX’s testing program had been developed on industry advice from Health Canada and industry norms. The source of the myclobutanil was unknown and the Company immediately commenced an in-depth investigation to determine the source of the pesticide.

This investigation was carried out by the Company from May 1, 2017 to May 28, 2017 and involved the testing of 281 samples derived from all harvests ever completed by the Company, all production inputs, and the forensic sampling of equipment and key physical locations. During the course of the investigation and after completion of additional testing, the Company resumed selling cannabis products from certain lots on May 16, 2017. Based on this additional testing, the Company also voluntarily recalled fourteen lots of medical cannabis, which were supplied between February 1, 2016 and May 1, 2017, due to the detection of myclobutanil. These products tested positive for trace amounts over 0.01 parts per million, but no more than 0.08 parts per million. The recalled lots are lots numbered 45, 46, 47, 54, 58, 59, 102, 109, 123, 127, 128, 129, 148 and 150. Health Canada deemed this a Type III recall, defined as "a situation in which the use of, or exposure to a product is not likely to cause any adverse health consequences." All affected clients were notified.

The results of this investigation were subsequently provided to Health Canada and announced by the Company on June 5, 2017. As a result of the investigation, the Company determined that voluntary pesticide management systems which it had implemented in September 2016 have proven effective and that the contamination occurred during an earlier period. The Company has, however, expanded on its systems currently in place, and implemented industry leading preventative measures to mitigate the risk of a similar event from occurring. Based on the completion of the investigation, the Company also expanded the voluntary product recall implemented on May 16, 2017 to include an additional 19 lots of dried medical cannabis grown before September 16, 2016 that were supplied between July 15, 2015 and March 24, 2017. These products tested positive for trace amounts of myclobutanil between 0.01 parts per million and 0.13 parts per million. The recalled lots are lots numbered 8, 17, 21, 27, 28, 29, 31, 42, 43, 97, 106, 107, 108, 110, 111, 116, 117, 121 and 125. Health Canada also deemed this a Type III recall. All affected clients were notified. The Company has not received any serious adverse reaction reports related to its products.

Private Placement of Unsecured Convertible Debenture Units

On July 18, 2017, the Company closed a bought deal private placement of unsecured convertible debenture units for aggregate gross proceeds of $25.1 million, which included the partial exercise of an over-allotment option by the underwriters. Under the placement, the Company issued a total of $25.1 million of 8.0% senior unsecured convertible debentures (the "**July 2018 Debentures**") and 7,856,300 common share purchase warrants (the "**July 2018 Warrants**").

The July 2018 Debentures are convertible at the option of the holder into Common Shares at any time prior to the close of business on June 30, 2019 at a conversion price of $1.60 per share. Beginning on November 19, 2017, the Company may force the conversion of all of the then outstanding July 2018 Debentures at the conversion price on 30 days' notice should the daily volume weighted average trading price of the Common Shares be greater than $2.25 for any 15 consecutive trading days.

Each July 2018 Warrant is exercisable to acquire one Common Share at an exercise price of $2.00 per share until July 18, 2019, subject to adjustment in certain events, and subject to the Company's right to accelerate expiry of the July 2018 Warrants if, beginning on November 19, 2017, the closing trading price of the Common Shares equals or exceeds $3.00 for any 15 consecutive trading days.

The Company has been using the net proceeds of the private placement for expansion of its production facility in Gatineau, Québec and for working capital and general corporate purposes.

The Bought Deal Short Form Prospectus Offering

On October 30, 2017, the Company entered into an agreement with Canaccord Genuity Corp. as lead underwriter on behalf of a syndicate of underwriters (collectively, the "**Underwriters**"), pursuant to which the Underwriters agreed to purchase, on a bought deal basis, an aggregate of 60,000 units (the "**Units**") of the Company at a price of $1,000 per Unit (the "**Offering Price**") for aggregate gross proceeds to the Company of $60,000,000. Each Unit will consist of one 7.0% unsecured convertible debenture of the Company in the principal amount of $1,000 (each a "**Convertible Debenture**") and 227 common share purchase warrants of the Company (each a "**Warrant**"). The Company has granted the Underwriters an over-allotment option, exercisable in whole or in part, at the sole discretion of the Underwriters, at any time, and from time to time, for a period of 30 days from and including the closing date of the offering (the "**Offering Closing Date**"), to purchase up to an additional 9,000 Units at the Offering Price to cover the Underwriters' over-allocation position, if any, and for market stabilization purposes (the

"**Over-Allotment Option**").

The Convertible Debentures will bear interest at a rate of 7.0% per annum from the date of issue, payable semi-annually in arrears on the last day of June and December in each year, commencing December 31, 2017, and will mature on the date which three years from the Offering Closing Date (the "**Maturity Date**"). Interest will be computed on the basis of a 360-day year composed of twelve 30-day months. The December 31, 2017 interest payment will represent accrued interest for the period from the Offering Closing Date to December 31, 2017.

The Convertible Debentures will be convertible at the option of the holder into common shares of the Company (the "**Conversion Shares**") at any time prior to the close of business on the Maturity Date at a conversion price of $2.20 per Conversion Share (the "**Conversion Price**").

The Company will be entitled to force the conversion of all of the principal amount of the then outstanding Convertible Debentures at the Conversion Price on 30 days' written notice should the daily volume weighted average trading price of the common shares of the Company (the "**Common Shares**") be greater than $3.15 for any 10 consecutive trading days, subject to the forced conversion being permitted under the policies of the principal exchange for any trading of the Convertible Debentures at that time.

At maturity, if the Company's market capitalization is equal to or greater than $100,000,000, the Company will have the right to pay up to 50% of the principal amount of the then outstanding Convertible Debentures due in Common Shares, which will be valued at the lower of: (i) the market price of the Common Shares on the Maturity Date, and (ii) 95% of the weighted average trading price of the Common Shares on the principal exchange for trading of the Common Shares at the Maturity Date for the 20 consecutive trading days ending five trading days preceding the Maturity Date, and in each case only if such price is equal to or greater than $1.00 and will be subject to compliance with applicable policies of the principal exchange for trading of the Common Shares at that time (if the Common Shares are listed on the TSXV at that time, the price for the shares to be issued on maturity of the Convertible Debentures cannot be any lower than the Conversion Price).

The Convertible Debentures will be governed by a debenture indenture (the "**Debenture Indenture**") to be entered into on the Offering Closing Date between the Company and TSX Trust Company.

Each Warrant will entitle the holder thereof to acquire one Common Share (a "**Warrant Share**") at an exercise price of $3.00 per Warrant Share for a period of two years following the Offering Closing Date, subject to adjustment in certain customary events. If, at any time prior to the expiry date of the Warrants, the closing trading price of the Common Shares on a recognized Canadian stock exchange equals or exceeds $4.50 for 10 consecutive trading days, the Company may, within 15 days of the occurrence of such event, deliver a notice to the holders of Warrants accelerating the expiry date of the Warrants to the date that is 30 days following the date of such notice (the "**Accelerated Warrant Exercise Period**"). Any unexercised Warrants shall automatically expire at the end of the Accelerated Warrant Exercise Period.

The Warrants will be governed by a warrant indenture (the "**Warrant Indenture**") to be entered into on the Offering Closing Date between the Company and TSX Trust Company.

DESCRIPTION OF THE BUSINESS

Company Overview

THCX is in the business of producing, marketing and selling medical marijuana through its indirect wholly-owned subsidiary, 167 Canada, from its facilities in Gatineau, Québec. 167 Canada is a licensed producer under the ACMPR.

THCX began as a luxury brand, selling medical marijuana at $15.00 per gram. Since December 2016, Hydropothecary continues to sell premium products but also has new product lines that are focused on product innovation aimed at the mid-market. THCX now offers 11 products at $10 and under. The product lines include H2, the mid-market bud flower and trim product line; Decarb, ready to consume activated marijuana powder made for oral consumption; and, Elixir No. 1, Canada's first and only legal peppermint based medical cannabis oil sublingual mist. By leveraging its premium brand and innovative products, the Company hopes to set itself apart from competitors, while remaining competitive on price. THCX aims to continue to differentiate itself in the market place by furthering its position as a cannabinoid-based products manufacturing company and brand.

In addition to medical marijuana production and sales, THCX is exploring opportunities to expand its ability to extract cannabinoids and develop cannabinoid products for the adult recreational use market which is expected to be eventually developed in Canada.

The Company conducts its business in Canada. THCX does not intend to carry on business or invest, directly or indirectly, in any business that derives revenue, directly or indirectly, from the sale of cannabis or cannabis products in the United States or in any other jurisdiction where the sale of cannabis is unlawful at the federal or national levels.

The Company's Licences

Through 167 Canada, the Company is licensed to produce and sell medical marijuana as a licensed producer under the provisions of the ACMPR. Predecessor THCX was issued its initial licence to sell Medical Marijuana through 167 Canada on May 28, 2015 by Health Canada to Hydropothecaire/Hydropothecary, the operating name of the business run by THCX through 167 Canada, with such licence having been subsequently renewed with a current term ending on October 15, 2019, subject to further renewal. The Company's licence designates it as a licensed producer and permits the production, sale, possession, shipping, transportation, delivery and destruction of fresh marijuana, dried marijuana, marijuana plants, marijuana seeds, cannabis oil and cannabis resin, all as set out therein, delivered pursuant to the ACMPR and CDSA. The licence covers Buildings 1, 2, 3, 4, 5, 7 and 8 at the Company's facilities as described below and authorizes unlimited production of marijuana.

