

# SECURITIES AND EXCHANGE COMMISSION

## FORM F-1

Registration statement for securities of certain foreign private issuers

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### FILER

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As filed with the Securities and Exchange Commission on January 31, 2022

Registration No. 333-

# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM F-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

### Akanda Corp.

(Exact name of Registrant as specified in its charter)

**Ontario, Canada**  
(State or other jurisdiction of  
incorporation or organization)

**2833**  
(Primary Standard Industrial  
Classification Code Number)

**Not Applicable**  
(I.R.S. Employer  
Identification No.)

**Akanda Corp.**  
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(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

Indicate by check mark whether the Registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933.

Emerging Growth Company ☒

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards<sup>†</sup> provided pursuant to Section 7(a)(2)(B) of the Securities Act. ☐

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the U.S. Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

<sup>†</sup> The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.



**SUBJECT TO COMPLETION DATED JANUARY 31, 2022**

**PRELIMINARY PROSPECTUS**

**4,000,000 Common Shares**



**AKANDA**

**Akanda Corp.**

This is our initial public offering of 4,000,000 Common Shares, no par value per share. We currently expect the initial public offering price to be between \$4.00 and \$6.00 per Common Share.

Prior to this offering, there has been no public market for our Common Shares. We have applied to list our Common Shares on the Nasdaq Capital Market under the symbol “AKAN.” We cannot guarantee that we will be successful in listing our Common Shares on Nasdaq; however, we will not complete this offering unless we are so listed.

We are organized under the laws of the Province of Ontario, Canada and are an “emerging growth company” and a “foreign private issuer” as defined under applicable United States federal securities laws, and are eligible for reduced public company reporting requirements. See “*Prospectus Summary — Implications of Being an Emerging Growth Company and a Foreign Private Issuer.*”

Investing in our securities is highly speculative and involves a high degree of risk. See “*Risk Factors*” beginning on page [11](#) for a discussion of information that should be considered in connection with an investment in our securities.

Neither the U.S. Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Common Share	Total
Initial public offering price	\$	\$
Underwriting discounts and commissions <sup>(1)</sup>	\$	\$
Proceeds to us (before expenses)	\$	\$

- <sup>(1)</sup> We have agreed to reimburse the Boustead Securities, LLC for certain expenses in addition to underwriting discounts and commissions. We also have agreed to issue to Boustead Securities, LLC certain warrant compensation in connection with this offering. See “*Underwriting*” for additional information regarding compensation payable to the underwriters.

This offering is being conducted on a firm commitment basis. The underwriters are obligated to take and purchase all of the Common Shares offered under this prospectus if any such shares are taken.

We have granted the underwriters an option to purchase up to 600,000 additional Common Shares from us at the public offering price, less underwriting discounts and commissions, for 45 days after the date of this prospectus to cover over-allotments, if any. If the underwriters exercise the option in full, the total underwriting discounts and commissions payable to the underwriters will be \$ , and the total proceeds to us, before expenses, will be \$ . If we complete this offering, net proceeds will be delivered to us on the closing date.

The underwriters expect to deliver the Common Shares to purchasers in the offering on or about , 2022.

**The information in this preliminary prospectus is not complete and may be changed. We may not sell the securities until the registration statement filed with the U.S. Securities and Exchange Commission is declared effective. This preliminary prospectus is not an offer to sell these securities, nor a solicitation of an offer to buy these securities, in any jurisdiction where such offer, solicitation, or sale is not permitted.**

The date of this prospectus is , 2022

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You should rely only on the information contained in this prospectus and any free writing prospectus prepared by us. Neither we nor the underwriters have authorized anyone to provide you with information that is different, and neither we nor the underwriters take any responsibility for, or provide any assurance as to the reliability of, any information, other than the information in this prospectus and any free writing prospectus prepared by us. We are offering to sell our securities, and seeking offers to buy our securities, only in jurisdictions where such offers and sales are permitted. This prospectus is not an offer to sell, or a solicitation of an offer to buy, our securities in any jurisdictions where, or under any circumstances under which, the offer, sale, or solicitation is not permitted. In particular, our securities have not been qualified for distribution by prospectus in Canada and may not be offered or sold in Canada during the course of their distribution hereunder except pursuant to a Canadian prospectus or prospectus exemption. The information in this prospectus and in any free writing prospectus prepared by us is accurate only as of the date on its respective cover, regardless of the time of delivery of this prospectus or any free writing prospectus or the time of any sale of our securities. Our business, results of operations, financial condition, or prospects may have changed since those dates.

Before you invest in our securities, you should read the registration statement (including the exhibits thereto and the documents incorporated by reference therein) of which this prospectus forms a part.

**For investors outside of the United States:** Neither we nor the underwriters have done anything that would permit this offering, or the possession or distribution of this prospectus, in any jurisdiction where



action for that purpose is required, other than in the United States. You are required to inform yourselves about, and observe any restrictions relating to, this offering and the distribution of this prospectus.

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## ABOUT THIS PROSPECTUS

As used in this prospectus, unless the context otherwise requires or otherwise states, references to “Akanda,” the “Company,” “we,” “us,” “our,” and similar references refer to Akanda Corp., a corporation formed under the laws of the Province of Ontario, Canada and its subsidiaries. References to “Bophelo” refer to Bophelo Bio Science and Wellness (Pty) Ltd., a company incorporated in the Kingdom of Lesotho, Africa and an indirect wholly-owned subsidiary of Akanda. References to “Canmart” refer to Canmart Ltd, a company incorporated under the laws of England and Wales and an indirect wholly-owned subsidiary of Akanda.

Our functional currency and reporting currency is the U.S. dollar, the legal currency of the United States (“USD”, “US\$” or “\$”).

## INTERNATIONAL FINANCIAL REPORTING STANDARDS

Our financial statements are prepared in accordance with the International Financial Reporting Standards as issued by the International Accounting Standards Board. Our fiscal year ends on December 31 of each year as does our reporting year.

We have made rounding adjustments to some of the figures included in this prospectus. Accordingly, numerical figures shown as totals in some tables may not be an arithmetic aggregation of the figures that precede them.

## MARKET AND INDUSTRY DATA

This prospectus contains references to industry market data and certain industry forecasts. Industry market data and industry forecasts are obtained from publicly available information and industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of that information is not guaranteed. Although we believe industry information to be accurate, it is not independently verified by us. Some data is also based on our good faith estimates, which are derived from our review of internal surveys or data, as well as the independent sources referenced above. Assumptions and estimates of our and our industry’s future performance are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in “**Risk Factors**.” These and other factors could cause future performance to differ materially from our assumptions and estimates. See “**Cautionary Note Regarding Forward-Looking Statements**.”

## TRADEMARKS

We own or have rights to various trademarks, service marks and trade names that we use in connection with the operation of our business. This prospectus also contains additional trademarks, trade names and service marks belonging to other companies. Solely for convenience, trademarks, trade names and service marks referred to in this prospectus may appear without the ®, ™ or SM symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the right of the applicable licensor to these trademarks, trade names and service marks. We do not intend our use or display of other parties’ trademarks, trade names or service marks to imply, and such use or display should not be construed to imply, a relationship with, or endorsement or sponsorship of us by, these other parties.

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Various statements contained in this prospectus, including those that express a belief, expectation or intention, as well as those that are not statements of historical fact, are forward-looking statements. These forward-looking statements may include projections and estimates concerning our possible or assumed future results of operations, financial condition, business strategies and plans, market opportunity, competitive position, industry environment, and potential growth opportunities. In some cases, you can identify forward-looking statements by terms such as “may”, “might”, “will”, “should”, “believe”, “expect”, “could”, “would”, “intend”, “plan”, “anticipate”, “estimate”, “continue”, “predict”, “project”, “potential”, “target,” “goal” or other words that convey the uncertainty of future events or outcomes. You can also identify forward-looking statements by discussions of strategy, plans or intentions. We have based these forward-looking statements on our current expectations and assumptions about future events. While our management considers these expectations and assumptions to be reasonable, because forward-looking statements relate to matters that have not yet occurred, they are inherently subject to significant business, competitive, economic, regulatory and other risks, contingencies and uncertainties, most of which are difficult to predict and many of which are beyond our control. These and other important factors, including, among others, those discussed in this prospectus under the headings “*Risk Factors*”, “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” and “*Business*”, may cause our actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by the forward-looking statements in this prospectus, including among other things:

- our limited operating history;
- unpredictable events, such as the COVID-19 outbreak, and associated business disruptions;
- changes in cannabis laws, regulations and guidelines;
- decrease in demand for cannabis and cannabis-derived products;
- exposure to product liability claims and actions;
- damage to our reputation due to negative publicity;
- risks associated with product recalls;
- the viability of our product offerings;
- our ability to attract and retain skilled personnel;
- maintenance of effective quality control systems;
- regulatory compliance risks;
- risks inherent in an agricultural business;
- increased competition in the markets in which we operate and intend to operate;
- the success of our continuing research and development efforts;
- risks associated with expansion into new jurisdictions;
- risks related to our international operations in the United Kingdom and the Kingdom of Lesotho, including the implications of the United Kingdom’s recent withdrawal from the European Union;
- our ability to obtain and maintain adequate insurance coverage;
- our ability to identify and integrate strategic acquisitions, investments and partnerships and to manage our growth;
- our ability to raise capital and the availability of future financing;
- emerging market risks;
- global economy risks; and
- our ability to maintain the listing of our securities on Nasdaq.





These and other factors are more fully discussed in the “**Risk Factors**”, “**Management’s Discussion and Analysis of Financial Condition and Results of Operations**” and “**Business**” sections and elsewhere in this prospectus. These risks could cause actual results to differ materially from those implied by the forward-looking statements contained in this prospectus.

Given the foregoing risks and uncertainties, you are cautioned not to place undue reliance on the forward-looking statements in this prospectus. The forward-looking statements contained in this prospectus are not guarantees of future performance, and our actual results of operations and financial condition may differ materially from such forward-looking statements. In addition, even if our results of operations and financial condition are consistent with the forward-looking statements in this prospectus, they may not be predictive of results or developments in future periods.

All forward-looking statements included herein attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Any forward-looking statement that we make in this prospectus speaks only as of the date of this prospectus. Except as required by applicable law, we do not undertake any obligation to update or revise, or to publicly announce any update or revision to, any of the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise, after the date of this prospectus.

## PROSPECTUS SUMMARY

*This summary highlights selected information presented in greater detail elsewhere in this prospectus. This summary does not include all the information you should consider before investing in our securities. You should read this summary together with the more detailed information appearing elsewhere in this prospectus, including our financial statements, pro forma combined financial statements and related notes and the sections entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this prospectus. Some of the statements in this summary and elsewhere in this prospectus constitute forward-looking statements. See “Cautionary Note Regarding Forward-Looking Statements.”*

### Our Company

We are a cannabis cultivation, manufacturing and distribution company whose mission is to provide premium quality medical cannabis products to patients worldwide. We cultivate and process natural cannabis at our facilities in the Kingdom of Lesotho, Africa and intend to supply medicinal-grade cannabis biomass, cannabis flower and cannabis concentrates to wholesalers in international markets. We also import and sell medical cannabis-based products to the domestic market in the United Kingdom.

We are an early stage, emerging growth company headquartered in London, the United Kingdom. We have a limited operating history and minimal revenues to date. We require funding from this offering to expand and further develop our operations in the Kingdom of Lesotho and to develop sales channels in international markets and in particular, in Europe, the United Kingdom and Africa.

#### *Our Lesotho Operations*

Our cultivation operations at Bophelo in the Kingdom of Lesotho were initially established in 2018, with initial non-commercial harvests undertaken in 2019, 2020 and 2021 as part of the establishment and set-up of our cultivation facility in the Kingdom of Lesotho. While we have successfully cultivated cannabis at our Lesotho site, we have not yet achieved any revenues from the sale of cannabis and we have not exported medical cannabis flower or biomass to the United Kingdom or any other country. To date, our Lesotho operations have yielded less than 1,500kg of dried cannabis flower.

The cultivation of cannabis at our Lesotho operations is subject to a number of risks, such as the seasonality of our cannabis production. Additionally, our ability to successfully cultivate cannabis is subject to emerging market related risks, exchange control restrictions, high domestic inflation and interest rates, as well as socio-political risk inherent in Southern African jurisdictions.

Our operations in Lesotho are dependent on access to land that is leased from a local non-profit development trust which is jointly controlled by our Executive Chairman.

#### *Our United Kingdom Operations*

Our distribution operations in the United Kingdom were established in 2019 and are at a very early stage. Our revenues from the sale and distribution of medical cannabis in the United Kingdom have not exceeded more than \$4,000 in any 12 month period since the inception of our operations in the United Kingdom. The medical cannabis market in the United Kingdom is still emerging and a number of local companies are competing to supply this market.

### International Cannabis Market

We are targeting what we believe to be the lucrative international medical cannabis market, which is estimated to be worth approximately \$47 billion by 2027, according to *Emergen Research (October 2020)*. We believe there has been a growing demand for medical cannabis around the world as a result of the increased legalization of cannabis for medical purposes as well as the rise in cannabis-related medical research activities. Our site at Bophelo offers us a cultivation environment that we believe can yield exceptional growing economics for premium quality cannabis. We intend to address the market needs of wholesalers in the international market for medicinal-grade cannabis supplied at a competitive price.

We also intend to address the growing market demand for medical cannabis-based products in the United Kingdom which, according to *Prohibition Partners (2019)*, is estimated to be worth \$3 billion by 2024.

### Regulatory and Competitive Landscape

The cultivation, manufacturing, import and export of medical cannabis was legalized by the Kingdom of Lesotho in 2017. Bophelo is one of many companies in the Kingdom of Lesotho that hold licenses issued by the Lesotho Ministry of Health which enables it to cultivate medical cannabis. The number of licenses granted in Lesotho is not of public record. In addition to other medical cannabis companies operating in the Kingdom of Lesotho, Bophelo competes with medical cannabis producers based in other countries, most notably those in low-cost jurisdictions based in South America, such as Colombia. In terms of local laws and regulations applicable to cannabis license holders, Bophelo is required to pay an annual fee to renew its cannabis license annually with the Ministry of Health.

In the United Kingdom, the importation and supply of medical cannabis products is lawful when undertaken in terms of a relevant license issued by the United Kingdom Home Office. Canmart holds such a license issued by the United Kingdom Home Office and competes with a number of companies that import medical cannabis products into the United Kingdom for distribution to patients in the domestic market. Our licenses are subject to annual renewal fee requirements with the Home Office, which would also possibly require ad-hoc inspections of our distribution premises in the United Kingdom.

While there are no assurances that our operating licenses will be renewed on an annual basis, we are not aware of any current circumstances that could result in a non-renewal of our licenses.

### Our Competitive Strengths

We believe that the following competitive strengths can contribute to our success and differentiate us from our competitors:

- **Lesotho Cultivation Advantage.** Through the cultivation operations of our indirect wholly-owned subsidiary Bophelo, our past harvests have shown that we have the ability to cultivate high yielding strains of cannabis for medical purposes, with certain strains historically cultivated reflecting cannabinoid concentrations in excess of 20%. Conditions at Bophelo's site of operations near T'sakholo in the Mafeteng District of the Kingdom of Lesotho are conducive for the cultivation of medical-grade cannabis including suitable environmental conditions, abundant supply of semi-skilled and unskilled labor, quality road and air infrastructure network and favorable tax treatments.
- **Significant Potential to Scale Up Production.** Bophelo is one of the largest licensed landholders engaging in cannabis cultivation in the Kingdom of Lesotho. Bophelo is licensed to cultivate cannabis over an initial 5-hectare area under greenhouse or indoor conditions, with conditional government approval to expand our cultivation footprint up to 200 hectares. Such approval for expansion may be granted by the Ministry of Health on the main condition that Bophelo has fully utilized all of the first 5 hectares of its licensed cultivation area. This gives us the potential ability to significantly scale up production once the company has met this requirement of the Ministry of Health. Bophelo has leased a 200-hectare land package in an emerging Special Economic Zone in the Kingdom of Lesotho which is intended to be dedicated to the cannabis cultivation and related operations.
- **Strong Partnership with Local Communities.** Bophelo has worked and expects to continue to work with Mophuthi Matsoso Development Trust, a Lesotho non-profit organization (the "MMD Trust"), to provide for the construction of a learning center, a place of worship, feeding programs and other public good initiatives for the local community of T'sakholo. We believe a commitment to such initiatives and building a strong working relationship with the local African communities can promote goodwill towards our local operations and brands and benefit our long-term business growth. The MMD Trust is controlled by our Executive Chairman and Bophelo leases its premises on which it operates from the MMD Trust pursuant to a long-term lease agreement between the MMD Trust and Bophelo. As such, a potential conflict of interest may arise regarding the ongoing administration of the lease and any future negotiations around the lease terms.



- **Experienced Management Team.** Our management is experienced and has an extensive knowledge of the international cannabis industry as well as local conditions in Europe, the United Kingdom, and the Kingdom of Lesotho.

### Our Growth Strategies

Our goal is to become a market leader in the cultivation, processing and supply of medicinal-grade cannabis and cannabis based medical and wellness products for international markets. Our primary strategies to achieve our goals include:

- **Expanding our production capacity.** In the near term, our primary strategy is to expand our production capacity as quickly as possible at Bophelo. We plan to take advantage of favorable cultivation conditions in the Kingdom of Lesotho to achieve economies of scale in our production of premium quality cannabis products, within the confines of market forces such as customer demand and pricing, as well as regulatory hurdles that may impede our ability to access foreign markets or which may slow overall market growth.
- **Expanding our geographic footprint.** While we currently import and sell cannabis-based products for medicinal use (“CBPMs”) sourced from third parties to dispensing pharmacists, clinics and other wholesale distributors in the United Kingdom, our plan is to establish direct sales channels to patients through Canmart-owned and operated clinics and pharmacies in the United Kingdom. Medical cannabis is currently scheduled as a “Schedule 2” unlicensed medicine and, as such, can only be prescribed by or under the care of a specialist medical practitioner. Furthermore, regulatory authorities in the United Kingdom require cannabis dispensing clinics to obtain a license from the Care Quality Commission (“CQC”). The CQC regulates clinics and conducts frequent audits and inspections to ensure compliance with license terms. Given the regulatory environment in the United Kingdom, we intend to achieve our plan to establish direct sales channels to patients by acquiring established clinics and pharmacies that are dispensing medical cannabis products in the United Kingdom, however, this strategy is dependent on identifying potential targets, negotiating acceptable purchase price and other conditions based on revenues, number of patients and size of the local market, and complying with any regulatory and licensing requirements. To that end, we recently entered into a non-binding letter of intent to acquire 100% of the issued and outstanding ordinary shares of Cellen Limited, a United Kingdom based provider of pain-focused clinical services for GBP £10 million (USD \$13.361 million) in common shares of the Company. We are also working towards expanding sales of cannabis products produced by Bophelo to international markets, subject to regulatory conditions in such countries.
- **Pursuing accretive acquisitions.** We believe that our deal-making capabilities and experience can allow us to successfully identify, consummate and integrate acquisitions.
- **Strong Partnership with Local Communities.** We are committed to empowering women and vulnerable persons in local communities where Bophelo operates. We believe our efforts will enable us to build strong partnerships with the communities in which we operate, enhance the reputation of our brands and benefit our long-term growth.

### Our History and Relationship with Halo

#### *Acquisition of Subsidiaries from Halo*

Akanda was incorporated in the Province of Ontario, Canada on July 16, 2021 in connection with the plan of Halo Collective Inc. (“Halo”), a publicly-traded, vertically integrated multinational cannabis company, to reorganize its medical cannabis market focused international business assets. On September 29, 2021, we entered into a share purchase agreement with Halo. Pursuant to this agreement, we acquired all the issued and outstanding equity interests of Cannahealth Limited, a Republic of Malta company (“Cannahealth”), from Halo (the “Acquisition”). At the closing of the Acquisition on November 3, 2021, Cannahealth owned all the issued and outstanding equity interests of Canmart and Bophelo Holdings Limited, a company incorporated under the laws of England and Wales (“Bophelo Holdings”), which owned all the issued and outstanding equity interests of Bophelo. As a result of the Acquisition, both Bophelo and Canmart



became our indirect wholly-owned subsidiaries. As consideration for this Acquisition, we issued 13,129,212 Common Shares to Halo at a price of \$1.00 per share, resulting in Halo owning approximately 68.3% of all our outstanding Common Shares at the closing of the Acquisition.

#### *Issuance of Secured Convertible Debenture to Halo*

Historically, Halo has advanced loans to Bophelo to fund its operations and capital expenditures. In connection with our acquisition of Bophelo, at the closing of the Acquisition, we issued a secured convertible debenture to Halo in the principal amount of \$6,559,294 (the “Debenture”) in exchange for setting off all outstanding indebtedness owed by Bophelo to Halo. The Debenture bears a compounded interest rate of 1.00% annually, which amount may be paid in the form of Common Shares to be issued by the Company at the applicable conversion price upon a conversion of the Debenture. The debenture matures on November 2, 2022 and is secured by all our assets except for any ownership interest or securities of Bophelo or any assets owned thereby.

The Debenture will be automatically converted into our Common Shares upon certain liquidity events including an initial public offering of our Common Shares resulting in our Common Shares being listed on a qualified stock exchange in Canada or the United States, which shall occur during the six months from the date of the Debenture (each, a “Triggering Event”). We may also elect to convert the Debenture prior to the maturity date. Upon an automatic or optional conversion, the conversion price shall be, subject to customary adjustments, the Current Market Price (as defined below) or, if no Current Market Price exists, the price of the last private placement of our securities where we raised more than \$1,000,000. Current Market Price shall mean (i) the price of our Common Shares sold to the public in this offering to the extent that this offering qualifies as a Triggering Event or, (ii) the weighted average of the sale prices per Common Share at which our Common Shares have traded on a qualified stock exchange or, if the Common Shares are not listed on any stock exchange, then on the over-the-counter market, for any 20 consecutive trading days selected by us commencing not later than 45 trading days and ending no later than 5 trading days before the conversion date, subject to certain exceptions. Any conversion of the outstanding principal and accrued interest under the Debenture is subject to a limitation on the number of Common Shares that can be issued to Halo, which issuance shall not cause Halo to own more than 50% of our issued and outstanding Common Shares after the conversion (the “Ownership Limitation”).

We expect that the consummation of this offering will trigger a conversion of the Debenture pursuant to the terms of the Debenture, and upon such conversion, an estimated aggregate of 1,311,848 Common Shares will be issued to Halo at a conversion price of \$5.00 per Common Share, assuming an initial public offering price of \$5.00 per Common Share, which is the midpoint of the price range set forth on the cover page of this prospectus.

Under the Debenture, Halo agrees that within 10 business days of the date of the Debenture, it shall dispose of such number of the Common Shares held by Halo that are necessary for Halo to hold less than 50% of our issued and outstanding Common Shares.

Additionally, under the Debenture, Halo agrees to enter into a lock-up agreement with us and Boustead Securities, LLC, pursuant to which Halo shall not offer, issue, sell, contract to sell, encumber, grant any option for the sale of, or otherwise dispose of, any of our securities for a period of 270 days from the date on which the trading of our Common Shares on the Nasdaq Stock Market, LLC (“Nasdaq”) commences (the “Lock-Up Trigger Date”), subject to customary carve-outs. The lock-up agreement will permit that up to 50% of our securities held by Halo may be sold or transferred from the 271st day through the 365th day following the Lock-Up Trigger Date, and the remaining 50% of such securities may be sold or transferred without the lock-up restrictions beginning on the 366th day following the Lock-Up Trigger Date. The lock-up restrictions shall not prohibit Halo from selling or transferring such number of our Common Shares to comply with the Ownership Limitation.

#### *Halo Investor Rights Agreement*

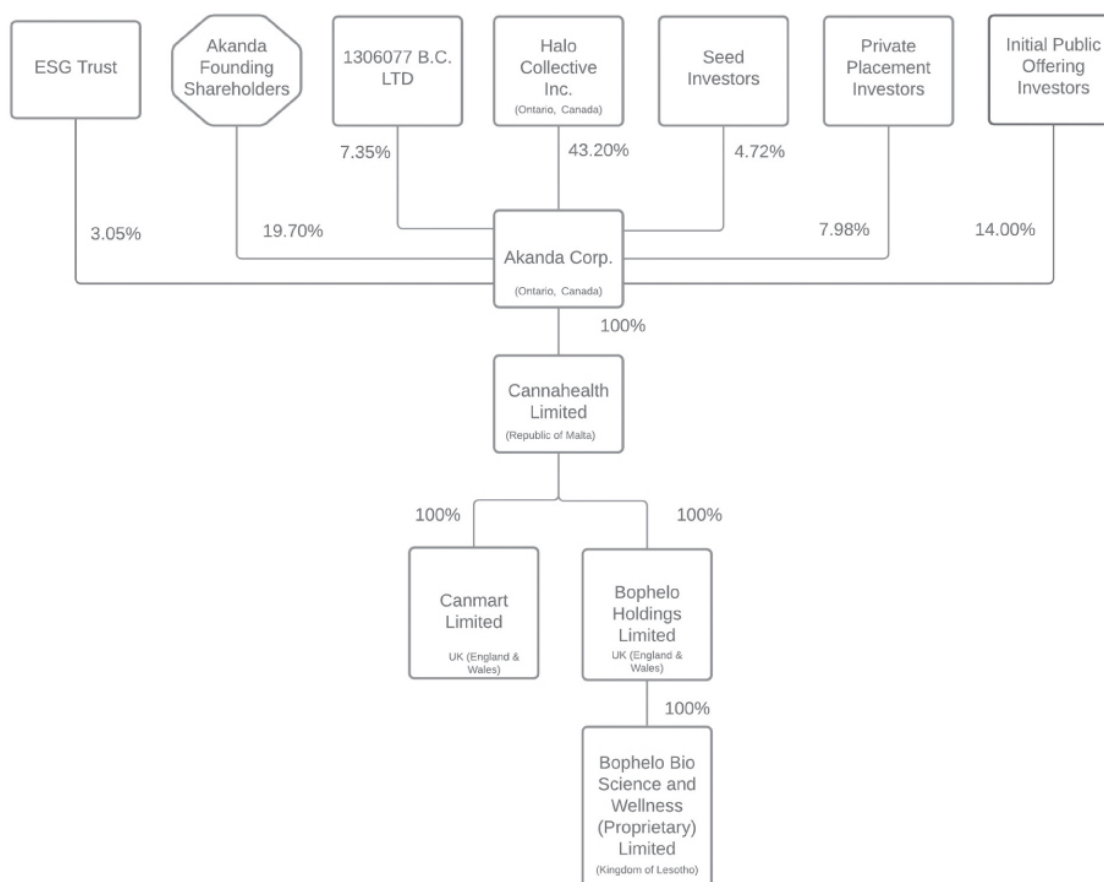
In connection with the closing of the Acquisition, we entered into an investor rights agreement with Halo (the “Investor Rights Agreement”), pursuant to which Halo has the right to nominate one director to our Board of Directors or, if Halo’s nominee is not a current director, to appoint an observer to our Board of



Directors, so long as Halo holds at least 10% of our Common Shares. Philip van den Berg, the Chief Financial Officer and a director of Halo, is currently serving as Halo's appointee to our Board of Directors. The Investor Rights Agreement contains a similar requirement for Halo to enter into a lock-up agreement as required by the Debenture.

### *Legal Entity Structure*

On November 12, 2021, Halo transferred 2,100,000 Common Shares to an unaffiliated party, 1306077 B.C. LTD. (the "Halo Transferee"), which resulted in Halo owning 49.6% of our issued and outstanding Common Shares (the "Halo Transfer"). The Halo Transferee is not affiliated with Halo, any of our founding shareholders, or any other shareholder which owns more than 5% of our outstanding Common Shares as of the date of the Halo Transfer. The following diagram summarizes our legal entity structure following the closing of the Acquisition and the Halo Transfer. Assuming the number of Common Shares offered by us, as set forth on the cover page of this prospectus is sold in this offering, Halo will own approximately 43.20% of our issued and outstanding Common Shares at the closing of this offering.



### *Recent Private Placements*

On August 26, 2021, the Company sold 468,900 Common Shares to an accredited investor at a subscription price of \$0.53 and received \$250,000 in gross proceeds (the "Seed Financing").

On November 10, 2021, the Company issued 880,000 Common Shares, at a price of \$2.50 per share, to Louisa Mojela, our Executive Chairman, to settle Bophelo's indebtedness to her in the aggregate amount of \$2,200,000 under the Mojela Bridge Financing Facility. See "*Certain Relationships and Related Party Transactions — Our Transactions with Our Executive Chairman.*"

On November 12, 2021, the Company completed the initial closing of a private placement to accredited investors of 2,126,400 Common Shares, at a purchase price of \$2.50 per share, for approximately \$5,316,000 in gross proceeds and on January 17 and 26, 2022, the Company completed additional and final closings to accredited investors of 162,000 Common Shares at a purchase price of \$2.50 per share, for approximately \$405,000 (the “Private Placement”).

None of the foregoing transactions involved any underwriters, underwriting discounts or commissions, or any public offering except that Boustead Securities, LLC served as the placement agent for the Seed Financing and the Private Placement. Boustead Securities, LLC waived any commission for the Seed Financing and received under the Private Placement: (a) a commission equal to 7% of the gross proceeds and (b) a non-accountable expense allowance equal to 1% of the gross proceeds. The issuances of the above Common Shares were deemed to be exempt from registration under the Securities Act in reliance upon Section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder as transactions by an issuer not involving any public offering. The sale and issuance of Common Shares to investors outside the United States under these financings was also in reliance upon Regulation S promulgated under the Securities Act.

### Corporate Information

Akanda Corp. was incorporated on July 16, 2021 in the Province of Ontario, Canada under the *Business Corporations Act* (Ontario). Our principal executive offices and mailing address are located at London, the United Kingdom, and our telephone number is +44 (203) 488-9514.

Our website is [www.akandacorp.com](http://www.akandacorp.com). The information contained on our website or accessible through our website is not incorporated into this prospectus.

### Summary of Risks Related to Our Business and Industry

There are a number of risks that you should carefully consider before making an investment decision regarding this offering. These risks are discussed more fully in the section entitled “**Risk Factors**” beginning on page 11 of this prospectus. You should read and carefully consider these risks and all of the other information in this prospectus, including our financial statements, pro forma combined financial statements and the related notes thereto included in this prospectus, before deciding whether to invest in our securities. If any of these risks actually occur, our business, financial condition, operating results and cash flows could be materially and adversely affected. In such case, the trading price of our securities would likely decline, and you may lose all or part of your investment. These risk factors include, but are not limited to:

- our limited operating history;
- unpredictable events, such as the COVID-19 outbreak, and associated business disruptions;
- changes in cannabis laws, regulations and guidelines;
- decrease in demand for cannabis and cannabis-derived products;
- exposure to product liability claims and actions;
- damage to our reputation due to negative publicity;
- risks associated with product recalls;
- the viability of our product offerings;
- our ability to attract and retain skilled personnel;
- maintenance of effective quality control systems;
- regulatory compliance risks;
- risks inherent in an agricultural business;
- increased competition in the markets in which we operate and intend to operate;
- the success of our continuing research and development efforts;

- risks associated with expansion into new jurisdictions;
- risks related to our international operations in the United Kingdom and the Kingdom of Lesotho, including the implications of the United Kingdom’s recent withdrawal from the European Union;
- our ability to obtain and maintain adequate insurance coverage;
- our ability to identify and integrate strategic acquisitions, investments and partnerships and to manage our growth;
- our ability to raise capital and the availability of future financing;
- emerging market risks;
- global economy risks; and
- our ability to maintain the listing of our securities on Nasdaq.

#### **Implications of Being an Emerging Growth Company and a Foreign Private Issuer**

We are an “emerging growth company”, as defined in the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”). As such, we are eligible to take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to reporting companies that make filings with the U.S. Securities and Exchange Commission (the “SEC”). For so long as we remain an emerging growth company, we will not be required to, among other things:

- present more than two years of audited financial statements and two years of related management’s discussion and analysis of financial condition and results of operations disclosure in our registration statement of which this prospectus forms a part;
- have an auditor report on our internal control over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”);
- disclose certain executive compensation related items, to the extent applicable to our Company as a foreign private issuer; and
- seek shareholder non-binding advisory votes on certain executive compensation matters and golden parachute arrangements, to the extent applicable to our Company as a foreign private issuer.

We will remain an emerging growth company until the earlier of (i) the last day of the fiscal year following the fifth anniversary of the completion of this offering, (ii) the last day of the fiscal year during which we have total annual gross revenue of at least \$1.07 billion, (iii) the date on which we are deemed to be a “large accelerated filer” under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), which means the market value of our common shares that are held by non-affiliates exceeds \$700.0 million as of the last business day of our most recently completed second fiscal quarter, and (iv) the date on which we have issued more than \$1.0 billion in non-convertible debt during the prior three-year period.

In addition, upon the consummation of this offering, we will report in accordance with the rules and regulations applicable to a “foreign private issuer.” As a foreign private issuer, we will take advantage of certain provisions under the rules that allow us to follow the laws of the Province of Ontario for certain corporate governance matters. Even when we no longer qualify as an emerging growth company, as long as we continue to qualify as a foreign private issuer under the Exchange Act, we will be exempt from certain provisions of the Exchange Act that are applicable to U.S. domestic public companies, including:

- the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations with respect to a security registered under the Exchange Act;
- the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q containing unaudited financial and other specified information, and current reports on Form 8-K upon the occurrence of specified significant events; and
- Regulation Fair Disclosure (“Regulation FD”), which regulates selective disclosures of material information by issuers.

As a foreign private issuer, we will have four months after the end of each fiscal year to file our annual report on Form 20-F with the SEC. In addition, our executive officers, directors, and principal shareholders will be exempt from the requirements to report transactions in our equity securities and from the short-swing profit liability provisions contained in Section 16 of the Exchange Act.

Foreign private issuers, like emerging growth companies, are exempt from certain more stringent executive compensation disclosure rules. As such, even when we no longer qualify as an emerging growth company, as long as we continue to qualify as a foreign private issuer under the Exchange Act, we will continue to be exempt from the more stringent compensation disclosures required of public companies that are not foreign private issuers.

We may take advantage of these exemptions until such time as we are no longer a foreign private issuer. We are required to determine our status as a foreign private issuer on an annual basis at the end of our second fiscal quarter. We would cease to be a foreign private issuer at such time as more than 50% of our outstanding voting securities are held by U.S. residents and any of the following three circumstances applies:

- (i) the majority of our executive officers or directors are U.S. citizens or residents;
- (ii) more than 50% of our assets are located in the United States; or
- (iii) our business is administered principally in the United States.

In this prospectus, we have taken advantage of certain of the reduced reporting requirements as a result of being an emerging growth company and a foreign private issuer. Accordingly, the information that we provide in this prospectus may be different than the information you may receive from other public companies in which you hold equity interests. If some investors find our securities less attractive as a result, there may be a less active trading market for our securities and the prices of our securities may be more volatile.

## THE OFFERING

**Issuer:** Landa Corp., an Ontario corporation

**Common Shares Offered:** 600,000 Common Shares (or 4,600,000 Common Shares if the underwriters exercise their over-allotment option in full)

**Public Offering Price:** Public offering price is \$5.00 per Common Share, which is the midpoint of the price range set forth on the cover page of this prospectus.

**Common Shares Outstanding**

**Before this Offering:** 67,128 Common Shares.

**Common Shares to be Outstanding**

**Immediately After this Offering:** 29,167,128 Common Shares if the underwriters exercise the over-allotment option in full).

**Underwriting; Over-Allotment**

This offering is being conducted on a firm commitment basis. The underwriters are obligated to take and pay for all of the Common Shares if any such shares are taken. We have granted to the underwriters an option for a period of 45 days from the date of this prospectus to purchase up to 600,000 additional Common Shares from us at the initial public offering price, less the underwriting discounts and commissions, to cover over-allotments, if any.

**Representative's Warrants:** Trad Securities, LLC (the "Representative"), the representative of the underwriters, or its permitted designees warrants to purchase up to 280,000 Common Shares (or 322,000 Common Shares if the underwriters exercise their over-allotment option in full). The Representative's warrants will have an exercise price equal to the per Common Share public offering price, will be exercisable for a five year period commencing from the effective date of the registration statement of which this prospectus forms a part.