At the end of each term of the licence, THCX must submit an application for renewal to Health Canada containing information prescribed by the ACMPR. THCX is not currently aware of any reason why it would not be able to receive a renewal of its licence in October 2019.

The Company's Facilities

THCX's facilities are located at 120 Chemin de la Rive, Gatineau, Québec (the "**Gatineau Facility**"). Predecessor THCX acquired the 65-acre Gatineau Facility when it purchased 167 Canada in November 2014. The Gatineau Facility currently consists of an approximately 7,000 square foot 4-season greenhouse ("**Building 2**"), a storage, processing and administration building ("**Building 1**"), a newly constructed, approximately 35,000 square foot 4-season glass roof greenhouse ("**Building 5**"), two stand-alone laboratories each approximately 240 square feet in size ("**Buildings 3 and 4**"), a modular building housing final packaging ("**Building 7**"), a second modular building for customer service and registration ("**Building 8**") and a newly constructed warehouse ("**Warehouse**"). As of the date of this Prospectus, Buildings 1, 2, 3, 4, 5, 7 and 8 are covered by the Company's licence under the ACMPR. THCX is in the process of expanding to add an additional 250,000 square feet of growing, production and infrastructure space (the "**Building 6 Expansion**"). This would include an additional glass roof greenhouse, manufacturing bay, laboratories, shipping and warehousing, all compliant with "Good Productions Practices and/or Good Manufacturing Practice".

The Gatineau Facility is owned by 898 Canada and is leased from 898 Canada by 167 Canada for a term of 20 years having an expiration date of October 27, 2034, with two additional optional renewal periods of 5 years each, during which renewal terms the rent will be indexed to increases in the cost of living in Canada. Monthly base rent is $10.00. THCX is responsible for additional rent, including costs related to utility usage, property maintenance, and certain taxes in accordance with the Gatineau Facility lease. As of the date hereof, the lease for the Gatineau Facility is in good standing.

167 Canada owns all of the outstanding preferred shares of 898 Canada but the one issued and outstanding common share of 898 Canada is owned by Michael Munzar and Vincent Chiara, directors of the Company and residents of Québec. The Gatineau Facility is considered farmland and in Québec, non-residents must obtain authorization from the Commission de protection du territoire agricole du Québec to acquire more than 4 hectares (or about 10 acres) of

farm land. In addition to the lease for the Gatineau Facility, 167 Canada has an irrevocable and unconditional agreement with Dr. Munzar and Mr. Chiara for the purchase of the issued and outstanding common share of 898 Canada upon demand and following receipt of approval from the Commission de protection du territoire agricole du Québec for 167 Canada to own the facility. THCX has applied for this approval.

The Company's Products

THCX has acquired and may continue to acquire sativa, indica and hybrid strains of cannabis through legal sources within Canada and abroad. THCX's products are derived from these strains and hybrid strains it creates from these plants. The strains have unique chemical characteristics which are desirable for patient treatment, including delta-9-tetrahydrocannabinol ("**THC**") levels as high as 26 percent and cannabidiol ("**CBD**") composition up to 18.5 percent. THCX's product selection is also based on achieving reproducible superior plant yields under THCX's unique natural growing environment.

Currently, THCX offers dried medical marijuana under four product lines: Time of Day, premium dried marijuana; H2, mid-market dried marijuana; Decarb, activated fine-milled marijuana powder; and Elixir, a medical cannabis oil sublingual mist.

Time of Day includes: "Good Morning", "Midday", "After Dinner" and "Bedtime". These products cover a relatively wide spectrum of CBD and THC levels, as well as sativa, hybrid and indica plants. Each product is carefully selected to treat symptoms universally reported by patients at each of the four times-of-day.

THCX also offers a full range of mid-market dried marijuana products under its flagship H2 line. H2 is designed to offer Hydropothecary quality at an accessible, mid-range price point. This line includes nine mainstay products: Kush (indica); Dragon Fruit (hybrid); Papaya Grove (sativa); Passion Fruit (2:1 ratio of CBD and THC); Honeydew (up to 18:2 ratio of CBD to THC, hybrid), Juniper Berry (indica), Bitter Melon (indica), Sativa Milled (sativa) and Indica Milled (indica). These ratios may vary through different production cycles.

The Decarb product line includes six products; High THC (153mg/g THC – or 76.5mg of THC per capsule); Mid THC (73.3mg/g THC– or 36.7mg of THC per capsule); 1:1 (THC 33.2mg/g and CBD 71.4mg/g – or 16.6mg THC & 35.7mg of CBD per capsule); High CBD (4.6mg/g THC & 138.5mg/g CBD – or 2.3mg THC & 69.25mg CBD per capsule); Micro THC (11mg/g THC and <0.7mg/g CBD – or 5.5mg THC and <0.035mg CBD per capsule); Micro CBD (<0.7mg/g THC and 9.3mg/g CBD – or <0.035mg THC and 4.65mg CBD per capsule. These percentages may vary through different production cycles.

Elixir No.1 is a high THC cannabis oil delivered in a misting spray. It contains up to the maximum allowable THC level of 30 mg/ml according to the ACMPR. The product delivers a fresh peppermint mist of cannabis oil from a child resistant 15ml bottle. Easy to use, discreet and convenient, Elixir No.1 provides an alternative, smoke-free method to consume medical cannabis.

Since the Company's first harvest on October 8, 2014, THCX has successfully produced approximately 1,577 kilograms of marijuana. This result confirms the Company's greenhouse production methods are capable of yielding substantially high-quantities of quality medical marijuana products with lower operating costs compared to indoor growing methods. THCX also has integrated biological controls, proprietary feeding programs and techniques, and mass-scale drying and curing methods.

Product Pricing

THCX offers 19 dried marijuana products priced between $3.00 and $15.00 a gram and one oil product priced at $89.00 per 15 ml bottle.

Sales and Client Acquisition

Under the ACMPR, THCX sells medical marijuana solely to clients who have obtained a valid medical document from a doctor or authorized health care professional. All clients of THCX are required to order their medical marijuana through THCX's online store or over the phone, through one of THCX's trained representatives. Once an order is placed with THCX, it is shipped securely and discreetly to the client in accordance with the ACMPR, which regulates the packaging, labelling and shipping requirements for dried marijuana.

Licensed producers such as THCX are restricted in the manner of advertising their products directly to the general public. Licensed producers are permitted to provide to the public representations of their brand name, proper or common name of the strain, price, cannabinoid content and contact information. Working in cooperation with Health Canada's ACMPR compliance department, THCX's patient-client acquisition strategy is focused on building national brand awareness for THCX, its products and the THCX value proposition among its target patient-markets.

For client acquisition, THCX works closely with specialty cannabinoid clinics to build product education and company awareness through patients, clinic staff and health care practitioners.

THCX also exhibits at a number of industry expos and tradeshows. Key members of THCX's executive routinely speak at community engagement events, expos, conferences, to build further brand awareness.

Employees

Currently, THCX has approximately 98 employees and will adjust staffing levels on an as-needed basis. THCX's team includes skilled professionals with experience directly translatable to THCX's business. This includes 21 employees in harvest and cultivation, 23 employees in operations, manufacturing and processing, 31 employees in sales and marketing, 4 employees in quality and research and development, and 19 employees in corporate services and executive.

Proprietary Protection

THCX has been granted Canadian trade-mark protection for "Good Morning", "Midday", "After Dinner", "Bed Time", "Lights Off", "Triple Espresso", "In Good Company", "The Start of Something Great", "White Burn Smoke", "Full Steam Ahead", "Hydropothecary" and the "H" design as trade-marks it uses or may use in the future in connection with its business. These trademark applications have been allowed but not yet registered.

THCX is also analyzing its intellectual property for which it has not made applications for registration to determine whether there are further opportunities for protection. THCX will periodically review its options to create value with its intellectual property.

Corporate Social Responsibility

THCX is committed to the principles of corporate social responsibility ("**CSR**"). As part of this commitment, THCX recently created the position of Vice President of Corporate Social Responsibility, reporting to the Chief Brand Officer, and recruited former British Columbia Health and Environment Minister Dr. Terry Lake to the role. Dr. Lake is currently developing a comprehensive CSR plan for the Company that acknowledges that cannabis is currently a medical product but with expected legalized adult recreational use, will soon be a "temptation good". This brings a responsibility to ensure the product is grown, processed, sold and supported in a way that minimizes harms and maximizes patient and customer benefits.

The development of the CSR plan is underway, starting with a listening tour in Québec communities to understand concerns of organizations and individuals with approaching legalization. The plan will also include educational programs for the appropriate use of medical cannabis through health professions and patient advocacy organizations as well as the promotion of the safe use of recreational cannabis by the general population. Discussions are also underway to support research that will help determine appropriate use of cannabis as a substitute for other medications to manage pain and to assist opioid dependent patients reduce their reliance on these problematic substances.

In its local community, THCX supports the Fondation Sante de Papineau and has hosted tours for Action Sante Outauais and the Canadian Council of Motor Traffic Administrators.

Hydropothecary is committed to the environment with on-site initiatives such as recycling of all paper, cardboard, glass and plastic. Its greenhouse technology reduces electricity consumption and it uses all natural pesticide products.

Adult Recreational Market

The Canadian government has indicated that it intends to legalize cannabis (marijuana) not later than July 2018, rendering adult recreational use of cannabis lawful throughout Canada. Only cannabis cultivated by producers licensed by the federal government under the ACMPR will be lawful for consumption. The Company expects that the new Bill C-45, *An Act respecting cannabis and to amend the Controlled Drugs and Substances Act, the Criminal Code and other Acts* (the "**Cannabis Act**") will be approved by Federal Parliament and that the adult recreational regime will become law by the July 2018 deadline.

The Company is currently undertaking an adult recreational market branding strategy review designed to position THCX for success in the adult use recreational market and medical/pharmaceutical market.

The Federal Government has indicated that regulation of the sale of adult recreational cannabis in retail and online environments will be the responsibility of the provinces and territories. The Company expects that Canadian consumers will not be permitted to buy cannabis products directly from licensed producers in most provinces and territories. Rather, the Company anticipates that most provinces and territories will require licensed producers to sell all cannabis products to provincial or territorial control boards which will sell to consumers online and through their own outlets or licensed private outlets. In Ontario, the government has announced that it will sell recreational cannabis through stores and online through the Cannabis Control Board of Ontario (the "**CCBO**"). The manner in which the CCBO will purchase product and interface with the Company and other licensed producers is uncertain.

The Québec government has yet to announce its approach to retail cannabis in the Province of Québec. As the only licensed producer of cannabis headquartered in Québec, THCX believes it is well positioned for success in the adult recreational market and for industry leadership in the province.

The Company's current intention is to actively monitor and engage with other provinces as they deploy their recreational retail models.

RISK FACTORS

There are a number of risk factors that could cause future results to differ materially from those described herein. The risks and uncertainties described herein are not the only ones the Company faces. Additional risks and uncertainties, including those that the Company does not know about now or that it currently deems immaterial, may also adversely affect the Company's business. If any of the following risks actually occur, the Company's business may be harmed and its financial condition and results of operations may suffer significantly.

Financial Risk Factors

The Company has implemented risk management governance processes that are led by the Board of Directors, with the active participation of management, and updates its assessment of its business risk on an annual basis. Notwithstanding, it is possible that the Company may not be able to foresee all of the risks that it may have to face. The market in which the Company currently competes is complex, competitive and changes rapidly. Sometimes new risks emerge and management may not be able to predict all of them, or be able to predict how they may cause actual results to be different from those contained in any forward-looking statements. Readers of this AIF should not rely upon forward-looking statements as a prediction of future results.

Interest Risk

The Company's exposure to interest rate risk only relates to any investments of surplus cash. The Company may invest surplus cash in highly liquid investments with short terms to maturity that would accumulate interest at prevailing rates for such investments. As at July 31, 2017, the Company had short term investments of $2,871,550.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's amounts receivable. As at July 31, 2017, the Company is exposed to credit related losses in the event of non-performance by the counterparties.

The Company provides credit to its customers in the normal course of business and has established a credit evaluation and monitoring processes to mitigate credit risk, but has limited risk since the majority of the sales are transacted with clients covered under various insurance programs.

The carrying amount of cash and cash equivalents, short-term investments and accounts receivable represents the maximum exposure to credit risk and at July 31, 2017, this amounted to $41,675,580. The cash is held by the Company's bank which is one of the largest cooperative financial groups in Canada. Since the inception of the Company, no losses have been suffered in relation to cash held by the bank. The accounts receivable balance is held with one of the largest medical insurance companies in Canada.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by reviewing on an ongoing basis its capital requirements. As at July 31, 2017, the Company had $41,324,373 of cash and cash equivalents and short-term investments.

The Company was obligated to pay accounts payable and accrued liabilities with a carrying amount and contractual cash flows amounting to $1,672,406 due in the next 12 months.

The carrying values of cash, accounts receivable, accounts payable and accrued liabilities approximate their fair values due to their short term to maturity.

Reliance on Management and Key Persons

Hydropothecary is reliant on senior management's ability to execute on strategy. This exposes the Company to management's ability to perform, and as well the risk of management leaving the Company. To mitigate this risk, THCX has implemented incentive plans for all members of the senior management team. In addition, all senior members currently hold significant equity in the Company, another deterrent from having them leave.

The success of the Company will be dependent upon the ability, expertise, judgment, discretion and good faith of certain of its management team and board of directors. While employment agreements and incentive programs are designed for the retention of such key persons, these agreements and incentive programs cannot assure the continued services of such persons. Any loss of key persons could have a material adverse effect on the Company's business, operating results and/or financial condition.

Sufficiency of Insurance

The Company maintains various types of insurance which may include errors and omissions insurance; directors' and officers' insurance; property coverage; and, general commercial insurance. There is no assurance that claims will not exceed the limits of available coverage; that any insurer will remain solvent or willing to continue providing insurance coverage with sufficient limits or at a reasonable cost; or, that any insurer will not dispute coverage of certain claims due to ambiguities in the policies. A judgment against any member of the Company in excess of available coverage could have a material adverse effect on the Company in terms of damages awarded and the impact on the reputation of the Company.

Competition

THCX faces intense competition from licensed producers and other companies, some of which can be expected to have more financial resources, industry, manufacturing and marketing experience than the Company. Additionally, there is potential that the industry will undergo consolidation, creating larger companies that may have increased geographic scope. As a result of this competition, the Company may be unable to maintain its operations or develop them as currently proposed, on terms it considers acceptable or at all. Increased competition by larger, better-financed competitors with geographic advantages could materially and adversely affect the business, financial condition and results of operations of THCX.

To date, Health Canada has only granted licences and licensed producer status under the ACMPR to a small number of applicants. There are, however, several hundred applicants for licensed producer status. The number of licences granted and the number of licensed producers ultimately authorized by Health Canada could have an impact on the operations of the Company. THCX expects to face additional competition from new market entrants that are granted licences under the ACMPR or existing licence holders which are not yet active in the industry. If a significant number of new licences are granted by Health Canada in the near term future, THCX may experience increased competition for market share and may experience downward price pressure on products as new entrants increase production. Any or all of these events could materially and adversely affect the business, financial condition and results of operations of THCX.

If the number of users of medical cannabis in Canada increases, the demand for products will increase and THCX expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, THCX will require a continued high level of investment in research and development, marketing, sales and client support. THCX may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of THCX.

In addition, the introduction of a recreational model for cannabis production and distribution is expected to impact the medical marijuana market. The impact of this potential development may be negative for THCX, and could result in increased levels of competition in its existing medical market and/or the entry of new competitors in the overall cannabis market in which THCX operates. There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than THCX. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company.

General Business Risk and Liability

Given the nature of Company's business, it may from time to time be subject to claims or complaints from investors or others in the normal course of business. The legal risks facing the Company, its directors, officers, employees or agents in this respect include potential liability for violations of securities laws, breach of fiduciary duty and misuse of investors' funds. Some violations of securities laws and breach of fiduciary duty could result in civil liability, fines, sanctions, or the suspension or revocation of the Company's right to carry on its existing business. The Company may incur significant costs in connection with such potential liabilities.

Regulation of the Marijuana Industry

The Company is heavily regulated in all jurisdictions where it carries on business. Laws and regulations, applied generally, grant government agencies and self-regulatory bodies broad administrative discretion over the activities of the Company, including the power to limit or restrict business activities as well as impose additional disclosure requirements on the Company's products and services.

Failure to adhere to these regulation may result in possible sanctions including the revocation or imposition of conditions on licences to operate the Company's business; the suspension or expulsion from a particular market or jurisdiction or of its key personnel; and, the imposition of fines and censures. To the extent that existing or future regulations affect the sale or offering of the Company's product or services in any way, the Company's revenues may be adversely affected.

Regulatory Risks

The business and activities of the Company are heavily regulated in all jurisdictions where it carries on business. The Company's operations are subject to various laws, regulations and guidelines by governmental authorities, particularly Health Canada, relating to the manufacture, marketing, management, transportation, storage, sale and disposal of medical marijuana, and also including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. Laws and regulations, applied generally, grant government agencies and self-regulatory bodies broad administrative discretion over the activities of the Company, including the power to limit or restrict business activities as well as impose additional disclosure requirements on the Company's products and services.

Achievement of the Company's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the production and sale of its products. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company.

Failure to comply with the laws and regulations applicable to its operations may lead to possible sanctions including the revocation or imposition of additional conditions on licences to operate the Company's business; the suspension or expulsion from a particular market or jurisdiction or of its key personnel; and, the imposition of fines and censures. To the extent that there are changes to the existing or the enactment of future laws and regulations that affect the sale or offering of the Company's product or services in any way, the Company's revenues may be adversely affected.