**Use of Proceeds:** that the net proceeds to us from this offering will be approximately \$17.8 million, assuming an initial public offering price of \$5.00 per Common Share, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us. We intend to use these proceeds for acquisitions, capital expenditures (including without limitation the construction of our planned greenhouse, post-harvest drying and extraction facilities at Bophelo), working capital, and general corporate purposes. See the "*Use of Proceeds*" and "*Certain Relationships and Related Party Transactions*" sections of this prospectus.

**Lock-ups:** Company, our directors, executive officers and beneficial holders of 1% or more of our Common Shares have agreed with the Representative not to offer, issue, sell, contract to sell, encumber, grant any option for the sale of, or otherwise dispose of, any of our securities for a period of 365 days from the date on which the trading of our Common Shares on Nasdaq commences, subject to certain exceptions. Additionally, certain other holders of our Common Shares have agreed to enter into lock-up agreements with us and the Representative. See "*Underwriting*" for more information.

**Listing:** We intend to qualify our Common Shares for listing on The Nasdaq Capital Market under the symbol “AKAN.” The approval of our listing on Nasdaq is a condition of closing this offering.

**Transfer Agent:** The transfer agent and registrar for our Common Shares is Continental Stock Transfer & Trust Company.

**Risk Factors:** Investing in our securities is highly speculative and involves a high degree of risk. You should carefully read and consider the information set forth under the heading “*Risk Factors*” beginning on page 11, and all other information contained in this prospectus, before deciding to invest in our securities.

- (1) The number of Common Shares to be outstanding immediately after this offering does not include:
- (a) up to 600,000 Common Shares issuable upon the exercise in full by the underwriters of their option to purchase additional securities from us,
  - (b) up to 322,000 Common Shares issuable upon the exercise in full of the Representative’s warrants; and
  - (c) 5,394,976 Common Shares reserved for future issuance under our Stock Option Plan (the “Plan”) as well as any automatic evergreen increases in the number of Common Shares reserved for future issuance under our Plan.

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Except as otherwise indicated, all information in this prospectus assumes no exercise by the underwriters of their option to purchase additional Common Shares from us.

## RISK FACTORS

*An investment in our securities is highly speculative and involves a high degree of risk. We operate in a dynamic and rapidly changing industry that involves numerous risks and uncertainties. You should carefully consider the factors described below, together with all of the other information contained in this prospectus, including our financial statements, pro forma combined financial statements and the related notes included in this prospectus, before deciding whether to invest in our securities. These risk factors are not presented in the order of importance or probability of occurrence. If any of the following risks actually occurs, our business, financial condition and results of operations could be materially and adversely affected. In that event, the market price of our securities could decline, and you could lose part or all of your investment. Some statements in this prospectus, including statements in the following risk factors, constitute forward-looking statements. Please refer to the section entitled “Cautionary Note Regarding Forward-Looking Statements.”*

### Risks Related to our Business and Industry

*We are an early-stage company with limited operating history and may never become profitable.*

Akanda was only recently incorporated to be a holding company. Each of our operating subsidiaries, Bophelo and Canmart, has a very limited operating history and has generated minimal revenue. Bophelo was formed and commenced operations in 2018 and has primarily engaged in construction and preparation activities since its inception. Bophelo has made only one sale of cannabis flower to a local buyer in March 2021 to date and generated sales revenue of \$nil in the nine-month period ended September 30, 2021. Canmart was formed in 2018 and commenced operations in 2020. Canmart generated sales revenue of approximately \$2,000 in 2020 and \$17,359 in the nine-month period ended September 30, 2021. Following the completion of the Acquisition, we remain an early-stage company and will have limited financial resources and minimal operating cash flow. If we cannot successfully develop, manufacture and distribute our products, or if we experience difficulties in the development process, such as capacity constraints, quality control problems or other disruptions, we may not be able to develop or offer market-ready commercial products at acceptable costs, which would adversely affect our ability to effectively enter the market or expand our market share. A failure by us to achieve a low-cost structure through economies of scale or improvements in cultivation, manufacturing or distribution processes would have a material adverse effect on our commercialization plans and our business, prospects, results of operations and financial condition.

We expect to require adequate proceeds generated from this offering and additional funding to maintain and expand our operations and develop our sales and distribution channels. However, there can be no assurance that additional funding will be available to us for the development of our business, which will require the commitment of substantial resources. Accordingly, you should consider our prospects in light of the costs, uncertainties, delays and difficulties frequently encountered by companies in the early stages of development. Potential investors should carefully consider the risks and uncertainties that an early stage company with a very limited operating history will face. In particular, potential investors should consider that we may be unable to:

- successfully implement or execute our business plan, or that our business plan is sound;
- effectively pursue business opportunities, including potential acquisitions;
- adjust to changing conditions or keep pace with increased demand;
- attract and retain an experienced management team; or
- raise sufficient funds in the capital markets to effectuate our business plan, including expanding production capacity, licensing and approvals.

*Our financial situation creates doubt as to whether we will continue as a going concern.*

Each of Akanda, Bophelo and Canmart has generated no revenue or, only minimal revenue, since inception, and after the completion of the Acquisition, we expect to incur a net loss for the fiscal year ending December 31, 2021 and thereafter, primarily as a result of the costs of listing, as well as increased operating expenses to execute our business plan and growth strategy. There can be no assurances that we will be able to achieve a level of revenues adequate to generate sufficient cash flow from operations or obtain





funding from this offering or additional financing through private placements, public offerings and/or bank financing necessary to support our working capital requirements. To the extent that funds generated from any private placements, public offerings and/or bank financing are insufficient, we will have to raise additional working capital. No assurance can be given that additional financing will be available, or if available, will be on acceptable terms. These conditions raise substantial doubt about our ability to continue as a going concern. If adequate working capital is not available, we may be forced to discontinue operations, which would cause investors to lose their entire investment.

***Future acquisitions and strategic investments could be difficult to integrate, divert the attention of key management personnel, disrupt our business, dilute shareholder value, and harm our results of operations and financial condition.***

We may in the future seek to acquire or invest in, businesses, products, or technologies that we believe could complement our operations or expand our breadth, enhance our capabilities, or otherwise offer growth opportunities. While our growth strategy includes broadening our product offerings, implementing an aggressive marketing plan and employing product diversification, there can be no assurance that our systems, procedures and controls will be adequate to support our operations as they expand. We cannot assure you that our personnel, systems, procedures or controls will be adequate to support our operations in the future or that we will be able to successfully implement appropriate measures consistent with our growth strategy. As part of our planned growth and diversified product offerings, we may have to implement new operational and financial systems, procedures and controls to expand, train and manage our employee base, and maintain close coordination among our staff. We cannot guarantee that we will be able to do so, or that if we are able to do so, we will be able to effectively integrate them into our existing staff and systems. Additionally, the integration of our acquisitions and pursuit of potential future acquisitions may divert the attention of management and cause us to incur various expenses in identifying, investigating, and pursuing suitable acquisitions, whether or not they are consummated. Any acquisition, investment or business relationship may result in unforeseen operating difficulties and expenditures. In addition, we have limited experience in acquiring other businesses. Specifically, we may not successfully evaluate or utilize the acquired products, assets or personnel, or accurately forecast the financial impact of an acquisition transaction, including accounting charges. Moreover, the anticipated benefits of any acquisition, investment, or business relationship may not be realized, or we may be exposed to unknown risks or liabilities associated with our acquisitions.

We may not be able to find and identify desirable acquisition targets or we may not be successful in entering into an agreement with any one target. Acquisitions could also result in dilutive issuances of equity securities or the incurrence of debt, which could harm our results of operations. In addition, if an acquired business fails to meet our expectations, our business, results of operations, and financial condition may suffer. In some cases, minority shareholders may exist in certain of our non-wholly-owned acquisitions (for businesses we do not purchase as an 100% owned subsidiary) and may retain minority shareholder rights which could make a future change of control or necessary corporate approvals for actions more difficult to achieve and/or more costly.

We may also make strategic investments in early-stage companies developing products or technologies that we believe could complement our business or expand our breadth, enhance our technical capabilities, or otherwise offer growth opportunities. These investments may be in early-stage private companies for restricted stock. Such investments are generally illiquid and may never generate value. Further, the companies in which we invest may not succeed, and our investments could lose their value.

***Demand for cannabis and its derivative products could be adversely affected and significantly influenced by scientific research or findings, regulatory proceedings, litigation, or media attention.***

The legal cannabis industry in the United Kingdom, the European Union and in many other potential international markets for us is at an early stage of its development. Consumer perceptions regarding legality, morality, consumption, safety, efficacy and quality of medicinal cannabis are mixed and evolving and can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medicinal cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other



research findings or publicity will be favorable to the medicinal cannabis 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 favorable than, or that question, earlier research reports, findings or publicity, could have a material adverse effect on the demand for medicinal cannabis and on our business, results of operations, financial condition and cash flows. Public opinion and support for medicinal cannabis use has traditionally been inconsistent and varies from jurisdiction to jurisdiction. Our ability to gain and increase market acceptance of our business may require substantial expenditures on investor relations, strategic relationships and marketing initiatives. There can be no assurance that such initiatives will be successful, and their failure to materialize into significant demand may have an adverse effect on our financial condition.

***Our success will depend, in part, on our ability to continue to enhance our product offerings to respond to technological and regulatory changes and emerging industry standards and practices.***

Rapidly changing markets, technology, emerging industry and regulatory standards and frequent introduction of new products characterize our business. The process of cultivating and processing our cannabis products to meet applicable standards and successfully marketing such products and obtaining necessary licenses requires significant continuing costs, marketing efforts, third-party commitments and regulatory approvals. Canmart has made a limited number of sales and Bophelo has made one sale to a local buyer to date. We currently aim to commence exporting medical cannabis biomass from Bophelo to Europe in 2022. From 2023 and beyond, we plan to expand our product offering to include cannabis oils and extracts, and ultimately, to produce consumer branded cannabis products for discerning patients. We may not be successful in timely expanding our production capacity, or obtaining any required regulatory approvals or licenses, to implement our growth plans, which, together with any capital expenditures made in our operations, may have a material adverse effect on our business, financial condition and operating results.

***We are subject to the inherent risk of exposure to product liability claims.***

As a cultivator and distributor of products designed to be ingested by humans, we face an inherent risk of exposure to product liability claims, regulatory action and litigation if our products are alleged to have caused bodily harm or injury. In addition, the sale of our products involves the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Adverse reactions resulting from human consumption of our products alone or in combination with other medications or substances could occur. We may be subject to various product liability claims, including, among others, that our products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning health risks, possible side effects or interactions with other substances. Product liability claims or regulatory actions against us could result in increased costs, could adversely affect our reputation with our clients and consumers generally, and could have a material adverse effect on our results of operations and financial condition. There can be no assurances that we 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 our products.

***We are subject to the inherent risks involved with 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 labelling disclosure. If any of our products are recalled due to an alleged product defect or for any other reason, we could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection therewith. 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 our products are subject to recall, our reputation could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for our products and could have a material adverse effect on our results of operations and financial condition. Additionally, product recalls may lead to increased scrutiny of our



operations by regulatory agencies, requiring further management attention, potential loss of applicable licenses, and increased legal fees and other expenses.

***Research regarding the medical benefits, viability, safety, efficacy, use and social acceptance of cannabis or isolated cannabinoids (such as cannabidiol and tetrahydrocannabinol) remains in early stages.***

There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids (such as cannabidiol and tetrahydrocannabinol). Although we believe that the articles, reports and studies support our beliefs regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding, and perceptions relating to, cannabis. Given these risks, uncertainties and assumptions, investors should not place undue reliance on such articles and reports. Future research studies and clinical trials may draw opposing conclusions to those stated herein or reach negative conclusions related to medical cannabis, which could have a material adverse effect on the demand for our products and could result in a material adverse effect on our business, financial condition and results of operations or prospects.

***We may not be able to maintain effective quality control systems.***

We may not be able to maintain an effective quality control system. The effectiveness of our quality control system and our ability to obtain or maintain EU Good Manufacturing Practice (“EU GMP”) and Good Agricultural and Collecting Practices (“GACP”) certifications with respect to our manufacturing, processing and testing facilities depend on a number of factors, including the design of our quality control procedures, training programs, and the ability to ensure that our employees adhere to our policies and procedures. We also may depend on third party service providers to manufacture, process or test our products, that are subject to EU GMP and GACP requirements.

We expect that regulatory agencies will periodically inspect our and our service providers’ facilities to evaluate compliance with applicable EU GMP and GACP requirements. Failure to comply with these requirements may subject us or our service providers to possible regulatory enforcement actions. Any failure or deterioration of our or our service providers’ quality control systems, including loss of EU GMP and GACP certifications, may have a material adverse effect on our business, results of operations and financial condition.

***The medical cannabis industry and market may not continue to exist or develop as we anticipate and we may ultimately be unable to succeed in this industry and market.***

We are operating our current business in a relatively new industry, and our success depends on the continued growth of this market as well as our ability to attract and retain patients. Demand for pharmaceutical-grade cannabis and cannabis-based products is dependent on a number of social, political and economic factors that are beyond our control. Our projections on the number of people who have the potential to benefit from treatment with pharmaceutical-grade cannabis or cannabis-based products are based on our beliefs and estimates. These estimates have been derived from a variety of sources, including scientific literature, surveys of clinics, and market research, and may prove to be incorrect. There is no assurance that an increase in existing demand will occur, that we will benefit from any such increased demand, or that our business will remain profitable even in the event of such an increase in demand.

In addition to being subject to the general business risks applicable to a business involving an agricultural product and a regulated medical product, we need to continue to build brand awareness within the medical cannabis industry and make significant investments in our business strategy and production capacity. These investments include introducing new medical cannabis products into the markets in which we operate, adopting quality assurance protocols and procedures, building our international presence and undertaking regulatory compliance efforts. These activities may not promote our products as effectively as intended, or at all, and we expect that our competitors will undertake similar investments to compete with us for market share.

Competitive conditions, physician preferences, patient requirements and spending patterns in the medical cannabis industry and market are relatively unknown and may have been uniquely impacted by circumstances unlike those in other existing industries and markets. Our target patient population may be

smaller than expected, may not be otherwise amenable to treatment with our products, or may become increasingly difficult to identify and access. Further, we may not be successful in our efforts to attract and retain patients, develop new pharmaceutical-grade cannabis and cannabis-based products, produce and distribute these products to the markets in which we operate or to which we export in time to be effectively commercialized. In order to be successful in these activities, we may be required to expend significantly more resources than we currently anticipate, which could adversely affect our business, financial condition, results of operations and prospects.

***The cannabis and cannabinoid industries face strong opposition.***

Many political and social organizations oppose hemp and cannabis and their legalization, and many people, even those who support legalization, oppose the sale of hemp, cannabis and their derivatives in their geographies. Our business will need support from local governments, industry participants, consumers and residents to be successful. Additionally, there are large, well-funded businesses and industry groups that may have a strong opposition to the cannabis industry. For example, the pharmaceutical and alcohol industries have traditionally opposed cannabis legalization. Any efforts by these or other industries opposed to cannabis to halt or impede the cannabis industry could have detrimental effects on our business.

***We, or the medical cannabis industry more generally, may receive unfavorable publicity or become subject to negative patient, physician or investor perception.***

We believe that the medical cannabis industry is highly dependent upon positive patient, physician or investor perception regarding the benefits, safety, efficacy and quality of the cannabis distributed to patients for medical use. Perception of the medical cannabis industry, medicinal cannabis products, currently and in the future, may be significantly influenced by scientific research or findings, regulatory investigations, litigation, political statements, media attention and other publicity (whether or not accurate or with merit) both in Israel and in other countries relating to the use of cannabis or cannabis-based products for medical purposes, including unexpected safety or efficacy concerns arising with respect to pharmaceutical-grade cannabis or cannabis-based products or the activities of medical-use cannabis industry participants.

There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the medical-use cannabis market or any particular medicinal cannabis products or will be consistent with prior publicity. Adverse future scientific research reports, findings and regulatory proceedings that are, or litigation, media attention or other publicity that is, perceived as less favorable than, or that questions, earlier research reports, findings or publicity (whether or not accurate or with merit) could result in a significant reduction in the demand for our medicinal cannabis products or cannabis for medical use more generally. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis for medical purposes, or our current or future products specifically, or associating the use of cannabis with illness or other negative effects or events, could adversely affect us. This adverse publicity could arise even if the adverse effects associated with cannabis or cannabis-based products resulted from products that are not derived from medicinal cannabis or a patient's failure to use such products legally, appropriately or as directed.

***We are subject to the risks inherent in an agricultural business.***

Following the completion of the Acquisition, our business involves the growing of cannabis, which is an agricultural product. The occurrence of severe adverse weather conditions, especially droughts, fires, storms or floods is unpredictable and may have a potentially devastating impact on agricultural production and may otherwise adversely affect the supply of cannabis. Adverse weather conditions may be exacerbated by the effects of climate change and may result in the introduction and increased frequency of pests and diseases. The effects of severe adverse weather conditions may reduce our yields or require us to increase our level of investment to maintain yields. Additionally, higher than average temperatures and rainfall can contribute to an increased presence of insects and pests, which could negatively affect cannabis crops. Future droughts could reduce the yield and quality of our cannabis production, which could materially and adversely affect our business, financial condition and results of operations.

The occurrence and effects of plant disease, insects and pests can be unpredictable and devastating to agricultural production, potentially rendering all or a substantial portion of the affected harvests unsuitable

for sale. Even when only a portion of the production is damaged, our results of operations could be adversely affected because all or a substantial portion of the production costs may have been incurred. Although some plant diseases are treatable, the cost of treatment can be high and such events could adversely affect our operating results and financial condition. Furthermore, if we fail to control a given plant disease and the production is threatened, we may be unable to adequately supply our customers, which could adversely affect our business, financial condition and results of operations. There can be no assurance that natural elements will not have a material adverse effect on production.

***Our business will be reliant upon third party suppliers, service providers and distributors.***

As our business grows, we will need a supply chain for certain material portions of the production and distribution process of our products. Our suppliers, service providers and distributors may elect, at any time, to breach or otherwise cease to participate in supply, service or distribution agreements, or other relationships, on which our operations rely. Loss of our suppliers, service providers or distributors would have a material adverse effect on our business and operational results.

Bophelo currently purchases quality cannabis seeds primarily from OG DNA Genetics Inc. and also from other reputable suppliers of cannabis genetics based in Europe. If replacement seeds cannot be obtained at comparable prices, or at all, or if the necessary authorizations are not obtained, our business, financial condition and results of operations would be materially and adversely affected. Our operations could be materially and adversely affected if the supply of cannabis seeds is ceased or delayed and we do not find replacement suppliers and obtain all necessary authorizations.

Part of our strategy is to enter into and maintain arrangements with third parties related to the development, testing, marketing, manufacturing, distribution and commercialization of our products. Our revenues are dependent on the successful efforts of these third parties, including the efforts of our distribution partners. Entering into strategic relationships can be a complex process and the interests of our distribution partners may not be or remain aligned with our interests. Some of our current and future distribution partners may decide to compete with us, refuse or be unable to fulfill or honor their contractual obligations to us, or change their plans to reduce their commitment to, or even abandon, their relationships with us. There can be no assurance that our distribution partners will market our products successfully or that any such third-party collaboration will be on favorable terms.

Our profit margins and the timely delivery of our products are dependent upon the ability of our outside suppliers and manufacturers to supply us with products in a timely and cost-efficient manner. Our ability to develop our business and enter new markets and sustain satisfactory levels of sales in each market depends upon the ability of its outside suppliers and manufacturers to produce the ingredients and products and to comply with all applicable regulations. The failure of our primary suppliers or manufacturers to supply ingredients or produce its products could adversely affect our business operations.

***There is no assurance that our sales and promotional activities will be successful.***

Our future growth and profitability will depend on the effectiveness and efficiency of sales and promotional expenditures, including our ability to (i) create greater awareness of our products, (ii) determine the appropriate creative message and media mix for future marketing expenditures and (iii) effectively manage sales and promotional costs in order to maintain acceptable operating margins. We plan to continue to develop the direct sale model of Canmart, which may require us to establish our own clinics and pharmacies. There can be no assurance that our sales and promotional expenditures will result in revenues in the future or will generate awareness of our products and services. In addition, no assurance can be given that we will be able to manage our sales and promotional expenditures on a cost-effective basis.

We believe that maintaining and promoting our brand is critical to expanding our customer base. Maintaining and promoting our brand will depend largely on our ability to continue to provide quality, reliable and innovative products, which we may not do successfully. We may introduce new products or services that our customers do not like, which may negatively affect our brand and reputation. Maintaining and enhancing our brand may require us to make substantial investments, and these investments may not

achieve the desired goals. If we fail to successfully promote and maintain our brand or if we incur excessive expenses in this effort, our business and financial results from operations could be materially adversely affected.

***We may be unable to sustain its pricing model.***

Significant price fluctuations or shortages in the cost of materials may increase our cost of goods sold and cause its results of operations and financial condition to suffer. If we are unable to secure materials at a reasonable price, we may have to alter or discontinue selling some of our products or attempt to pass along the cost to its customers, any of which could adversely affect our results of operations and financial condition.

Additionally, increasing costs of labor, freight and energy could increase our and our suppliers' cost of goods. If our suppliers are affected by increases in their costs of labor, freight and energy, they may attempt to pass these cost increases on to us. If we pay such increases, we may not be able to offset them through increases in its pricing, which could adversely affect our results of operations and financial condition.

***We may be unable to effectively manage future growth.***

We may be subject to growth-related risks, including capacity constraints and pressure on our internal systems and controls. Our ability to manage growth effectively will require us to continue to implement and improve our operational and financial systems and to expand, train and manage our employee base. Rapid growth of our business may significantly strain our management, operations and technical resources. If we are successful in obtaining large orders for its products, we will be required to deliver large volumes of products to our customers on a timely basis and at a reasonable cost. We may not obtain large-scale orders for our products and if we do, we may not be able to satisfy large-scale production requirements on a timely and cost-effective basis. Our inability to deal with this growth may have a material adverse effect on our business, financial condition, results of operations and prospects.

***We are subject to significant competition by new and existing competitors in the cannabis industry.***

The industry in which we operate is subject to intense and increasing competition. Many of our competitors have greater resources that may enable them to compete more effectively than us in the cannabis industry, or they have a longer operating history and greater capital resources and facilities, which may enable them to compete more effectively in this market. We expect to face additional competition from existing licensees and new market entrants who are granted licenses in the jurisdictions in which we expect to operate, including the United Kingdom and the Kingdom of Lesotho, and other jurisdictions in which we intend to expand our operations. If a significant number of new licenses are granted in the near term, we may experience increased competition for market share and may experience downward pricing pressure on our products as new entrants increase production. Such competition may cause us to encounter difficulties in generating revenues and market share, and in positioning our products in the market. If we are unable to successfully compete with existing companies and new entrants to the market, our lack of competitive advantage will have a negative effect on our business and financial condition.

***The legalization of adult-use, recreational cannabis may reduce sales of medical cannabis.***

Legalization of the sale to adults of recreational, non-medical cannabis in any country may increase competition in the medical cannabis market. We currently do not plan to sell recreational, non-medical cannabis products. We may not be able to achieve our business plan in a highly competitive market where recreational, adult-use cannabis is legal, or the market may experience a drop in the price of cannabis and cannabis products over time, decreasing our profit margins.

***We are dependent upon our management and key employees, and the loss of any member of our management team or any key employee could have a material adverse effect on our operations.***

Our success is dependent upon the ability, expertise, judgment, discretion and good faith of our senior management and key employees, including, without limitation, Louisa Mojela, our Executive Chairman, and Tejinder Virk, our Chief Executive Officer. The loss of any member of our management team or any of



our key employees could have a material adverse effect on our business and results of operations. While employment agreements and incentive programs are customarily used as primary methods of retaining the services of key employees, these agreements and incentive programs cannot assure the continued services of such employees. Any loss of the services of such individuals, or an inability to attract other suitably qualified persons when needed, could have a material adverse effect on our business, operating results or financial condition. We do not currently maintain key-person insurance on the lives of any of our key employees or members of management. Competition for qualified technical, sales and marketing staff, as well as officers and directors can be intense, and no assurance can be provided that we will be able to attract or retain such qualified individuals in the future, which may adversely affect our operations.

***Our directors and officers may have conflicts of interest in conducting their duties.***

We may be subject to various potential conflicts of interest because of the fact that some of our officers and directors may be engaged in a range of business activities. In addition, our executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to us. In some cases, our executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to our business and affairs and that could adversely affect our operations. These business interests could require significant time and attention of our executive officers and directors. For example, our Executive Chairman, Ms. Mojela controls the MMD Trust which leases premises to Bophelo. See a discussion of the Investor Rights Agreement under “***Certain Relationships and Related Party Transactions — Our Transactions with Executive Chairman.***”

***The recent Coronavirus (“COVID-19”) outbreak and similar disease outbreaks or public health emergencies could adversely affect our future operations.***

Our operations could be significantly and adversely affected by the effects of a widespread global outbreak of a contagious disease and other unforeseen events, including the recent outbreak of a respiratory illness caused by COVID-19 and the related economic repercussions. We cannot accurately predict the effects COVID-19 will have on our operations and the ability of others to meet their obligations with us, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In light of the recent COVID-19 pandemic, there could be a negative impact on sourcing medical cannabis products for our distribution in the United Kingdom or, the continued buildout and optimization of our cultivation and manufacturing facilities in the Kingdom of Lesotho in accordance with the requirement of EU GMP and the export of our cannabis products from Lesotho to other areas of the world. Additionally, COVID-19 has caused significant disruptions to the global financial markets, which could impact our ability to raise additional capital. The ultimate impact on us and our significant suppliers and prospective customers is unknown, but our operations and financial condition could suffer in the event of any of these types of unpredictable events. Further, any significant uninsured liability may require us to pay substantial amounts, which would adversely affect our business, results of operations, financial condition and cash flows.

At Bophelo and Canmart’s offices and operations facilities in the United Kingdom and the Kingdom of Lesotho, all employees wear masks and practice social distancing. There are strict protocols on screening of employees and visitors; which include temperature checks and the requirement to complete detailed questionnaires concerning, among other things, possible exposure to COVID-19. Hand sanitizer is provided and hand washing protocols are in place. Signage has been put in place at our operations reminding visitors and staff of COVID-19 protocols. Both the U.K. and Lesotho governments have commenced the roll-out of COVID-19 vaccines to the population of each of those countries. The U.K. population has reached a significant level of vaccination, while Lesotho’s rate of vaccination is still in its early stages. Bophelo and Canmart have encouraged all of their employees to be vaccinated. Despite these measures taken, there is no guarantee that the continued development of COVID-19 will not affect their operations negatively.

***We could be subject to a security breach that could result in significant damage or theft of products and equipment.***

Breaches of security at our facilities may occur and could result in damage to or theft of products and equipment. A security breach at our facilities could result in a significant loss of inventory or work in process,

expose us to liability under applicable regulations and increase expenses relating to the investigation of the breach and implementation of additional preventative security measures, any of which could have an adverse effect on our business, financial condition and results of operations.

***We may incur significant costs to defend our intellectual property and other proprietary rights.***

The ownership and protection of trademarks, patents, trade secrets and intellectual property rights are significant aspects of our future success. Unauthorized parties may attempt to replicate or otherwise obtain and use our products and technology. Policing the unauthorized use of our current or future trademarks, patents, trade secrets or intellectual property rights could be difficult, expensive, time-consuming and unpredictable, as may be enforcing these rights against unauthorized use by others.

In addition, other parties may claim that our products infringe on their proprietary rights such as trade secrets. Such claims, regardless of their merit, may result in the expenditure of significant financial and managerial resources, legal fees, injunctions, temporary restraining orders and/or require the payment of damages. Additionally, we may need to obtain licenses from third parties who allege that we have infringed on their lawful rights. Such licenses may not be available on terms acceptable to us or at all. In addition, we may not be able to obtain or utilize on terms that are favorable to us, or at all, licenses or other rights with respect to intellectual property that we do not own.

***If we sustain cyber-attacks or other privacy or data security incidents that result in security breaches that disrupt our operations or result in the unintended dissemination of protected personal information or proprietary or confidential information, or if we are found by regulators to be non-compliant with statutory requirements for the protection and storage of personal data, we could suffer a loss of revenue, increased costs, exposure to significant liability, reputational harm and other serious negative consequences.***

As our operations expand, we may process, store and transmit large amounts of data in our operations, including protected personal information as well as proprietary or confidential information relating to our business and third parties. Experienced computer programmers and hackers may be able to penetrate our layered security controls and misappropriate or compromise our protected personal information or proprietary or confidential information or that of third parties, create system disruptions or cause system shutdowns. They also may be able to develop and deploy viruses, worms and other malicious software programs that attack our systems or otherwise exploit any security vulnerabilities. Hardware, software, or applications we develop or procure from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Our facilities may also be vulnerable to security incidents or security attacks, acts of vandalism or theft, coordinated attacks by activist entities, misplaced or lost data, human errors, or other similar events that could negatively affect our systems and our customer's data.

**Risks Related to Our Expected International Operations and Operations in Emerging Markets**

***As a company based outside of the United States, we are subject to economic, political, regulatory and other risks associated with international operations.***

Our business is subject to risks associated with conducting business outside of the United States. Following the completion of the Acquisition, our operations are based primarily in the United Kingdom and the Kingdom of Lesotho. Our principal office and Canmart's operations are located in the United Kingdom, and Bophelo's cultivation operations are located in the Kingdom of Lesotho. Accordingly, our future results could be harmed by a variety of factors, including, without limitation, the following:

- economic weakness, including inflation, or political instability in non-U.S. economies and markets;
- differing and changing regulatory requirements for product licenses and approvals;
- differing jurisdictions could present different issues for securing, maintaining or obtaining freedom to operate in such jurisdictions;
- difficulties in compliance with different, complex and changing laws, regulations and court systems of multiple jurisdictions and compliance with a wide variety of foreign laws, treaties and regulations;

- changes in applicable non-U.S. regulations and customs, tariffs and trade barriers;
- changes in applicable non-U.S. currency exchange rates and currency controls;
- changes in a specific country's or region's political or economic environment, including the implications of the recent decision of the United Kingdom to withdraw from the European Union;
- trade protection measures, import or export licensing requirements or other restrictive actions by governments;
- differing reimbursement regimes and price controls in certain non-U.S. markets;
- negative consequences from changes in tax laws;
- compliance with applicable tax, employment, immigration and labor laws for employees living or traveling abroad, including, for example, the variable tax treatment in different jurisdictions of options granted under our share option schemes or equity incentive plans;
- workforce uncertainty in countries where labor unrest is more common than in the United States;
- difficulties associated with staffing and managing international operations, including differing labor relations;
- production shortages resulting from any events affecting raw material supply or manufacturing capabilities abroad; and
- business interruptions resulting from geo-political actions, including war and terrorism, or natural disasters, including earthquakes, typhoons, floods and fires.

***Our business could suffer as a result of the United Kingdom's withdrawal from the European Union.***

While we are incorporated in the Province of Ontario in Canada, our principal office, a number of our executive officers and key employees, and Canmart's operations and assets are primarily located in the United Kingdom. The United Kingdom formally exited the European Union, commonly referred to as Brexit, on January 31, 2020. Under the terms of its departure, the United Kingdom entered into a transition period during which it continued to follow all European Union rules, and the trading relationship remained the same, until December 31, 2020. On December 24, 2020, the European Union and the United Kingdom entered into a new trade agreement to govern their relationship following Brexit. However, substantial uncertainty remains concerning which EU laws and regulations will continue to be implemented in the United Kingdom after Brexit (including financial laws and regulations, tax and free trade agreements, intellectual property rights, data protection laws, supply chain logistics, environmental, health and safety laws and regulations, immigration laws and employment laws).

The uncertainty concerning the United Kingdom's legal, political and economic relationship with the European Union after Brexit may negatively impact direct foreign investment in the United Kingdom, increase costs, depress economic activity and restrict access to capital. It may also be a source of instability in the international markets, create significant currency fluctuations, and/or otherwise adversely affect trading agreements or similar cross-border cooperation arrangements (whether economic, tax, fiscal, legal, regulatory or otherwise) beyond the date of Brexit. We may also face new regulatory costs and challenges that could have an adverse effect on our operations.

***The United Kingdom's withdrawal from the European Union could lead to increased market volatility, which could make it more difficult for us to do business in Europe or have other adverse effects on our business.***

As a result of the United Kingdom's withdrawal from the European Union, the United Kingdom now has third country status outside of the European Union. Before the end of 2020, the United Kingdom and the European Union concluded a Trade and Cooperation Agreement ("TCA") which took effect January 1, 2021. The terms of the TCA allow for tariff-free and quota-free access to the EU market for the United Kingdom so long as the United Kingdom does not diverge from EU laws. To the extent the United Kingdom does diverge from EU laws, access to EU markets may be made more restricted than it currently is. In addition, the TCA does not allow U.K. institutions access to EU markets, so it is possible that there will be a period of considerable uncertainty, particularly in relation to U.K. financial and banking markets, as well as in

relation to the regulatory process in Europe. As a result of this uncertainty, financial markets could experience volatility. We may also face new regulatory costs and challenges that could have a material adverse effect on our operations. In this regard, the European Medicines Agency has already issued a notice reminding marketing authorization holders of centrally authorized medicinal products for human and veterinary use of certain legal requirements that need to be considered as part of Brexit, such as the requirement for the marketing authorization holder of a product centrally approved by the European Commission to be established in the European Union, and the requirement for some activities relating to centrally approved products to be performed in the European Union. As a third country, the United Kingdom will lose the benefits of global trade agreements negotiated by the European Union on behalf of its members, which may result in increased trade barriers which could make our doing business worldwide more difficult. In addition, currency exchange rates in the pound sterling and the euro with respect to each other and the U.S. dollar have already been adversely affected by Brexit. Should this foreign exchange volatility continue, it could cause volatility in our financial results.

***We expect to increase our international sales in the future, and such sales may be subject to unexpected exchange rate fluctuations, regulatory requirements and other barriers.***

We currently expect that our sales will be denominated in U.S. Dollars and Euro and that we may, in the future, have sales denominated in the currencies of additional countries in which we establish operations or distribution. In addition, we expect to incur the majority of our operating expenses in U.S. Dollars, Euro, South African Rands and Lesotho Maloti. Our international sales may be subject to unexpected regulatory requirements and other barriers. Any fluctuation in the exchange rates of foreign currencies may negatively affect our business, financial condition and results of operations. We have not previously engaged in foreign currency hedging. If we decide to hedge our foreign currency exposure, we may not be able to hedge effectively due to lack of experience, unreasonable costs or illiquid markets. In addition, those activities may be limited in the protection they provide from foreign currency fluctuations and can themselves result in losses.

***A change in our tax residence could have a negative effect on our future profitability.***

Although we are incorporated in the Province of Ontario in Canada, we are a resident in the United Kingdom for tax purposes. It is possible that in the future, whether as a result of a change in law or the practice of any relevant tax authority or as a result of any change in the conduct of our affairs following a review by our directors or for any other reason, we could become, or be regarded as having become, a resident in a jurisdiction other than the United Kingdom. Should we cease to be tax resident in the United Kingdom, we may have exposure related to unexpected tax liabilities, such as a charge of United Kingdom, capital gains tax on a deemed disposal at market value of our assets and of unexpected tax charges in other jurisdictions on our income. Similarly, if the tax residency of any of our future subsidiaries were to change from their current jurisdiction for any of the reasons listed above, we may be subject to a charge of local capital gains tax on the assets.

***Tax regulations and challenges by tax authorities could have a material adverse effect on our business.***

We expect to operate in a number of countries and will therefore be regularly examined by and remain subject to numerous tax regulations. Changes in our global mix of earnings could affect our effective tax rate. Furthermore, changes in tax laws could result in higher tax-related expenses and payments. Legislative changes in any of the countries in which we operate could materially impact our tax receivables and liabilities as well as deferred tax assets and deferred tax liabilities. Additionally, the uncertain tax environment in some regions in which we operate may limit our ability to successfully challenge adverse determination by any local tax authorities. We expect to operate in countries with complex tax rules, which may be interpreted in a variety of ways and could affect our effective tax rate. Future interpretations or developments of tax regimes or a higher than anticipated effective tax rate could have a material adverse effect on our tax liability, return on investments and business operations.