Change in Laws, Regulations and Guidelines

The Company's operations are subject to a variety of laws, regulations and guidelines relating to the marketing, acquisition, manufacture, management, transportation, storage, sale and disposal of medical marijuana but also including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. While to the knowledge of the Company's management, it is currently in compliance with all such laws, changes to such laws, regulations and guidelines due to matters beyond the control of the Company may cause adverse effects to the Company's operations.

Reliance on Licence Renewal

THCX's business operations are dependent on its licence under the ACMPR. The licence must be renewed annually. THCX's current licence expires on October 15, 2019. Prior to the expiry of the licence, THCX must submit to Health Canada an application for renewal of the licence containing information prescribed by the ACMPR. Failure to comply with the requirements of the licence or any failure to renew the licence would have a material adverse impact on the business, financial condition and operating results of THCX.

THCX believes it is complying in all material respects with the terms of the licence and it is not aware of any reason why it would not be able to renew the licence upon its expiry. However, there can be no guarantee that Health Canada will renew the licence, or that such renewal will occur in a timely fashion or on terms similar to THCX's existing licence or otherwise acceptable to THCX and its business. Should Health Canada not renew THCX's licence, delay the renewal of the licence or renew the licence on different terms, the business, financial conditions and results of the operation of THCX would be materially adversely affected.

THCX is in the process of expanding its facilities. In order for THCX to include the new buildings under its licence, it must make an application to Health Canada to amend the licence to include the new buildings. Should Health Canada not grant the licence amendment, delay the amendment of the licence or amend the licence on different terms, the business, financial conditions and results of the operation of THCX would be materially adversely affected.

Reliance on a Single Facility

THCX's activities and resources are currently primarily focused on its Gatineau Facility, and THCX will continue to be focused on this facility for the foreseeable future. Adverse changes or developments affecting the Gatineau facility including but not limited to changes to municipal laws regarding zoning, facility design errors, environmental pollution, non-performance by third party contractors, increases in materials or labour costs, labour disputes or disruptions, inability to attract sufficient numbers of qualified workers, productivity inefficiencies, equipment or process failures, production errors, disruption in the supply of energy and utilities and major incidents and/or catastrophic events such as fires, explosions, earthquakes or storms, would have a material and adverse effect on THCX's business, financial condition and prospects.

Limited Operating History

THCX commenced operations in August 2013, and as such is an early stage business and subject to the risks any early stage business faces. THCX has incurred operating losses since commencing operations. The success of the Company is dependent on, among other things, eventual profitability of operations, ability to raise funds when necessary in a timely manner, and senior management's ability to execute on strategy. The Company may incur losses in the future and may not achieve profitability.

Realization of Growth Targets

The Company's growth strategy contemplates outfitting the Gatineau facility with additional production resources. There is a risk that these additional resources will not be achieved on time, on budget, or at all, as they can be adversely affected by a variety of factors, including some that are discussed elsewhere in these risk factors and the following:

- delays in obtaining, or conditions imposed by, regulatory approvals;
- failure to obtain anticipated licence capacity increases;
- plant design errors, non-performance by third party contractors, increases in materials or labour costs; or, construction performance falling below expected levels of output or efficiency
- environmental pollution;
- contractor or operator errors; or, breakdowns, aging or failure of equipment or processes;
- labour disputes, disruptions or declines in productivity; or, inability to attract sufficient numbers of qualified workers;
- disruption or delay in acquiring incremental supply of energy and utilities as needed; and
- major incidents and/or catastrophic events such as fires, explosions, earthquakes or storms.

As a result, there is a risk that the Company may not have product, or sufficient product, available for shipment, to meet the expectations of its potential customers or in its business plan.

Risks Inherent in an Agricultural Business

A key aspect of THCX's business is growing marijuana, and as such the Company is exposed to the risks inherent in any agriculture business, such as disease spread, hazards, pests and similar agricultural risks that may create crop failures and supply interruptions for the Company's customers. To mitigate the risk, THCX has trained personnel to carefully monitor the growing conditions. Although THCX grows its products indoors under climate controlled conditions and carefully monitors the growing conditions with trained personnel, there can be no assurance the natural elements will not have a material adverse effect on the production of its products.

Vulnerability to Rising Energy Costs

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

Publicity or Consumer Perception

The Company believes the medical marijuana industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the medical marijuana produced. Consumer perception of the Company's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical marijuana products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the medical marijuana market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Company's products and the business, results of operations, financial condition and the Company's cash flows. The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for the Company's products, and the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical marijuana in general, or the Company's products specifically, or associating the consumption of medical marijuana with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

Product Liability

As a manufacturer and distributor of products designed to be ingested or inhaled by humans, THCX faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of THCX's products involve the risk of injury or loss to consumers due to tampering by unauthorized third parties, product contamination, unauthorized use by consumers or other third parties. Previously unknown adverse reactions resulting from human consumption of THCX's products alone or in combination with other medications or substances could occur. THCX may be subject to various product liability claims, including, among others, that THCX's products caused injury, illness or loss, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against THCX could result in increased costs, could adversely affect THCX's reputation with its clients and consumers generally, and could have a material adverse effect on the results of operations and financial condition of THCX. There can be no assurances that THCX will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of THCX's potential products.

Product Recalls

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 labeling disclosure. If any of THCX's products are recalled due to an alleged product defect or for any other reason, THCX could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. THCX may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although THCX has detailed procedures in place for testing finished 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 THCX's significant brands were subject to recall, the image of that brand and THCX could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for THCX's products and could have a material adverse effect on the results of operations and financial condition of THCX. Additionally, product recalls may lead to increased scrutiny of THCX's operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

Reliance on Key Inputs

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. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a sole source supplier was to go out of business, the Company might be unable to find a replacement for such source in a timely manner or at all. If a sole source supplier were to be acquired by a competitor, that competitor may elect not to sell to the Company in the future. 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.

Difficulties with Forecasts

The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the medical marijuana industry in Canada. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company.

Exchange Restrictions on Business

The Exchange's listing conditions, for the Company, required it to deliver an undertaking confirming that, while listed on the Exchange, the Company will only conduct the business of production, acquisition, sale and distribution of medical marijuana in Canada as permitted under the Health Canada licence. This undertaking could have an adverse effect on the Company's ability to export marijuana from Canada and on its ability to expand its business into other areas including the provision of non-medical marijuana in the event that the laws were to change to permit such sales and the Company is still listed on the Exchange and still subject to such undertaking at the time. This undertaking may prevent the Company from expanding into new areas of business when the Company's competitors have no such restrictions. All such restrictions could materially and adversely affect the growth, business, financial condition and results of operations of the Company.

Management of Growth

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. If the Company is unable to deal with this growth; that may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Litigation

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating and the market price for the Company's common shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant company resources.

Dividends

The Company has no earnings or dividend record and may not pay any dividends on its common shares in the foreseeable future. Dividends paid by the Company could be subject to tax and, potentially, withholdings.

Limited Market for Securities

The Company's common shares are listed on the TSX-V, however, there can be no assurance that an active and liquid market for the common shares will be maintained and an investor may find it difficult to resell any securities of the Company.

Volatile Market Price of Common Shares

The market price for THCX's common shares may be volatile and subject to wide fluctuations in response to numerous factors, including governmental and regulatory regimes, community support for the medical marijuana industry, variations in the operating results of the Company, changes in the business prospects for the Company, as well as many other factors that are beyond the Company's control, including the following:

(a) actual or anticipated fluctuations in the Company's results of operations;

(b) changes in estimates of future results of operations by the Company or securities research analysts;

(c) changes in the economic performance or market valuations of other companies that investors deem comparable to the Company;

(d) addition or departure of the Company's executive officers and other key personnel;

(e) release or other transfer restrictions on outstanding Company common shares;

(f) sales or perceived sales of additional securities by the Company;

(g) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors; and

(h) news reports relating to trends, concerns or competitive developments, regulatory changes and other related issues in the Company's industry or target markets.

The results of these activities will inevitably affect the Company's decisions related to future operations and will likely trigger major changes in the trading price of the Company's common shares. In general, financial markets have, from time to time, experienced extreme price and volume fluctuations, that have been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Company's 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 may result in impairment losses. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted, and the trading price of the Company's common shares may be adversely affected.

Risk Factors Related to Dilution

The Company may issue additional common shares in the future, which may dilute a shareholder's holdings in the Company. The Company's articles permit the issuance of an unlimited number of common shares, and shareholders will have no-preemptive rights in connection with such further issuance. The directors of the Company have the 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.

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.

Constraints on Marketing Products

The development of THCX's business and operating results may be hindered by applicable restriction 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 industries. If THCX 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 the selling price for its products, the Company's sales and operating results could be adversely affected.

Fraudulent or Illegal Activities by Employees, Contractors or Consultants

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 THCX, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on our 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 operates in a dynamic, rapidly changing environment that involves risks and uncertainties, and as a result, management expectations may not be realized for a number of reasons. An investment in THCX securities is speculative and involves a high degree of risk and uncertainty.