In addition, we and our future subsidiaries operate in, are incorporated in and are tax residents of, various jurisdictions. The tax authorities in the various jurisdictions in which we and our subsidiaries operate, or are incorporated, may disagree with and challenge our assessments of our transactions, tax

position, deductions, exemptions, where we or our subsidiaries are tax resident, or other matters. If we are unsuccessful in responding to any such challenge from a tax authority, we may be required to pay additional taxes, interest, fines or penalties, we may be subject to taxes for the same business in more than one jurisdiction or may also be subject to higher tax rates, withholding or other taxes. A successful challenge could potentially result in payments to the relevant tax authority of substantial amounts that could have a material adverse effect on our financial condition and results of operations.

Even if we are successful in responding to challenges by taxing authorities, responding to such challenges may be expensive, consume time and other resources, or divert management's time and focus from our business operations. Therefore, a challenge as to our tax position or status or transactions, even if unsuccessful, may have a material adverse effect on our business, financial condition, results of operations or liquidity or the business, financial condition, and results of operations.

***We may be subject to emerging market risks.***

Emerging market investment generally poses a greater degree of risk than investment in more mature market economies because the economies in the developing world are more susceptible to destabilization resulting from domestic and international developments.

The Kingdom of Lesotho has a history of economic instability and crises, as well as political instability. Laws and regulations applicable to our cultivation operations in the Kingdom of Lesotho are subject to change in the future and could adversely affect our business, financial condition and results of operations. In particular, fluctuations in the economy in Southern Africa and actions adopted by the government have had and may continue to have a significant impact on companies operating in Southern Africa, including in the Kingdom of Lesotho. Specifically, Bophelo may be impacted by inflation, foreign currency fluctuations, regulatory policies, business and tax regulations and, in general, by the political, social and economic scenarios in the Kingdom of Lesotho and other countries in which we may do business.

Global or regional economic crises could negatively affect investor confidence in emerging markets or the economies of the countries in Southern Africa, including the Kingdom of Lesotho. A significant decline in economic growth or a sustained economic downturn for any of Lesotho's major trading partners (in particular, the United Kingdom, the United States and China) could have a material adverse impact on the balance of trade and remittances, resulting in lower economic growth. Deterioration in the economic and political situation in South Africa, which surrounds the Kingdom of Lesotho entirely, could adversely affect the local economy and cause instability by disrupting diplomatic or commercial relationships with other nearby countries. Any future tensions may cause political and economic uncertainty, instability, market volatility, low confidence levels and higher risk aversion by investors and market participants that may negatively affect economic activity generally in Southern Africa, including in the Kingdom of Lesotho. Such events could materially and adversely affect Bophelo's business, financial condition and results of operations.

***Exchange controls may restrict our ability to convert or transfer sums in foreign currencies.***

Companies operating in Southern Africa are subject to exchange control limitations. Exchange controls in the Kingdom of Lesotho are administered by the Central Bank of Lesotho. While exchange controls have been relaxed in recent years and may continue to be relaxed, companies operating in Southern Africa remain subject to restrictions on their ability to export capital outside of the Common Monetary Area, which includes South Africa, Namibia, Lesotho and Eswatini. In addition, as the cash flows of certain countries are highly dependent on the export of certain raw materials, the ability to convert such currencies can be limited by the timing of payments for such exports, which may require us to organize our currency conversions around such constraints. These restrictions may affect the manner in which we finance our transactions outside Southern Africa and the geographic distribution of our debt.

We can offer no assurance that additional restrictions on currency exchange will not be implemented in the future or that these restrictions will not limit our ability to transfer cash, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

***The markets in which we may operate are exposed to high inflation and interest rates which could increase our operating costs and reduce our profitability.***

The economies of the countries in which we may operate, including the Kingdom of Lesotho, in the past have been, and in the future may continue to be, characterized by rates of inflation and interest rates



that are substantially higher than those prevailing in the United States and other highly developed economies. High rates of inflation could increase our costs in such regions and decrease our operating margins. The CPI inflation in the Kingdom of Lesotho is at 5.1 percent during the ongoing financial year 2021-22. Inflation in Southern African countries generally results in an increase in our operational costs. Higher and sustained inflation in the future, with a consequent increase in operational costs, could have a material adverse effect on our results of operations and our financial condition and could result in operations being discontinued or reduced or rationalized, which could have a material adverse effect on our business, financial condition and results of operations.

Although higher interest rates would increase the amount of income we earn on our cash balances, they would also adversely affect our ability to obtain cost-effective debt financing in certain countries in which we may operate.

***Operating in emerging markets may subject us to greater political, economic and market risks than those we would face if we only operated in more developed markets, which could increase our operating costs.***

Emerging markets, including the Kingdom of Lesotho in Southern Africa, are subject to greater risks than more developed markets. The political, economic and market conditions in many emerging markets present risks that could make it more difficult to operate our business successfully. These risks include:

- the strength of emerging market economies;
- fluctuations in interest rates;
- political and economic instability, including higher rates of inflation and currency fluctuations;
- high levels of crime and unemployment;
- higher levels of corruption, including bribery of public officials;
- loss due to civil strife, acts of war or terrorism, guerrilla activities and insurrection;
- lack of well-developed legal systems which could make it difficult for us to enforce our intellectual property and contractual rights;
- potential adverse changes in laws and regulatory practices, including import and export license requirements and restrictions, tariffs, taxation and other laws or policies affecting foreign trade or investment;
- restrictions on the right to convert or repatriate currency or export assets;
- introduction or changes to indigenization and empowerment programs;
- logistical and communications challenges;
- difficulties in staffing and managing operations and ensuring the safety of our employees;
- greater risk of uncollectible accounts and longer collection cycles; and
- future downgrades of the debt ratings of the countries in which we operate.

If we are unable to effectively manage these risks, it could have a material adverse effect on our business, financial condition and results of operations.

Governments in Africa have in the past intervened in the economies of their respective countries and occasionally made significant changes in policy and regulations. Governmental actions have often involved, among other measures, nationalizations and expropriations, price controls, currency devaluations, mandatory increases on wages and employee benefits, capital controls, limits on imports and arbitrary interference with private ownership of contract rights. Our business, financial condition and results of operations may be adversely affected by changes in government policies or regulations, including such factors as exchange rate and exchange control policies, inflation control policies, price control policies, consumer protection policies, import duties and restrictions, liquidity of domestic capital and lending markets, electricity rationing, tax policies, including tax increases and retroactive tax claims, and other political, diplomatic, social and economic developments in or affecting the countries where we operate. In the future, the level of





intervention by African governments may continue to increase. It is difficult to predict the future political, economic and market environment in these countries, and these or other measures could have a material adverse effect on the economy of the countries in which we may operate and, consequently, could have a material adverse effect on our business, financial condition and results of operations.

***We face the risk of disruption from labor disputes and changes to labor laws, which could result in significant additional operating costs or alter our relationship with our employees.***

We are required to comply with extensive labor regulations in each of the countries in which we will have employees, including with respect to wages, social security benefits and termination payments. For example, Lesotho laws relating to labor regulate work time, provide for mandatory compensation in the event of termination of employment for operational reasons, and impose monetary penalties for non-compliance with administrative and reporting requirements in respect of affirmative action policies, which could result in significant costs.

In addition, future changes to Lesotho legislation and regulations relating to labor may increase our costs or alter our relationship with our employees. Resulting disruptions could have a material adverse effect on our business, results of operations and financial condition.

### **Risks Related to our Regulatory Framework**

***The medicinal cannabis regulatory regime is very restrictive and new in the United Kingdom, and laws and enforcement could rapidly change again.***

There are significant legal restrictions and regulations that govern the cannabis industry in the United Kingdom. The legislative changes recently made to allow for the prescription and possession of medicinal cannabis without Home Office licenses were very narrow. “Cannabis” remains a Class B controlled drug under the Misuse of Drugs Act 1973 and remains a Schedule 1 drug under the Misuse of Drugs Regulation 2001 (“MDR 2001”). Schedule 1 contains drugs which are not used medically. Cultivation, distribution and possession of Schedule 1 controlled drug is illegal without appropriate licenses. It is only CBPMs that have been moved to various other schedules under the MDR 2001, which then allows for the prescription and possession of CBPMs without a license.

However, there are also strict requirements that need to be met for the supply of CBPMs to patients to be compliant with the regulations. Despite the demand for CBPMs, there has been great reluctance from the medical establishment in general to prescribe “medicinal products” for which there are no official prescribing guidelines and a lack of clinical data. In particular, the Royal College of Physicians and NHS England have issued guidelines for medical practitioners stating that there is currently limited evidence of the effectiveness of CBPMs, except in very limited cases. This appears to have made specialist doctors loathe to prescribe CBPMs against this explicit guidance. As the medical establishment and regulators are still firming up their approaches to guidance and enforcement, this can create a level of operating uncertainty.

Our activities are, and will continue to be, subject to evolving regulation by governmental authorities. Due to the current regulatory environment in the United Kingdom, new risks may emerge; management may not be able to predict all such risks.

U.K. based companies also need to be aware of the potential difficulties posed by the U.K. Proceeds of Crime Act 2002 (“POCA”). POCA prohibits dealing with any benefit (directly or indirectly) arising from criminal conduct. Conduct is criminal if it:

- constitutes an offence in any part of the United Kingdom, or
- would constitute an offence in part of the United Kingdom if it occurred there.

This principle of “dual criminality” means that measures to legalize cannabis overseas can be potentially irrelevant when it comes to investing in the United Kingdom, and medicinal cannabis companies operating in the United Kingdom.

Although the risk of action being taken against a U.K. investor by law enforcement may be considered low when dealing with the indirect proceeds of cannabis, U.K. companies and investors should be sure to



understand the precise nature of their investments or transactions and to keep in mind that investing in, or doing business with, companies involved in recreational cannabis, even where their activity is legal under the laws applicable to them, may nonetheless cause the U.K.-based investor or counterparty to violate U.K. money laundering laws.

***Cannabis laws, regulations, and guidelines are dynamic and subject to changes.***

Cannabis laws and regulations are dynamic and subject to evolving interpretations which could require us to incur substantial costs associated with compliance or alter certain aspects of our business plan. It is also possible that regulations may be enacted in the future that will be directly applicable to certain aspects of our businesses. We cannot predict the nature of any future laws, regulations, interpretations or applications, nor can we determine what effect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on our business. Management expects that the legislative and regulatory environment in the cannabis industry in the United Kingdom, the Kingdom of Lesotho and internationally will continue to be dynamic and will require innovative solutions to try to comply with this changing legal landscape in this nascent industry for the foreseeable future. Failure to comply with any such legislation may have a material adverse effect on our business, financial condition and results of operations.

Public opinion can also exert a significant influence over the regulation of the cannabis industry. A negative shift in the public's perception of the cannabis industry could affect future legislation or regulation in different jurisdictions.

***There are risks associated with the regulatory regime and permitting requirements of our operations.***

Achievement of our business objectives is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and obtaining all regulatory approvals, where necessary, for the cultivation, processing and sale of our products. Bophelo and Canmart currently holds the licenses required to conduct their respective operations. We may not be able to obtain or maintain the necessary licenses, permits, quotas, authorizations, certifications or accreditations to operate our business going forward, or may only be able to do so at great cost. We cannot predict the time required to secure all appropriate regulatory approvals for our products, or the extent of testing and documentation that may be required by local governmental authorities.

Our officers and directors must rely, to a great extent, on our local legal counsel and local consultants retained in the United Kingdom and Lesotho in order to keep abreast of material legal, regulatory and governmental developments as they pertain to and affect our business operations, and to assist us with governmental relations. We must rely, to some extent, on those members of management and the Board who have previous experience working and conducting business in the United Kingdom or the Kingdom of Lesotho in order to enhance our understanding of and appreciation for the local business culture and practices in such jurisdictions.

We also rely on the advice of local experts and professionals in connection with any current and new regulations that develop in respect of banking, financing and tax matters in the jurisdictions in which we operate. Any developments or changes in such legal, regulatory or governmental requirements or in local business practices in such jurisdictions are beyond our control and may adversely affect our business.

We will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. We may be required to compensate those suffering loss or damage by reason of our operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to our operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on our business, results of operations and financial condition.

***Any failure on our part to comply with applicable regulations or to obtain and maintain the necessary licenses and certifications could prevent us from being able to carry on our business, and there may be additional costs associated with any such failure.***

Our business activities are heavily regulated in all jurisdictions where we do business. Our operations are subject to various laws, regulations and guidelines by governmental authorities relating to the cultivation, processing, manufacture, marketing, management, distribution, transportation, storage, sale, packaging, labelling, pricing and disposal of cannabis and cannabis products. In addition, we are subject to laws and regulations relating to employee health and safety, insurance coverage and the environment. Laws and regulations, applied generally, grant government agencies and self-regulatory bodies broad administrative discretion over our activities, including the power to limit or restrict business activities as well as impose additional disclosure requirements on our products and services.

Any failure by us to comply with applicable regulatory requirements could:

- require extensive changes to our operations;
- result in regulatory or agency proceedings or investigations;
- result in the revocation of our licenses and permits, the imposition of additional conditions on licenses to operate our business, and increased compliance costs;
- result in product recalls or seizures;
- result in damage awards, civil or criminal fines or penalties;
- result in the suspension or expulsion from a particular market or jurisdiction of our key personnel;
- result in restrictions on our operations or the imposition of additional or more stringent inspection, testing and reporting requirements;
- harm our reputation; or
- give rise to material liabilities.

There can be no assurance that any future regulatory or agency proceedings, investigations or audits will not result in substantial costs, a diversion of management's attention and resources or other adverse consequences to our business.

In addition, changes in regulations, government or judicial interpretation of regulations, or more vigorous enforcement thereof or other unanticipated events could require extensive changes to our operations, increase compliance costs or give rise to material liabilities or a revocation of our licenses and other permits. Furthermore, governmental authorities may change their administration, application or enforcement procedures at any time, which may adversely affect our ongoing regulatory compliance costs. There is no assurance that we will be able to comply or continue to comply with applicable regulations.

***The legal cannabis market is a relatively new industry. As a result, the size of our target market is difficult to quantify, and investors will be reliant on their own estimates on the accuracy of market data.***

Because the cannabis industry is in a nascent stage, there is a lack of information about comparable companies available for potential investors to review in deciding whether to invest in us and, few, if any, established companies whose business model we can follow or upon whose success we can build. Accordingly, investors should rely on their own estimates regarding the potential size, economics and risks of the cannabis market in deciding whether to invest in our Common Shares. We are an early-stage company that has not generated net income. There can be no assurance that our growth estimates are accurate or that the cannabis market will be large enough for our business to grow as projected.

Although we are committed to researching and developing new markets and products and improving existing products, there can be no assurances that such research and market development activities will prove profitable or that the resulting markets or products, if any, will be commercially viable or successfully produced and marketed. We must rely largely on our own market research to forecast sales and design

products as detailed forecasts and consumer research are not generally obtainable from reliable third-party sources in the United Kingdom, the European market, Southern Africa, Canada and in other international jurisdictions.

In addition, there is no assurance that the industry and market will continue to exist and grow as currently estimated or anticipated or function and evolve in the manner consistent with management's expectations and assumptions. We could also be subject to other events or circumstances that adversely affect the cannabis industry, such as the imposition of further restrictions on sales and marketing or further restrictions on sales in certain areas and markets.

***Marijuana remains illegal under U.S. federal law, and the enforcement of U.S. cannabis laws could change.***

There are significant legal restrictions and regulations that govern the cannabis industry in the United States. Marijuana remains a Schedule I drug under the Controlled Substances Act, making it illegal under federal law in the United States to, among other things, cultivate, distribute or possess cannabis in the United States. In those states in which the use of marijuana has been legalized, its use remains a violation of federal law pursuant to the Controlled Substances Act. The Controlled Substances Act classifies marijuana as a Schedule I controlled substance, and as such, medical and adult use cannabis use is illegal under U.S. federal law. Unless and until the U.S. Congress amends the Controlled Substances Act with respect to marijuana (and the President approves such amendment), there is a risk that federal authorities may enforce current federal law. Financial transactions involving proceeds generated by, or intended to promote, cannabis-related business activities in the United States may form the basis for prosecution under applicable U.S. federal money laundering legislation. While the approach to enforcement of such laws by the federal government in the United States has trended toward non-enforcement against individuals and businesses that comply with medical or adult-use cannabis regulatory programs in states where such programs are legal, strict compliance with state laws with respect to cannabis will neither absolve us of liability under U.S. federal law, nor will it provide a defense to any federal proceeding which may be brought against us should we expand our operations into the U.S. Since U.S. federal law criminalizing the use of marijuana pre-empts state laws that legalize its use, enforcement of federal law regarding marijuana may be a significant risk and could greatly harm our business, prospects, revenue, results of operation and financial condition if we were to expand our operations into the United States. We currently have no operations in the United States and no plans to expand our operations into the United States in the foreseeable future.

Our activities are, and will continue to be, subject to evolving regulation by governmental authorities. The legality of the production, cultivation, extraction, distribution, retail sales, transportation and use of cannabis differs among states in the United States. Due to the current regulatory environment in the United States, new risks may emerge; management may not be able to predict all such risks. Due to the conflicting views between state legislatures and the federal government regarding cannabis, cannabis businesses are subject to inconsistent laws and regulations. There can be no assurance that the federal government will not enforce federal laws relating to marijuana and seek to prosecute cases involving marijuana businesses that are otherwise compliant with state laws in the future. To date, federal enforcement agencies have taken little or no action against state-compliant cannabis businesses in the United States. However, the DOJ may change its enforcement policies at any time, with or without advance notice. The uncertainty of U.S. federal enforcement practices going forward and the inconsistency between U.S. federal and state laws and regulations may present risks for us if we expand our operations into the United States in the future.

**Risks Related to Financials and Accounting**

***There are tax risks we may be subject to in carrying out our business in multiple jurisdictions.***

We will operate and, accordingly, will be subject to income tax and other forms of taxation in multiple jurisdictions. We may be subject to income taxes and non-income taxes in a variety of jurisdictions and our tax structure may be subject to review by both domestic and foreign taxation authorities. Those tax authorities may disagree with our interpretation and/or application of relevant tax rules. A challenge by a tax authority in these circumstances might require us to incur costs in connection with litigation against the relevant tax authority or reaching a settlement with the tax authority and, if the tax authority's challenge is successful, could result in additional taxes (perhaps together with interest and penalties) being assessed on

us, and as a result an increase in the amount of tax payable by us. In addition, we may be subject to different taxes imposed by the local governments in the jurisdictions where we operate, and changes within such tax, legal and regulatory framework may have an adverse effect on our financial results.

Taxation laws and rates which determine taxation expenses may vary significantly in different jurisdictions, and legislation governing taxation laws and rates are also subject to change. Therefore, our earnings may be affected by changes in the proportion of earnings taxed in different jurisdictions, changes in taxation rates, changes in estimates of liabilities and changes in the amount of other forms of taxation. The determination of our provision for income taxes and other tax liabilities will require significant judgment (including based on external advice) as to the interpretation and application of these rules. We may have exposure to greater than anticipated tax liabilities or expenses.

***There is a risk that we will be a passive foreign investment company (“PFIC”) for U.S. federal income tax purposes for the current or any future taxable year, which could result in material adverse U.S. federal income tax consequences if you are a U.S. Holder.***

If we (or any of our non-U.S. subsidiaries) are a PFIC for any taxable year during which a U.S. Holder owns Common Shares, certain adverse U.S. federal income tax consequences could apply to such U.S. Holder. The determination of whether a corporation is a PFIC for a taxable year depends, in part, on the application of complex U.S. federal income tax rules that are subject to differing interpretations. In addition, the determination of whether a corporation will be a PFIC for any taxable year generally can only be made after the close of such taxable year. Therefore, it is possible that we could be classified as a PFIC for our initial taxable year or in future years due to changes in the nature of our business, composition of our assets or income, as well as changes in our market capitalization. In particular, our PFIC status will depend, in part, on the amount of cash that we raise in this offering and how quickly we utilize the cash in our business. Based upon the foregoing, it is uncertain whether we will be a PFIC for our current taxable year or any future taxable year. We have not determined, if we (or any of our non-U.S. subsidiaries) were to be classified as a PFIC for a taxable year, whether we will provide information necessary for a U.S. Holder to make a “qualified electing fund” election which, if available, would result in tax treatment different from (and generally less adverse than) the general tax treatment for PFICs. Accordingly, U.S. Holders should assume that they will not be able to make a qualified electing fund election with respect to our Common Shares. The PFIC rules are complex, and each U.S. Holder should consult his, her or its own tax advisor regarding the PFIC rules, the elections which may be available, and how the PFIC rules may affect the U.S. federal income tax consequences relating to the ownership and disposition of our Common Shares.

***Failure to develop our internal controls over financial reporting as we grow could have an adverse effect on our operations.***

As we mature, we will need to continue to develop and improve our current internal control systems and procedures to manage our growth. We are required to establish and maintain appropriate internal controls over financial reporting. Failure to establish appropriate controls, or any failure of those controls once established, could adversely affect our public disclosures regarding our business, financial condition or results of operations. In addition, management’s assessment of internal controls over financial reporting may identify weaknesses and conditions that need to be addressed in our internal controls over financial reporting or other matters that may raise concerns for investors.

## **Risks Related to Our Common Shares and This Offering**

***Investing in an emerging market poses a greater degree of risk than investing in more mature market economies.***

Emerging market investment generally poses a greater degree of risk than investment in more mature market economies because the economies in the developing world are more susceptible to destabilization resulting from domestic and international developments. All of our cannabis cultivation operations are based in the Kingdom of Lesotho in Southern Africa. See “***Risks Related to our International Operations***” above.

***Even if this offering is successful, we will need to raise additional funding, which may not be available on acceptable terms, or at all. Failure to obtain this necessary capital when needed may force us to delay, limit or terminate our product and business development efforts or other operations.***

We expect the net proceeds from this offering to be \$17.8 million (or \$20.0 million if the underwriters exercise in full their option to purchase up to 600,000 additional Common Shares from us) before deducting



offering expenses payable by us. We expect that the net proceeds from this offering will be sufficient to fund our current operations at least through the end of 2022. However, our operating plan may change as a result of many factors currently unknown to us, and we may need to seek additional funds sooner than planned, through public or private equity or debt financings, government or other third-party funding, marketing and distribution arrangements and other collaborations, strategic alliances or a combination of these approaches. Raising funds in the current economic environment may present additional challenges. It is not certain that we have accounted for all costs and expenses of future development and regulatory compliance. Even if we believe we have sufficient funds for our current or future operating plans, we may seek additional capital if market conditions are favorable or if we have specific strategic considerations.

Any additional fundraising efforts may divert the attention of our management team from their day-to-day activities, which may adversely affect our ability to launch our business and develop and commercialize our products. In addition, we cannot guarantee that future financing will be available in sufficient amounts or on terms acceptable to us, if at all. Moreover, the terms of any future financing may adversely affect the holdings or the rights of our shareholders, and the issuance of additional securities, whether equity or debt, by us, or the possibility of such issuance, may cause the market price of our shares to decline. The sale of additional equity or convertible securities may dilute our existing shareholders. The incurrence of indebtedness would result in increased fixed payment obligations, and we may be required to agree to certain restrictive covenants, such as limitations on our ability to incur additional debt, limitations on our ability to acquire, sell or license intellectual property rights and other operating restrictions that could adversely affect our ability to conduct our business. We could also be required to seek funds through arrangements with collaborative partners or otherwise at an earlier stage than otherwise would be desirable and we may be required to relinquish rights to some of our technologies or products or otherwise agree to terms unfavorable to us, any of which may have a material adverse effect on our business, operating results and prospects.

If we are unable to obtain funding on a timely basis, we may be required to significantly curtail, delay or discontinue one or more of our research or development programs or the commercialization of any product, or be unable to expand our operations or otherwise capitalize on our business opportunities, as desired, which could materially affect our business, financial condition and results of operations.

***We have a significant shareholder, which may limit your ability to influence corporate matters and may give rise to conflicts of interest.***

We have a significant shareholder, Halo. Philip van den Berg, the Chief Financial Officer and a director of Halo, is currently serving as Halo's appointee to our Board of Directors pursuant to the Investor Rights Agreement. See a discussion of the Investor Rights Agreement under "**Prospectus Summary—Our History and Relationship with Halo.**" As of the date of this prospectus, Halo owns approximately 47.4% of our outstanding Common Shares. Following this offering, assuming all of the Common Shares offered hereby are sold (assuming no exercise by the underwriters of their option to purchase additional Common Shares) and conversion of the Debenture at a conversion price of \$5.00 per share (the midpoint of the price range set forth on the cover page of this prospectus), we anticipate that Halo will own approximately 43.2% of our outstanding Common Shares. Accordingly, Halo exerts and may continue to exert significant influence over us and any action requiring the approval of the holders of our Common Shares, such as election of directors, amendments to our organizational documents, and approval of significant corporate transactions. This concentration of ownership may prevent or discourage unsolicited acquisition proposals or offers for our Common Shares that you may feel are in your best interest as one of our shareholders. Furthermore, the interests of Halo may not always coincide with your interests or the interests of other shareholders and Halo may act in a manner that advances its best interests and not necessarily those of other shareholders. Additionally, our directors, Mr. Kié and Ms. Mojela each served as a director of Halo from October 2020 to July 2021, and July 2020 to July 2021, respectively. While our board does not believe any inherent conflict of interest exists due to each of Mr. Kie and Ms. Mojela's role as directors of Halo, there may still be an appearance of a conflict of interest due to their prior roles.

***If you purchase our Common Shares in this offering, you will incur immediate and substantial dilution in the book value of your Common Shares.***

The initial public offering price of our Common Shares will be substantially higher than the pro forma as adjusted net tangible book value per share of our Common Shares immediately after the completion of



this offering. You will suffer immediate and substantial dilution in the net tangible book value of the Common Shares you purchase in this offering. Based on the initial public offering price of \$5.00 per Common Share, which is the midpoint of the price range set forth on the cover page of this prospectus, and the sale of 4,000,000 Common Shares (after deducting estimated offering expenses), purchasers of Common Shares in this offering will experience dilution of approximately \$4.32 per Common Share (not including the over-allotment of up to an additional 600,000 Common Shares if the full over-allotment option is exercised by the underwriters) in net tangible book value of the Common Shares.

See “Dilution.” To the extent that new equity awards are issued under our share-based compensation plans or we issue additional Common Shares including upon any conversion of the Debenture as applicable after this offering, there will be further dilution to investors participating in this offering.

***Future sales and issuances of our capital stock or rights to purchase capital stock could result in additional dilution of the percentage ownership of our stockholders and could cause the price of our Common Shares to decline.***

We may issue additional securities following the closing of this offering. Future sales and issuances of our capital stock or rights to purchase our capital stock could result in substantial dilution to our existing shareholders. We may sell Common Shares, convertible securities, and other equity securities in one or more transactions at prices and in a manner as we may determine from time to time. If we sell any such securities in subsequent transactions, investors may be materially diluted. New investors in such subsequent transactions could gain rights, preferences, and privileges senior to those of holders of our Common Shares.

***Listing our Common Shares on a securities exchange will likely increase our regulatory burden.***

We have applied for the listing of our Common Shares under the symbol “AKAN” on the Nasdaq Capital Market. Our application has not yet been approved by Nasdaq, and there is no guarantee that our application will be approved in connection with this offering. Although to date we have not been subject to the continuous and timely disclosure requirements of exchange rules, regulations and policies of Nasdaq, we are working with our legal, accounting and financial advisors to identify those areas in which changes should be made to our financial management control systems to manage our obligations as a public company listed on Nasdaq. These areas include corporate governance, corporate controls, disclosure controls and procedures and financial reporting and accounting systems. We have made, and will continue to make, changes in these and other areas, including our internal controls over financial reporting. However, we cannot assure holders of our shares that these and other measures that we might take will be sufficient to allow us to satisfy our obligations as a public company listed on Nasdaq on a timely basis and that we will be able to achieve and maintain compliance with applicable listing requirements. In addition, compliance with reporting and other requirements applicable to public companies listed on Nasdaq will create additional costs for us and will require the time and attention of management. We cannot predict the amount of the additional costs that we might incur, the timing of such costs or the effects that management’s attention to these matters will have on our business.

***We will incur increased costs as a result of operating as a public company and our management will be required to devote substantial time to new compliance initiatives.***

As a public company, particularly after we are no longer an emerging growth company, we will incur significant legal, accounting and other expenses that we did not incur as a private company. In addition, the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, and rules implemented by the SEC and Nasdaq, impose various requirements on public companies, including requirements to file periodic and event-driven reports with respect to our business and financial condition and operations and establish and maintain effective disclosure and financial controls and corporate governance practices. Our management and other personnel have limited experience operating a public company, which may result in operational inefficiencies or errors, or a failure to improve or maintain effective internal controls over financial reporting (“ICFR”) and disclosure controls and procedures necessary to ensure timely and accurate reporting of operational and financial results. Our existing management team will need to devote a substantial amount of time to these compliance initiatives, and we may need to hire additional personnel to assist us with compliance. Moreover,

these rules and regulations will increase our legal and financial compliance costs and will make some activities more time consuming and costly.

Pursuant to Section 404 of the Sarbanes-Oxley Act (“Section 404”), we will be required to furnish a report by our management on our ICFR, which, after we are no longer an emerging growth company, must be accompanied by an attestation report on ICFR issued by our independent registered public accounting firm. To achieve compliance with Section 404 within the prescribed period, we will document and evaluate our ICFR, which is both costly and challenging. In this regard, we will need to continue to dedicate internal resources, potentially engage outside consultants, and adopt a detailed work plan to assess and document the adequacy of our ICFR, continue steps to improve control processes as appropriate, validate through testing that controls are functioning as documented, and implement a continuous reporting and improvement process for ICFR. If our management and/or auditors determine that there are one or more material weaknesses in our ICFR, such a determination could cause an adverse reaction in the financial markets due to a loss of confidence in the reliability of our consolidated financial statements.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some public company required activities more time consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and divert management’s time and attention from revenue generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies, regulatory authorities may initiate legal proceedings against us and our business may be harmed.

We also expect that being a public company and complying with applicable rules and regulations will make it more expensive for us to obtain director and officer liability insurance. These factors could also make it more difficult for us to attract and retain qualified executive officers and members of our Board.

***If we fail to meet applicable listing requirements, Nasdaq may not approve our listing application, or may delist our Common Shares from trading, in which case the liquidity and market price of our Common Shares could decline.***

We cannot assure you that we will be able to meet Nasdaq’s initial listing standards, or that we will be able to meet the continued listing standards of Nasdaq in the future. If we fail to comply with the applicable listing standards and Nasdaq delists our Common Shares, we and our shareholders could face significant material adverse consequences, including:

- a limited availability of market quotations for our Common Shares;
- reduced liquidity for our Common Shares;
- a determination that our Common Shares are “penny stock”, which would require brokers trading in our Common Shares to adhere to more stringent rules and possibly result in a reduced level of trading activity in the secondary trading market for our Common Shares;
- a limited amount of news about us and analyst coverage of us; and
- a decreased ability for us to issue additional equity securities or obtain additional equity or debt financing in the future.

***Receiving financial benefit directly or indirectly as a result of ownership of Common Shares may be subject to anti-money laundering laws in the United Kingdom.***

Cannabis-related financial transactions, including investment in the securities of cannabis companies and receipt of any associated benefits, such as dividends, could be subject to anti-money laundering laws in the U.K., specifically the Proceeds of Crime Act, however the application of these laws is still developing.

In the U.K., financial benefit directly or indirectly arising from conduct that would be considered unlawful if it were to take place in the U.K. may be viewed to be within the purview of these laws, and persons receiving any such benefit, including investors may be subject to liability under such laws. Each prospective investor should therefore contact his, her or its own legal advisor regarding the ownership of our Common Shares and any related potential liability. The Proceeds of Crime Act is further discussed on pages 23 and 65.

***Our executive officers, directors, significant shareholder and their respective affiliates may continue to exercise significant control over us after this offering, which will limit your ability to influence corporate matters and could delay or prevent a change in corporate control.***

As of the date of this prospectus, our executive officers, directors and significant shareholder, Halo, represent beneficial ownership, in the aggregate, of approximately 68.1% of our outstanding Common Shares. Immediately following the completion of this offering, and disregarding any Common Shares that they purchase in this offering, if any, the existing holdings of our executive officers, directors, significant shareholder, Halo, and their affiliates will represent beneficial ownership, in the aggregate, of approximately 60.1% of our outstanding Common Shares. As a result, these shareholders may be able to influence our management and affairs and control the outcome of matters submitted to our shareholders for approval, including the election of directors and any sale, merger, consolidation, or sale of all or substantially all of our assets. These shareholders may have interests with respect to their Common Shares that are different from those of investors in this offering, and the concentration of voting power among one or more of these shareholders may have an adverse effect on the price of our Common Shares. In addition, this concentration of ownership might adversely affect the market price of our Common Shares by:

- delaying, deferring or preventing a change of control in us;
- impeding a merger, consolidation, takeover or other business combination involving us; or
- discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of us.

***Our directors and officers may have conflicts of interest in conducting their duties.***

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

***We have broad discretion in how we use the proceeds of this offering and may not use these proceeds effectively, which could affect our results of operations and cause the price of our Common Shares to decline.***

We will have considerable discretion in the application of the net proceeds of this offering. We intend to use the net proceeds from this offering for property, plant and equipment, operations, working capital, and general corporate purposes. As a result, investors will be relying upon management's judgment with only limited information about our specific intentions for the use of the balance of the net proceeds of this offering. We may use the net proceeds for purposes that do not yield a significant return or any return at all for our shareholders. In addition, pending their use, we may invest the net proceeds from this offering in a manner that does not produce income or that loses value.

***We are a foreign private issuer and intend to take advantage of the less frequent and detailed reporting obligations applicable to foreign private issuers.***

We are a "foreign private issuer", as such term is defined in Rule 405 under the Securities Act, and are not subject to the same requirements that are imposed upon U.S. domestic issuers by the SEC. Under the Exchange Act, we will be subject to reporting obligations that, in certain respects, are less detailed and less frequent than those of U.S. domestic reporting companies. As a result, we will not file the same reports that a U.S. domestic issuer would file with the SEC, although we will be required to file with or furnish to the



SEC the continuous disclosure documents that we are required to file in Canada under Canadian securities laws. In addition, our officers, directors, and principal shareholders are exempt from the reporting and “short swing” profit recovery provisions of Section 16 of the Exchange Act. Therefore, our shareholders may not know on as timely a basis when our officers, directors and principal shareholders purchase or sell shares, as the reporting deadlines under the corresponding Canadian insider reporting requirements are longer.

As a foreign private issuer, we will be exempt from the rules and regulations under the Exchange Act related to the furnishing and content of proxy statements. We will also be exempt from Regulation FD, which prohibits issuers from making selective disclosures of material non-public information. While we will comply with the corresponding requirements relating to proxy statements and disclosure of material non-public information under Canadian securities laws, these requirements differ from those under the Exchange Act and Regulation FD and shareholders should not expect to receive the same information at the same time as such information is provided by U.S. domestic companies. In addition, we will have more time than U.S. domestic companies after the end of each fiscal year to file our annual report with the SEC and will not be required under the Exchange Act to file quarterly reports with the SEC.

In addition, as a foreign private issuer, we have the option to follow certain Canadian corporate governance practices, except to the extent that such laws would be contrary to U.S. securities laws, and provided that we disclose the requirements we are not following and describe the Canadian practices we follow instead. We may in the future elect to follow home country practices in Canada with regard to certain corporate governance matters.

As a result, our shareholders may not have the same protections afforded to shareholders of U.S. domestic companies that are subject to all corporate governance requirements.

***We may lose our status as a foreign private issuer in the United States, which would result in increased costs related to regulatory compliance under United States securities laws.***

We will cease to qualify as a “foreign private issuer,” as defined in Rule 405 under the Securities Act and Rule 3b-4 under the Exchange Act, if, as of the last business day of our second fiscal quarter, more than 50% of our outstanding Common Shares are directly or indirectly owned by residents of the United States and any of the following three circumstances applies: (i) the majority of our executive officers or directors are U.S. citizens or residents; (ii) more than 50% of our assets are located in the United States; or (iii) our business is administered principally in the United States. If we determine that we fail to qualify as a foreign private issuer, we will cease to be eligible to avail ourselves of the forms and rules designated for foreign private issuers beginning on the first day of the fiscal year following such determination. Among other things, this will result in loss of the exemption from registration under the Exchange Act provided by Rule 12g3-2(b) thereunder, and, if we are required to register our Common Shares under section 12(g) of the Exchange Act, we will have to do so as a domestic issuer. Further, any securities that we issue in unregistered or unqualified offerings both within and outside the United States will be “restricted securities” (as defined in Rule 144(a)(3) under the Securities Act) and will continue to be subject to United States resale restrictions notwithstanding their resale in “offshore transactions” pursuant to Regulation S under the Securities Act. As a practical matter, this will likely require us to register more offerings of our securities under the Securities Act on either a primary offering or resale basis, even if they take place entirely outside the United States. The resulting legal and administrative costs of complying with the resulting regulatory requirements are anticipated to be substantial, and to subject us to additional exposure to liability for which we may not be able to obtain insurance coverage on favorable terms, or at all.

***If our share price fluctuates after the offering, you could lose a significant part of your investment.***

The market price of our Common Shares could be subject to wide fluctuations in response to, among other things, the risk factors described in this section of this prospectus, and other factors beyond our control, such as fluctuations in the valuation of companies perceived by investors to be comparable to us. Furthermore, the stock markets have experienced price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. These fluctuations often have been unrelated or disproportionate to the operating performance of those companies. These broad market and industry fluctuations, as well as general economic, political, and market conditions, such as recessions,

interest rate changes or international currency fluctuations, may negatively affect the market price of our Common Shares. In the past, many companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert our management's attention from other business concerns, which could seriously harm our business.

The public offering price of our Common Shares has been determined by negotiations between us and the Representative based upon many factors and may not be indicative of prices that will prevail following the closing of this offering. Volatility in the market price of our Common Shares may prevent investors from being able to sell their shares at or above the initial public offering price. As a result, you may suffer a loss on your investment.

***Investors may be unable to enforce judgments against our directors and officers because our directors and officers reside outside of the United States.***

We are incorporated under the laws of the Province of Ontario, Canada and most of our assets are located outside of the United States. Furthermore, most of our directors and officers reside outside of the United States in Canada, the Kingdom of Lesotho and the United Kingdom. As a result, investors may not be able to effect service of process within the United States upon our directors or officers or enforce against them in U.S. courts, judgments predicated on U.S. securities laws. Likewise, it may also be difficult for an investor to enforce in U.S. courts, judgments obtained against these persons in courts located in jurisdictions outside of the United States.

As a result of the above, public shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of our Board of Directors or controlling shareholders than they would as public shareholders of a U.S. based company.

***We do not intend to pay dividends on our Common Shares in the near future, and, consequently, your ability to achieve a return on your investment will depend on appreciation in the price of our Common Shares.***

We have never declared or paid any cash dividend on our Common Shares and do not currently intend to do so in the foreseeable future. We currently anticipate that we will retain future earnings for the development, operation and expansion of our business and do not anticipate declaring or paying any cash dividends in the foreseeable future. Therefore, the success of an investment in our Common Shares will depend upon any future appreciation in their value. There is no guarantee that our Common Shares will appreciate in value or even maintain the price at which you purchased them.

***If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about us, our share price and trading volume could decline.***

The trading market for our Common Shares will depend, in part, on the research and reports that securities or industry analysts publish about us or our operations. We do not have any control over these analysts and their research and reports. Securities and industry analysts do not currently, and may never, publish research on our business. If no security or industry analysts commence coverage on us, the trading price for our Common Shares would likely be negatively affected. In the event securities or industry analysts initiate coverage, if one or more of the analysts who cover us downgrade our shares or publish inaccurate or unfavorable research about our business, our share price would likely decline. In addition, if our operating results fail to meet the forecast of analysts, our share price would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our shares could decrease, which might cause our share price and trading volume to decline.

***After the completion of this offering, we may be at an increased risk of securities class action litigation.***

Historically, securities class action litigation has often been brought against a company following a decline in the market price of its securities. If we are listed on an exchange or quoted over-the-counter and our share price decreases and we were to be sued, it could result in substantial costs and a diversion of management's attention and resources, which could harm our business.

## USE OF PROCEEDS

We estimate that we will receive approximately \$17.8 million (based on an assumed initial public offering price of \$5.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus) in net proceeds from the sale of 4,000,000 Common Shares offered by us in this offering, after deducting the underwriting discounts and commissions and estimated offering expenses of approximately \$2.2 million payable by us.

The underwriters have an option to purchase up to 600,000 additional Common Shares at the public offering price less the underwriting discounts and commissions within 45 days after the date of this prospectus to cover-allotments, if any. Exercise by the underwriters of this option in full would result in additional net proceeds to us of approximately \$2.2 million.

We intend to use the net proceeds from this offering for property, plant and equipment, operations, working capital, and general corporate purposes. Property, plant and equipment include the construction of greenhouses estimated at \$3.5 million, an EU GMP post-harvest drying facility estimated at \$1.5 million, and an EU GMP extraction facility estimated at \$2 million.

Our management will have discretion in allocating the net proceeds in accordance with the above priorities and purposes. The amounts and timing of our actual expenditures will depend upon numerous factors, including the progress of our expansion and development efforts, whether or not we enter into strategic transactions, our general operating costs and expenditures, and the changing needs of our businesses.

Each \$1.00 increase (decrease) in the assumed initial public offering price of \$5.00 per Common Share (the midpoint of the price range set forth on the cover page of this prospectus) would increase (decrease) the net proceeds to us from this offering by approximately \$3.7 million, assuming the number of Common Shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting the underwriting discounts and commissions payable by us. We may also increase or decrease the number of Common Shares we are selling in this offering. An increase (decrease) of 1,000,000 in the number of Common Shares offered by us in this offering, as set forth on the cover page of this prospectus, would increase (decrease) the net proceeds to us from this offering by approximately \$4.6 million, assuming the assumed initial public offering price of \$5.00 per Common Share (the midpoint of the price range set forth on the cover page of this prospectus) remains the same, and after deducting the underwriting discounts and commissions payable by us.

We believe that our funds and the net proceeds from this offering will be sufficient to continue our businesses and operations as currently conducted through 2022; however, changing circumstances may cause us to consume capital significantly faster than we currently anticipate.

## **DIVIDEND POLICY**

We have never paid dividends on our Common Shares. We currently intend to retain all available funds and any future earnings to support operations and to finance the growth and development of our business. As such, we do not intend to declare or pay cash dividends on our Common Shares in the foreseeable future. Any future determination to pay dividends will be made at the discretion of our Board of Directors subject to applicable laws and will depend upon, among other factors, our earnings, operating results, financial condition and current and anticipated cash needs. Our future ability to pay cash dividends on our Common Shares may be limited by the terms of any then-outstanding debt or preferred securities.



## CAPITALIZATION

The following table sets forth our cash and cash equivalents, debt and capitalization as of September 30, 2021:

- on an actual basis;
- on a pro forma basis to give effect to (i) the conversion of the Debenture assuming a conversion price equal to an assumed initial public offering price of \$5.00 per Common Share in this offering (the midpoint of the price range set forth on the cover page of this prospectus); (ii) on a pro forma basis to give effect to the issuance of 2,280,400 Common Shares pursuant to the completion of the Private Placement at a price of \$2.50 per Common Share, after deducting underwriting discounts and commissions and estimated related expenses payable by us; (iii) on a pro forma basis to give effect to the issuance of 880,000 shares at a price of \$2.50 per Common Share to settle the Bridge Loan Facility; (iv) the issuance of 869,963 Common Shares to the ESG Trust, (v) the issuance of 13,129,212 Common Shares to Halo pursuant to the acquisition of Cannahealth Ltd, Bophelo Holdings Ltd, Canmart Ltd and Bophelo Bio Science and Wellness (Pty) Ltd.
- on a pro forma, as adjusted, basis to give effect to the above and the issuance of 4,000,000 Common Shares in this offering at an assumed initial public offering price of \$5.00 per Common Share (the midpoint of the price range set forth on the cover page of this prospectus), after deducting underwriting discounts and commissions and estimated offering expenses payable by us, as set forth in this prospectus.

You should read the following table in conjunction with the sections entitled “*Use of Proceeds*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*”, and our financial statements and the related notes thereto included elsewhere in this prospectus.

(in [thousands/millions], except share amounts)	As of 30 September, 2021		
	Actual <sup>(1)</sup>	Pro Forma <sup>(1)</sup>	Pro Forma, as Adjusted <sup>(3)</sup>
Cash and cash equivalents	\$ 959,832	\$ 6,204,752	\$ 24,048,201
Debt:			
Total current liabilities	\$11,313,959	\$ 3,304,188	\$ 3,304,188
Total non-current liabilities	\$ 3,405,581	\$ 3,405,581	\$ 3,405,581
Total debt:	\$14,719,540	\$ 6,709,769	\$ 6,709,769
Shareholders’ equity:			
Common Shares (28,136,797 issued, unlimited authorized)	\$ 251,775	\$ 29,560,069	\$ 47,403,517
Underwriter fee arrangement warrants issued	—	—	—
Retained earnings (accumulated deficit)	\$ (9,683,353)	\$ (12,607,730)	\$ (12,607,730)
Reserves	\$ 21,053	\$ 21,053	\$ 21,053
Other comprehensive income	\$ 196,568	\$ (13,127,438)	\$ (12,930,870)
Total shareholders’ equity (deficiency)	\$ (9,213,957)	\$ 4,042,522	\$ 21,885,971
Total capitalization	\$ 5,505,583	\$ 10,752,291	\$ 28,595,740

- (1) Based on the exchange rate of 15.33, which was the foreign exchange rate on September 30, 2021, as reported by the South African Revenue Service in its published historical rates for the South African Rand, and as used in our unaudited financial statements as of September 30, 2021.
- (2) Excludes 5,394,976 Common Shares reserved for future issuance under our Plan as well as any automatic evergreen increases in the number of Common Shares reserved for future issuance under our Plan.
- (3) The number of Common Shares on a pro forma as adjusted basis excludes Common Shares issuable upon exercise of warrants to be issued to the Representative of the underwriters as part of this offering at an exercise price of \$6.25 (assuming an initial public offering price of \$5.00 per share (the midpoint of the price range set forth on the cover page of this prospectus)).



## DILUTION

Purchasers of the Common Shares in this offering will experience immediate and substantial dilution to the extent of the difference between the initial public offering price per Common Share paid by the purchasers of the Common Shares in this offering and the pro forma, as adjusted net tangible book value per Common Share immediately after, and giving effect to, this offering. Dilution results from the fact that the initial public offering price per Common Share in this offering is substantially in excess of the net tangible book value per Common Share attributable to our existing shareholders for our presently outstanding Common Shares.

Our historical net tangible book value per Common Share is determined by dividing our net tangible book value, which is the book value of our total tangible assets less the book value of our total liabilities, by the number of outstanding Common Shares. As of September 30, 2021, the historical net tangible book value of our Common Shares was (\$11,540,241), or (\$1.89) per Common Share.

After giving effect to the (i) conversion of the Debenture assuming a conversion price equal to an assumed initial public offering price of \$5.00 per Common Share in this offering (the midpoint of the price range set forth on the cover page of this prospectus), (ii) sale by us of 4,000,000 Common Shares in this offering at an assumed initial public offering price of \$5.00 per Common Share (the midpoint of the price range set forth on the cover page of this prospectus), (iii) the settlement of the bridge loan facility owing to Ms. Mojela by way of an issuance of 880,000 Common Shares, (iv) the sale by us of 2,280,400 Common Shares in a private placement at an offering price of \$2.50 per share, after deducting underwriting discounts and commissions, and (v) the issuance of 869,963 Common Shares to the ESG Trust and (vi) receipt by us of the net proceeds of this offering, after deduction of the underwriting discounts and commissions and the estimated offering expenses payable by us, our pro forma, as adjusted net tangible book value as of September 30, 2021 would have been \$19,567,899, or \$0.68 per Common Share. The pro forma, as adjusted net tangible book value per Common Share immediately after the offering is calculated by dividing the pro forma, as adjusted net tangible book value of \$19,567,899 by 19,567,899 Common Shares (which is the pro forma, as adjusted Common Shares outstanding as of September 30, 2021). The difference between the initial public offering price per Common Share and the pro forma, as adjusted net tangible book value per Common Share represents an immediate increase in net tangible book value of \$4.32 per Common Share to our existing shareholders, and an immediate dilution in net tangible book value of \$4.32 per Common Share to purchasers of Common Shares in this offering.

The following table illustrates this dilution to purchasers in this offering on a per Common Share basis (*in thousands*):

Assumed initial public offering price per Common Share	\$ 5.00
Net tangible book value per Common Share before this offering (as of September 30, 2021)	\$(1.89)
Increase in net tangible book value per Common Share attributable to existing shareholders due to the issuance of Common Shares after September 30, 2021	\$(0.42)
Pro forma net tangible book value per Common Share before this offering (as of September 30, 2021)	\$(0.07)
Increase in net tangible book value per Common Share attributable to purchasers in this offering	\$ 0.61
Pro forma, as adjusted net tangible book value per Common Share immediately after this offering	\$ 0.68
Dilution in pro forma, as adjusted net tangible book value per Common Share to purchasers in this offering	\$ 4.32

Each \$1.00 increase (decrease) in the assumed initial public offering price of \$5.00 per Common Share (the midpoint of the price range set forth on the cover page of this prospectus) would increase (decrease) the pro forma, as adjusted net tangible book value per Common Share immediately after this offering by \$3,680,000, and the dilution in pro forma, as adjusted net tangible book value per Common Share to



purchasers in this offering by \$0.87, assuming the number of Common Shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting the underwriting discounts and commissions payable by us.

We may also increase or decrease the number of Common Shares we are selling in this offering. An increase (decrease) of 1,000,000 in the number of Common Shares offered by us in this offering, as set forth on the cover page of this prospectus, would increase (decrease) the pro forma, as adjusted net tangible book value per Common Share immediately after this offering by \$4,600,000, and the dilution in pro forma, as adjusted net tangible book value per Common Share to purchasers in this offering by (\$0.13), assuming the assumed initial public offering price of \$5.00 per Common Share (the midpoint of the price range set forth on the cover page of this prospectus) remains the same, and after deducting the underwriting discounts and commissions payable by us.

The table and information above assume no exercise by the underwriters of their option to purchase additional Common Shares in this offering. If the underwriters exercise in full their option to purchase up to 600,000 additional Common Shares from us, the pro forma, as adjusted net tangible book value per Common Share immediately after this offering would be \$0.77 per Common Share, and the dilution in pro forma, as adjusted net tangible book value per Common Share to purchasers in this offering would be \$4.23 per Common Share, in each case assuming an assumed initial public offering price of \$5.00 per Common Share (the midpoint of the price range set forth on the cover page of this prospectus), and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

The following table summarizes, as of September 30, 2021, on an adjusted pro forma basis as described above, the number of Common Shares acquired or to be acquired, and the total consideration and the average price per Common Share (i) paid to us by existing shareholders and (ii) to be paid by new investors purchasing Common Shares in this offering at an assumed initial public offering price of \$5.00 per Common Share (the midpoint of the price range set forth on the cover page of this prospectus), before deducting underwriting discounts and commissions and estimated offering expenses payable by us.

	Common Shares		Total Consideration		
	Number	Percent	Amount	Percent	Weighted Average Price Per Share
Existing shareholders	24,567,128	86.00%	\$31,733,188	64.34%	\$1.29
Purchasers in this offering	4,000,000	14.00%	\$20,000,000	38.66%	\$5.00
Total	<u>28,567,128</u>	<u>%</u>	<u>\$51,733,188</u>		<u>\$1.81</u>

Each \$1.00 increase (decrease) in the assumed initial public offering price of \$5.00 per Common Share (the midpoint of the price range set forth on the cover page of this prospectus) would increase (decrease) the total consideration paid by purchasers in this offering and the weighted average price per share paid by all shareholders by \$3,680,000 and \$0.14 per share, respectively, and in the case of an increase, would increase the percentage of total consideration paid by purchasers in this offering by 4.40%, and in the case of a decrease, would decrease the percentage of total consideration paid by purchasers in this offering by 5.14%, assuming the number of Common Shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting the underwriting discounts and commissions payable by us.

Similarly, an increase (decrease) of 1,000,000 in the number of Common Shares offered by us in this offering, as set forth on the cover page of this prospectus, would increase (decrease) the total consideration paid by purchasers in this offering and the weighted average price per share paid by all shareholders by \$4,600,000 and \$0.18 per share, respectively, and in the case of an increase, would increase the percentage of total consideration paid by purchasers in this offering by 5.41%, and in the case of a decrease, would decrease the percentage of total consideration paid by purchasers in this offering by 6.56%, assuming the assumed initial public offering price of \$5 per Common Share remains the same, and after deducting the underwriting discounts and commissions payable by us.

The table and information above assume no exercise by the underwriters of their option to purchase additional Common Shares in this offering. If the underwriters exercise in full their option to purchase up



to 600,000 additional Common Shares from us, the number of Common Shares underlying the Common Shares held by purchasers in this offering would be increased to 4,600,000 Common Shares, or 42.02% of the total number of Common Shares outstanding immediately after this offering, and the percentage of Common Shares held by our existing shareholders would be reduced to 57.98% of the total number of Common Shares outstanding immediately after this offering.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the section of this prospectus entitled “Business”, and our financial statements, pro forma combined financial statements and related notes thereto, included elsewhere in this prospectus. In addition to historical financial information, the following discussion contains forward-looking statements that reflect our current plans, expectations, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this prospectus, particularly in the sections entitled “Risk Factors” and “Cautionary Note Regarding Forward-Looking Statements.”*

### Overview

We are a cannabis cultivation, manufacturing and distribution company whose mission is to provide premium quality medical cannabis products to patients worldwide. We are an early stage, emerging growth company headquartered in London, the United Kingdom. We have a limited operating history and minimal revenues to date.

Akanda was incorporated in July 2021 in connection with Halo’s plan to reorganize its medical cannabis market focused international business assets. On September 29, 2021, we entered into a share purchase agreement with Halo, pursuant to which we acquired such assets and as a result, Cannahealth, Bophelo Holdings, Canmart and Bophelo became our wholly-owned subsidiaries as of the closing of the transaction on November 3, 2021. Please see a discussion of the Acquisition and the diagram summarizes our legal entity structure following the closing of the Acquisition and the Halo Transfer under “**Prospectus Summary — Our History and Relationship with Halo.**”

Akanda, Cannahealth and Bophelo Holdings are holding companies which had no trading related operational activities to date, other than commercial activities which are solely related to their function as group and intermediate holding companies respectively.

Bophelo commenced operations including establishing sites and first phase construction and starting site preparation activities in 2018. Bophelo’s cultivation facility in the Kingdom of Lesotho is licensed to cultivate cannabis over an initial 5 hectare canopy area, with conditional approval from local authorities to extend its cultivation area up to 200 hectares in total. At present, the company is cultivating cannabis over a 0.3 hectare area and is in the process of expanding it by a further 1.5 to 2 hectares. During 2019 and 2020, Bophelo did not generate any revenue from a commercial harvest, although it completed a number of successful harvests for non-commercial purposes. Bophelo conducted its first sale of high-grade flower to a local buyer in March 2021 and has entered into distribution agreements with European based distributors. As we continue to build out and upgrade our facilities to meet EU standards, we aim to commence exporting medical cannabis biomass to Europe in 2022. From 2023 and beyond, we plan to expand our product offering to include cannabis oils and extracts, and ultimately, to produce consumer branded cannabis products for discerning patients.

Canmart commenced importing and distributing CBPMs in 2020 and has generated a small amount of revenue (less than \$25,000) since its inception resulting from the sale of CBPMs to patients in the United Kingdom. Under the current controlled drugs regulatory regime, Canmart is only able to supply to dispensing pharmacists, clinics and other wholesale distributors. However, Canmart’s intention is to establish direct sales channels to patients through Canmart owned and operated clinics and pharmacies.

As the closing of the Acquisition occurred in November 2021, set forth below is a discussion of the financial condition and operating results of each of Akanda, Cannahealth, Bophelo Holdings, Bophelo and Canmart for their respective historical reporting periods, on a stand-alone basis.

### Akanda Corp.

Akanda was formed in Ontario, Canada on July 16, 2021 as a holding company. The discussion below regarding Akanda’s historical financial condition and operation results is limited to the reporting period since its inception to a recent practical date.



**Results of Operations**

*Reporting Period from July 16, 2021 (inception) through August 31, 2021*

The following table sets forth key components of Akanda's results of operations for the reporting period from July 16, 2021 (inception) through August 31, 2021.

	July 16, 2021 (Inception) to August 31, 2021
<b>Operating expenses:</b>	
Legal fees	\$ 31,898
<b>Total operating expenses</b>	<b>31,898</b>
Loss from operations	(31,898)
<b>Net and comprehensive loss</b>	<b>\$ (31,898)</b>

As a holding company, Akanda had no operations to date. During the period ended August 31, 2021, it had incurred legal expenses of \$31,898.

**Liquidity and Capital Resources**

Our principal liquidity requirements are for working capital and capital expenditures. Historically, we funded our liquidity requirements primarily through cash on hand which is from the issuance of shares. We did not have, during the reporting period, and we do not currently have any contractual obligations for ongoing capital expenditures.

The following table summarizes our cash flows from operating, investing and financing activities:

	Period Ended August 31,	
	2021	Change
Cash used in operating activities	\$ 4,263	Not Applicable
Cash used in investing activities	\$ —	Not Applicable
Cash provided by financing activities	\$ 250,001	Not Applicable

**Cash Flows from Financing Activities***Share Capital and Seed Financing*

During the period from July 16, 2021 (inception) through August 31, 2021, Akanda issued a total of share capital of \$250,001. Shortly after the formation of Akanda on July 16, 2021, Akanda issued a total of 5,626,805 Common Shares at a price of \$0.0000001 each to Louisa Mojela (1,875,602 Common Shares), Tejinder Virk (1,875,602 Common Shares) and Raj Beri (includes 937,801 Common Shares held of record by ERB Investment Holdings, LLC and 937,801 Common Shares held of record by S&G Holdings, Ltd. Both ERB Investment Holdings, LLC and S&G Holdings, Ltd. are wholly owned and controlled by Raj Beri).

*Short Term Loan*

During the period from July 16, 2021 (inception) through August 31, 2021, Akanda received a loan from Halo in the amount of \$4,263 to pay certain legal expenses. This loan is repayable on demand and bears no interest.

*Subsequent Events*

In November 2021, the Company issued 880,000 Common Shares, at a price of \$2.50 per share, to Louisa Mojela, our Executive Chairman, to settle Bophelo's indebtedness to her in the aggregate amount of



\$2,200,000 under the Mojela Bridge Financing Facility. See “*Certain Relationships and Related Party Transactions — Our Transactions with Our Executive Chairman.*”

In November 2021, the Company completed the initial closing of a private placement to accredited investors of 2,126,400 Common Shares, at a purchase price of \$2.50 per share, for approximately \$5,316,000 in gross proceeds and on January 17, 2022, the Company completed a second closing to accredited investors of 154,000 Common Shares at a purchase price of \$2.50 per share, for approximately \$385,000 (the “Private Placement”). An additional and final closing of the offering took place on January 26, 2022 for a further subscription of 4,000 common shares and \$19,982 in gross proceeds.

Boustead Securities, LLC received under the Private Placement: (a) a commission equal to 7% of the gross proceeds and (b) a non-accountable expense allowance equal to 1% of the gross proceeds. The issuances of the above Common Shares were deemed to be exempt from registration under the Securities Act in reliance upon Section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder as transactions by an issuer not involving any public offering. The sale and issuance of Common Shares to investors outside the United States under the Private Placement was also in reliance upon Regulation S promulgated under the Securities Act.

### ***Critical Accounting Policies and Significant Judgments and Estimates***

Please refer to Note 4 of Akanda’s audited financial statements from July 16, 2021 (inception) through August 31, 2021 included in this prospectus.

### ***Off-Balance Sheet Arrangements***

We did not have, during the reporting period, and we do not currently have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditure or capital resources that is material to investors.

### ***Reporting Period from July 16, 2021 (inception) through September 30, 2021***

The following table sets forth key components of Akanda’s results of operations for the reporting period from July 16, 2021 (inception) through September 30, 2021.

	July 16, 2021 (Inception) to September 30, 2021
<b>Operating expenses:</b>	
Accounting and audit fees	\$ 16,822
Consultant fees	32,904
Directors’ remuneration	12,275
Legal fees	39,474
Total operating expenses	101,475
<b>Other income:</b>	
Foreign exchange gains	\$ 5,296
Total other income	5,296
<b>Net loss</b>	) (96,179
Other comprehensive loss	) (102
<b>Net and comprehensive loss</b>	\$ ) (96,281

As a holding company, Akanda had not had any trading related operations to date, other than transactions incurred in relation to its function as a holding company for group entities. During the period ended September 30, 2021, it had incurred legal expenses of \$39,474 as a result of corporate activity and transaction related legal fees in respect of the acquisition of Cannahealth Limited which was concluded on or around November 3, 2021.



Akanda incurred consulting fees of \$32,904 which related to advisory fees paid to our underwriters in connection with the private placement and the offering.

Directors remuneration costs of \$12,275 was incurred in relation to non-executive director fee accruals which commenced with effect from September 1, 2021.

The Company also incurred accounting and audit fees of \$16,822 during the period ending September 30, 2021 in relation to the preparation and of the Company's audited financial statements.

### ***Liquidity and Capital Resources***

Our principal liquidity requirements are for working capital and capital expenditures. Historically, we funded our liquidity requirements primarily through cash on hand which is from the issuance of shares. We did not have, during the reporting period, and we do not currently have any contractual obligations for ongoing capital expenditures.

The following table summarizes our cash flows from operating, investing and financing activities for the period ended September 30, 2021:

	Period Ended September 30,	
	2021	Change
Cash used in operating activities	\$ (9,420)	Not Applicable
Cash used in investing activities	\$ —	Not Applicable
Cash provided by financing activities	\$ 254,227	Not Applicable

### ***Cash Flows from Operating Activities***

#### ***Operating expenses***

During the period from July 16, 2021 (inception) through September 30, 2021, Akanda's working capital investment decreased by \$92,055 as a result of an increase in accounts payable relating to accrued legal, consulting and audit fees. After taking this net working capital movement into consideration, the Company's net use of cash to fund operating activities, after considering the effects of foreign exchange movements recorded in profit and loss, was \$9,420.

### ***Cash Flows from Financing Activities***

#### ***Share Capital and Seed Financing***

During the period from July 16, 2021 (inception) through September 30, 2021, Akanda issued a total of share capital of \$250,001. Shortly after the formation of Akanda on July 16, 2021, Akanda issued a total of 5,626,805 Common Shares at a price of \$0.0000001 each to Louisa Mojela (1,875,602 Common Shares), Tejinder Virk (1,875,602 Common Shares) and Raj Beri (includes 937,801 Common Shares held of record by ERB Investment Holdings, LLC and 937,801 Common Shares held of record by S&G Holdings, Ltd. Both ERB Investment Holdings, LLC and S&G Holdings, Ltd. are wholly owned and controlled by Raj Beri). On August 26, 2021, the Company sold 468,900 Common Shares to an accredited investor at a subscription price of \$0.53 and received \$250,000 in gross proceeds in a private placement in reliance on Section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder. Boustead Securities, LLC served as the placement agent for the Seed Financing and waived any commission for this transaction.

#### ***Short Term Loan***

During the period from July 16, 2021 (inception) through September 30, 2021, Akanda received a loan from Halo in the amount of \$4,226 to pay certain legal expenses. This loan is repayable on demand and bears no interest.

### *Subsequent Events*

In November 2021, the Company issued 880,000 Common Shares, at a price of \$2.50 per share, to Louisa Mojela, our Executive Chairman, to settle Bophelo's indebtedness to her in the aggregate amount of \$2,200,000 under the Mojela Bridge Financing Facility. See "***Certain Relationships and Related Party Transactions — Our Transactions with Our Executive Chairman.***"

In November 2021, the Company completed an initial first closing of a private placement to accredited investors of 2,126,400 Common Shares, at a purchase price of \$2.50 per share, for approximately \$5,316,000 in gross proceeds and on January 17, 2022, the Company completed a second closing to accredited investors of 154,000 Common Shares at a purchase price of \$2.50 per share, for approximately \$385,000 (the "Private Placement"). An additional and final closing of the offering took place on January 26, 2022 for a further subscription of 4,000 common shares and \$19,982 in gross proceeds.

On September 28, 2021, Halo Collective Inc. ("Halo"), entered into a share purchase agreement (the "Purchase Agreement") with Akanda Corp. in connection with the sale and purchase of its international assets (the "Transaction"). These international assets comprise Halo's investments in Bophelo Bio Science & Wellness (Pty) Ltd, Canmart Ltd., Bophelo Holdings Ltd. and Cannahealth Ltd. The Purchase Agreement became unconditional on or around 3 November 2021 and the Transaction with Halo was successfully completed.

Prior to the completion of the Transaction, Halo completed an internal reorganization, pursuant to which Halo's international assets in the UK & Lesotho namely Canmart Ltd, Bophelo Holdings Ltd and Bophelo Bio Science & Wellness (Pty) became, directly or indirectly, wholly owned subsidiaries of Cannahealth Ltd. In accordance with the terms of the Purchase Agreement, Halo sold 100% of the issued and outstanding shares of Cannahealth Ltd to the Company in exchange for 13,129,212 common shares in the capital of the Company ("Akanda Shares"), representing aggregate consideration of USD \$13,129,212.

In conjunction with the Transaction, Akanda entered into a secured convertible debenture agreement with Halo on or around November 3, 2021. The debenture agreement has a principal amount of USD 6,559,294 and bears interest at a rate of 1% per annum. The amount due to Halo pursuant to the debenture agreement, comprising the principal amount and accrued interest payable respectively, ranks as a senior obligation of the Company in preference to other creditors. The debt is secured by way of a pledge of the Company's shareholding in Cannahealth Ltd as well as by a general security interest granted to Halo in the assets of the Company, with the exception of any ownership interest or securities indirectly owned by the Company in Bophelo Bio Science & Wellness (Pty) Ltd. The debt is subject to automatic conversion into common shares of the Company upon the occurrence of a triggering event, which includes an initial public offering of the Company's securities or an amalgamation, merger or takeover of the Company by a third party, and is repayable by November 2, 2022. In addition to automatic conversion in terms of the triggering event, the debenture is convertible into common shares of the Company at its own election. In the event of the debenture being converted to common shares of the Company as a result of a triggering event or at election of the Company, the conversion price shall be the current market price of the Company at the time of the occurrence of the triggering event, or in the case where no triggering event has taken place, then at the price of the last private placement of the Company where more than USD \$1,000,000 has been raised.

### **Cannahealth Limited**

Cannahealth was formed on July 1, 2020 in Malta and was intended to be a holding company. The discussion below regarding Cannahealth's historical financial condition and operation results is limited to the period since its inception to December 31, 2020, and the nine months ended September 30, 2021.

### ***Results of Operations***

#### *Reporting Period from July 1, 2020 (inception) through December 31, 2020*

The following table sets forth key components of Cannahealth's results of operations for the reporting period from July 1, 2020 (inception) through December 31, 2020.

	Note	July 1, 2020 (Inception) to December 31, 2020
Net sales		\$ —
<b>Net and Comprehensive loss</b>		<b>\$ —</b>

As a holding company, Cannahealth had no operations to date.

### Liquidity and Capital Resources

Cannahealth's principal liquidity requirements are for working capital. Historically, Cannahealth funded its liquidity requirements primarily through cash on hand which was from the issuance of shares.

	July 1, 2020 (Inception) to December 31, 2020	Change
Cash used in operating activities	\$ —	Not Applicable
Cash used in investing activities	\$ —	Not Applicable
Cash provided by financing activities	\$ 1,477	Not Applicable

### Cash Flows from Financing Activities

#### Share issuance

On July 1, 2020, Cannahealth issued 1,200 shares for \$1,477.

### Critical Accounting Policies and Significant Judgments and Estimates

Please refer to Note 4 of Cannahealth's audited financial statements from July 1, 2020 (inception) through December 31, 2020 included in this prospectus.

### Off-Balance Sheet Arrangements

Cannahealth did not have, during the reporting period, and does not currently have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditure or capital resources that is material to investors.

### Reporting Period from July 1, 2020 (inception) through September 30, 2020 and the Nine Months ended September 30, 2021

The following table sets forth key components of Cannahealth's results of operations for the reporting period from July 1, 2020 (inception) through September 30, 2020, and the nine months ended September 30, 2021.

	January 1, 2021 to September 30, 2021	July 1, 2020 (Inception) to September 30, 2020
Net sales	\$ —	—
Other comprehensive income:		
Foreign exchange loss	) (81	—
<b>Net and comprehensive loss</b>	<b>\$ ) (81</b>	<b>—</b>

As an intermediate holding company, Cannahealth has not undertaken any trading related operating activities since its inception on July 1, 2020, other than activities related to its function as an intermediate holding company. For the nine months ended September 30, 2021, Cannahealth incurred foreign exchange translation losses of \$81 on translation of its Euro denominated cash holding at September 30, 2021.





## Liquidity and Capital Resources

Cannahealth's principal liquidity requirements are for working capital. Historically, Cannahealth funded its liquidity requirements primarily through cash on hand which was from the issuance of shares.

The following table summarizes our cash flows from operating, investing and financing activities:

	January 1, 2021 to September 30,	July 1, 2020 (Inception) to September 30,	
	2021	2020	Change
Cash used in operating activities	\$—	\$ —	Nil
Cash used in investing activities	\$—	\$ —	Nil
Cash provided by financing activities	\$ —	\$ 1,477	\$ (1,477)

### Cash Flows from Financing Activities

#### Share issuance

On July 1, 2020, Cannahealth issued 1,200 shares for proceeds of \$1,477. Cannahealth has not undertaken any other financing activities since July 1, 2020.

### Critical Accounting Policies and Significant Judgments and Estimates

Please refer to Note 4 of Cannahealth's audited financial statements from July 1, 2020 (inception) through December 31, 2020 included in this prospectus.

### Off-Balance Sheet Arrangements

Cannahealth did not have, during the reporting period, and does not currently have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditure or capital resources that is material to investors.

## Bophelo Holdings Ltd.

Bophelo Holdings was formed on August 4, 2021 in the United Kingdom as a holding company. The discussion below regarding Bophelo Holdings' historical financial condition and operation results is limited to the period since its inception to August 31, 2020.

## Results of Operations

### Reporting Period from August 4, 2021 (inception) through August 31, 2021

The following table sets forth key components of our results of operations for the reporting period from August 4, 2021 (inception) through August 31, 2021.

	Note	August 4, 2021 (Inception) to August 31, 2021
Net sales		\$ —
Comprehensive loss		\$ —

As a holding company, Bophelo Holdings had no operations to date.

## Liquidity and Capital Resources

Bophelo Holdings' principal liquidity requirements are for working capital. Historically, Bophelo Holdings funded its liquidity requirements primarily through cash on hand which was from the issuance of shares.



	Period Ended August 31,	
	2021	Change
Cash used in operating activities	\$ —	Not Applicable
Cash used in investing activities	\$ —	Not Applicable
Cash provided by financing activities	\$ 138	Not Applicable

### ***Cash Flows from Financing Activities***

#### *Share issuance*

On August 4, 2021, Bophelo Holdings issued 100 shares for \$138.

### ***Critical Accounting Policies and Significant Judgments and Estimates***

Please refer to Note 4 of Bophelo Holdings' audited financial statements from August 4, 2021 (inception) through August 31, 2021 and the unaudited condensed financial statements from August 4, 2021 (inception) through September 30, 2021 included in this prospectus.