DIVIDENDS

As of the date of this Annual Information Form, the Company has not paid any dividends and has no current intention to declare dividends on its Common Shares in the foreseeable future. Any decision to pay dividends on its Common Shares in the future will be at the discretion of the Company's board of directors and will depend on, among other things, the Company's results of operations, current and anticipated cash requirements and surplus, financial condition, any future contractual restrictions and financing agreement covenants, solvency tests imposed by corporate law and other factors that the board of directors may deem relevant.

CAPITAL STRUCTURE

The Company is authorized to issue an unlimited number of Common Shares. As of the date of this Annual Information Form, there are 76,727,775 Common Shares issued and outstanding.

The holders of the Common Shares are entitled to one vote per share at all meetings of the shareholders of the Company either in person or by proxy. The holders of Common Shares are also entitled to dividends, if and when declared by the directors of the Company and the distribution of the residual assets of the Company in the event of a liquidation, dissolution or winding up of the Company. The Common Shares rank equally as to all benefits which might accrue to the holders thereof, including the right to receive dividends, voting powers, and participation in assets and in all other respects, on liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other disposition of the assets of the Company among its shareholders for the purpose of winding up its affairs after the Company has paid out its liabilities. The Common Shares are not subject to call or assessment rights or any pre-emptive or conversion rights. There are no provisions for redemption, purchase for cancellation, surrender or purchase of funds.

The Company has adopted a stock option plan under which it is authorized to grant options to officers, directors, employees, and consultants enabling them to acquire Common Shares. The maximum number of Common Shares reserved for issuance of stock options that may be granted under the plan is 10% of the issued and outstanding Common Shares as at the date of the grant. The Company's stock option plan is a "rolling" stock option plan under Policy 4.4 of the TSXV. Options granted under the plan can be exercised for a maximum of 10 years and vest as determined by the Board of Directors. As of the date of this Annual Information Form, there are options outstanding under the plan exercisable to purchase up to 6,346,280 Common Shares.

In addition, as the date of this Annual Information Form, the Company also has outstanding: (i) common share purchase warrants exercisable to purchase up to 20,512,227 Common Shares; and (ii) $25.1 million principal amount of 8.0% senior unsecured convertible debentures convertible into Common Shares at any time prior to the close of business on June 30, 2019 at a conversion price of $1.60 per share.

MARKET FOR SECURITIES

Common Shares

The Common Shares are currently listed on the TSXV under the trading symbol "THCX". Prior to the completion of the Qualifying Transaction, the Common Shares were listed on the TSXV under the trading symbol "BFK.P" The following table sets forth the reported intraday high and low prices and monthly trading volumes of the Common Shares for the 12-month period prior to the date of this Annual Information Form.

	TSXV Price Range		
Month	**High**	**Low**	**TSXV Total Volume**
November 1 - 7, 2017	$2.80	$2.28	5,059,984
October 2017	$2.34	$1.82	14,822,524
September 2017	$1.80	$1.35	3,918,886
August 2017	$1.53	$1.24	2,121,217
July 2017	$1.58	$1.10	4,982,737
June 2017	$1.75	$1.25	4,737,874
May 2017	$1.99	$1.50	5,991,619
April 2017	$2.90	$1.77	17,845,768
March 2017	$2.15	$1.50	15,366,507
February 2017	-	-	-
January 2017	-	-	-
December 2016	-	-	-
November 2016[(1)]	-	-	-

Notes:
(1) Trading in the Common Shares was halted on November 16, 2016 in connection with the announcement of BFK entering into the letter of intent dated November 16, 2016 between the Company and Predecessor THCX with respect to the Qualifying Transaction. Trading in the Common Shares resumed on March 21, 2017 following the completion of the Qualifying Transaction.
(2) Source: TMX Data.

PRIOR SALES

The following table summarizes details of the following securities that are not listed or quoted on a marketplace issued by the Company during the 12-month period prior to the date of this Annual Information Form:

Date	**Type of Security Issued**	**Issuance/Exercise Price per Security**	**Issued**
March 15, 2017	Stock Options(1)	Various(1)	4,873,896
March 15, 2017	Common Share Purchase Warrants(2)	Various(2)	12,168,318
March 15, 2017	Secured convertible debentures(3)	US$0.70(3)	US$3,275,000
March 15, 2017	Unsecured convertible debentures(4)	$0.75(4)	$345,000
March 16, 2017	Common Share Purchase Warrants(5)	$0.83	460,000
July 18, 2017	Existing Convertible Debentures(6)	$1,000	25,100
July 18, 2017	Existing Warrants(6)	$2.00	7,856,300
July 24, 2017	Stock Options	$1.27	643,000
September 8, 2017	Stock Options	$1.37	651,000

Notes:
(1) Issued to former holders of stock options of Predecessor THCX in accordance with the Qualifying Transaction, whereby each option holder of Predecessor THCX received replacement options of the Company in exchange for their options of Predecessor THCX adjusted on the basis of the 6-for-1 exchange ratio under the Qualifying Transaction, resulting in the issuance of 4,873,896 replacement options, each exercisable to acquire one Common Share at exercise prices ranging between $0.16 and $0.75 per share and having expiry dates between May 30, 2019 and January 13, 2027. See "*Recent Developments - Reverse Takeover and Qualifying Transaction*".
(2) Issued to former holders of common share purchase warrants of Predecessor THCX in accordance with the Qualifying Transaction, whereby each warrant holder of Predecessor THCX received replacement warrants of the Company in exchange for their warrants of Predecessor THCX adjusted on the basis of the 6-for-1 exchange ratio under the Qualifying Transaction, resulting in the issuance of 12,168,318 replacement warrants, each exercisable to acquire one Common Share at exercise prices ranging between $0.66 and $0.83/UD$0.76 per share and having expiry dates between August 18, 2017 and November 4, 2021. See "*Recent Developments - Reverse Takeover and Qualifying Transaction*".
(3) Issued to former holders of secured convertible debentures of Predecessor THCX in accordance with the Qualifying Transaction, whereby each debenture holder of Predecessor THCX received replacement secured convertible debentures of the Company in exchange for their debentures of Predecessor THCX adjusted on the basis of the 6-for-1 exchange ratio under the Qualifying Transaction, resulting in the issuance of an aggregate principal amount of US$3,275,000 replacement secured debentures, convertible into Common Shares at a price of US$0.70 per share. See "*Recent Developments - Reverse Takeover and Qualifying Transaction*".
(4) Issued to former holders of unsecured convertible debentures of Predecessor THCX in accordance with the Qualifying Transaction, whereby each debenture holder of Predecessor THCX received replacement unsecured convertible debentures of the Company in exchange for their debentures of Predecessor THCX adjusted on the basis of the 6-for-1 exchange ratio under the Qualifying Transaction, resulting in the issuance of an aggregate principal amount of $345,000 replacement unsecured debentures, convertible into units of the Company at a price of $0.75 per unit, each unit consisting of one Common Share and one common share purchase warrant exercisable to acquire one Common Share at an exercise price of $0.83 per share for a period of two years from the date of issuance. See "*Recent Developments - Reverse Takeover and Qualifying Transaction*".
(5) Issued upon conversion of the Company's previously issued unsecured convertible debentures.
(6) Issued under a bought deal private placement by the Company. See "*Recent Developments - Private Placement of Unsecured Convertible Debenture Units*".

ESCROWED SECURITIES AND SECURITIES SUBJECT TO RESTRICTION ON TRANSFER

The following table summarizes details of the Company's securities of each class held, to the Company's knowledge, in escrow or that are subject to a contractual restriction on transfer as of the date of this Annual Information Form:

Designation of Class	Number of Securities held in escrow or that are subject to a contractual restriction on transfer escrow	Percentage of class
Common Shares	12,582,092 (1),(2)	16.44%(3)
Warrants	122,001(4)	0.59% (5)
Options	1,672,500 (6)	26.35% (7)

Notes:

(1) As of the date of this AIF, a total of 12,023,206 Common Shares of the Company were held in escrow with TSX Trust Company pursuant to a TSXV Form 5D Value Security Escrow Agreement dated March 15, 2017 (the "**QT Escrow Agreement**") entered into in connection with the completion of the Qualifying Transaction. Of the 12,023,206 Common Shares held in escrow, 6,011,603 Common Shares will be released on March 20, 2018 and 6,011,603 Common Shares will be released on September 20, 2018.

(2) As of the date of this AIF, a total of 558,886 Common Shares of the Company were held in escrow with TSX Trust Company pursuant to a TSXV Form 2F CPC Escrow Agreement dated October 23, 2014 entered into in connection with BFK's initial public offering as a Capital Pool Company. Of the 558,886 Common Shares held in escrow, 279,443 Common Shares will be released on March 15, 2018 and 279,443 Common Shares will be released on September 15, 2018.

(3) Percentage of securities is calculated from the total number of issued and outstanding Common Shares as of the date of this AIF, being 76,727,775 shares.

(4) As of the date of this AIF, a total of 122,001 common share purchase warrants of the Company were held in escrow with TSX Trust Company pursuant to the QT Escrow Agreement. Of the 122,001 common share purchase warrants held in escrow, 61,001 warrants will be released on March 20, 2018 and 61,000 warrants will be released on September 20, 2018.