### ***Off-Balance Sheet Arrangements***

Bophelo Holdings did not have, during the reporting period, and it does not currently have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditure or capital resources that is material to investors.

#### *Reporting Period from August 4, 2021 (inception) through September 30, 2021*

The following table sets forth key components of our results of operations for the reporting period from August 4, 2021 (inception) through September 30, 2021.

	August 4, 2021 (Inception) to September 30, 2021
Net sales	\$ —
Foreign exchange translation through other comprehensive loss	) (3
<b>Net and Comprehensive loss</b>	<b>\$ ) (3</b>

As a holding company, Bophelo Holdings had no operations to date. From inception (August 4, 2021) through to the period ending September 30, 2021, Bophelo Holdings incurred an exchange loss of \$3 on translation of its cash balance of \$135 from Great British Pounds to US Dollars at September 30, 2021.

The following table summarizes our cash flows from operating, investing and financing activities:

### ***Liquidity and Capital Resources***

Bophelo Holdings' principal liquidity requirements are for working capital. Historically, Bophelo Holdings funded its liquidity requirements primarily through cash on hand which was from the issuance of shares.

	Period Ended September 30,	
	2021	Change
Cash used in operating activities . . . . .	\$ —	NotApplicable
Cash used in investing activities . . . . .	\$ —	NotApplicable
Cash provided by financing activities	\$ 138	NotApplicable



### ***Cash Flows from Financing Activities***

#### ***Share issuance***

On August 4, 2021, Bophelo Holdings issued 100 shares for \$138. There have not been any further financing activities or cash transactions since that date through to the period ending September 30, 2021.

### ***Critical Accounting Policies and Significant Judgments and Estimates***

Please refer to Note 4 of Bophelo Holdings' audited financial statements from August 4, 2021 (inception) through August 31, 2021 and the unaudited condensed financial statements from August 4, 2021 (inception) through September 30, 2021 included in this prospectus.

### ***Off-Balance Sheet Arrangements***

Bophelo Holdings did not have, during the reporting period, and it does not currently have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditure or capital resources that is material to investors.

### **Bophelo Bio Science & Wellness Pty Ltd**

Bophelo was formed in the Kingdom of Lesotho on July 5, 2018 and commenced operations in 2018.

### **Results of Operations**

*Year Ended December 31, 2020 Compared to the Year Ended December 31, 2019 and the Nine Months Ended September 30, 2021 and 30 September, 2020*

The following table sets forth key components of Bophelo's results of operations for the year ended December 31, 2020 compared to the year ended December 31, 2019 and the nine months ended September 30, 2021 and September 30, 2020.

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020	Year Ended December 31, 2020	Year ended December 31, 2019
Sales	\$ —	\$ —	\$ —	\$ —
Cost of sales	—	—	—	—
Gross profit	—	—	—	—
Amortization and depreciation	231,427	173,971	248,743	198,824
Consulting and professional fees	504,866	454,721	701,985	365,641
Biological Assets costs	—	—	58,429	—
Short term accommodation expense	—	31,912	45,482	26,269
Office expenses	33,216	14,171	26,874	13,116
Personnel expenses	955,032	223,345	374,900	100,256
Travel expenses	57,063	4,789	5,154	30,582
General & Administration expenses	1,317,292	163,654	201,768	166,515
Loss from operations	(3,098,896)	(1,066,363)	(1,663,334)	(901,203)
Interest income	25,782	9,529	10,187	399
Interest expenses	(393,186)	(487,069)	(645,162)	(493,807)
Net loss before income tax	(3,466,300)	(1,544,103)	(2,298,310)	(1,394,611)
Income tax expense	—	—	—	—



	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020	Year Ended December 31, 2020	Year ended December 31, 2019
Net Loss for the year	(3,466,300)	(1,544,103)	(2,298,310)	(1,394,611)
Other comprehensive income:				
Foreign currency translation	83,016	604,902	150,742	)(42,565
<b>Total comprehensive loss for the year</b>	<b>(3,383,284)</b>	<b>(939,201)</b>	<b>(2,147,568)</b>	<b>(1,437,176)</b>
<b>Basic and diluted loss per ordinary share</b>	<b>) (16)</b>	<b>) (6.95)</b>	<b>) (9.66)</b>	<b>) (33.26)</b>
<b>Weighted average number of ordinary shares outstanding</b>	<b>222,212</b>	<b>222,212</b>	<b>222,212</b>	<b>43,206</b>

### Revenue

During the years ended December 31, 2020 and 2019, and through to the nine months ended September 30, 2021, Bophelo has not generated any revenue from its operations as it has been in a start-up phase since its inception in 2018 and has focused on developing its cultivation site in the Kingdom of Lesotho and cultivating cannabis for the purpose of optimizing its strain selection and cultivation practices, rather than for commercial purposes. Additionally, Bophelo has not yet completed a full cannabis harvest cycle under GACP accredited conditions. At present, Bophelo expects its first completed harvest under GACP accredited conditions to take place in March/April 2022. GACP accreditation is an important requirement to improve the prospects of Bophelo having the ability to find a commercial buyer for its harvested product.

### Net Loss and Total Comprehensive Loss

For the years ended December 31, 2020 and 2019, Bophelo incurred a net loss of \$2,298,310 and \$1,394,611, respectively, and a comprehensive loss of \$2,147,568 and \$1,437,176, respectively, which consisted primarily of consulting and professional fee expenses of \$701,985 and \$365,641, respectively, personnel expenses of \$374,900 and \$100,256, respectively, and general and administrative expenses of \$201,768 and \$166,515, respectively. The increase in net loss was due primarily to additional operating expenses being incurred to set up the business in Lesotho prior to the launch of commercial sales, which we expect to occur in 2022. For the nine months ended September 30, 2021, Bophelo incurred a net loss of \$3,666,300 and a comprehensive loss of \$3,383,284 compared to a net loss and comprehensive loss of \$1,544,103 and \$939,201. The increase in losses compared to the years ended December 31, 2020 and 2019 is due to increased expenses relating to an uptake in operational and cultivating activities during the nine months ended September 30, 2021, mainly as result of the build out of the shade cloth cultivation facility and other site ramp up and build out activities.

### Amortization and Depreciation

Amortization and depreciation expenses increased from \$198,824 for the year ended December 31, 2019 to \$248,743 for the year ended December 31, 2020. The increase in the amortization and depreciation expenses recorded during the year was due to depreciation charges on additional items of property, plant and equipment that were acquired and brought into use during 2020. Additionally, a full 12 month's depreciation on Bophelo's right-of-use lease asset was recognized during 2020 compared to the prior year in which its right-of-use asset commenced in April 2019 upon the inception of the lease arrangement. For the nine months ended September 30, 2021, amortization and depreciation charges amounted to \$231,427 (\$173,971 in 2020) as a result of additional amortization and depreciation on intangible assets (the Company's cannabis operating license) and property, plant and equipment that was in place at January 1, 2021 as well due to additional depreciation on new additions to property, plant and equipment that took place during the nine months ended September 30, 2021.

### Consulting and Professional Fees

The consulting and professional fees incurred increased from \$365,641 in the year ended December 31, 2019 to \$701,985 for the year ended December 31, 2020. This increase in consulting and professional fees





resulted from the increased operations relating to the set-up of the business in the Kingdom of Lesotho, as well as the corporate actions undertaken in connection with the sale of Bophelo to Halo pursuant to a purchase and sale agreement, which was closed in 2020 (the “Merger”). Furthermore, in 2020, Bophelo incurred professional fees in relation to the procurement of its GACP certification, which it obtained in August 2021. During the nine months ended September 30, 2021, Bophelo incurred a further \$504,866 (\$454,721 in 2020) in consulting and professional fees, primarily due to an increase in consulting fees related to the management and administration of Bophelo’s business and operations in the Kingdom of Lesotho as a result of increased operational activity during the nine month period ending September 30, 2021.

#### *Biological Assets Costs*

Biological assets costs of \$58,429 were recorded for the year ended December 31, 2020 compared to an amount of \$ nil in the prior year. These costs related to the write-down in the fair value of biological assets (cannabis plants that were still being cultivated and were yet to be harvested at December 31, 2020). The aforementioned fair value adjustment had the effect of writing the fair value of Bophelo’s biological assets to \$ nil as these plants had been cultivated prior to Bophelo receiving its GACP certification, and in such circumstances, the fair value of these biological assets could not be measured reliably due to the lack of an observed active market for cannabis biomass produced outside of the GACP conditions. For the nine months ended September 30, 2021, Bophelo did not incur any expenses relating to biological assets. Due to the cyclical harvest season, Bophelo did not have any biological assets at September 30, 2021.

#### *General and Administration Expenses*

Bophelo incurred general and administration expenses of \$201,768 and \$166,515 for the years ended December 31, 2020 and December 31, 2019 respectively. These costs consisted mainly of a broad range of site related operational expenses such as utilities, fuel costs, import duties, security expenses, repairs and maintenance and consumables. These costs increased slightly compared to the prior period mainly due to increased activity on site as the ramp up of the facility continues. Bophelo incurred further general and administration expenses of \$1,317,292 and \$163,654 for the nine months ended September 30, 2021 and September 30, 2020 respectively. The year-on-year increase is mainly due to increased operational expenditure, most notably consumables costs (which increased from \$59,860 in 2020 to \$630,152 in 2021), resulting from the uplift in site activity and the increased planting and harvesting activity of noncommercial cannabis crops as well as due to increased infrastructure build out.

#### *Personnel Expenses*

Bophelo incurred personnel expenses of \$374,900 for the year ended December 31, 2020 compared to \$100,256 for the year ended December 31, 2019. The increase in personnel expenses was due to increased operational staff for Bophelo’s cultivation operations in the Kingdom of Lesotho. Additional staff were hired due to a ramp-up of cultivation activities as well as site build-out activities. Furthermore, Halo seconded several senior cultivation staff members to Bophelo in order to assist with the set-up of operations. For the nine months ended September 30, 2021, Bophelo experienced a significant increase in personnel expenses amounting to \$955,032 for the nine month period, compared with \$374,900 and \$100,256 for the years ended December 31, 2020 and 2019 respectively. Personnel expenses significantly increased to \$955,032 (\$223,345 in 2020) during the past nine months primarily due to a large number of casual waged workers being hired to assist with the build out of Bophelo’s new shade cloth cultivation areas, as well to assist with other site build out activities relating to general infrastructure needed on the site.

#### *Interest Expense*

Bophelo incurred interest expense of \$645,162 for the year ended December 31, 2020 compared to interest expense of \$493,807 for the year ended December 31, 2019. The increase in interest expense was primarily due to the interest expense unwind relating to the lease liability that was recognized on inception of the lease of Bophelo’s premises in T’sakohlo in April 2019. Interest expense implicit in the lease were compounded by the fact that Bophelo did not make lease payments under the lease until after the year ended December 31, 2020. Additionally, interest expense increased due to the cumulative effect of increased borrowings, most notably as a result of the interest bearing loan received from Louisa Mojela in the latter



half of 2019. Bophelo incurred a further \$393,186 in interest expense during the nine months ended September 30, 2021 compared to \$487,069 for the comparative period ending September 30, 2020. As was seen in the years ending December 31, 2020 and 2019, this interest expenses was incurred in relation to the interest bearing loan received from Louisa Mojela and interest expense relating to the unwind of the long term lease liability related to the lease of Bophelo's premises in the Kingdom of Lesotho. The decrease compared to the prior period was due to the diminishing balance of the lease liability on a year-on-year basis.

#### *Interest income*

Interest income for the year ended December 31, 2020 was \$10,187 compared to \$399 for the year ended December 31, 2019. This increase was related to interest received during the 2020 year as a result of Bophelo experiencing increased average cash balances throughout the year. Similarly, interest income increased to \$25,782 for the nine months ended September 30, 2021 compared to the none months ending September 30, 2020 which saw interest income of \$9,529. Again, the increase was due to higher average cash balances being experienced throughout the current period compared to the prior year.

#### *Foreign Currency Translation*

The foreign exchange gain/(loss) is recognized on the translation of the financial statements from Lesotho Loti to United States Dollar. The Lesotho Loti is the functional currency of Bophelo while the United States Dollar is its reporting currency. The exchange gains and losses have not been incurred on any transactions or balances held by Bophelo in a different currency. Furthermore, due to foreign currency rates between the Loti and the US Dollar stabilizing during the nine months ended September 30, 2021, the effect of foreign currency translation movements decreased compared to the prior year

#### **Liquidity and Capital Resources**

Bophelo' principal liquidity requirements are for working capital and capital expenditures. Historically, Bophelo funded its liquidity requirements primarily through cash on hand, and debt financing, including from officers and shareholders. As of December 31, 2020, Bophelo had \$10,120 of cash and cash equivalents, with \$818,447 as of December 31, 2019. As of September 30, 2021 and September 30, 2020, Bophelo had cash and cash equivalent balances of \$480,444 and \$69,379 respectively.

The following table summarizes our cash flows from operating, investing and financing activities:

	Year Ended December 31, 2020	Year Ended December 31, 2019	Change
Cash used in operating activities	\$(1,353,959)	\$ (660,007)	\$ (693,932)
Cash used in investing activities	\$ (432,203)	\$ (677,143)	\$ (244,942)
Cash provided by financing activities	\$ 1,032,008	\$2,116,312	\$(1,084,304)

	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020	Change
Cash used in operating activities	\$ (2,774,139)	\$ (690,371)	\$ (2,083,768)
Cash used in investing activities	\$ (554,858)	\$ (381,169)	\$ (173,699)
Cash provided by financing activities	\$ 4,070,078	\$ 239,864	\$ 3,830,214

#### **Cash Flow Used in Operating Activities**

For the year ended December 31, 2020, net cash flows used in operating activities amounted to \$1,353,959 compared to \$660,007 used during the year ended December 31, 2019, respectively, primarily due to increased operating expenditure related to the establishment and running of the business. For the nine months ended September 30, 2021 and September 30, 2020, Bophelo used an additional \$2,083,768 in cash to fund operating activities compared to the prior period. This was due to increased operation expenditure linked to increased site activity.



### ***Cash Flows Used in Investing Activities***

During the year ended December 31, 2020, Bophelo used \$432,203 in investing activities related to the leasing of a right of use asset and foreign exchange variances on Bophelo's property, plant and equipment and intangible assets. During the year ended December 31, 2019, Bophelo used \$677,145 in investing activities relating to the purchase of property, plant and equipment and foreign exchange variances on Bophelo's property, plant and equipment and intangible assets. For the nine months ended September 30, 2021 and September 30, 2020, Bophelo used an additional \$173,699 compared to the prior period in cash to fund investment activities compared to the prior period. This was due to increased investment in property, plant and equipment linked to increased site expansion and build out.

### ***Cash Flows from Financing Activities***

During the year ended December 31, 2020, Bophelo had cash flow provided by financing activities of \$1,032,008 compared to cash flow provided by financing activities of \$2,116,312 in 2019, representing a decrease of \$1,084,304 in the amount of cash raised from financing activities on a year-on year basis. This decrease was primarily the result of Bophelo, during the year ended December 31, 2019, having taken out a long-term lease on land and buildings and an increase in loans and borrowings received by Bophelo. For the nine months ended September 30, 2021 and September 30, 2020, Bophelo received an additional \$3,830,213 compared to the prior period in cash as a result of increased borrowings from its then parent company, Halo Collective Inc. The increase in borrowings was necessary to fund operating expenditure and site build out activities.

### ***Outstanding Affiliate Loans***

As of December 31, 2020, Bophelo had a total outstanding loan balance of \$1,552,487 with Louis Mojela, Bophelo's Executive Chairman and director. This included (1) an outstanding balance of \$1,350,813 (L19,978,524) under the Mojela Bridge Financing Facility; (2) a loan of \$190,444 (L2,816,667), which does not bear interest and has no fixed terms of repayment; and (3) a loan of \$11,230 (L166,092) which related to unpaid interest accrued on a loan that had its capital amount (but not interest) repaid during the year ended December 31, 2020. The capital value of the aforementioned loan that was repaid was \$135,226 (L1,999,993).

As of September 30, 2021, Bophelo had a total outstanding loan balance of \$1,741,017 (L26,689,791) with Louis Mojela, Bophelo's Executive Chairman and director. This included (1) an outstanding balance of \$1,490,101 (L22,843,248) under the Mojela Bridge Financing Facility; (2) a loan of \$183,736 (L2,816,673), which does not bear interest and has no fixed terms of repayment; and (3) a loan of \$12,139 (L186,091) which related to unpaid interest accrued on a loan that had its capital amount (but not interest) repaid during the year ended December 31, 2020. The capital value of the aforementioned loan that was repaid was \$135,226 (L2,073,015). See a discussion of the Mojela Bridge Financing Facility under "***Certain Relationships and Related Party Transactions — Our Transactions with Our Executive Chairman.***"

As of December 31, 2020, Bophelo had a total outstanding loan balance of \$4,688,226 with Halo, which assumed certain former shareholders' loans following the Merger. The loans from Halo do not have a fixed repayment date and are interest free. As of September 30, 2021, Bophelo had a total outstanding loan balance of \$8,862,425 with Halo, which increased compared to the prior year due additional borrowings necessary to fund Bophelo's operations and build out. The loans from Halo do not have a fixed repayment date and are interest free. As part of the Halo transaction and the internal reorganization, these loans were acquired from Halo by Akanda and its subsidiaries on or around November 3, 2021 and Akanda simultaneously entered into a debenture agreement with Halo. See a discussion of the secured convertible debenture issued by Akanda to Halo in exchange for setting off all Bophelo's outstanding indebtedness to Halo under "***Prospectus Summary — Our History and Relationship with Halo — Issuance of Secured Convertible Debenture to Halo***" for additional information regarding the terms of the debenture including those relating to a conversion of the debenture into our Common Shares upon certain conditions.

### ***Critical Accounting Policies and Significant Judgments and Estimates***

This discussion and analysis of our financial condition and results of operations is based on our financial statements, which have been prepared in accordance with international financial reporting

standards, or IFRS. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported expenses incurred during the reporting periods. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. While our significant accounting policies are described in more detail in the notes to our financial statements included elsewhere in this prospectus, we believe that the following accounting policies are critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management's judgments and estimates.

We believe our most critical accounting policies and estimates relate to the following:

- Revenue Recognition
- Foreign Currency Translation
- Lease Accounting
- Financial Instruments

#### *Revenue Recognition*

We recognize revenue in accordance with International Financial Reporting Standards ("IFRS") 15 "Revenue from Contracts with Customers".

In accordance with IFRS 15, revenue is recognized upon the satisfaction of performance obligations. Performance obligations are satisfied at the point at which control of the promised goods or services are transferred to customers, in an amount that reflects the consideration we expect to be entitled to receive for those goods and services.

The Company has a single revenue stream which relates to the sale of medical cannabis flower and biomass. Revenue from the sale of medical cannabis flower and biomass is recognized once the performance obligation has been satisfied; which is upon delivery to the customer.

#### *Foreign Currency Translation*

The functional currency is determined using the currency of the primary economic environment in which that entity operates. The functional, as determined by our management, is the Lesotho Loti.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in the statement of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Our presentation currency is the US dollar. For presentation purposes, all amounts are translated from the Pound functional currency to the US dollar presentation currency for each period using the exchange rate at the end of each reporting period for the statement of financial position. Revenues and expenses are translated on the basis of average exchange rates during the year.

Exchange gains and losses arising from translation to our presentation currency are recorded as exchange differences on translation to reporting currency, which is included in other comprehensive income (loss).

### *Lease Accounting*

We assess at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. We apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. We recognize lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At the commencement date of the lease, we recognize lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Lease payments also include the exercise price of a purchase option reasonably certain to be exercised by us and payments of penalties for terminating the lease, if the lease term reflects us exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, we use our incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

We recognize right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

### *Financial Instruments*

#### (a) Classification

Bophelo classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. Bophelo determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by Bophelo’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition, Bophelo can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if Bophelo has opted to measure them at FVTPL.

#### (b) Measurement

##### Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

##### Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and





losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise.

#### Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

#### Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

### ***Off-Balance Sheet Arrangements***

Bophelo did not have, during 2019 and 2020, and it currently does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditure or capital resources that is material to investors.

### ***Disclosure of Contractual Arrangements***

On December 31, 2020, Bophelo was committed to minimum lease payments as follows:

Contractual Obligation	Less than One Year	1 – 5 Years	Over 5 Years
Land and buildings	\$283,976	\$1,135,903	\$3,762,677

On September 30, 2021, Bophelo was committed to minimum lease payments as follows:

Contractual Obligation	Less than One Year	1 – 5 Years	Over 5 Years
Land and buildings . . . . .	\$45,662	\$1,369,863	\$3,150,685

The amounts above are undiscounted and include the total amounts due, including the interest component.

### **Canmart Ltd.**

Canmart was formed in the United Kingdom on December 27, 2018 and commenced operations in 2020.

### **Results of Operations**

*Year Ended December 31, 2020 Compared to the Year Ended December 31, 2019 and the Nine Months Ended September 30, 2021 and 30 September, 2020*

The following table sets forth key components of our results of operations for the year ended December 31, 2020 as compared with the year ended December 31, 2019, and the nine months ended September 30, 2021 compared with the nine months ended December 31, 2020.

Presented in \$	Note	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020	Year Ended December 31, 2020	Year Ended December 31, 2019
Sales	17,359	1,788	2,062	—	
Cost of Sales	)(11,469	) (1,531	)(1,809	—	



Presented in \$	Note	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020	Year Ended December 31, 2020	Year Ended December 31, 2019
<b>Gross Profit</b>	5,890	257	253	—	
General & administrative expenses	(93,650)	) (514	(1,101	) (32	
License costs	(1,267	) (894	(1,491	—	
Salaries and wages	(339,356	—	—	—	
Consulting and professional fees	(565,614	—	) (31	—	
<b>Loss from operating activities</b>	(994,197	(1)151	(2,623	) (32	
Finance income	50	1	1	2	
Finance expenses	—	—	—	—	
Foreign exchange through profit and loss	35,911	—	—	—	
Other income	54	136	108	—	
<b>Net Profit / (Loss)</b>	(958,182	(1)014	(2,261	) (30	
Exchange differences on foreign currency translation	5,678	) (22	) 116	) (1	
<b>Comprehensive Profit / (Loss)</b>	(952,504	(1)036	(2,377	) (31	
<b>Basic and dilutive loss per ordinary share</b>	(476,252	(518)20	(1,189	(15)50	
<b>Weighted average number of ordinary shares outstanding</b>	2	2	2	2	

### Sales

Canmart has access to use a 30,000 square foot logistics warehouse in SE England. Canmart has obtained the necessary licenses to import CBPMs to supply the patients in the U.K. domestic market. Revenue for the year ended December 31, 2020 was \$2,062 compared to \$ nil for the year ended December 31, 2019. This increase was the result of the commencement of sales relating to the import and supply of CBPMs which occurred during the year ended December 31, 2020 compared to the prior comparative year ended December 31, 2019, during which no sales activity took place. During the nine months ended September 30, 2021, Canmart achieved sales of \$17,359 compared to the comparative period for the nine months ending September 30, 2020 sales of \$1,788. The year-on-year increase is a result of Canmart focusing on ramping up its operations by securing CBPM products from international suppliers in Canada, importing these products and applying additional efforts on expanding sales of these imported products to patients, through dispensing clinics and physicians. Canmart sold, during the current period, a variety of different CBPM product types, including cannabis oil and cannabis flower for medical use.

### Cost of Sales

Cost of sales for the year ended December 31, 2020 was \$1,809 as compared to \$nil for the year ended December 31, 2019. The increase in cost of sales was directly attributable to the commencement of sales activity during the year ended December 31, 2020, and the increase represents the associated cost of the CBPMs imported by Canmart and supplied to patients. Cost of sales for the nine months ended September 30, 2021 increased to \$11,469 from \$1,531 in the prior period. The increase is essentially commensurate with increased purchases and sales of CBPMs in the current period due to the fact that Canmart only commenced meaningful sales activity in the nine months ended September 30, 2021 compared to the low level of sales in the previous period.



*Gross profit*

Gross profit increased to \$253 from \$nil, for the year ended December 31, 2020, as compared to the year ended December 31, 2019. This increase was due to Canmart commencing trading and having relevant sales and cost of sales during 2020 opposed to 2019 where no trading occurred.

For the nine months ended September 30, 2021, gross profit increased to \$5,890 from \$257 in the prior period ending September 30, 2021. This increase was due to Canmart upscaling its trading activities, purchasing products from Canadian suppliers that carry higher margin potential (such as cannabis flower) and increasing the volume of units sold compared to the prior period.

*Operating Expenses*

Operating expenses for the year ended December 31, 2020 were \$2,623 compared to \$32 for the year ended December 31, 2019. The increase in operating expenses in 2020 was primarily due to an increase related to trading in 2020 resulting in increases in general operating expenses, namely accounting fees, advertising, bank charges, license fees and sundry expenses.

Operating expenses for the nine months ended September 30, 2021 and September 30, 2020 were \$1,000,087 compared to \$1,408 for the nine months ended September 31, 2020. The increase in operating expenses in the current period was primarily due to the hiring of executives and management in June and July 2021, including Akanda's executive team who are employed by Canmart (comprising \$339,556 for the nine months ended 30 September 2021). Additionally, Canmart experienced a significant increase in professional fees (\$565,614 for the nine months ended September 30, 2021 compared to \$nil for the nine months ended September 30, 2020) as a result of increased corporate activity around completion of the internal reorganization undertaken by Halo as a precursor to the Akanda / Halo transaction, as well as due to the engagement of various professional advisors in relation to Akanda group's plans for an initial public offering and listing. Furthermore, general and administrative expenses increased from \$514 to \$93,650 year-on-year for the periods ending September 30, 2021 and September 30, 2020 respectively. This increase was due to travel expenses and sundry office expenses.

*Other income*

Total other income for the year ended December 31, 2020 was \$109 compared to \$2 for the year ended December 31, 2019. This increase was primarily due to related to carriage invoicing and credit turnover receipt from Santander Bank pursuant to the commencement of trading activities in the year ended December 31, 2020. No such activities took place in the year ended December 31, 2019. Total other income for the nine months ended September 30, 2021 was \$36,015 compared to \$137 for the nine months ended September 30, 2020. This increase was primarily due to the effect of foreign exchange translation gains of \$35,911 (\$nil for the nine months ended September 30, 2021) which were booked through profit and loss.

**Liquidity and Capital Resources**

Canmart's principal liquidity requirements are for working capital and capital expenditures. Historically, Canmart funded its liquidity requirements primarily through cash on hand and debt financing, including from officers and shareholders. As of December 31, 2020, Canmart had \$1,907 of cash and cash equivalents, with \$1,116 as of December 31, 2019. As of September 30, 2021, Canmart had \$227,856 of cash and cash equivalents, with a balance of \$1,907 as of December 31, 2020.

The following table summarizes our cash flows from operating, investing and financing activities:

	Year Ended December 31,		Change	
	2020	2019		
Cash provided by operating activities	\$1,491	\$ 17,677	\$ )	(16,186
Cash used in investing activities	\$ —	\$(15,625)	\$ )	(15,625
Cash provided by financing activities	\$ —	\$ 2	\$ )	(2

	Nine Months Ended September 30,		Change	
	2021	2020		
Cash used by operating activities	\$(785,048)	\$ (2,862)	\$ )	(782,186
Cash used in investing activities	\$ —	\$(14,779)	\$ )	(14,799
Cash provided by financing activities	\$ 969,282	\$ 18,140	\$	951,142

#### ***Cash Flow Used by Operating Activities***

For the year ended December 31, 2020, net cash flows provided by operating activities was \$1,491 compared to \$17,677 net cash flows provided by operating activities during the year ended December 31, 2019, respectively, primarily due to a year-on-year reduction in the movement of related party payables, as well as a general improvement in the Company's working capital position.

For the nine months ended September 30, 2021, net cash flows used by operating activities was \$785,048 compared to \$2,862 in the comparative period, representing an increase of \$782,186 on a year-on-year basis. Cash used by operating activities increased as a result of cash payments to fund operating costs such as salary expenses, professional fees, travel costs and office expenses, all of which were not incurred in the prior year due to the significant ramp up in administrative and corporate activity in the current year.

#### ***Cash Flows Used in Investing Activities***

During the year ended December 31, 2020, Canmart used \$nil of cash in investing activities compared to the prior period which saw Canmart use \$15,625 of cash for the acquisition of a suite of cannabis licenses.

During the nine months ended September 30, 2021, Canmart did not utilize any cash to fund investing activities compared to the prior period which saw Canmart use \$14,779 of cash for the acquisition of a suite of cannabis licenses.

#### ***Cash Flows from Financing Activities***

During the year ended December 31, 2020 cash flow provided by financing activities was \$nil compared to cash flow provided by financing activities of \$2 in 2019. The year-on-year decrease in cash provided by financing activities is due to the fact that Canmart issued \$2 worth of share capital in the prior period and no issuances of share capital took place during the current period.

During the nine months ended September 30, 2021, Canmart increased its cash flow provided by financing activities from \$18,140 in the comparative period to \$969,282 by September 30, 2021. The increase in cash provided by funding activities year-on-year was due to increased borrowings from Canmart's shareholder (via intercompany loan account) in order to fund the significant increase in operating expenses that took place during the current year.

#### ***Critical Accounting Policies and Significant Judgments and Estimates***

This discussion and analysis of our financial condition and results of operations is based on our financial statements, which have been prepared in accordance with international financial reporting standards, or IFRS. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported expenses incurred during the reporting periods. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. While our significant accounting policies are described in more detail in the notes to our financial statements included elsewhere in this prospectus, we believe that the following accounting policies are critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management's judgments and estimates.

We believe our most critical accounting policies and estimates relate to the following:

- Revenue Recognition
- Foreign Currency Translation
- Lease Accounting
- Financial Instruments

#### *Revenue Recognition*

Our revenue is primarily derived through providing genetic diagnostic tests to customers. We recognize revenue in accordance with International Financial Reporting Standards (“IFRS”) 15 “Revenue from Contracts with Customers”.

In accordance with IFRS 15, revenue is recognized upon the satisfaction of performance obligations. Performance obligations are satisfied at the point at which control of the promised goods or services are transferred to customers, in an amount that reflects the consideration we expect to be entitled to receive for those goods and services. The Company has a single revenue stream which relates to the sale of medical cannabis products. Revenue from the sale of medical cannabis products is recognized once the performance obligation has been satisfied; which is upon delivery to the customer.

#### *Foreign Currency Translation*

The functional currency is determined using the currency of the primary economic environment in which that entity operates. The functional, as determined by our management, is the British Pound (GBP).

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in the statement of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Our presentation currency is the US dollar. For presentation purposes, all amounts are translated from the Pound functional currency to the US dollar presentation currency for each period using the exchange rate at the end of each reporting period for the statement of financial position. Revenues and expenses are translated on the basis of average exchange rates during the year.

Exchange gains and losses arising from translation to our presentation currency are recorded as exchange differences on translation to reporting currency, which is included in other comprehensive income (loss).

#### *Lease Accounting*

We assess at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. We apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. We recognize lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At the commencement date of the lease, we recognize lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Lease payments also include the exercise price of a purchase option reasonably certain to be exercised by us and payments of penalties for terminating the lease, if the lease term reflects us exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, we use our incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

We recognize right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

### *Financial Instruments*

#### (a) Classification

Canmart classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. Canmart determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by Canmart's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition Canmart can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if Canmart has opted to measure them at FVTPL.

#### (b) Measurement

##### Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

##### Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise.

##### Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

##### Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.





### ***Off-Balance Sheet Arrangements***

Canmart did not have, during the years ended December 31, 2019 and 2020, as well as the nine months ended September 31, 2021 and 2020 respectively, and does not currently have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditure or capital resources that is material to investors.

### **Plan of Operations**

The continuation of our current plan of operations requires us to raise significant additional capital. If we are successful in raising capital through the sale of Common Shares offered for sale in this offering, we believe that we will have sufficient cash resources to fund its plan of operations for the next 24 months. If we are unable to do so, we may have to curtail and possibly cease some operations. We intend to use proceeds from the offering to carry out our near term and longer-term goals.

For the next 12 to 24 months, we plan to:

- Expand our hoop-house and shade cloth cultivation operations in the Kingdom of Lesotho by a further 1.5 to 2 hectares (estimated cost of \$200,000);
- Construct a 1 hectare forced air greenhouse and a post-harvest drying facility (total combined estimated cost of \$5.0 million);
- Obtain EU GMP certification for the post-harvest drying facility (estimated cost of \$100,000);
- Rapidly expand our CBPM distribution capabilities in the United Kingdom (estimated cost of \$13 million);
- Successfully cultivate and harvest cannabis biomass at Bophelo;
- Conclude Bophelo's first exports of cannabis biomass to Germany or other markets.

We continually evaluate our plan of operations to determine the manner in which we can most effectively utilize our limited cash resources. The timing of completion of any aspect of our plan of operations is highly dependent upon the availability of cash to implement that aspect of the plan and other factors beyond our control. There is no assurance that we will successfully obtain the required capital or revenues, or, if obtained, that the amounts will be sufficient to fund our ongoing operations.

### **Trend Information**

Because we are still in the startup phase and have only recently commenced operations, we are unable to identify any recent trends in revenue or expenses. Thus, we are unable to identify any known trends, uncertainties, demands, commitments or events involving our business that are reasonably likely to have a material effect on our revenues, income from operations, profitability, liquidity or capital resources, or that would cause the reported financial information in this prospectus to not be indicative of future operating results or financial condition.

### **Novel Coronavirus ("COVID-19")**

Our operations could be materially and adversely affected by the effects of the widespread global outbreak of contagious disease and other unforeseen events, including the recent outbreak of respiratory illness caused by COVID-19 and the related economic repercussions. We cannot accurately predict the impact COVID-19 will have on our operations and the ability of others to meet their obligations with us, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect our operations and ability to finance its operations.

The impact of COVID-19 on Canmart has largely been experienced in terms of temporary local lockdowns which has affected employees' ability to travel, especially between Canmart's operations in the United Kingdom and the operations of its fellow subsidiary, Bophelo Bio Science and Wellness (Pty) Ltd in the Kingdom of Lesotho.

We have implemented a number of measures in response to the risks posed by COVID-19, including implementing temperature screening protocols, limiting access to site, ensuring that all staff wear masks, implement social distancing and make use of sanitizers.

### **Going Concern**

The Company is in the preliminary stages of its planned operations and has not yet determined whether its processes and business plans are economically viable. The continued operations of the Company are dependent upon the ability of the Company to obtain sufficient financing to carry out its business plans, the existence of future profitable production, or alternatively, upon the Company's ability to dispose of its assets on an advantageous basis, all of which are uncertain.

The Company's financial statements have been prepared on a going concern basis, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company will need to raise additional capital in the near term to fund its ongoing operations and business activities. There can be no assurance that this offering will conclude or that other financings will be available on terms acceptable to the Company or at all. As a result of these circumstances, there are material uncertainties that cast significant doubt as to the appropriateness of the going concern presumption.

The business of cannabis growth and distribution and development of cannabis-derived products involves a high degree of risk, and there can be no assurance that current business development programs will result in profitable operations. The Company's continued existence is dependent upon the acquisition of assets, preservation of its interest in the underlying assets, acquisition of various licenses, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its assets and operations on an advantageous basis.

The Company's financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and classifications in the statement of financial position that may be necessary if the Company were unable to continue as a going concern, and these adjustments could be material.

### **Emerging Growth Company Status**

We are an "emerging growth company", as defined in Section 2(a) of the Securities Act, as modified by the JOBS Act. As such, we are eligible to take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to SEC reporting companies that are not emerging growth companies. For so long as we remain an emerging growth company, we will not be required to, among other things:

- present more than two years of audited financial statements and two years of related management's discussion and analysis of financial condition and results of operations disclosure in our registration statement of which this prospectus forms a part;
- have an auditor report on our internal control over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act; and
- disclose certain executive compensation related items.

We will remain an emerging growth company until the earlier of (i) the last day of the fiscal year following the fifth anniversary of the completion of this offering, (ii) the last day of the fiscal year during which we have total annual gross revenue of at least \$1.07 billion, (iii) the date on which we are deemed to be a "large accelerated filer" under the Exchange Act, which means the market value of our common shares that are held by non-affiliates exceeds \$700.0 million as of the last business day of our most recently completed second fiscal quarter, and (iv) the date on which we have issued more than \$1.0 billion in non-convertible debt during the prior three-year period.



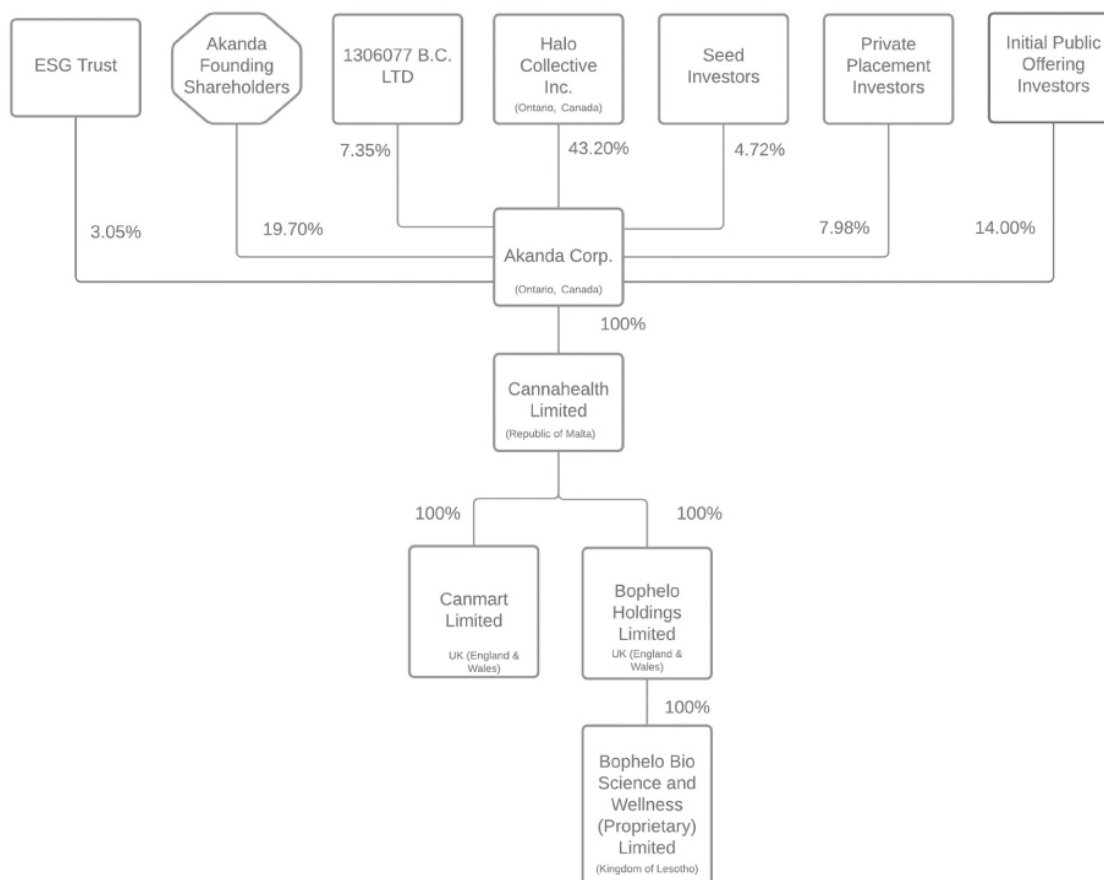
In this prospectus, we have taken advantage of certain of the reduced reporting requirements as a result of being an emerging growth company and a foreign private issuer. Accordingly, the information that we provide in this prospectus may be different than the information you may receive from other public companies in which you hold equity interests. If some investors find our securities less attractive as a result, there may be a less active trading market for our securities and the prices of our securities may be more volatile.

## BUSINESS

### Our History

Akanda was incorporated in the Province of Ontario, Canada on July 16, 2021 in connection with the plan of Halo to reorganize its medical cannabis market focused international business assets. In September 2021, we entered into a share purchase agreement with Halo, a publicly-traded, vertically integrated multinational cannabis company (NEO: HALO) (OTCQX: HCANF) (Germany: A9KN). Pursuant to this agreement, we acquired all the issued and outstanding equity interests of Cannahealth from Halo. At the closing of the Acquisition on November 3, 2021, Cannahealth owned all the issued and outstanding equity interests of Canmart and Bophelo Holdings, which owned all the issued and outstanding equity interests of Bophelo. As a result of the Acquisition, both Bophelo and Canmart became our indirect wholly-owned subsidiaries. As consideration for this Acquisition, we issued 13,129,212 Common Shares to Halo at a price of \$1.00 per share, resulting in Halo owning approximately 68.3% of all our outstanding Common Shares at the closing of the Acquisition.

On November 12, 2021, Halo transferred 2,100,000 Common Shares to an unaffiliated party, 1306077 B.C. LTD. (the “Halo Transferee”), which resulted in Halo owning 49.6% of our issued and outstanding Common Shares (the “Halo Transfer”). The following diagram summarizes our legal entity structure following the closing of the Acquisition and the Halo Transfer. Assuming the number of Common Shares offered by us, as set forth on the cover page of this prospectus is sold in this offering, Halo will own approximately 43.2% of our issued and outstanding Common Shares at the closing of this offering.



### Our Business

We are a cannabis cultivation, manufacturing and distribution company whose mission is to provide premium quality medical cannabis products to patients worldwide. We are an early stage, emerging growth



company headquartered in London, the United Kingdom. We have a limited operating history and minimal revenues to date. Following the completion of the Acquisition, Canmart and Bophelo became our indirect wholly-owned subsidiaries. We expect to expand their local operations and develop sales channels of our medicinal-grade cannabis products and cannabis based medical and wellness products in international markets and in particular, in Africa and Europe.

#### *Bophelo Bio Science and Wellness (Pty) Ltd*

Our indirect wholly-owned subsidiary Bophelo, a Lesotho company, is focused on the cultivation of cannabis, the production of medical cannabis products including dried flower, oils, and other concentrates and the supply of such medical cannabis products to wholesalers in international markets. Its operations are based in the Kingdom of Lesotho in the Mafeteng Region of Southern Africa. Bophelo holds an operational license issued in the Kingdom of Lesotho for the production and export of medicinal cannabis products. On July 27, 2018, the Ministry of Health in the Kingdom of Lesotho issued a prohibited drug operator license to Bophelo. This license allows for activities including cultivating, manufacturing, supplying, holding, importing, exporting and transporting cannabis and cannabis resin. This license will remain effective for 8 years, with an option for further renewal.

Bophelo commenced operations including establishing sites and first phase construction and starting site preparation activities in 2018. Bophelo's cultivation facility in the Kingdom of Lesotho is licensed to cultivate cannabis over an initial 5 hectare canopy area, with conditional approval from local authorities to extend its cultivation area up to 200 hectares in total. At present, the company is cultivating cannabis in hoop houses over a 0.3 hectare area and is in the process of expanding it by a further 1.5 to 2 hectares by constructing a separate shade cloth cultivation area. We obtained a GACP certification for our cultivation facility in 2021. During 2019 and 2020, Bophelo did not generate any revenue from a commercial harvest, although it completed a number of successful harvests for non-commercial purposes. These non-commercial harvests were conducted with the objective of optimizing strain selection and understanding local growing conditions so that further harvests can be optimized. Bophelo conducted its first sale of high-grade flower in a small amount to a local buyer in March 2021. It has entered into distribution agreements with European based distributors. See a discussion of these agreements under “— **Business Partnerships**” below.

Bophelo currently only produces and sells cannabis biomass. We aim to commence exporting medical cannabis biomass to Europe in 2022. From 2023 and beyond, we plan to expand our product offering to include cannabis oils and extracts, and ultimately, to produce consumer branded cannabis products for discerning patients.

#### *Seasonality of Bophelo's Cannabis Harvest*

Through its operators' license in the Kingdom of Lesotho, Bophelo is able to cultivate cannabis on or up to 50,000 square meters (5 hectares) of greenhouses (indoor). Since obtaining its license, Bophelo has undertaken several cultivation cycles at the company's premises in the Kingdom of Lesotho with a view to optimizing strain selection and cultivation methodologies. All expenditures incurred to date in relation to this undertaking have been expensed in the company's financial statements. Depending on the manner of cultivation undertaken by the company (outdoor, greenhouse or indoor methods), Bophelo may experience seasonality in its cannabis harvests. Typically, the cannabis cultivation season in the Kingdom of Lesotho would begin (subject to weather conditions which may be unpredictable) in September of each year and end in May of the following year.

#### *Canmart Ltd*

Our indirect wholly-owned subsidiary Canmart, a company incorporated under the laws of England and Wales, is a licensed importer and distributor of CBPMs in the United Kingdom. Canmart holds a Controlled Drug License issued by the Home Office to possess and supply CBPMs in the United Kingdom. This license is due to expire on February 3, 2022 and needs to be reapplied for on a yearly basis. Canmart is required to apply for an import license issued by the Home Office for every specific shipment of CBPMs and Canmart has thus far successfully been granted such import licenses. Canmart holds both a



Manufacturer's Specials License for importation of CBPMs and a Wholesale Distribution Authorization from the Medicines and Healthcare Products Regulatory Agency.

Canmart commenced importing and distributing CBPMs in 2020. Under the current controlled drugs regulatory regime, Canmart is only able to supply to dispensing pharmacists, clinics and other wholesale distributors. However, Canmart's intention is to establish direct sales channels to patients through Canmart owned and operated clinics and pharmacies. Canmart's strategy is to grow the medical cannabis market by identifying patients with specific conditions and needs and providing easy to access education and consultations to patients about medical benefits of CBPMs based on observational clinical studies from international studies. We believe this direct sales model can enable Canmart to expand its market share effectively and efficiently.

#### *Cannahealth Limited*

Our direct wholly-owned subsidiary Cannahealth, a Republic of Malta company, is a holding company of all the ownership interests in Canmart and Bophelo Holdings. Cannahealth does not engage in any operations.

#### *Bophelo Holdings Ltd.*

Our indirect wholly-owned subsidiary Bophelo Holdings, a company incorporated under the laws of England and Wales, is a holding company of all the ownership interests in Bophelo. Bophelo Holdings does not engage in any operations.

#### ***Growth Plans and Strategic Focus***

We are targeting what we believe to be the lucrative international medical cannabis market, which is estimated to be worth approximately \$47 billion by 2027, according to *Emergen Research*. We believe there has been a growing demand for medical cannabis around the world as a result of the increased legalization of cannabis for medical purposes as well as the rise in cannabis-related medical research activities.

Our goal is to become a market leader in the cultivation, processing and supply of medicinal-grade cannabis products and cannabis based medical and wellness products for international markets. Our primary strategies to achieve our goals include:

- ***Expanding our production capacity.*** In the near term, our primary strategy is to expand our production capacity as quickly as possible at Bophelo. We plan to take advantage of favorable cultivation conditions in the Kingdom of Lesotho to achieve economies of scale in our production of premium quality cannabis products, within the confines of market forces such as customer demand and pricing, as well as regulatory hurdles that may impede our ability to access foreign markets or which may slow overall market growth.
- ***Expanding our geographic footprint.*** While we currently import and sell cannabis-based products for medicinal use ("CBPMs") sourced from third parties to dispensing pharmacists, clinics and other wholesale distributors in the United Kingdom, our plan is to establish direct sales channels to patients through Canmart owned and operated clinics and pharmacies in the United Kingdom. Medical cannabis is currently scheduled as a "Schedule 2" unlicensed medicine and, as such, can only be prescribed by or under the care of a specialist medical practitioner. Furthermore, regulatory authorities in the United Kingdom require cannabis dispensing clinics to obtain a license from the Care Quality Commission ("CQC"). The CQC regulates clinics and conducts frequent audits and inspections to ensure compliance with license terms. Given the regulatory environment in the United Kingdom, we intend to achieve our plan to establish direct sales channels to patients by acquiring established clinics and pharmacies that are dispensing medical cannabis products in the United Kingdom, however, this strategy is dependent on identifying potential targets, negotiating acceptable purchase price and other conditions based on revenues, number of patients and size of the local market, and complying with any regulatory and licensing requirements. To that end, we recently entered into a non-binding letter of intent to acquire 100% of the issued and outstanding ordinary shares of Cellen Limited, a United Kingdom based provider of pain-focused clinical services for GBP £10 million (USD \$13.361 million) in common shares of the Company. We are also working



towards expanding sales of cannabis products produced by Bophelo to international markets, subject to regulatory conditions in such countries.

- **Pursuing accretive acquisitions.** We believe that our deal-making capabilities and experience will allow us to successfully identify, consummate and integrate acquisitions.
- **Strong Partnership with Local Communities.** We are committed to empowering women and vulnerable persons in local communities where Bophelo operates. We believe our efforts will enable us to build strong partnerships with the communities in which we operate, enhance the reputation of our brands and benefit our long-term growth.

We anticipate undertaking the following activities in the next 12 to 36 months in an effort to further grow Bophelo and Canmart's business:

#### *Operations of Bophelo*

- Building out an additional 1.5 to 2 hectare shade cloth cultivation area and constructing a 1 hectare forced air greenhouses which are expected to be completed by 2022.
- Planning and constructing an EU GMP certified post harvest drying facility with a view to commence operating this facility in 2022.
- Planning and constructing an EU GMP certified extraction facility with a view to commence operating this facility in 2023 or 2024.

#### *Operations of Canmart*

- Continuing to develop our business plan to secure sales to patients while establishing or even acquiring distribution channels in the U.K. domestic market.

#### *Agreements with Cellen Limited*

On October 1, 2021, we entered into a memorandum of understanding with Cellen Limited ("Cellen"). Cellen is a medical cannabis supplier to Project Twenty21, a large-scale medical cannabis observational study in the United Kingdom. In addition, Cellen also owns and operates digital pain clinic: Leva Clinic, which is licensed and regulated by the Care Quality Commission ('CQC') in the United Kingdom. The purposes of the memorandum of understanding is to establish a formal working relationship to optimize medical cannabis supply chain activities across Cellen and the Company's business interests, to consistently increase supply and choice for patients in the United Kingdom.

On October 5, 2021, we entered into a non-binding letter of intent to acquire 100% of the issued and outstanding ordinary shares of Cellen for GBP £10 million (USD \$13.361 million) through the issuance of our common shares. The transaction is subject to completion of due diligence, negotiation of definitive agreements, completion of financial audits by Cellen, approval of the board and shareholders of Cellen and any necessary regulatory and third party approvals.

On December 1, 2021, we entered into a bridge loan facility with Cellen whereby we agreed to extend a line of credit of USD \$500,000 to Cellen, secured by all of the assets of Cellen. Amounts drawn down will be subject to interest of five percent per annum compounded monthly. To date, Cellen has borrowed approximately \$136,600 under the facility. All amounts borrowed under the facility shall be due no later than December 31, 2022. The Company shall have the option to convert any amounts borrowed under the facility into ordinary shares or preference shares of Cellen at a valuation of Cellen as determined by an independent firm of chartered accountants as may be selected by the Company.

#### *Our Competitive Strengths*

We believe that the following competitive strengths can contribute to our success and differentiate us from our competitors:

- **Lesotho Cultivation Advantage.** Through the cultivation operations of our indirect wholly-owned subsidiary Bophelo, our past harvests have shown that we have the ability to cultivate high yielding

strains of cannabis for medical purposes, with certain strains historically cultivated reflecting cannabinoid concentrations in excess of 20%. Conditions at Bophelo's site of operations near T'sakholo in the Mafeteng District of the Kingdom of Lesotho are conducive for the cultivation of medical-grade cannabis including suitable environmental conditions, abundant supply of semi-skilled and unskilled labor, quality road and air infrastructure network and favorable tax treatments.

- **Significant Potential to Scale Up Production.** Bophelo is one of the largest licensed landholders engaging in cannabis cultivation in the Kingdom of Lesotho. Bophelo is licensed to cultivate cannabis over an initial 5 hectare area under greenhouse or indoor conditions, with conditional government approval to expand our cultivation footprint up to 200 hectares. Such approval for expansion may be granted by the Ministry of Health on the main condition that Bophelo has fully utilized all of the first 5 hectares of its licensed cultivation area. This gives us the potential ability to significantly scale up production once the company has met this requirement of the Ministry of Health. Bophelo has leased a 200-hectare land package in an emerging Special Economic Zone in the Kingdom of Lesotho which is intended to be dedicated to the cannabis cultivation and related operations.
- **Strong Partnership with Local Communities.** Bophelo has worked and expects to continue to work with Mophuthi Matsoso Development Trust, a Lesotho non-profit organization (the "MMD Trust"), to provide for the construction of a learning center, a place of worship, feeding programs and other public good initiatives for the local community of T'sakholo. We believe a commitment to such initiatives and building a strong working relationship with the local African communities can promote goodwill towards our local operations and brands and benefit our long-term business growth. The MMD Trust is controlled by our Executive Chairman and Bophelo leases its premises on which it operates from the MMD Trust pursuant to a long-term lease agreement between the MMD Trust and Bophelo. As such, a potential conflict of interest may arise regarding the ongoing administration of the lease and any future negotiations around the lease terms.
- **Experienced Management Team.** Our management is experienced and has an extensive knowledge of the international cannabis industry as well as local conditions in Europe, the United Kingdom, and the Kingdom of Lesotho.

## Competition

### Southern Africa

Our main competitors in Southern Africa are other preeminent entities that have been granted licenses from countries in Southern Africa (including Lesotho, South Africa, Zimbabwe and others) such as Medigrow, Spectrum Cannabis, Bedrocan and Verve Dynamics. While an increasing number of companies are entering the cultivation area resulting in an increased supply of similar cannabis products to ours, we expect that growth in the global demand for medicinal-grade cannabis products is so strong that the total demand is likely to exceed the total supply for the foreseeable future. Furthermore, Bophelo has a number of competitive advantages including ability for scalability of production, low-cost input environment, its strong relationship with technical partners and local community and experienced management team, which we believe enable Bophelo to compete effectively with other international producers.

### United Kingdom

The United Kingdom's CBPM market is a highly regulated and restricted operational environment. CBPMs is supplied as a "special's medication" with no marketing authorization for medical claims. Canmart has identified an opportunity to grow its business in the expanding CBPM sector by establishing direct sales channels to patients. Our primary competition is from three established suppliers including The Lyphe Group, the pioneer in this sector which operates The Medical Cannabis Clinics, Grow Pharma and IPS Pharma which are established specials formulators and have moved to supplying medical cannabis through their associated clinics. Canmart is establishing sales channels to communicate and market directly to patients as an innovative and disruptive sales model in this field. Canmart's strategy is to expand its customer base and market size by identifying patients with specific conditions and needs and providing easy-to-access education and consultations to patients about medical benefits of CBPMs based on observational clinical studies from international studies.



### ***Business Partnerships***

In December 2019, Bophelo entered into a seed supply relationship with OG DNA Genetics Inc. (“DNA Genetics”), a recognized creator of high-quality cannabis seeds. Bophelo has since then purchased seeds of strains of medical cannabis from DNA Genetics on a purchase order basis. In addition to this arrangement with DNA Genetics, Bophelo sources seeds from other top suppliers of cannabis genetics based in Europe. These seeds are shipped directly from European seed banks to Bophelo’s operations in the Kingdom of Lesotho. Although DNA Genetics has been a primary seed supplier of the Company, the Company does not depend exclusively on any seeds sourced from DNA Genetics.

In August 2020, Bophelo entered into an off-take agreement with Medcan Ltd. (“Medcan”), which received preliminary approval from Malta Enterprise, a Maltese government agency, to carry out the importation and production of cannabis for medicinal purposes primarily into the European market. The term of the agreement is for a period commencing on August 3, 2020 and ends on the earlier of (i) the date on which Medcan has purchased 10,000 kilograms of biomass from Bophelo or (ii) August 3, 2027. The agreement specifies initial deliveries of up to 10,000 kilograms of cannabis biomass. Bophelo will procure the transport of the biomass by a licensed cannabis transport operator and deliver the biomass to Medcan in containers, comply with the applicable Agricultural Practice Standards, or as otherwise agreed to by the parties. All the biomass is subject to Medcan’s inspection and acceptance or rejection at Bophelo’s facility in Lesotho. Pursuant to the agreement, Medcan will pay Bophelo prevailing market rates, calculated on the basis of a price per gram, based on the delivery weight. The price will be determined on the basis that Medcan shall seek to sell the batch at the highest value achievable in the market. Biomass has not yet been supplied to Medcan pursuant to the off-take agreement as Medcan has not yet secured the all of the necessary licenses and/or permits required from Maltese and/or European Union regulators to enable it to import biomass from Bophelo. It is not, at the present time, known when these licenses and/or permits may be secured by Medcan.

In September 2021, Bophelo also entered into a service, refinement and distribution agreement with Cantourage GmbH (“Cantourage”), a German based processor and distributor of cannabis biomass. The term of the agreement is from September 15, 2021 to September 15, 2026 and may be extended for additional periods of one year unless terminated earlier by the parties. Under the agreement, Bophelo shall deliver to Cantourage cannabis products which shall be further refined for distribution by Cantourage. The specific amount to be delivered shall be determined from time to time by the parties. Bophelo has not sold any products under these distribution agreements and expects to commence marketing and exporting its products to the German and broader EU market in 2022. Bophelo is currently cultivating its first pilot harvest of cannabis biomass for Cantourage in terms of the aforementioned agreement. Bophelo currently expects this harvest to be completed by February or March 2022. It is not, at this time, known if the forthcoming harvest will, in part or in full, meet the specifications prescribed by Cantourage in terms of the aforementioned agreement.

### ***Description of Property***

Bophelo has entered into a sublease agreement dated 2018 with the MMD Trust, which is controlled by our Executive Chairman, Louisa Mojela, for the lease of its facilities at T’sakholo in the Kingdom of Lesotho. The sublease is for a land area of 68,834 square meters. The term of the lease is for a 20 year period, with an option to renew for two 30-year terms. Pursuant to the sublease agreement, Bophelo will pay LSL 350,000 (approximately \$25,000) per month, with an annual rate increase of 10% on a compound basis. This sublease agreement may only be terminated by: (i) the expiration of its term; (ii) the surrender of the sublease; or (iii) its termination pursuant to the provisions of the Land Act 2010. Additionally, in the case that either party commits a breach of this agreement and fails to remedy such breach within 14 days after receiving written notice from the other party requiring the breaching party to remedy such breach, then the non-breaching party may terminate this agreement, or to claim specific performance of all of the breaching party’s obligations then due for performance. Bophelo has a right of first refusal to purchase any of the properties and/or any portion thereof on the same terms offered to any third party. The MMD Trust is controlled by Louisa Mojela, our Executive Chairman and director, and Granny Seape, a non-executive director of Bophelo.

Canmart currently has access to use 30,000 square foot warehouse in Somerset, United Kingdom, which is owned by D&D Investments Limited which is owned by certain directors of Canmart. Canmart does not pay any rent for the use of the warehouse and the owner may demand the vacation of the warehouse by Canmart at any time. Canmart expects to enter into a lease agreement with the owner with specified lease terms and to pay rent under the lease.

### **Human Capital Resources**

As of September 30, 2021, we had a total of 107 employees. Approximately 102 of our employees work at our site in the Kingdom of Lesotho and approximately 5 of our employees work in the United Kingdom.

## REGULATION

### Regulatory Framework in the United Kingdom

#### *CBD Regulation — Overview*

Cannabis, cannabis resin, cannabidiol and other cannabidiol derivatives (among others) are listed as Class B controlled drugs under Schedule 2, of the Misuse of Drugs Act 1971, or the MDA, based on a harms assessment. They are also listed under Schedule 1 to the Misuse of Drugs Regulations 2001, or the MDR, together with other chemical constituents such as the cannabinoid THC (defined below). As such, it is unlawful to cultivate, possess, supply, produce, import or export these controlled drugs except under license. The Hemp (Third Country Imports) Regulations 2002 also require, except in specified circumstances, that hemp from non-EU countries be imported under a license and, in the case of hemp seeds other than for sowing, under an authorization.

CBD is one of the main chemical compounds found in the cannabis plant, together with THC. CBD, as an isolated substance (i.e. containing no THC) is not a controlled drug under the MDA/MDR. Unlike CBD, THC is the main “psychoactive” component of cannabis and is a controlled drug.

A CBD product containing THC (in any amount), or any other controlled cannabinoid under the regulations cannot be practically prescribed, administered or supplied to the public unless it is an ‘exempt product’ or a cannabis based product for medicinal use in humans, or CBPM. CBPMs are subject to further regulation and licensing given the medicinal purpose for which they are marketed and prescribed.

The U.K. Home Office (specifically, the Drugs & Firearms Licensing Unit, or DFLU) prescribes two separate licensing regimes relating to cannabis cultivation, according to whether the varieties are high THC (above 0.2% THC content) or low THC (below 0.2% THC content). A license is required to cover both cultivation and possession.

The sale of CBD products (i.e. the “finished products” following extraction and processing of CBD into products) is subject to additional regulations and licensing regimes — see below *CBD Extraction for General Commercial Purposes* and *CBD Extraction for Medicinal Purposes* for a more detailed discussion.

#### *Controlled Drugs License*

Companies wishing to possess, supply, produce/manufacture, import or export ‘controlled drugs’ can only lawfully do so under Controlled Drugs Licenses issued by the Home Office. Licenses are issued for specific drugs, entities and locations and cannot be transferred to other drugs, entities or locations.

Applications for a controlled drug license are submitted online and prospective licensees are advised that it can take up to 16 weeks for the Home Office to review and ensure that various security and record-keeping requirements have been met. Where an enhanced DBS check has been obtained within the last three years for all persons named on the application, such checks do not need to be repeated. The DFLU may also conduct site visits, where needed. The term of the license is one year from the date of issuance and further applications are required to be submitted for each license to be renewed.

Companies wishing to import ‘controlled drugs’ will need to apply to the Home Office for a separate import license for each shipment.

Canmart holds a Controlled Drug Licenses issued by the Home Office to possess and supply CBPMs in the United Kingdom. This license expires on February 3, 2022. Canmart is required to apply for import licenses from the Home Office for each individual shipment and has, as of 2021 when shipping of CBPMs to Canmart commenced, been successful in applying for those import licenses as required.

#### *CBD Extraction for General Commercial (Retail) Purposes*

CBD products such as CBD oil are becoming increasingly prevalent in the U.K. retail market. Where a CBD product contains a controlled drug (in any quantity) such as THC, the product needs to satisfy the requirements for an ‘exempt product’ under the MDR to be lawfully available to the public.



In general, an exempt product is a product containing a controlled drug that is: (a) not designed to be administered to a human being or animal, (b) not packaged in such a way that it can be recovered by readily applicable means, and (c) does not contain more than 1 mg (per container) of the controlled drug. All three prongs are required to be established, including significant testing by an independent and licensing U.K. company and the provision of comprehensive and independently verifiable research and information. Notably, the 0.2% THC threshold for the cultivation of industrial hemp does not apply to CBD finished products. Rather, only 1 mg of THC (per container) is permissible in any given product that is placed on the U.K. market.

### ***CBD Extraction for Medicinal Purposes (Medical Cannabis)***

CBPMs are preparations or products that: (a) contain cannabis or other cannabinol derivatives, (b) are produced for medicinal use in humans, and (c) are a medicinal product, substance or preparation for use as an ingredient in a medicinal product. A CBD preparation or product containing controlled cannabinoids (e.g., THC) which meets the three prongs of this definition may be classed as a CBPM.

Companies wishing to possess, supply and or import/export CBPMs will require a controlled drug license in addition to a high-THC cannabis cultivation license if they are involved in production/manufacturing, which are both issued by the Home Office, unless an exemption applies to that licensing requirement.

In addition, the regulation of CBPMs in the United Kingdom is undertaken by the Medicines and Healthcare Products Regulatory Agency, or MHRA. The MHRA is responsible for ensuring all medicines and medical devices in the United Kingdom are safe and appropriate in accordance with the Human Medicines Regulations 2012 (SI 2012/1916), or HMR. Under the HMR, CBPMs can only be manufactured and assembled in accordance with the specifications of a doctor listed on the General Medical Council Specialist Register and must meet a ‘special’ clinical need of the individual patient.

The manufacturer, assembler or importer/exporter of a CBPM must also hold a Manufacturer’s “Specials” License, which is granted by the Licensing Authority (specifically, the U.K. Ministers designated under the HMR) for all medicinal products for human use. The manufacturing, storage and/or assembly site and its operations will be inspected for compliance with the European Union’s “good manufacturing practice” and the conditions of the license. These require that the manufacture, storage and/or assembly is carried out under the supervision of appropriately qualified staff, including a named quality controller and production manager, who are acceptable to the Licensing Authority. License applications are submitted online to the MHRA and take approximately 90 business days to process.

The distributor of a CBPM must also hold a Distribution Authorization issued by the Licensing Authority. All distributors of medicinal products for human use must have a similar license.

Canmart holds both a Manufacturer’s Specials License for importation of CBPMs and a Wholesale Distribution Authorization.

### ***CBD Sales and “Novel Food” Status***

In the United Kingdom, the sale of CBD products falls under the regulatory purview of the U.K. Food Standards Agency, or the FSA. The FSA, in turn, follows the guidance and regulations set by the European Union, specifically the European Food Standards Agency, the EFSA, and the European Commission, or the EC, respectively.

In November 2015, the European Parliament and the Council of the European Union adopted a new regulation on novel food, Regulation (EU) 2015/2283, or the Novel Food Regulation, with the intent of making the novel food authorization process more efficient while ensuring high standards of food safety for consumers. The Novel Food Regulation came into force on January 1, 2018.

The Novel Food Regulation provides that a food is “novel” if it has not been used for human consumption to a significant degree within the European Union before May 15, 1997. The regulations further provide that a food stuff will be authorized only if it can be demonstrated that the product is safe, properly labeled so as to not mislead consumers and is not nutritionally disadvantageous.

On January 15, 2019, the EC updated the European Union’s Novel Foods Catalogue, specifically, the entries relating to cannabis sativa and cannabinoids, to include other cannabinoids extracts used in food and food supplements and hemp-derived products in food.

While the Novel Foods Catalogue is non-exhaustive and carries no legal effect, it is frequently updated and amended with input from Member States and is used as reference by authorities in EU countries to aid enforcement of the Novel Food Regulation.

A novel food can only be sold in the European Union once it has successfully gone through the authorization process (involving a safety risk assessment) and an implementing act is published authorizing the addition of the novel food to the Novel Foods Catalogue. This process can take up to 18 months from receipt of the initial application. The United Kingdom has adopted the EU Novel Foods regime as retained EU law and the FSA has confirmed it will follow the EFSA. Therefore products new to market will require novel food authorization from the FSA prior to being made available and marketing. There is also a currently a regime in place to allow for products that were already on the market prior to early 2020 to apply for retroactive novel food authorization.

### ***Proceeds of Crime Act or POCA***

POCA addresses money-laundering offences in the United Kingdom. Under POCA, a person or entity commits a principal money laundering offence if they:

- (a) conceal, disguise, convert or transfer criminal property;
- (b) enter into or become concerned in an arrangement which he knows or suspects facilitates the acquisition, retention use of control of criminal property by or on behalf of another person; or
- (c) acquire criminal property.

Property is criminal property if it constitutes a person’s benefit from criminal conduct and the alleged offender knows or suspects that it constitutes such a benefit.

Criminal conduct is conduct that constitutes an offence in any part of the United Kingdom or in the case of overseas conduct would constitute an offence in any part of the United Kingdom if it occurred there. This is relevant for U.K. companies that operate in the medicinal cannabis industry as they may have relationships with medicinal or recreational cannabis companies that operate legally in non-U.K. jurisdictions, however whose activities would be caught by POCA, and for U.K based investors who are investing in cannabis-related investments.

There are defenses available to the money laundering offences, principally making an authorized disclosure prior to the offence being committed and gaining appropriate consent from the National Crime Agency (“NCA”) to receive the criminal property in question, and receiving the property for adequate consideration, as in the case of a contract.

Canmart will take into consideration any potential POCA applications when dealing with non-U.K. companies and will act accordingly to ensure compliance with POCA.

### **Regulatory Framework in the Kingdom of Lesotho**

The *Drugs of Abuse Act, 2008* (the “Drugs of Abuse Act”) is the principal legislation which regulates the pharmaceutical sector in the Kingdom of Lesotho. The Drugs of Abuse Act aims to ensure that certain drugs are available in the Kingdom of Lesotho which would be used for medical, scientific and related purposes. The Drugs of Abuse Act also aims to prevent the abuse of drugs, to prevent diversion from lawful trade of controlled chemicals, equipment and materials for the use in unlawful manufacture of such drugs. Furthermore, the Drugs of Abuse Act also establishes the Lesotho Narcotics Bureau.

Cannabis, cannabis plants and cannabis resin are specifically defined in the Drugs of Abuse Act and as such, the cultivation, manufacturing, preparation, supply, and transit thereof is restricted. As such, the Drugs of Abuse Act, pursuant to section 9 thereof, allows the cultivation, manufacturing, acquisition, administration if the person is an operator as defined in the Drugs of Abuse Act. Therefore, an operator, is

defined as any person who carries on a business of manufacture acquisition or supply of a drug of abuse. Cannabis is defined as a drug of abuse.

Operators are therefore allowed to apply for a license that permits operators to cultivate, manufacture, import, export, transport and process cannabis for medicinal purposes. The recreational use of cannabis is still illegal, and it carries criminal sanctions.

These operators' licenses are, generally valid for 12 months, renewable every year.

In order for an operator to import, export or transport cannabis, the operator must apply for a permit for such imports, exports and transport of cannabis. These permits apply to cannabis plants, cannabis seed, cannabis and cannabis resin.

The current legislative framework does not differentiate between cannabis containing THC or CBC, as the current definition deals with the collective description of cannabis.

During 2018 and 2019, the Government of Lesotho published regulations, *The Drugs of Abuse (Cannabis) Regulations* ("the Drugs of Abuse Regulations"). The 2019 Drugs of Abuse Regulations repealed and replaced the 2018 Drugs of Abuse Regulations.

The purpose of the Drugs of Abuse Regulations is to track, control, manage and regulate the cannabis industry. It is also the purpose of the Drugs of Abuse Regulations to set the criteria for the license application process, qualifications for operators and to set up structures and methods for the tracking of cannabis, from seed to sale.

The Lesotho Narcotics Bureau is tasked with assessing license applications, renewals and providing the operators with advice and assistance as regards the laws and regulations governing the conduct of a drugs of abuse business as well as the role of the International Narcotics Control Board.

The Drugs of Abuse Regulations also deals with the requirements for and set the standard for qualifications to be engaged in a cannabis business. It contains provisions dealing with the standards for security, premises, manufacturing practices, cultivation practices, record keeping, seed-to-sale requirements and testing of cannabis.

Labelling and packaging as well as waste management is provided for in the Drugs of Abuse Regulations as it also deals with the transportation, importation and exportation of cannabis.

Operators can apply for licenses which allows indoor or outdoor cultivation; however, outdoor cultivation is restricted to cannabis strains that have a THC content below 1% and that it is used for produce CBD isolate, only feminized seeds are used, the male plants must be destroyed and cannabis seed is obtained from a registered seed supplier.

Failure to comply with the Drugs of Abuse Act and the Drugs of Abuse Regulations constitute a criminal offence and when convicted, it can lead to 5 years of imprisonment of a fine of not less than R20 000.00 (ZAR) (approximately, U.S.\$1,333) or both, or in the case of a company, a fine of not less than R100 000.00 (ZAR) (approximately, U.S.\$6,667).

Bophelo is currently the holder of an operators' license ("the Operators' License") as issued in terms of the Drugs of Abuse Act, 2008 pursuant to section 12 thereof.

The Operators' License is issued under number 18/8/18/18 and is granted for a ten-year period, renewable every 12 months. The Operator's License is valid until September 26, 2028 and in terms of the Operators' License, Bophelo is licensed to cultivate, manufacture, supply for distribution, store, export, import and transit into and out of Lesotho cannabis for medicinal purposes and for scientific and any other lawful use.