(5) Percentage of securities is calculated from the total number of issued and outstanding common share purchase warrants as of the date of this AIF, being 20,512,227 warrants.

(6) As of the date of this AIF, a total of 1,672,500 stock options of the Company were held in escrow with TSX Trust Company pursuant to the QT Escrow Agreement. Of the 1,672,500 stock options held in escrow, 836,250 options will be released on March 20, 2018 and 836,250 options will be released on September 20, 2018.

(7) Percentage of securities is calculated from the total number of issued and outstanding stock options as of the date of this AIF, being 6,346,280 stock options.

DIRECTORS AND OFFICERS

Name, Occupation and Security Holding

The table below sets out the names, provinces and country of residence of the directors and executive officers of THCX, their positions and offices with THCX, the dates since which they have served as a director or executive officer of THCX, their present principal occupations, and the number and percentage of Common Shares which they beneficially own or over which they have control or direction, directly or indirectly.

Name and Residence	Position and Offices Held with the Company	Director or Officer Since(1)	Principal Occupation(2)	Number and % of Common Shares Beneficially Owned or Controlled or Directed, Directly or Indirectly(3)
Sébastien St-Louis Ontario, Canada	President and Chief Executive Officer and Director	August 13, 2013(11)	President and Chief Executive Officer of THCX	4,365,696(6) (5.69%)
Ed Chaplin Ontario, Canada	Chief Financial Officer	October 1, 2014(11)	Chief Financial Officer of THCX	93,000 (0.12%)

Dr. Michael Munzar Québec, Canada	Director and Chair	November 17, 2014[11]	Medical doctor	2,272,866[7] (2.96%)
Adam Miron Ontario, Canada	Chief Brand Officer and Director	August 13, 2013[11]	Chief Brand Officer of THCX	3,655,916[8] (4.76%)
Jason Ewart[4],[5] Ontario, Canada	Director	November 17, 2014[11]	Corporate Director	Nil (Nil%)
Vincent Chiara[4],[5] Québec, Canada	Director	November 4, 2016 [11]	President of Groupe Mach Inc.	6,770,432[9] (8.82%)
Nathalie Bourque[4],[5] Québec, Canada	Director	October 4, 2017	Public relations, government relations and financial communications consultant	50,000 (0.07%)
Dr. Shane Morris Ontario, Canada	Vice-President, Quality Assurance and Scientific Affairs	July 6, 2015[11]	Vice-President, Quality Assurance and Scientific Affairs of THCX	14,670 (0.02%)
James McMillan Ontario, Canada	Vice-President, Business Development	July 6, 2015[11]	Vice-President, Business Development of THCX	24,000[10] (0.03%)

Notes:

(1) The term of the current directors shall expire at the conclusion of the following annual meeting of the shareholders of the Company.
(2) For details on the principal occupations of the directors and officers during the past five years, see "*Biographical Information*".
(3) Percentage of securities is calculated from the total number of issued and outstanding shares as of the date of this AIF, being 76,727,775 shares.
(4) Member of the Audit Committee.
(5) Member of the Human Resources and Governance Committee.
(6) Includes 3,946,200 Common Shares owned of record by 8375739 Canada Inc., which is owned and controlled by Mr. St-Louis.
(7) Includes 2,122,866 Common Shares owned of record by 159927 Canada Inc., which is owned and controlled by Dr. Munzar.
(8) These shares are owned of record by No. 2 Mission Row Inc., which is owned and controlled by Mr. Miron.
(9) Includes 6,171,432 Common Shares owned of record by Casale HC Limited Partnership and 531,000 shares owned of record by SMA Trust, which are owned and/or controlled by Mr. Chiara.
(10) These shares are owned of record by UberGreen Inc., which is owned and controlled by Mr. McMillan.
(11) Reflects the date of appointment to Predecessor THCX otherwise, since March 15, 2017, the date the Qualifying Transaction was completed and the directors and officers of BFK were replaced by the directors and officers of Predecessor THCX .

Biographical Information

Sébastien St-Louis – President and Chief Executive Officer and Director

Mr. St-Louis has been the President and Chief Executive Officer of THC since August 2013. Mr. St-Louis is also the President and founder of Shield Real Estate Investments Inc., founded in 2012. Prior to that, he served as a Senior Account Manager at the Business Development Bank of Canada from 2008 to 2011 and as Chief Financial Officer of Wholesale Autoparts Warehouses from 2011 to 2012. Mr. St-Louis holds an MBA, DESS, finance from the Université du Québec à Montréal and a Bachelor of Arts from the University of Ottawa.

Ed Chaplin – Chief Financial Officer

Prior to Joining THC as Chief Financial Officer in 2014, Mr. Chaplin served as V.P. Finance and Administration for Solacom Technologies Inc. from 2011 to 2014, Interim Corporate Controller at Arise Technologies Inc. in 2011, V.P Finance and Administration at BTI Systems Inc. from 2008 to 2010 and Corporate Controller at Corel Corporation from 1999 to 2008. He obtained his Chartered Professional Accountant, Chartered Accountant designation while working for Ernst and Young from 1996 to 1999. Mr. Chaplin holds a Bachelor of Commerce from Carleton University.

Dr. Michael Munzar – Director

Dr. Munzar is a clinician and is currently serving as Medical Director of Statcare medical clinic in Pointe Claire, Québec. In addition, Dr. Munzar is on the board of directors of Osta Biotechnologies Inc., and has held the position of Vice President of Medical and Regulatory Affairs at Osta since 2005. He served as Medical Director of Nymox Pharmaceutical Corporation (NASDAQ:NYMX) from 1996 to 2004 and as the President of Serex Inc., a wholly owned Subsidiary of Nymox, from 2000 to 2004. Dr. Munzar has experience in the regulatory development of drugs and medical devices. He obtained his MDCM from McGill University in 1979.

Adam Miron – Chief Brand Officer and Director

Mr. Miron has been the Chief Brand Officer of THC since August 2013. Mr. Miron is the co-founder of iPolitics.ca and was its Chief Information Officer from 2010 to 2013. He was also the National Director of the Federal Liberal Commission from 2007 to 2009 and was responsible for the Liberal Party of Canada's online election campaigns. He has experience with online marketing and sales, and brand development. Mr. Miron has also run political campaigns in Canada and abroad.

Jason Ewart –Director

Mr. Ewart is a corporate director who was the co-founder and the former Chief Executive Officer and Chief Operating Officer of Fountain Capital Corporation from 2003 until October 2017. Mr. Ewart was a market analyst with A&E Capital Funding Inc. and Bradstone Equity Partners Inc. between 1998 and 2002 and Vice-President of Quest Investment Corporation between 2002 and 2003. He has experience with bridge financing, financial analysis, quantitative modeling, equities trading and mergers and acquisitions. Mr. Ewart holds an economics degree from McGill University.

Vincent Chiara – Director

Mr. Chiara is the President and sole owner of Groupe Mach Inc. ("**Mach**"). He began his career in 1984 as a lawyer specializing in real estate transactions and corporate litigation. In 1999 he ceased practicing law and focused on real estate acquisitions and property development through Mach, a private holding company. Mach and its affiliates hold significant investments representing approximately 19 million square feet of real estate (office, retail, residential, industrial and hotel) located primarily in Montreal and Québec City, including the Stock Exchange Tower, the CIBC Tower, the Sun Life Building, the CBC Tower and the University Complex. Mach continues to acquire and redevelop properties across North America while maintaining its institutional reputation within the market.

Nathalie Bourque – Director

Ms. Bourque does consulting work in public relations, government relations and financial communications. She held the position of Vice-President, Public Affairs and Global Communications at CAE Inc. from 2005 until her retirement in February 2015. Prior to joining CAE, Ms. Bourque was a partner at NATIONAL Public Relations where she was responsible for numerous clients in the financial, biopharmaceutical, retail and entertainment areas. Previously, she worked for various communications companies and has also worked for accounting firms in marketing. She was a member of the Board of Financial Services of the Caisse de dépôt et placement du Québec and Horizon Science and Technology. She also served as President of the MBA Association and Le Cercle Finance et Placement du Québec. She is also a Governor of McGlll University and she is on the board of Maison Marie-Vincent. Ms. Bourque has a BA from Laval University and an MBA from McGill University.

Dr. Shane Morris - Vice-President, Quality Assurance and Scientific Affairs

Dr. Morris joined THC as Vice-President, Stakeholder Relations and Scientific Affairs in July 2015. He took over responsibility for Quality Assurance in November 2016 and became designed under the ACMPR as the senior person in charge (SPIC) in September 2016. Prior to joining THC he held various senior positions with the Government of Canada since 2005, including most recently serving as Director, Policy Leadership and Reporting at the Major Projects Management Office at Natural Resources Canada. Dr. Morris has fifteen years of experience at the science-policy interface working on high profile risk issues within the Canadian public service. He has held senior positions and executive appointments at the Canadian Food Inspection Agency, Public Health Agency of Canada, and Treasury Board Secretariat where he advised cabinet on regulatory issues. Dr. Morris holds a doctorate from the National University of Ireland in biotechnology and publishes/lectures widely in the area of regulation, risk and policy.