Furthermore, the Operators' License also allow Bophelo to cultivate cannabis on or up to 50,000 square meters (5 hectares) of greenhouses (indoor).

## MANAGEMENT

### Our Executive Officers and Directors

The following table sets forth the names, ages and positions of the individuals who we anticipate will serve as our executive officers and members of our Board of Directors at the time of the offering.

Name	Position	Age
Louisa Mojela	Executive Chairman and Director	65
Tejinder Virk	Chief Executive Officer and Director	40
Aslihan Akkar-Schenkl	President	43
Trevor Scott	Chief Financial Officer	42
Philip van den Berg <sup>(1)</sup>	Director	63
Charles Kié <sup>(2)</sup>	Director	58
Gila Jones <sup>(2)</sup>	Director Nominee	40
Gugu Dingaan <sup>(2)</sup>	Director Nominee	46

(1) Mr. van den Berg is a director and Chief Financial Officer and an appointee of Halo, which is expected to own approximately 43.2% of our outstanding Common Shares upon the consummation of this offering.

(2) Independent Director.

Other than Mr. van den Berg, who is an appointee of Halo pursuant to the Investor Rights Agreement, there is no arrangement or understanding with any shareholder, supplier, customer or any other person pursuant to which any of our directors or executive officers was selected to serve as a director or executive officer of the Company.

### Biographical Information

The following is a summary of certain biographical information concerning our executive officers, directors, and director nominees.

**Louisa Mojela** has served as the Executive Chairman and a director of Akanda since July 2021, and has served as the Executive Chairman and a director of Bophelo since June 2018. In addition, Ms. Mojela served as Chairman of the board of directors of Halo from July 2020 to July 2021. Ms. Mojela is one of Southern Africa's most influential and successful business leaders. Ms. Mojela is the Group Chief Executive Officer of Wiphold (Women Investment Portfolio Holdings), one of the largest African-based ESG funds to empower black African women, which she co-founded in 1994. She has led capital raises and held directorships at companies such as Sasol Mining (a subsidiary of Sasol Holdings listed on the New York Exchange), Distell, Ixia Coal, South African Airways, Ericsson SA, Adcorp, and Sun International, amongst others. In addition to her business dealings, Ms. Mojela is focused on various social development initiatives in the Kingdom of Lesotho in line with the Sustainable Development Goals of the Government of Lesotho. She has received numerous accolades for her leadership. Among these, in 2000 she was selected as one of 40 women for the "Leading Women Entrepreneur of the World"; in 2015 she was named one of three "Business Women of the Year — Southern Africa" at the All Africa Business Leaders Awards in partnership with CNBC Africa; and in 2016, she won the European Business Assembly's "Best Manager of the Year" award at an event held in Switzerland. Ms. Mojela received a Bachelor of Commerce from the National University of Lesotho and also completed the Executive Leadership Program at Wharton School of Business at the University of Pennsylvania. We believe Ms. Mojela's expertise and accomplished track record as one of South Africa's most accomplished leaders in business qualifies her to serve as our director.

**Tejinder Virk**, has served as Akanda's Chief Executive Officer and director since July 2021. Prior to Akanda, Mr. Virk served as the President and Managing Director (Europe) of Khiron Life Sciences (TSX-V: KHRN) (OTC: KHRNF) ("Khiron") from October 2019 to June 2021, where he was responsible for



establishing Khiron’s medical and consumer packaged goods business in the region. Prior to Khiron, Mr. Virk was Managing Director (Europe) for Canopy Growth Corporation (NASDAQ: CGC) (TSE: WEED) (“Canopy”) from January 2019 to September 2019, where he was responsible for driving the multinational expansion of Canopy’s European operations. Working with top research doctors in the United Kingdom, Spain, and Germany, he has overseen the launch of multiple medical cannabis products in Europe, including flower for inhalation and oils. Prior to Canopy, Mr. Virk served as the Managing Director of BMO Financial Group (NYSE: BMO) Investment Banking group from June 2004 to December 2018. In that role, Mr. Virk gained extensive cannabis sector M&A experience and has transacted on numerous IPOs and follow-on capital raises for global cannabis companies, including Canopy and Tilray (NASDAQ: TLRY). Mr. Virk received a Bachelor of Applied Science (BASc) in Systems Design Engineering with an Option in Management Sciences from the University of Waterloo in 2004. We believe Mr. Virk’s extensive experience in the cannabis and corporate finance industry qualifies him to serve as our director.

**Dr. Aslihan Akkar-Schenkl** has served as Akanda’s President since October 2021. Prior to joining Akanda, from March 2020 to September 2021, Dr. Akkar-Schenkl served as the Managing Director of Northern Green Global GmbH, a company providing cannabinoid medicines to global markets. Prior to this position, from October 2018 to February 2020, Dr. Akkar-Schenkl acted as the Responsible Person of Drapalin Pharmaceuticals GmbH. Within her responsibility she audited diverse medical cannabis producers at locations including Canada, Kingdom of Lesotho and parts of Europe. Before joining Drapalin Pharmaceuticals, she took diverse roles in the German pharmaceutical industry, starting in R&D at PARI Pharma GmbH with focus on inhalation therapies. From October 2007 until October 2017, she also worked in the IP field at Munich-based Patent Law firms with focus on FTO-Analysis, acting before the European Patent Office and German Patent Court. Dr. Akkar-Schenkl is a registered Pharmacist in Germany, European Patent Attorney, German Patent Attorney and holds a Ph.D. Degree in Pharmaceutical Technology (Disputation December 2004). She is author and co-author of over 30 scientific publications and articles.

**Trevor Scott** has served as Akanda’s Chief Financial Officer since July 2021. Trevor was involved in the formation of Bophelo in July 2018 and has served as its Chief Financial Officer since its inception. Additionally, Mr. Scott has served as the Chief Executive Officer of Bearingway Limited, an accounting and consulting firm, since January 2008 and as the Chief Financial Officer of Stallion Security (Pty) Ltd., a security company based in Johannesburg, South Africa, since April 2017. Prior to that, Mr. Scott served as the Chief Financial Officer and financial director of Uranium One Africa Ltd., a mining company that focuses on gold and uranium mining operations, from September 2014 to January 2017, and as a director of Mokwele Inc. since January 2004. Mr. Scott is a chartered accountant by profession, and has experience with regards to fundraising, accounting, investor relations, internal controls and mergers and acquisition related matters. Mr. Scott received his bachelor’s degree in Accounting at Wits University in 2000.

**Philip van den Berg** has served as a director of Akanda since July 2021. Mr. van den Berg has served as a director and Chief Financial Officer of Halo since July 2018. Prior to Halo, Mr. van den Berg has served as the Chief Financial Officer of Namaste Technologies Inc. from October 2016 to June 2018 and as the Chief Financial Officer of Golden Leaf Holdings from October 2015 to March 2016. Mr. van den Berg has an extensive 30-year career in finance, principally in the equities divisions at Goldman Sachs and Deutsche Morgan Grenfell in London, as well as on the buy-side as co-founder of both Olympus Capital Management, one of the first European hedge funds and Taler Asset Management, a wealth management company based in Gibraltar. Mr. van den Berg earned a Master’s degree in Economics from the University of Amsterdam in 1987. We believe Mr. van den Berg’s wealth of experience in finance and business operations qualifies him to serve as our director.

**Charles Kié** has served as a director of Akanda since August 2021 and is expected to serve as our lead independent director upon consummation of this offering. In addition, Mr. Kié served as a director of Halo from October 2020 to July 2021. Mr. Kié has served as the co-founder and Chief Executive Officer of New African Capital Partners and SBNA since October 2018 and March 2021, respectively. Mr. Kié has also served as the Managing Partner of Genesis Capital since September 2018. From January 2016 to September 2018, Mr. Kié was the Chief Executive Officer of Ecobank Nigeria, the largest affiliate of the Ecobank Group, where he led its turnaround. Throughout his career, Mr. Kié pioneered milestone transactions on the capital markets, in infrastructure finance and trade finance in West and Central Africa, and as such, brings a wealth of financial and operational expertise to Akanda. Mr. Kié also currently serves as a non-executive



board member at Empower Families for Innovative Philanthropy (ERFIP) — Edmond de Rothschild Foundations — Switzerland. Mr. Kié is a graduate of the Harvard Business School Advanced Management Program in 2011. He holds an MBA from New York University (Stern), HEC Paris and London School of Economics, as well as post-graduate degree in Corporate Restructuring from the University of Clermont Ferrand. He received his bachelor's degree from Ecole Supérieure de Commerce d'Abidjan in 1987. We believe Mr. Kié's wealth of experience and financial and operational expertise qualifies him to serve as our director.

**Gila Jones** has been nominated by our Board of Directors, subject to shareholder approval (which we anticipate prior to the closing of this offering) to serve as a non-executive director of Akanda. Ms. Jones is currently the Chief Operating Officer (2019 to present) at Westbrook Global Inc., a media company founded by Will and Jada Pinkett-Smith to develop, sell, produce, and market premium content for global streamers and studios. Prior to her appointment at Westbrook Global Inc., Ms. Jones was the Chief Operating Officer of beauty retailer Violet Grey, a position she held between 2018 and 2019. As the Chief Operating Officer of Violet Grey, she oversaw finance, retail, supply chain, and human resources functions. Between 2012 and 2018, Ms. Jones served as general counsel of fashion brand James Perse in a multifaceted role leading all legal and compliance matters (including corporate transactions, contracting, litigation and government inquiries, labor and employment, data privacy, and intellectual property) and human resources. She also oversaw the company's global real estate and expansion strategy, spanning owned and operated stores in the U.S. and Mexico, domestic shop-in-shops, and international retail and wholesale licenses in the United Kingdom, Japan, Australia, and Canada. Ms. Jones is on the board of Beignet Box, a privately held quick service seller of beignet and coffee, and RootsRex, a real estate start-up seeking to create ownership opportunities for renters of its portfolio properties. Ms. Jones is a graduate of the New York University School of Law (J.D) as well as Harvard University (A.B). Given her operational knowledge across several business sectors, her legal expertise and her track record as an advisor to start-up companies, Ms. Jones is well placed to bring her valuable knowledge and experience to Akanda's board of directors.

**Gugu Dinga** has been nominated by our Board of Directors, subject to shareholder approval (which we anticipate prior to the closing of this offering) to serve as a non-executive director of Akanda. Ms. Dinga is currently employed as an investment executive by Wipcapital (Pty) Ltd, which forms part of the WIPHOLD group. Ms. Dinga has held this position since 2004. Ms. Dinga's role as an investment executive at Wipcapital (Pty) Ltd entails developing WIPHOLD's strategy and managing and growing its investor portfolio, including the ongoing management of relationships with various investee companies and providing them with strategic direction. Ms. Dinga has over 17 years of experience serving as a non-executive director, and a member of the audit and risk, nominating, remuneration, ethics and investment committees for a number of listed and unlisted companies. Ms. Dinga has served as a director of the Distell Group (JSE: DGH) since 2005 and chairs their social and ethics committee and is also a member of their audit and risk committee, remuneration and nomination committee and investment committee. In addition, Ms. Dinga has served as a director of Sasfin Bank Limited (JSE: SFN) since 2017 and is a member of their social and ethics committee and is a standing invitee to the meetings of their audit and risk committee, remuneration and nomination committee and investment committee. Since 2010, Ms. Dinga also has served on the board of Sasol Mining (Pty) Ltd, a subsidiary of Sasol Ltd (NYSE: SSL and JSE: SOL) and has chaired the board of Ixia Coal (Pty) Ltd. From 2010 to 2019, Ms. Dinga served as a director of SA Corporate Real Estate Ltd (JSE: SAC) and chaired its audit and risk committee, as well as its remuneration committee, in addition to serving as a member of its investment committee. Ms. Dinga has also served as a director of ABB SA (Pty) Ltd between 2010 and 2019 and chaired its audit and risk committee. Ms. Dinga also served as a director of Adcorp Group Limited (JSE: ADR) and served on its social and ethics committee and its investment committee. Following her appointment in 2004, Ms. Dinga also serves as a director of Landis & Gyr (Pty) Ltd and chairs its social and ethics committee and is a member of its risk and finance committee. Ms. Dinga is a chartered account by profession and holds a Bachelor of Commerce degree and a Post Graduate Diploma in Accounting from the University of Natal. M. Dinga is also a graduate of the University of Stellenbosch's Executive Development Programme and INSEAD's Advanced Management Programme. Ms. Dinga brings a wealth of knowledge and experience with regard to corporate governance practices and their role in a listed public company environment.

### Family Relationships

There are no familial relationships among any of our directors, director nominees, or executive officers.



### **Involvement in Certain Legal Proceedings**

To our knowledge, none of our directors, director nominees, or executive officers have, during the past ten years:

- Been convicted in a criminal proceeding or been subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);
- had any bankruptcy petition filed by or against the business or property of the person, or of any partnership, corporation or business association of which he or she was a general partner or executive officer, either at the time of the bankruptcy filing or within two years prior to that time;
- been subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction or federal or state authority, permanently or temporarily enjoining, barring, suspending or otherwise limiting, his or her involvement in any type of business, securities, futures, commodities, investment, banking, savings and loan, or insurance activities, or to be associated with persons engaged in any such activity;
- been found by a court of competent jurisdiction in a civil action or by the SEC or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated;
- been the subject of, or a party to, any federal or state judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated (not including any settlement of a civil proceeding among private litigants), relating to an alleged violation of any federal or state securities or commodities law or regulation, any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order, or any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or
- been the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Securities Exchange Act of 1934, as amended (the Exchange Act)), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

The Company is not currently a party to any legal proceedings, the adverse outcome of which, individually or in the aggregate, we believe will have a material adverse effect on our business, financial condition or operating results.

### **Composition of our Board of Directors**

Our business and affairs are managed under the direction of our Board of Directors. Contemporaneously with this offering, we anticipate that our Board of Directors will be composed of seven directors. When considering whether directors have the experience, qualifications, attributes or skills, taken as a whole, to enable our Board of Directors to effectively satisfy its oversight responsibilities in light of our business and structure, the Board of Directors focuses primarily on each person's background and experience as reflected in the information discussed in the directors' respective biographies set forth above. We believe that our directors provide an appropriate mix of experience and skills relevant to the size and nature of our business.

### **Corporate Governance Practices**

We are a "foreign private issuer" under the federal securities laws of the United States and the NASDAQ listing standards. Under the federal securities laws of the United States, foreign private issuers are subject to different disclosure requirements than U.S.-domiciled registrants. We intend to take all actions necessary for us to maintain compliance as a foreign private issuer under the applicable corporate governance requirements of the Sarbanes-Oxley Act, the rules adopted by the SEC and the Nasdaq listing standards.

Under the SEC rules and the Nasdaq listing standards, a foreign private issuer is subject to less stringent corporate governance requirements. Subject to certain exceptions, the SEC and the Nasdaq permit



a foreign private issuer to follow its home country practice in lieu of their respective rules and listing standards. Following our home country governance practices, as opposed to the requirements that would otherwise apply to a company listed on Nasdaq, may provide less protection than is accorded to investors under the Nasdaq Rules applicable to U.S. domestic issuers.

In particular, as a foreign private issuer, in accordance with and pursuant to the authority contained in Nasdaq Listing Rule 5615(a)(3), we may follow certain Canadian law and corporate practice in lieu of certain corporate governance provisions set out under the Nasdaq Rule 5600 Series, the requirement in Listing Rule 5250(b)(3) to disclose third party director and nominee compensation, and the requirement in Listing Rule 5250(d) to distribute annual and interim reports. Of particular note, the following rules under the Nasdaq Listing Rule 5600 Series may differ from Canadian law requirements:

- Nasdaq Listing Rule 5605(b)(1) requires that at least a majority of the Company's Board of Directors shall be independent directors, and Nasdaq Listing Rule 5605(b)(2) requires that independent directors regularly meet in executive session, where only independent directors are present. We expect to have four independent directors at the time of listing. Our independent directors will meet regularly with other members of the Board and meet in executive session at least two (2) times per year.
- Nasdaq Listing Rule 5620(c) sets out a quorum requirement of at least 33-1/3% of the outstanding shares with respect to meetings of shareholders. In accordance with Canadian law and generally accepted business practices, our bylaws (the "Bylaws") provide that a quorum is met when holders of not less than 10% of the shares entitled to vote at the meeting of shareholders are present in person or represented by proxy. The quorum requirement provided in our Bylaws is consistent with applicable Canadian laws and corporate practices.
- Nasdaq Listing Rule 5605(c)(2)(A) requires that the Company shall have an audit and risk committee composed entirely of not less than three directors, each of whom must be independent. At the time of listing, our audit and risk committee will be comprised of three directors, and each member of the audit and risk committee will meet the independence requirements of Nasdaq Listing Rule 5605(a)(2) and Rule 10A-3(b)(1) under the Exchange Act.
- Nasdaq Listing Rule 5605(d)(2)(A) requires, among other things, that the Company's compensation and human resources committee include at least two members, each of whom is an independent director as defined under Nasdaq Listing Rule 5605(a)(2). At the time of listing, our compensation and human resources committee will be comprised of three directors, and each member of the compensation and human resources committee will meet the independence requirements of Nasdaq Listing Rule 5605(a)(2).
- Nasdaq Listing Rule 5605(e) requires that the nominations committee include solely independent directors. At the time of listing, our nominating and ESG committee will be comprised of three directors, and each member of the nominating and ESG committee will meet the independence requirements of Nasdaq Listing Rule 5605(a)(2).

## **Board Practices**

### ***Board Leadership Structure and Risk Oversight***

Our Board of Directors oversees our business and considers the risks associated with our business strategy and decisions. Our Board of Directors currently implements its risk oversight function as a whole. Each of the Board committees also provides risk oversight in respect of its areas of concentration and report material risks to the Board for further consideration.

### ***Terms of Office***

Each of our officers holds office until his or her successor is appointed. Directors are elected to serve until the close of the next annual meeting of shareholders or until their successors have been elected or appointed.

***Director Independence***

We use the definition of “*independence*” under applicable Nasdaq Listing Rules to make determinations regarding director independence. Under such definitions, the Company’s Board of Directors has affirmatively determined that each of Charles Kié, Gila Jones and Gugu Dingaan is independent. We intend to appoint one additional independent director prior to the listing.

***Board Committees******Audit and Risk Committee***

On August 6, 2021, our Board of Directors established an audit and risk committee that operates under a written charter as approved by our Board of Directors.

Our audit and risk committee is responsible for, among other things:

- appointing, compensating, retaining, evaluating, terminating and overseeing our independent registered public accounting firm;
- discussing with our independent registered public accounting firm their independence from management;
- reviewing, with our independent registered public accounting firm, the scope and results of their audit;
- approving all audit and permissible non-audit services to be performed by our independent registered public accounting firm;
- overseeing the financial reporting process and discussing with management and our independent registered public accounting firm any financial statements that we file with the SEC;
- overseeing our financial and accounting controls and compliance with legal and regulatory requirements;
- reviewing our policies on risk assessment and risk management;
- reviewing related person transactions; and
- establishing procedures for the confidential anonymous submission of concerns regarding questionable accounting, internal controls or auditing matters.

Our audit and risk committee will be composed of three independent directors including Charles Kié, who will serve as chair of the committee. Charles Kie qualifies as an “audit committee financial expert” as such term has been defined in Item 407(d)(5) of Regulation S-K. Our Board of Directors has affirmatively determined that Charles Kié meets the definition of “independent director” for purposes of serving on the audit and risk committee under the Nasdaq rules, the independence standards under Rule 10A-3 of the Exchange Act and will appoint two additional members meeting the same independence standards to the committee prior to the listing.

Following this offering, both our independent registered public accounting firm and management personnel will periodically meet privately with our audit and risk committee.

***Nominating and ESG Committee***

On August 6, 2021, our Board of Directors established a nominating and ESG committee that operates under a written charter as approved by our Board of Directors.

Our nominating and ESG committee is responsible for, among other things:

- identifying individuals qualified to become members of our Board of Directors consistent with criteria approved by our Board of Directors;
- overseeing succession planning for our executive officers;



- periodically reviewing our Board of Directors' leadership structure and recommending any proposed changes to our Board of Directors;
- overseeing an annual evaluation of the effectiveness of our Board of Directors and its committees;
- developing and recommending to our Board of Directors a set of corporate governance guidelines;
- developing and recommending to our Board of Directors our ESG initiatives and programs.

Our nominating and ESG committee will be composed of three independent directors including Charles Kié, who will as chair of the committee. Our Board of Directors has affirmatively determined that Charles Kié meets the definition of "independent director" for purposes of serving on the nominating and ESG committee under the Nasdaq rules and will appoint two additional members meeting the same independence standards to the committee prior to the listing.

#### *Compensation & Human Resources Committee*

On August 6, 2021, our Board of Directors established a compensation & human resources committee that operates under a written charter as approved by our Board of Directors.

Our compensation & human resources committee is responsible for, among other things:

- determining and recommending to the Board of Directors for approval, the corporate goals and objectives, evaluating the performance and reviewing and approving the compensation of our executive officers;
- reviewing or making recommendations to our Board of Directors regarding our incentive compensation and equity-based plans, policies and programs;
- reviewing all employment agreement and severance arrangements for our executive officers;
- reviewing and making recommendations to our Board of Directors regarding the compensation of our directors; and
- retaining and overseeing any compensation consultants.

Our compensation & human resources committee will be composed of three independent directors including Charles Kié, who will serve as chair of the committee. Our Board of Directors has affirmatively determined that Charles Kié meets the definition of "independent director" for purposes of serving on the compensation & human resources committee under the Nasdaq rules and will appoint two additional members meeting the same independence standards to the committee prior to the listing.

#### *Code of Ethics*

Our Board of Directors has adopted a written code of ethics and business conduct, which is a "code of ethics" as defined in section 406(c) of the Sarbanes-Oxley Act that applies to our directors, officers, and employees, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, and other of our agents. The code of ethics will be made publicly available on the Company's website at and is filed as Exhibit 14.1 hereto.

#### *Whistleblower Policy*

The Company has adopted a Whistleblower Policy which is filed as Exhibit 14.2 hereto.

#### *Related Party Transactions Policy*

The Company has adopted a Related Party Transactions Policy which is filed as Exhibit 14.3 hereto.

#### **Nominations to the Board of Directors**

We do not have any defined policy or procedural requirements for shareholders to submit recommendations or nominations for directors. Our Board of Directors believes that, given the stage of our



development, a specific nominating policy would be premature and of little assistance until our business operations develop to a more advanced level. The Board of Directors, with the help of its nominating and ESG committee, will assess all candidates, whether submitted by management or shareholders, and make recommendations for election or appointment.

#### **Stockholder Communications**

We do not have a formal policy regarding stockholder communications with our Board of Directors. A shareholder who wishes to communicate with our Board of Directors may do so by directing a written request addressed to our Chief Financial Officer, at Akanda Corp., 1a, 1b Learoyd Road New Romney TN28 8XU, United Kingdom.



## MANAGEMENT COMPENSATION

### Compensation of our Executive Officers and Directors

The following table sets forth information concerning the compensation of our executive officers and members of our Board of Directors for 2021.

	Salary (\$)	Stock awards (\$)	Option awards (\$)	Non-equity incentive plan compensation (\$)	Change in pension value and nonqualified deferred compensation earnings	All other compensation (\$)	Total (\$)
Louisa Mojela (Executive Chairman)	270,000	—	—	—	—	—	270,000
Tejinder Virk (Chief Executive Officer)	337,500	—	—	—	—	9,798	347,298
Charles Kié* (Lead Independent Director*)	77,590	—	—	—	—	—	77,590
Philip Van Den Berg (Non Executive Director)	25,000	—	—	—	—	—	25,000
Trevor Scott* (Chief Financial Officer)	231,099	—	—	—	—	—	231,099
Dr. Aslihan Akkar-Schenkl (President)	59,508	—	—	—	—	5,079	64,587
<b>Total</b>	<b>1,000,697</b>					<b>14,877</b>	<b>1,015,574</b>

\* includes compensation paid by Bophelo Bio Science and Wellness (Pty) Ltd from January 1, 2021 to June 30, 2021.

### Director Compensation

We currently have four directors who were elected to our Board of Directors in July and August 2021. We currently do not pay our directors who are executive officers additional compensation. We expect to compensate our non-executive directors for their director services, which will be settled partly in cash and partly in equity awards. Total non-executive director compensation will be as follows:

- an annual retainer of \$75,000 (\$100,000 for the lead independent director);
- an initial equity award equal to the value of \$100,000;
- an additional \$5,000 per annum for any non-executive director serving on a board committee (\$6,000 if serving as chair of a board committee other than the audit and risk committee and \$10,000 if serving as chair of the audit and risk committee).

### Executive Employment Agreements, Arrangements or Plans

The following describes the respective employment agreements entered into and currently in place between the Company and its executive officers.

#### *Employment Agreement by and among Canmart, Halo and Tejinder Virk, dated June 2, 2021*

*Title.* Mr. Virk initially served as Chief Executive Officer of Canmart and was appointed the Chief Executive Officer of Akanda in July 2021.



**Term.** Mr. Virk's employment commenced on June 2, 2021 and shall continue until terminated by either party giving the other not less than six months prior written notice, provided that the employer can only give notice after 18 months following the commencement date.

**Basic Salary.** Mr. Virk will be paid an annual salary of £500,000, or US\$670,645 subject to applicable deductions as required by law including for tax and national insurance.

**Incentive Payments & Bonuses.** Mr. Virk is entitled to receive (i) an incentive payment of £250,000 (US\$335,323), which shall be paid in the subsequent month following the listing of Akanda's share capital upon a recognized stock exchange including Nasdaq, and (ii) an incentive payment of £250,000 (US\$335,323), which shall be paid in the month following receipt by the employer of an equity financing (excluding any equity shares issued on conversion of any convertible securities or any equity securities issued to Halo, Inc.) with an aggregate subscription price of not less than £10,000,000. In addition, Mr. Virk is entitled to participate in the employer's bonus scheme with an annual bonus opportunity of: (A) up to 100% of his annual salary on meeting achievable KPIs as determined by the board; and (B) an additional bonus opportunity based on achievable stretch targets which is to be determined by the board.

Mr. Virk is expected to be granted an option to purchase Common Shares under the Plan, which is subject to monthly vesting over a three year period, with a one year vesting cliff, and customary good leaver, intermediate leaver and bad leaver conditions.

In the event that there is a change of control of the employer after the date falling 12 months after the date of the grant of the equity interest and before the end of the three year vesting period, and Mr. Virk remains an employee at that time, the vesting of the equity interest will automatically be accelerated immediately prior to such change of control.

Halo will guarantee that, if the employer under the agreement does not comply with its obligations to pay any amount due to Mr. Virk, Halo shall pay the guaranteed amount to Mr. Virk on demand.

***Employment Agreement by and between Akanda Corp. and Dr. Aslihan Akkar-Schenkl, dated September 28, 2021***

**Title.** Dr. Akkar-Schenkl was appointed the President of Akanda Corp. on October 1, 2021.

**Term.** Dr. Akkar-Schenkl's employment commenced on October 1, 2021 and shall continue until terminated by either party giving the other not less than two weeks prior written notice during the first six months of the employment and afterwards, not less than three months prior written notice to the end of the quarter.

**Basic Salary.** Dr. Akkar-Schenkl will be paid an annual salary of €154,000, or \$178,578.40 subject to applicable deductions as required by law including for tax and national insurance.

**Incentive Payments & Bonuses.** Dr. Akkar-Schenkl is entitled to receive a fixed annual bonus of €46,000 every 12 months in January of each year, with each 12 month measurement period commencing on January 1 and ending on December 31 of each year.

***Service Agreement by and between Canmart, Akanda Corp. and Louisa Mojela, dated January 24, 2022***

**Title.** Ms. Mojela was appointed the Executive Chairperson of Akanda Corp.

**Term.** Ms. Mojela's employment commenced on July 1, 2021 and shall continue until terminated by either party giving the other not less than six months prior written notice, provided that the employer can only give notice after 18 months following the commencement date.

**Basic Salary.** Ms. Mojela will be paid an annual salary of £400,000 subject to applicable deductions as required by any local laws including for tax and social security.

**Deferred Compensation.** Further to Ms. Mojela's annual salary, Ms. Mojela shall be entitled to a further amount of £100,000 per annum in deferred compensation; which shall be settled in arrears on the six-month anniversary of the commencement date.

*Incentive payments & Bonuses.* Ms. Mojela is entitled to receive (i) an incentive payment of £200,000, which shall be paid in the subsequent month following the listing of Akanda's share capital upon a recognized stock exchange including Nasdaq, and (ii) an incentive payment of £200,000, which shall be paid in the subsequent month following the listing of Akanda's share capital upon a recognized stock exchange including Nasdaq, with an aggregate subscription price of not less than £10,000,000. In addition, Ms. Mojela is entitled to participate in Canmart's bonus scheme with an annual bonus opportunity of (A) up to 100% of her annual salary based on meeting achievable KPIs as determined by the board using its reasonable discretion on or around the beginning of each financial year; and (B) an additional bonus opportunity based on achievable stretch targets which is to be determined by the board using its reasonable discretion.

***Service Agreement by and between Canmart, Akanda Corp. and Trevor Scott, dated January 24, 2022***

*Title.* Mr. Scott was appointed the Chief Financial Officer of Akanda Corp.

*Term.* Mr. Scott's employment commenced on July 1, 2021 and shall continue until terminated by either party giving the other not less than six months prior written notice, provided that the employer can only give notice after 18 months following the commencement date.

*Basic Salary.* Mr. Scott will be paid an annual salary of £250,000 subject to applicable deductions as required by any local laws including for tax and social security.

*Incentive payments & Bonuses.* Mr. Scott is entitled to receive an incentive payment of £150,000, which shall be paid in the subsequent month following the listing of Akanda's share capital upon a recognized stock exchange including Nasdaq. In addition, Mr. Scott is entitled to participate in Canmart's bonus scheme with an annual bonus opportunity of (A) up to 100% of his annual salary based on meeting achievable KPIs as determined by the board using its reasonable discretion on or around the beginning of each financial year; and (B) an additional bonus opportunity based on achievable stretch targets which is to be determined by the board using its reasonable discretion.

*Shares.* Mr. Scott shall be granted, through an employee share ownership plan or otherwise, an award of an equity interest in Akanda of approximately 500,000 Common Shares. The equity interest will be subject to monthly vesting over a three year period, with a one year vesting cliff, and will be subject to customary good leaver, intermediate leaver and bad leaver conditions.

**Stock Option Plan**

The Company has a stock option plan (the "Plan") whereby it may grant options for the purchase of Common Shares, or Restricted Share Units, to any director, consultant, employee or officer of the Company or its subsidiaries. The aggregate number of shares that may be issuable pursuant to options granted under the Plan will not exceed 20% of the issued Common Shares of the Company. The options are non-transferable and non-assignable and may be granted for a term not exceeding 5 years. The exercise price of the options will be determined by our Board of Directors at the time of grant, but in the event that such shares are traded on any stock exchange, may not be less than the closing price of such shares on such stock exchange on the trading date immediately precedent the date of grant, subject to all applicable regulatory requirements.

## PRINCIPAL SHAREHOLDERS

The following table sets forth information about the beneficial ownership of our Common Shares as of January 27, 2022 by:

- each of our executive officers, directors, and director nominees;
- all of our executive officers, directors, and director nominees as a group; and
- each person or entity (or group of affiliated persons or entities) known by us to be the beneficial owner of 5% or more of our Common Shares.

To our knowledge, each shareholder named in the table has sole voting and investment power with respect to all of our Common Shares shown as “beneficially owned” (as determined by the rules of the SEC) by such shareholder, subject to applicable community property laws and except as otherwise set forth in the footnotes to the table. The SEC has defined “beneficial” ownership of a security to mean the possession, directly or indirectly, of voting power and/or investment power.

Percentages beneficial ownership (as determined in accordance with Rule 13d-3 under the Exchange Act) are based on 22,385,317 Common Shares outstanding as of January 27, 2022. The column titled “Common Shares Beneficially Owned Immediately After this Offering” further is based on the 4,000,000 Common Shares that we are selling in this offering and an additional 1,311,848 Common Shares issuable upon conversion of the debenture described in footnote (6) to the table. The percentages assume no exercise by the underwriters of their option to purchase additional Common Shares from us in this offering.

Common Shares which may be acquired upon conversion of convertible securities or exercise of stock options or warrants which are currently exercisable or convertible or which become exercisable or convertible within 60 days after the date indicated in the table are deemed beneficially owned by the holder thereof.

Except as noted in the footnotes to the table below, the address for all of the shareholders in the table below is c/o Akanda, 1a, 1b Learoyd Road New Romney TN28 8XU, United Kingdom.

Name of Beneficial Owner	Common Shares Beneficially Owned Immediately Prior to this Offering <sup>(1)</sup>		Common Shares Beneficially Owned Immediately After this Offering <sup>(1)</sup>	
	Shares	Percentage	Shares	Percentage
<b>Executive Officers, Directors, and Director Nominees:</b>				
Louisa Mojela, Executive Chairman and Director	2,855,602	12.8%	2,855,602	10.0%
Tejinder Virk, Chief Executive Officer and Director	1,875,602	8.4%	1,875,602	6.8%
Dr. Aslihan Akkar-Schenkl, President	—	*	—	*
Trevor Scott, Chief Financial Officer	40,000	*	40,000	*
Philip van den Berg, Director <sup>(2)</sup>	—	*	—	*
Charles Kié, Director	29,200	*	29,200	*
Gila Jones, Director Nominee	20,000	*	20,000	*
Gugu Dingaan, Director Nominee	4,000	*	4,000	*
<b>All executive officers, directors, and director nominees as a group</b>	<b>4,824,404</b>	<b>21.6%</b>	<b>4,824,404</b>	<b>16.9%</b>
<b>5% or more Shareholders:</b>				
Halo Collective Inc. <sup>(3)</sup>	11,029,212	49.3%	12,341,060 <sup>(6)</sup>	43.2% <sup>(6)</sup>
1306077 B.C. LTD. <sup>(4)</sup>	2,100,000	9.4%	2,100,000	7.4%
Raj Beri <sup>(5)</sup>	1,875,602	8.4%	1,875,602	6.8%

\* Represents less than 1% of the number of Common Shares outstanding.

(1)

Beneficial ownership is determined in accordance with Rule 13d-3 under the Exchange Act. A person is

deemed to be the beneficial owner of any Common Shares if that person has or shares voting power or investment power with respect to those shares or has the right to acquire beneficial ownership at any time within 60 days.

- (2) Philip van den Berg is a director and Chief Financial Officer of Halo, but does not have voting or dispositive power over the Common Shares held of record and beneficially owned by Halo.
- (3) Halo's business address is 504 - 100 Park Royal West Vancouver, BC V7T 1A2. Kiran Sidhu is the Chief Executive Officer of Halo, and in such capacity has voting and investment control over the Common Shares held by Halo. Mr. Sidhu disclaims beneficial ownership of the Common Shares held by Halo.
- (4) 1306077 B.C. LTD. ("1306077")'s business address is 885 W. Georgia St. #2200, Vancouver, BC V6C 3E8. David Jenkins is the director of 1306077, and in such capacity has voting and investment control over the Common Shares held by 1306077.
- (5) Includes 937,801 Common Shares held of record by ERB Investment Holdings, LLC and 937,801 Common Shares held of record by S&G Holdings, Ltd. Both ERB Investment Holdings, LLC and S&G Holdings, Ltd. are wholly owned and controlled by Raj Beri.
- (6) Includes 1,311,848 Common Shares which are expected to be issued to Halo upon the conversion of the Debenture at a conversion price of \$5.00 per Common Share upon the consummation of this offering pursuant to the terms of the Debenture, assuming an initial public offering price of \$5.00 per Common Share, which is the midpoint of the price range set forth on the cover page of this prospectus.