James McMillan – Vice-President, Business Development

Mr. McMillan has been the Vice-President, Business Development of THC since June 2015. Prior to that, he served as Vice-President, Business Development of LivQoS Inc. from 2009 to 2015 and as Vice-President, Sales and Marketing of UberGreen Inc. from 2005 to 2009. Mr. McMillan has over 19 years' experience as a senior sales leader with a strong background in new market identification and development including expansion into international markets. He holds a Bachelor of Commerce from Concordia University.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Other than as set out below, to the knowledge of the Company, no director or executive officer of the Company, or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

1. is, as of the date of this Annual Information Form, or has been within the last ten (10) years of the date of this Annual Information Form, a director, chief executive officer or chief financial officer or any company that while acting in such capacity, the company:

    (a) was subject to a cease trade order, a similar order or an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than thirty (30) consecutive days; or,

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

    (c) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

2. has, within the ten (10) years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a received, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

To the knowledge of the Company, no director or executive officer of the Company, or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to:

1. 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,

2. any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

The Company may from time to time become involved in transactions which conflict with the interests of the directors and the officers of the Company. The interest of these persons could conflict with those of the Company. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, in the event that such a conflict of interest arises at a meeting of the directors of the Company, 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 interest of the Corporation.

PROMOTERS

There are no individuals who would be considered promoters of the Company.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

There are no material legal proceedings or regulatory actions that THCX is or was a party to, or that any of its property is or was the subject of, during the year ended July 31, 2017, and no such proceedings are known by THCX to be contemplated. The Company is not aware of any settlement agreements, penalties or sanctions the Company has entered into before a court relating to securities legislation or with a securities regulatory authority or that would be material to a reasonable investor in making an investment decision.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No director or executive officer of THCX, no shareholder who beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding Common Shares, nor any associate or affiliate of such persons, has or has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years of the Company that has materially affected or is reasonably expected to materially affect THCX or any of its subsidiaries.

TRANFER AGENT AND REGISTAR

The transfer agent and registrar of the Company is TSX Trust Company at its offices in Toronto, Ontario.

MATERIAL CONTRACTS

Except for the contracts noted below and contracts entered into in the ordinary course of business, there are no contracts entered into by the Company during the twelve month period ending July 31, 2017 which are material or entered into before the twelve month period ending July 31, 2017 but are still in effect which are material:

1. indenture dated July 18, 2017 between the Company and TSX Trust Company as trustee in respect of the July 2018 Debentures; and

2. warrant indenture between the Company and TSX Trust Company as trustee in respect of the July 2018 Warrants.

AUDIT COMMITTEE INFORMATION

As of the date hereof, the Audit Committee consists of Jason Ewart (chairman), Vincent Chiara and Nathalie Bourque, all of whom are "independent", and all of whom are "financially literate" within the meaning of National Instrument 52-110 — *Audit Committees*. Each of the Audit Committee members has an understanding of the accounting principles used to prepare the Company's financial statements, experience preparing, auditing, analyzing or evaluating comparable financial statements and experience as to the general application of relevant accounting principles, as well as an understanding of the internal controls and procedures necessary for financial reporting.

The Audit Committee has the primary function of fulfilling its responsibilities in relation to reviewing the integrity of the Company's financial statements, financial disclosures and internal controls over financial reporting;

monitoring the system of internal control; monitoring the Company's compliance with legal and regulatory requirements, selecting the external auditor for shareholder approval; reviewing the qualifications, independence and performance of the external auditor; and reviewing the qualifications, independence and performance of the Company's internal auditors. The Audit Committee has specific responsibilities relating to the Company's financial reports; the external auditor; the internal audit function; internal controls; regulatory reports and returns; legal or compliance matters that have a material impact on the Company; and the Company's whistleblowing procedures. In fulfilling its responsibilities, the Audit Committee meets regularly with the internal and external auditor and key management members. Information concerning the relevant education and experience of the Audit Committee members can be found in "*Directors and Officers*" above. The full text of the Audit Committee's charter is disclosed in Schedule "A".

Pre-Approval Policies and Procedures

The Committee will pre-approve all non-audit services to be provided to the Company or any subsidiary entities by its external auditors or by the external auditors of such subsidiary entities. The Committee may delegate to one or more of its members the authority to pre-approve non-audit services but preapproval by such member or members so delegated shall be presented to the full Committee at its first scheduled meeting following such pre-approval.

External Auditor Service Fees

The following table sets forth, by category, the fees for all services rendered by the Company's current external auditor, MNP LLP, for the financial year ended July 31, 2017 (including estimates). MNP LLP was retained by the Company to act as external auditor on May 25, 2017.

	July 31, 2017
Audit Fees	$87,061
Audit Related Fees	$29,600[(1)]
Tax Fees	$10,499[(2)]
All Other Fees	$2,500[(3)]

Notes:
(1) Includes fees for services related to financing support.
(2) Includes fees for services related to assistance with tax returns.
(3) Includes fees for services related to review of interim financial statements.

The following table sets forth, by category, the fees for all services rendered by the Company's former external auditor, Deloitte LLP, for the financial years ended July 31, 2016 and July 31, 2017 (including estimates). Deloitte LLP ceased to act as external auditor on March 15, 2017.

	July 31, 2016	**July 31, 2017**
Audit Fees	$75,600	$Nil
Audit Related Fees	$Nil	$38,150[(2)]
Tax Fees	$37,712[(1)]	$Nil
All Other Fees	$Nil	$60,000[(3)]

Notes:
(1) Includes fees for services related to tax compliance, tax planning and tax advice, including assistance with tax returns and tax advice related to mergers and acquisitions.
(2) Includes fees for services related to review of interim financial statements.
(3) Includes fees for services related to support for the BFK filing statement prepared in connection with the Qualifying Transaction and accounting consultation.

The following table sets forth, by category, the fees for all services rendered by the McGovern Hurley LLP, formerly the auditors to BFK, the Company's predecessor, and the Company, for the financial years ended July 31, 2016 and July 31, 2017 (including estimates). McGovern Hurley LLP ceased to act as external auditors to BFK on May 25, 2017.

	July 31, 2016	**July 31, 2017**
Audit Fees	$8,427	$6,297
Audit Related Fees	$Nil	$Nil
Tax Fees	$Nil	$Nil
All Other Fees	$Nil	$7,650[(1)]

Note:
(1) Includes fees for services related to support for the BFK filing statement prepared in connection with the Qualifying Transaction.

INTERESTS OF EXPERTS

MNP LLP is the independent auditor of the Company and is independent within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

ADDITIONAL INFORMATION

Additional information relating to the Company may be found under its profile on SEDAR at www.sedar.com.

Additional information relating to THCX, including with respect to directors' and officers' remuneration and indebtedness, principal holders of its securities, and securities authorized for issuance under equity compensation plans, will be contained in the Company's information circular for its most recent annual meeting of security holders that involves the election of directors.

Additional financial information for THCX is provided in the audited consolidated financial statements and management's discussion and analysis of THCX for the year ended July 31, 2017, which are available for viewing under the Company's profile on SEDAR at www.sedar.com.

SCHEDULE A
Audit Committee Charter

(See Attached)

Approved: June 28, 2017

AUDIT COMMITTEE CHARTER

1. Purpose

The Audit Committee (the "**Committee**") is a standing committee of the Board of Directors (the "**Board**") of The Hydropothecary Corporation (the "**Corporation**") appointed as required by s. 158 of the Business Corporations Act (Ontario) and the Canadian Securities Administrators' National Instrument 52-110 - *Audit Committees* ("**NI 52-110**"). Its purpose is to assist the Board in fulfilling its oversight responsibilities for (i) the integrity of the Corporation's financial statements, (ii) the Corporation's compliance with legal and regulatory requirements, and (iii) the qualifications and independence of the auditor of the Corporation (the "**external auditor**").

2. Authority

The Committee has authority to conduct or authorize investigations into any matter within its scope of responsibility. It is empowered to:

a. Recommend to the Board the public accounting firm to be nominated for appointment by the Corporation's shareholders as the external auditor, including the external auditor's compensation, and oversee the work of the external auditor. The external auditor will report directly to the Committee.

b. Resolve any disagreements between management and the external auditor regarding financial reporting.

c. Pre-approve permitted non-audit services performed by the Corporation's external auditor.

d. Retain independent counsel, accountants, or others to advise the Committee or assist in its duties and to set and pay their applicable compensation.

e. Meet with the Corporation's officers, external auditor or outside counsel, as necessary and communicate directly with the Corporation's shareholders.

f. Delegate authority, to the extent permitted by applicable law, to one or more designated members of the Committee, including the authority to pre-approve all permitted non-audit services, provided that such decisions are reported to the full Committee at its next scheduled meeting.

3. Composition

a. The Committee will consist of directors, as determined by resolution of the Board from time to time.

b. The Corporate Governance Committee will recommend to the Board applicable directors for appointment to the Committee and the Chair of the Committee.

c. If and whenever a vacancy exists on the Committee, the remaining members may exercise all of its powers so long as there continue to be at least three members on the Committee. If at any time a vacancy exists on the Committee that the Board is required to fill, the Board may appoint a new member to fill such vacancy by ordinary resolution of the Board.

d. Each Committee member must be financially literate as defined in NI 52-110. The Board or the Committee may, from time to time, establish policies limiting the number of audit committees which Committee members may be appointed to.

4. Meetings

a. The Committee must meet at least four times per year, and at least annually, privately, with each of management and the external auditor.

b. The greater of two members or 50% of the members of the Committee shall constitute a quorum. All resolutions of the Committee shall be made by a majority of its members present at a meeting duly called and held. All Committee members are expected to attend each meeting, in person or by telephone or video conference. Any decision or determination of the Committee reduced to writing and signed by all of the members of the Committee shall be fully as effective as if it had been made at a meeting duly called and held.

c. The Committee may invite such officers, directors and employees of the Corporation as it deems necessary or advisable from time to time to attend meetings of the Committee and assist in the discussion and consideration of the duties of the Committee.

d. The time at which and place where the meetings of the Committee shall be held and the calling of meetings and the procedure in all things at such meetings shall be determined by the Committee. Following a Committee meeting, the Committee Chair shall report on the Committees' activities to the Board at the next Board meeting. The Committee must keep and approve minutes of its meetings in which shall be recorded all action taken by it, which minutes must be made available to the Board as soon as practicable after each meeting of the Committee.

5. Chair

The Chair of the Committee has the powers and responsibilities set forth in Schedule "A" hereto.

6. Responsibilities

The Committee must:

a. Review significant accounting and reporting issues and understand their impact on the financial statements, including but not limited to:

(i) complex or unusual transactions and highly judgmental areas;

(ii) major issues regarding accounting principles and financial statement presentation, including any significant changes in the Corporation's selection or application of accounting principles;

(iii) any significant variances with comparative reporting periods; and

(iv) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Corporation.

b. Review analyses prepared by management and/or the external auditor relating to significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of the selection or application of the Corporation's accounting principles.

c. Review compliance with covenants under any loan agreements.

d. Review disclosure requirements for commitments and contingencies.

e. Review with management and the external auditor the results of the audit, including any difficulties encountered. This review will include any restrictions on the scope of the external auditor's activities or on access to requested information, any significant disagreements with management, and adjustments raised by external auditors, whether or not included in the financial reports.

f. Review and discuss the annual audited financial statements and quarterly financial statements with management and the external auditor, including the Corporation's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" ("MD&A"), including the discussion of critical accounting estimates included therein.

g. Review and recommend to the Board for approval, prior to public disclosure, the annual and quarterly financial statements, MD&A and annual and interim profit or loss press releases.

h. Review disclosures made by the Chief Executive Officer and the Chief Financial Officer during the certification process about significant deficiencies or material weakness in the design or operation of internal controls or any fraud that involves management or other employees who have a significant role in the Corporation's internal controls and, if applicable, understand the basis upon which the certifying officers concluded that any particular deficiency or combination of deficiencies did or did not constitute a material weakness.

i. Review and recommend to the Board for approval, prior to public disclosure, financial information and earnings guidance provided externally, including to analysts and rating agencies if applicable. This review may be general (i.e., the types of information to be disclosed and the type of presentations to be made).

j. Satisfy itself that adequate procedures are in place, and periodically assess the adequacy of those procedures, for the review of any public disclosure of financial information extracted or derived from the financial statements, other than the statements themselves, the MD&A or the press releases referred to above.

k. Annually review and assess the Corporation's policies in effect from time to time, including its, Disclosure and Confidentiality Policy and Whistleblower Policy and make recommendations to the Board.

7. Internal Control

The Committee shall also:

a. Consider the effectiveness of the Corporation's system for internal control over financial reporting, including information technology security and control.

b. Review the scope of the external auditor's review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

c. Review the external auditor's management letters and management's responses to such letters.

d. As requested by the Board, discuss with management and the external auditor the Corporation's identifiable risks arising from any financial, operational or other deficiencies, the adequacy and effectiveness of the Corporation's accounting and financial controls relating thereto, and the steps management has taken to monitor and control identified risks.

e. Annually review the Corporation's disclosure controls and procedures, including any significant deficiencies in, or material non-compliance with same, and the steps management has taken to monitor and control such deficiencies or instances of non-compliance.

8. External Audit

The Committee shall also:

a. Review the external auditor's proposed audit scope and approach.

b. Review the performance of the external auditor. Annually review the report of the external auditor on matters required to be communicated to the Committee under Section 5135 (auditors' responsibility to consider fraud) and Section 5751 (communications with those having oversight responsibility for the financial reporting process-independence) of the Canadian Institute of Chartered Accountants handbook.

c. Report any conclusions with respect to the external auditor to the Board.

d. Establish and periodically assess the Corporation's hiring policies for partners, employees and former partners and employees of the current or prior external auditor.

e. At least once per year, meet privately with the external auditor to discuss any matters that the Committee or the external auditor believes should be discussed privately.

f. Review and pre-approve, in accordance with NI 52-110, any non-audit services, provided by the Corporation's external auditor, taking into consideration whether the delivery of non-audit services will interfere with the independence of the auditors. The pre-approval of non-audit services may be further delegated to one or more independent members of the Committee, provided that said pre-approval is presented to the Committee at its first scheduled meeting following such approval. The pre-approval requirement is satisfied with respect to the provision of *de minimis* non-audit services if:

(i) the aggregate amount of all such non-audit services provided to the Corporation which were not pre-approved constitutes not more than 5% of the total amount of fees paid by the Corporation and its subsidiaries to the external auditor during the fiscal year in which the non-audit services are provided;

(ii) the services were not recognized by the Corporation or its subsidiaries, at the time of the engagement, to be non-audit services; and

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

The Committee may from time to time establish specific pre-approval policies and procedures in accordance with NI 52-110.

9. Compliance

The Committee shall also:

a. Annually review the effectiveness of the Corporation's system of monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.

b. Establish and periodically assess the adequacy of procedures for: (i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and (ii) the confidential, anonymous submission by employees regarding questionable accounting or auditing matters.

c. Review findings of any examinations by regulatory agencies, and any external auditor's observations made regarding those findings.

d. Review the process for communicating the Code of Business Ethics to Corporation personnel, and for monitoring compliance therewith.

10. Reporting Responsibilities

The Committee shall also:

a. Report to the Board about Committee activities and issues that arise with respect to the quality or integrity of the Corporation's financial statements, the Corporation's compliance with legal or regulatory requirements, the performance and independence of the Corporation's external auditor and internal controls over financial reporting.

b. Review any other reports the Corporation issues that relate to Committee responsibilities.

- **c.** Liaise with the external auditor and the Board to ensure that any material issues that have arisen related to compliance and governance have been addressed and that appropriate actions have been identified and undertaken to mitigate the issues identified.
- **d.** The Committee shall at least annually evaluate its own performance and the contents of this Charter, including Schedule "A" attached hereto, and recommend to the Board such changes to the Charter as the Committee deems appropriate.

11. Other responsibilities

The Committee shall also:

- **a.** Discuss with management the Corporation's major policies with respect to risk assessment and risk management.
- **b.** Perform other activities related to this Charter as requested by the Board.
- **c.** Institute and oversee special investigations as required with respect to the discharge of the Committee's duties hereunder.
- **d.** Ensure appropriate disclosure of this Charter as may be required by applicable law.

Schedule "A"

The Hydropothecary Corporation

<u>Audit Committee Chair Person Description</u>

In addition to the duties and responsibilities set out in the bylaws and any other applicable charter, mandate or position description, the chair (the "**Chair**") of the Audit Committee (the "C**ommittee**") of The Hydropothecary Corporation has the duties and responsibilities described below.

1. Provide overall leadership to enhance the effectiveness of the Committee, including:

(a) overseeing the structure, composition, membership and activities delegated to the Committee;
(b) chairing every meeting of the Committee and encouraging free and open discussion at the meeting of the Committee;
(c) scheduling and setting the agenda for Committee meetings with input from other Committee members, the Chair of the Board of Directors and management as appropriate;
(d) facilitating the timely, accurate and proper flow of information to and from the Committee;
(e) arranging for management, internal personnel, external advisors and others to attend and present at Committee meetings as appropriate;
(f) arranging sufficient time during Committee meetings to fully discuss agenda items;
(g) encouraging Committee members to ask questions and express viewpoints during meetings, and
(h) taking all other reasonable steps to ensure that the responsibilities and powers of the Committee, as outlined in its Charter, are well understood by the Committee members and executed as effectively as possible.

2. Foster ethical and responsible decision making by the Committee and its individual members.

3. Encourage the Committee members to meet separately from the scheduled Committee meetings to ensure that all members have an opportunity to be fully informed of information that will be addressed by the Committee during the meeting.

4. Following each meeting of the Committee, report to the Board of Directors on the activities, findings and any recommendations of the Committee.

5. Carry out such other duties as may reasonably be requested by the Board of Directors.