For additional information about our principal shareholders, please see "***Certain Relationships and Related Party Transactions.***"

## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In addition to the compensation arrangements discussed under “*Management Compensation*” above, the following includes a description of those transactions with related parties to which we are a party and which we are required to disclose pursuant to the disclosure rules of the SEC. Specifically, the following includes summaries of transactions or agreements, during our last three fiscal years, to which we have been a party, in which the amount involved in the transaction exceeded \$120,000, and in which any of our directors, director nominees, executive officers or beneficial owners of more than 5% of our capital stock, affiliates of our directors, director nominees, executive officers and holders of more than 5% of our voting securities, or any member of the immediate family of any of the foregoing persons, had or will have a direct or indirect material interest, other than equity and other compensation, termination, change in control and other similar arrangements, which are described under “*Management Compensation*” and “*Principal Shareholders*.”

### Transactions with Related Parties

#### *Our transactions with Principal Shareholder*

At the closing of the Acquisition on November 3, 2021, as consideration for this Acquisition, we issued 13,129,212 Common Shares to Halo at a price of \$1.00 per share, resulting in Halo owning approximately 68.3% of all our outstanding Common Shares. In connection with the closing of the Acquisition, we also entered into the Investor Rights Agreement with Halo. See “*Prospectus Summary — Our History and Relationship with Halo — Acquisition of Subsidiaries from Halo*” and “*— Halo Investor Rights Agreement*” for additional information regarding the Acquisition and the Investor Rights Agreement.

Historically, Halo has advanced loans to Bophelo and Canmart to fund its operations and capital expenditures. Pursuant to the internal reorganization undertaken by Halo as a precursor to the Acquisition, Bophelo Holdings acquired the equity and claims held by Halo against Bophelo Bio Science for a nominal \$1 consideration and Cannahealth acquired the equity and claims held by Halo against Canmart for a nominal \$1 consideration. In connection with the Acquisition and in respect of the aforementioned claims effectively being transferred from Halo to entities that have now been acquired by Akanda Corp., we issued, at the closing of the Acquisition, a secured convertible debenture to Halo in the principal amount of \$6,559,294 in exchange for setting off all outstanding indebtedness owed by Bophelo to Halo. See “*Prospectus Summary — Our History and Relationship with Halo — Issuance of Secured Convertible Debenture to Halo*” for additional information regarding the terms of the debenture including its conversion terms. Furthermore, see the condensed unaudited financial statements of both Bophelo and Canmart for the nine months ended September 30, 2021 for further details of balances that were owing to Halo at September 30, 2021.

Halo has provided guarantee to our employment agreement with our Chief Executive Officer. See “*Management Compensation — Employment Agreements, Arrangements or Plans*” for additional information regarding this guarantee.

#### *Our transactions with Our Executive Chairman*

Bophelo has entered into a sublease agreement with the MMD Trust, which is controlled by Louisa Mojela, our Executive Chairman and director, and Granny Seape, a non-executive director of Bophelo. Please see “*Business — Our Business — Description of Property*” for additional information. Bophelo did not commence paying the rent for the leased premises until after 2020 and an interest was accrued on the unpaid rent. As of September 30, 2021, Bophelo owed a total amount of \$189,811 to the MMD Trust for unpaid rent and interest.

Pursuant to the Loan Agreement dated November 18, 2019, Bophelo entered into a bridge loan facility agreement with Ms. Mojela, for a principal amount up to \$1.1 million, with an interest rate of 1.5% per month, to fund the company’s general corporate and working capital requirements (the “Mojela Bridge Financing Facility”). This facility requires a redemption premium of 100% of the principal amount borrowed. This redemption premium will become payable upon successful raising of \$18 million or, such other amount agreed by the parties, by October 31, 2022 or, if Ms. Mojela elects to convert the unpaid and outstanding portion of the loan into share capital of Bophelo or its direct and/or indirect holding company.



The outstanding loan was repayable in 2021 and is secured by a mortgage over the company's property. In November 2021, the Company settled Bophelo's indebtedness to Ms. Mojela, including the redemption premium of \$1,100,000, in the aggregate amount of \$2,200,000 under the Mojela Bridge Financing Facility by issuing 880,000 Common Shares to her at a price of \$2.50 per share.

In September 2020, Bophelo entered into a loan agreement with Ms. Mojela in which Bophelo could borrow up to ZAR 2,000,000 (\$135,226). The interest rate is the prevailing bank interest rate in South Africa and Bophelo shall repay each loan borrowed under this facility in full within 30 days of the payment being received by Bophelo, including the interest for the period of the loan. All outstanding principal amount under this loan agreement was repaid in 2020 with the exception of accrued and unpaid interest at the time of settlement in the total amount of \$11,230, which has continued to accrue interest at the rate under the loan agreement. The outstanding balance under the loan agreement as of September 30, 2021 was \$12,139.

In addition, as of September 30, 2021, Bophelo owed an additional amount of \$183,736 to Ms. Mojela, which loan does not bear interest and has no fixed terms of repayment.

On January 24, 2022, Akanda and Canmart entered into a service agreement with Ms. Mojela. See "*Management Compensation — Employment Agreements, Arrangements or Plans*" regarding this agreement.

#### ***Transactions with Canmart Directors***

Canmart makes use of warehouse space owned by an entity known as D&D Investments Ltd. This entity is owned and controlled by two of the Canmart's directors, namely David Dean and Darran Quinn. Canmart does not currently pay rent in relation to the use of this property and no signed lease agreement is in place, however Canmart plans to enter into a formal lease arrangement within the next 12 months.

#### **Review, Approval and Ratification of Related Party Transactions**

The Company has adopted a Related Party Transactions Policy for the review and approval of related party transactions.

Our Related Party Transactions Policy is administrated by our audit and risk committee and provides that, in determining whether or not to recommend the initial approval or ratification of a related party transaction, the relevant facts and circumstances available shall be considered, including, among other factors it deems appropriate, whether the interested transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances and the extent of the related party's interest in the transaction.

## DESCRIPTION OF SHARE CAPITAL AND ARTICLES OF INCORPORATION

*The following is a summary of the material terms of our share capital and our articles of incorporation. Because it is a summary, this discussion should be read together with our articles of incorporation and the applicable share handling regulations.*

### General

The Company's Articles of Incorporation, as amended by our Articles of Amendment ("Articles"), provide that our authorized capital consists of an unlimited number of Common Shares, which do not have any special rights or restrictions, and an unlimited number of preferred shares ("Preferred Shares"), issuable in series, as a class.

As of the date of this prospectus, the Company has 25,567,128 Common Shares issued and outstanding and no Preferred Shares outstanding.

### Rights, Preferences and Restrictions Attaching to Our Common Shares

The Articles provide the following rights, privileges, restrictions and conditions attaching to our Common Shares:

- to vote at meetings of shareholders, except meetings at which only holders of a specified class of shares other than the Common Shares are entitled to vote;
- subject to the prior rights of the holders of the Preferred Shares, to share equally in the remaining property of our Company on liquidation, dissolution or winding-up of our Company; and
- subject to the prior rights of the holders of the Preferred Shares, the Common Shares are entitled to receive dividends if, as, and when declared by the Board of Directors.

The holders of Common Shares are entitled to receive notice of and to attend all annual and special meetings of our shareholders and to one vote in respect of each Common Share held at the record date for each such meeting, except a meeting of holders of a particular class of shares other than Common Shares who are entitled to vote separately as a class at such meeting. Subject to the prior rights of the holders of the Preferred Shares, the holders of Common Shares are entitled, at the discretion of our Board of Directors, to receive out of any or all of our profits or surplus properly available for the payment of dividends, any dividend declared by our Board of Directors and payable by the Company on the Common Shares. The holders of the Common Shares will participate in any distribution of the assets of the Company upon liquidation, dissolution or winding-up or other distribution of the assets of the Company, subject to the prior rights of the holder of the Preferred Shares.

### Pre-emptive Rights

Our Common Shares do not contain any pre-emptive purchase rights to any of our securities.

### Shareholder Meetings

The *Business Corporations Act* (Ontario) provides that: (i) a general meeting of shareholders shall be held at such place in or outside Ontario as the directors determine or, in the absence of such a determination, at the place where the registered office of our Company is located; (ii) directors must call an annual meeting of shareholders not later than 18 months after the date of incorporation and no later than 15 months after the last preceding annual meeting; (iii) for the purpose of determining shareholders entitled to receive notice of or vote at meetings of shareholders, the directors may fix in advance a date as the record date for that determination, provided that such date shall not precede by more than 60 days or by less than 30 days, the date on which the meeting is to be held; (iv) the holders of not less than 5% of the issued shares entitled to vote at a meeting may requisition the directors to call a meeting of shareholders for the purposes stated in the requisition; and (v) upon the application of a director or shareholder entitled to vote at the meeting, the Superior Court of Justice may order a meeting to be called, held and conducted in a manner that the Court directs.



The Company's Bylaws provide that a quorum is met when at least two persons holding or representing by proxy not less than 10% of the shares entitled to vote at the meeting of shareholders are present in person or represented by proxy.

The holders of our Common Shares are entitled to attend and vote at all meetings of the shareholders of the Company, except a meeting of holders of a particular class of shares other than the Common shares who are entitled to vote separately as a class at such meeting.

#### **Fully Paid and Non-assessable**

All outstanding Common Shares are, and the Common Shares to be outstanding upon completion of this offering will be, duly authorized, validly issued, fully paid and non-assessable.

#### **Resale Restrictions**

Our Articles do not impose restrictions on the transfer of Common Shares by a shareholder.

Purchasers under this offering should consult with their own professional advisers with respect to restrictions on the transferability of the securities offered hereunder.

#### **Preferred Shares**

The Preferred Shares may at any time and from time to time be issued in one or more series. The Board of Directors will, by resolution, from time to time, before the issue thereof, fix the designation, rights, privileges, restrictions and conditions attaching to the Preferred Shares of each series.

#### **Penny Stock Regulation**

The SEC has adopted regulations which generally define "*penny stock*" to be any equity security that has a market price of less than \$5.00 per share or an exercise price of less than \$5.00 per share. Such securities are subject to rules that impose additional sales practice requirements on broker-dealers who sell them. For transactions covered by these rules, the broker-dealer must make a special suitability determination for the purchaser of such securities and have received the purchaser's written consent to the transaction prior to the purchase. Additionally, for any transaction involving a penny stock, unless exempt, the rules require the delivery, prior to the transaction, of a disclosure schedule prepared by the SEC relating to the penny stock market. The broker-dealer also must disclose the commissions payable to both the broker-dealer and the registered representative, current quotations for the securities and, if the broker-dealer is the sole market-maker, the broker-dealer must disclose this fact and the broker-dealer's presumed control over the market. Finally, among other requirements, monthly statements must be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks. As our Common Shares immediately following this offering may be subject to such penny stock rules, purchasers in this offering will in all likelihood find it more difficult to sell their Common Shares in the secondary market.

#### **Limitations on Liability and Indemnification of Officers and Directors**

In accordance with the *Business Corporations Act* (Ontario) and pursuant to the Bylaws of the Company, subject to certain conditions, the Company shall indemnify a director or officer, a former director or officer, or another individual who acts or acted at the Company's request as a director or officer, or an individual acting in a similar capacity, of another entity, against all costs, charges and expenses, including any amount paid to settle an action or satisfy a judgment, reasonably incurred by the individual in respect of any civil, criminal, administrative, investigative or other proceeding in which the individual is involved because of that association with the Company or other entity. The Company shall not indemnify an individual unless the individual:

- acted honestly and in good faith with a view to the best interests of the Company or, as the case may be, to the best interests of the other entity for which the individual acted as a director or officer or in a similar capacity at the Company's request; and
- in the case of a criminal or administration action or proceeding enforced by a monetary penalty, had reasonable grounds to believe the conduct was lawful.



An individual referred to above is entitled to an indemnity from the Company in respect of all costs, charges and expenses reasonably incurred by the individual in connection with the defense of any civil, criminal, administrative, investigative or other proceeding to which the individual is subject because of the individual's association with the Company or other entity as described above, if the individual seeking an indemnity:

- acted honestly and in good faith with a view to the best interests of the Company or, as the case may be, to the best interests of the other entity for which the individual acted as a director or officer or in a similar capacity at the Company's request;
- in the case of a criminal or administration action or proceeding enforced by a monetary penalty, had reasonable grounds to believe the conduct was lawful; and
- was not judged by a court or other competent authority to have committed any fault or omitted to do anything that the individual ought to have done.

#### **Transfer Agent and Registrar**

The transfer agent and registrar for our Common Shares is Continental Stock Transfer & Trust Company.

#### **Listing**

We have applied to list our Common Shares on the Nasdaq Capital Market under the symbol "AKAN". We cannot guarantee that we will be successful in listing our common shares on Nasdaq; however, we will not complete this offering unless we are so listed.

## SECURITIES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no market for our Common Shares. Future sales of substantial amounts of our Common Shares in the public market or the perception that such sales might occur could adversely affect market prices prevailing from time to time. Furthermore, because only a limited number of shares will be available for sale shortly after this offering due to existing contractual and legal restrictions on resale as described below, there may be sales of substantial amounts of our Common Shares in the public market after the restrictions lapse. This may adversely affect the prevailing market price of our Common Shares and our ability to raise equity capital in the future.

After completion of this offering, we will have 28,576,128 Common Shares issued and outstanding (or 29,167,128 shares if the underwriters' option to purchase additional shares is exercised in full), including 1,311,848 Common Shares we will issue to Halo upon conversion of the Debenture in connection with this offering.

All of the Common Shares sold in this offering will be freely tradable without restrictions or further registration under the Securities Act, unless the shares are purchased by our "affiliates" as that term is defined in Rule 144 and except certain shares that will be subject to the lock-up period described below after completion of this offering. Any shares owned by our affiliates may not be resold except in compliance with Rule 144 volume limitations, manner of sale and notice requirements, pursuant to another applicable exemption from registration or pursuant to an effective registration statement.

All of the shares held by our directors, officers and certain holders of at least 1% of our outstanding securities to be subject to a 365 day lock-up restriction described under "*Underwriting*" on page 106. Certain other holders of at least 5% of our outstanding securities are subject to lock-up periods as discussed below. Accordingly, there will be a corresponding increase in the number of shares that become eligible for sale after the various lock-up periods expire. As a result of these agreements, subject to the provisions of Rule 144 or Rule 701, shares will be available for sale in the public market as follows:

- beginning on the date of this prospectus, all of the shares sold in this offering will be immediately available for sale in the public market (except as described above);
- subject to certain lock-up periods applicable to certain of our holders of at least 5% of our outstanding securities as discussed below, beginning 365 days from the date on which the trading of our Common Shares on Nasdaq commences, at the expiration of all the lock-up periods for our officers, directors and holders of at least 1% of our outstanding securities, 21,149,218 additional shares will become eligible for sale in the public market, all of which shares will be held by affiliates and subject to the volume and other restrictions of Rule 144 and Rule 701 as described below.

### **Company Lock-Up**

The Company will not for a period of up to 365 days from the date on which the trading of the Common Shares on Nasdaq commences: (i) offer, pledge, announce the intention to sell, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of, directly or indirectly, or file with the SEC a registration statement under the Securities Act relating to, the Common Shares, or modify the terms of existing securities, or (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the Common Shares.

### **Lock-Up Agreements**

#### ***Officers, Directors, and 1% Holders***

Pursuant to certain "lock-up" agreements, we, our executive officers, directors and certain holders of at least 1% of outstanding Common Shares and securities exercisable for or convertible into our Common Shares outstanding immediately upon the closing of this offering, have agreed, subject to certain exceptions, not to offer, sell, assign, transfer, pledge, contract to sell, or otherwise dispose of or announce the intention to otherwise dispose of, or enter into any swap, hedge or similar agreement or arrangement that transfers, in whole or in part, the economic risk of ownership of, directly or indirectly, engage in any short selling of

any Common Shares or securities convertible into or exchangeable or exercisable for any Common Shares, whether currently owned or subsequently acquired, without the prior written consent of the Representative, for a period of 365 days from the date on which the trading of our Common Shares on Nasdaq commences.

### ***Halo***

Under the Debenture and the Investor Rights Agreement, Halo agreed to enter into a lock-up agreement with us and the Representative, pursuant to which Halo shall not offer, issue, sell, contract to sell, encumber, grant any option for the sale of, or otherwise dispose of, any of our securities for a period of 270 days from the date on which the trading of our Common Shares on Nasdaq commences (the “Lock-Up Trigger Date”), subject to customary carve-outs. The lock-up agreement will permit that up to 50% of our securities held by Halo may be sold or transferred from the 271st day through the 365th day following the Lock-Up Trigger Date, and the remaining 50% of such securities may be sold or transferred without the lock-up restrictions beginning on the 366th day following the Lock-Up Trigger Date. The lock-up restrictions shall not prohibit Halo from selling or transferring such number of our Common Shares to comply with the Ownership Limitation.

### ***Private Placement***

Investors in the Private Placement have entered into lock-up agreements, pursuant to which such investors shall not sell, transfer or otherwise dispose of their Common Shares for the period beginning on the date of the closing of the Private Placement until the 180th day after the date on which the trading of our Common Shares on Nasdaq commences (the “Private Placement Trigger Date”). Between the 181st and 270th day after the Private Placement Trigger Date, such investors shall not sell, transfer or otherwise dispose of more than one-third of their Common Shares, subject to a maximum sale on any trading day of 3% of the daily volume. Between the 271st and 365th day after the Private Placement Trigger Date, such investors shall not to sell, transfer or otherwise dispose of more than one-third of their Common Shares, subject to a maximum sale on any trading day of 3% of the daily volume. After the 365th day after the Private Placement Trigger Date, such investors will be entitled to sell their remaining Common Shares without restriction.

Notwithstanding the above, commencing 90 days after the Private Placement Trigger Date, if the Company’s Common Share price is at least 50% higher than the Common Share price in this offering, and the Common Shares trade at least 100,000 shares daily, both for ten consecutive trading days, such investors may sell one-third of their shares subject to a maximum sale on any trading day of 3% of the daily volume; and if the Company’s Common Share price is at least 100% higher than the Common Share price in this offering and the Common Shares trade at least 100,000 shares daily, both for ten consecutive trading days, such investors may sell up to an additional one-third of their shares subject to a maximum sale on any trading day of 3% of the daily volume; and if the Company Common Share price is at least 150% higher than the Common Share price in this offering and the Common Shares trade at least 100,000 shares daily, both for ten consecutive trading days, such investors may sell an additional one-third constituting a maximum total of all of their shares subject to a maximum sale on any trading day of 3% of the daily volume.

### ***Halo Transferee***

The Halo Transferee has entered into a lock-up agreement, pursuant to which the Halo Transferee shall not sell, transfer or otherwise dispose of their Common Shares for the period beginning on the date of the closing of the Halo Transfer until the 210th day after the date on which the trading of our Common Shares on Nasdaq commences (the “Halo Transfer Trigger Date”). Between the 211th and 285th day after the Halo Transfer Trigger Date, the Halo Transferee shall not sell, transfer, or otherwise dispose of more than one-third of their Common Shares, subject to a maximum sale on any trading day of 3% of the daily volume. Between the 286th and 360th day after the Halo Transfer Trigger Date, the Halo Transferee shall not sell, transfer, or otherwise dispose of more than one-third of their Common Shares, subject to a maximum sale on any trading day of 3% of the daily volume. After the 360th day after the Halo Transfer Trigger Date, the Halo Transferee will be entitled to sell their remaining Common Shares without restriction.

### ***Rule 144***

In general, under Rule 144 as currently in effect, once we have been subject to public company reporting requirements for at least 90 days, a person who is not deemed to have been one of our affiliates for purposes





of the Securities Act at any time during the 90 days preceding a sale and who has beneficially owned the shares proposed to be sold for at least six months, including the holding period of any prior owner other than our affiliates, is entitled to sell those shares without complying with the manner of sale, volume limitation or notice provisions of Rule 144, subject to compliance with the public information requirements of Rule 144. If such a person has beneficially owned the shares proposed to be sold for at least one year, including the holding period of any prior owner other than our affiliates, then that person would be entitled to sell those shares without complying with any of the requirements of Rule 144.

In general, under Rule 144, as currently in effect, our affiliates or persons selling shares on behalf of our affiliates are entitled to sell upon expiration of the lock-up agreements described above, within any three-month period, a number of shares that does not exceed the greater of:

- 1% of the number of shares of our Common Shares then outstanding, which will equal approximately shares immediately after this offering; or
- the average weekly trading volume of our Common Shares during the four calendar weeks preceding the filing of a notice on Form 144 with respect to that sale.

Sales under Rule 144 by our affiliates or persons selling shares on behalf of our affiliates are also subject to certain manner of sale provisions and notice requirements and to the availability of current public information about us.

#### **Rule 701**

Rule 701 generally allows a stockholder who purchased shares of our Common Shares pursuant to a written compensatory plan or contract and who is not deemed to have been our affiliate during the immediately preceding 90 days to sell these shares in reliance upon Rule 144, but without being required to comply with the public information, holding period, volume limitation or notice provisions of Rule 144. Rule 701 also permits our affiliates to sell their Rule 701 shares under Rule 144 without complying with the holding period requirements of Rule 144. All holders of Rule 701 shares, however, are required by that rule to wait until 90 days after the date of this prospectus before selling those shares pursuant to Rule 701 and are subject to the lock-up agreements described above.

**THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL MATTERS RELATING TO SHARE TRANSFER RESTRICTIONS THAT MAY BE OF IMPORTANCE TO A PROSPECTIVE INVESTOR. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN LEGAL ADVISOR REGARDING THE PARTICULAR SECURITIES LAWS AND TRANSFER RESTRICTION CONSEQUENCES OF PURCHASING, HOLDING, AND DISPOSING OF OUR COMMON SHARES OR THE COMMON SHARES, INCLUDING THE CONSEQUENCES OF ANY PROPOSED CHANGE IN APPLICABLE LAWS.**

## CERTAIN TAX CONSIDERATIONS

*The following description is not intended to constitute a complete analysis of all tax consequences relating to the ownership or disposition of our Common Shares, including the Common Shares in this offering. You should consult your own tax advisor concerning the tax consequences of your particular situation, as well as any tax consequences that may arise under the laws of any local, state, foreign (including Canada, the United Kingdom and the Kingdom of Lesotho), or other taxing jurisdiction.*

### Certain Material Canadian Federal Income Tax Considerations

In the opinion of Dentons Canada LLP, Canadian counsel to the Company, the following summary describes the principal Canadian federal income tax considerations pursuant to the *Income Tax Act* (Canada) and the regulations thereunder (the “Tax Act”) generally applicable to the acquisition, holding and disposition of the Common Shares by a holder who acquires, as beneficial owner, the Common Shares pursuant to the offering and who, for purposes of the Tax Act and at all relevant times, holds the Common Shares as capital property, deals at arm’s length with the Company and each underwriter and is not affiliated with the Company or any underwriter (a “Holder”). Generally, the Common Shares will be considered to be capital property to a Holder provided the Holder does not acquire or hold the Common Shares in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary does not apply to a Holder (i) that is a “financial institution” for the purposes of the mark-to-market rules contained in the Tax Act; (ii) that is a “specified financial institution” as defined in the Tax Act; (iii), an interest in which would be, or for whom a Common Share would be, a “tax shelter investment” as defined in the Tax Act; (iv) that has made a functional currency reporting election under the Tax Act to report in a currency other than the Canadian currency; (v) that has or will enter into a “derivative forward agreement”, a “synthetic disposition arrangement” or a “dividend rental arrangement”, each as defined under the Tax Act, with respect to the Common Shares. Such Holders should consult their own tax advisors with respect to an investment in the Common Shares or (vi) that carries on, or is deemed to carry on, an insurance business in Canada and elsewhere. Such Holders should consult their own tax advisors with respect to an investment in the Common Shares.

Additional considerations, not discussed herein, may be applicable to a Holder that is a corporation resident in Canada, and that is or becomes, or does not deal at arm’s length for purposes of the Tax Act with a corporation resident in Canada that is or becomes, as part of a transaction or event or series of transactions or events that includes the acquisition of the Common Shares, controlled by a non-resident person or group of non-resident persons not dealing with each other at arm’s length for purposes of the “foreign affiliate dumping” rules in section 212.3 of the Tax Act. Such Holders should consult their own tax advisors with respect to the possible application of these rules.

In addition, this summary does not address the deductibility of interest by a Holder who has borrowed money or otherwise incurred debt in connection with the acquisition of the Common Shares.

This summary is based upon the provisions of the Tax Act in force as of the date hereof, all specific proposals to amend the Tax Act that have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “Proposed Amendments”) and counsel’s understanding of the current administrative policies and assessing practices of the Canada Revenue Agency (“CRA”) made publicly available prior to the date hereof. This summary assumes the Proposed Amendments will be enacted in the form proposed, however, no assurance can be given that the Proposed Amendments will be enacted in the form proposed, if at all. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Proposed Amendments, does not take into account or anticipate any changes in law or the administrative policies or assessing practices of the CRA, whether by legislative, governmental or judicial action or decision, nor does it take into account provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein.

Subject to certain exceptions that are not discussed in this summary, for the purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of Common Shares, including dividends, must be determined in Canadian dollars using the relevant exchange rate determined in accordance with the Tax Act.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular holder or prospective holder of the Common Shares, and no representations with respect to the income tax consequences to any holder or prospective holder are made. Consequently, holders and prospective holders of the Common Shares should consult their own tax advisors for advice with respect to the tax consequences to them of acquiring the Common Shares, having regard to their particular circumstances.

### ***Holders Resident in Canada***

This portion of the summary applies to a Holder who, at all relevant times, for purposes of the Tax Act and any applicable income tax treaty or convention, is or is deemed to be resident in Canada (a “Resident Holder”).

Certain Resident Holders who might not otherwise be considered to hold their Common Shares as capital property may, in certain circumstances, be entitled to have the Common Shares, and all other “Canadian securities” (as defined in the Tax Act) owned by such Resident Holders in the taxation year of the election and any subsequent taxation year, treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Resident Holders should consult their own tax advisors regarding the availability or advisability of this election.

### ***Dividends on the Common Shares***

Dividends received or deemed to be received on the Common Shares by a Resident Holder who is an individual (other than certain trusts) will generally be included in the individual’s income and will be subject to the gross-up and dividend tax credit rules applicable to taxable dividends received from taxable Canadian corporations, including the enhanced dividend tax credit rules applicable to any dividends designated by the Company as “eligible dividends” in accordance with the Tax Act. There may be limitations on the ability of the Company to designate dividends as “eligible dividends.”

In the case of a Resident Holder that is a corporation, the amount of any such taxable dividend that is included in its income for a taxation year will generally also be deductible in computing its taxable income for that taxation year. In certain circumstances, a dividend received or deemed to be received by a Resident Holder that is a corporation may be deemed to be proceeds of disposition or a capital gain pursuant to subsection 55(2) of the Tax Act. Resident Holders that are corporations should consult their own tax advisors having regard to their own particular circumstances.

A Resident Holder that is a “private corporation” or a “subject corporation”, each as defined in the Tax Act will generally be liable to pay a refundable tax under Part IV of the Tax Act on dividends received or deemed to be received on the Common Shares to the extent such dividends are deductible in computing its taxable income for the taxation year. Such additional tax may be refundable in certain circumstances.

### ***Dispositions of Common Shares***

Upon a disposition (or a deemed disposition) of a Common Share, a Resident Holder generally will realize a capital gain (or a capital loss) equal to the amount, if any, by which the proceeds of disposition of such Common Share, net of any reasonable costs of disposition, are greater (or are less) than the adjusted cost base of such Common Share to the Resident Holder.

The adjusted cost base to a Resident Holder of Common Shares acquired hereunder will be determined by averaging the cost of such Common Shares to the Resident Holder with the adjusted cost base of all other Common Shares, if any, held by the Resident Holder as capital property immediately before the acquisition.

### ***Taxation of Capital Gains and Capital Losses***

Generally, one-half of any capital gain (a “taxable capital gain”) realized by a Resident Holder in a taxation year must be included in the Resident Holder’s income for the year and one-half of any capital loss (an “allowable capital loss”) realized by a Resident Holder in a taxation year must be deducted from taxable capital gains realized by the Resident Holder in that year. Allowable capital losses in excess of taxable capital gains realized in a taxation year generally may be carried back and deducted in any of the three



preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years, to the extent and under the circumstances described in the Tax Act.

The amount of any capital loss realized by a Resident Holder that is a corporation on the disposition of a Common Share may be reduced by the amount of dividends received or deemed to be received by it on such Common Share, to the extent and under the circumstances described in the Tax Act. Similar rules may apply where a Common Share is owned by a partnership or trust of which a corporation, trust or partnership is a member or beneficiary. Resident Holders to whom these rules may be relevant should consult their own tax advisors.

### ***Aggregate Investment Income***

A Resident Holder that is, throughout the relevant taxation year, a “Canadian-controlled private corporation”, as defined in the Tax Act, may be liable to pay a refundable tax on its “aggregate investment income”, which is defined in the Tax Act to include an amount in respect of taxable capital gains and dividends or deemed dividends that are not deductible in computing such corporation’s income.

### ***Alternative Minimum Tax***

Capital gains realized and dividends received or deemed to be received by an individual (including certain trusts) may give rise to liability for alternative minimum tax as calculated under the detailed rules set out in the Tax Act. Resident Holders who are individuals should consult their own tax advisors in this regard.

### ***Holders Not Resident in Canada***

This portion of the summary applies to a Holder who, at all relevant times, for purposes of the Tax Act and any applicable income tax treaty or convention (i) is neither resident nor deemed to be resident in Canada, and (ii) does not, and is not deemed to, use or hold the Common Shares in a business carried on in Canada (a “Non-Resident Holder”). In addition, this portion of the summary does not apply to an insurer who carries on an insurance business in Canada and elsewhere or an “authorized foreign bank” (as defined in the Tax Act) and such Non-Resident Holders should consult their own tax advisors.

### ***Dividends on the Common Shares***

Any dividends paid or credited, or deemed to be paid or credited, on the Common Shares, as the case may be, to a Non-Resident Holder will generally be subject to Canadian withholding tax at the rate of 25% of the gross amount of the dividend, subject to any reduction in the rate of withholding to which that Non-Resident Holder may be entitled under an applicable income tax treaty or convention. For instance, where the Non-Resident Holder is a resident of the United States that is entitled to applicable benefits under the Canada-United States Income Tax Convention (1980), as amended, and is the beneficial owner of the dividends, the rate of Canadian withholding tax applicable to dividends is generally reduced to 15%. The rate of withholding tax is generally further reduced to 5% if the beneficial owner of such dividend is a company that owns, directly or indirectly, at least 10% of the voting stock of the Company. Non-Resident Holders should consult their own tax advisors to determine their entitlement to relief under an applicable income tax treaty or convention.

### ***Disposition of the Common Shares***

A Non-Resident Holder will not be subject to tax under the Tax Act in respect of any capital gain realized by such Non-Resident Holder on a disposition of a Common Share unless such share constitutes “taxable Canadian property” (as defined in the Tax Act) of the Non-Resident Holder at the time of disposition and the Non-Resident Holder is not entitled to relief under an applicable income tax treaty or convention.

Generally, the Common Shares will not constitute “taxable Canadian property” of a Non-Resident Holder at any particular time provided that the Common Shares are then listed on a “designated stock exchange” for the purposes of the Tax Act (which currently includes the Nasdaq), unless at any time during

the 60-month period immediately preceding such time: (i) at least 25% or more of the issued shares of any class or series of the capital stock of the Company were owned by or belonged to any combination of (x) the Non-Resident Holder, (y) persons with whom the Non-Resident Holder did not deal at arm's length (for the purposes of the Tax Act), and (z) partnerships in which the Non-Resident Holder or a person described in (y) holds a membership interest directly or indirectly through one or more partnerships; and (ii) more than 50% of the fair market value of such shares was derived directly or indirectly from one, or any combination of, real or immovable property situated in Canada, Canadian resource property (as defined in the Tax Act), timber resource property (as defined in the Tax Act) or options in respect of, interests in or for civil law rights in, any such property (whether or not such property exists). Notwithstanding the foregoing, the Common Shares may also be deemed to be "taxable Canadian property" in certain circumstances.

In cases where a Non-Resident Holder disposes (or is deemed to have disposed) of a Common Share that is "taxable Canadian property" to that Non-Resident Holder, and the Non-Resident Holder is not entitled to an exemption under an applicable income tax treaty or convention, the consequences described above under the headings "Holders Resident in Canada — Dispositions of Common Shares" and "Taxation of Capital Gains and Capital Losses" will generally be applicable to such disposition. Non-Resident Holders for whom a Common Share is, or may be, "taxable Canadian property" should consult their own tax advisors.

### **Certain Material U.S. Federal Income Tax Considerations**

The following discussion is a general summary of certain material U.S. federal income tax considerations with respect to the ownership and disposition of shares of our Common Shares. This summary is based on current U.S. federal income tax laws (including provisions of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), U.S. Treasury regulations promulgated thereunder and administrative rulings and court decisions, all in effect as of the date hereof), all of which are subject to change at any time, possibly with retroactive effect.

For purposes of this discussion, the term "U.S. Holder" means a beneficial owner of one or more of our Common Shares that is for U.S. federal income tax purposes one of the following:

- an individual citizen or resident of the United States, including individuals treated as residents of the United States solely for tax purposes;
- a corporation created or organized in or under the laws of the United States or any political subdivision thereof;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source, or;
- a trust if (1) a court within the United States can exercise primary supervision over it, and one or more United States persons have the authority to control all substantial decisions of the trust, or (2) the trust has a valid election in effect under applicable U.S. Treasury regulations to be treated as a United States person.

This discussion applies only to a U.S. Holder that holds Common Shares as "capital assets" within the meaning of Section 1221 of the Code (generally, property held for investment). Unless otherwise provided, this summary does not discuss reporting requirements. In addition, this discussion does not address any tax consequences other than U.S. federal income tax consequences, such as U.S. state and local tax consequences, U.S. estate and gift tax consequences, and non-U.S. tax consequences, and does not describe all of the U.S. federal income tax consequences that may be relevant in light of a U.S. Holder's particular circumstances, including alternative minimum tax consequences, the net investment income tax, and tax consequences to holders that are subject to special provisions under the Code, including, but not limited to, holders that:

- are tax exempt organizations, qualified retirement plans, individual retirement accounts, or other tax deferred accounts;
- are financial institutions, underwriters, insurance companies, real estate investment trusts, or regulated investment companies;
- are brokers or dealers in securities or currencies or holders that are traders in securities that elect to apply a mark-to-market accounting method;





- have a “functional currency” for U.S. federal income tax purposes that is not the U.S. dollar;
- own Common Shares as part of a straddle, hedging transaction, conversion transaction, constructive sale, or other arrangement involving more than one position;
- acquire Common Shares in connection with the exercise of employee stock options or otherwise as compensation for services;
- are partnerships or other pass-through entities for U.S. federal income tax purposes (or investors in such partnerships and entities);
- are required to accelerate the recognition of any item of gross income with respect to the Common Shares as a result of such income being recognized on an applicable financial statement;
- own or will own (directly, indirectly, or constructively) 10% or more of our total combined voting power or value;
- are controlled foreign corporations;
- are passive foreign investment companies;
- hold the Common Shares in connection with trade or business conducted outside of the United States or in connection with a permanent establishment or other fixed place of business outside of the United States; or
- are former U.S. citizens or former long-term residents of the United States.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds shares of our securities, the tax treatment of a person treated as a partner for U.S. federal income tax purposes generally will depend on the status of the partner and the activities of the partnership. Persons that for U.S. federal income tax purposes are treated as a partner in a partnership holding shares of our securities should consult their tax advisors.

We have not sought, and do not expect to seek, a ruling from the United States Internal Revenue Service (the “IRS”), as to any United States federal income tax consequence described herein. The IRS may disagree with the discussion herein, and its determination may be upheld by a court. Moreover, there can be no assurance that future legislation, regulations, administrative rulings or court decisions will not adversely affect the accuracy of the statements in this discussion.

Except as otherwise noted, this summary assumes that the Company (nor any of its subsidiaries) is not a passive foreign investment company (a “PFIC”) for U.S. federal income tax purposes. A non-U.S. entity’s possible status as a PFIC must be determined annually and therefore may be subject to change. If the Company (or any of its subsidiaries) were to be a PFIC in any year, materially adverse consequences could result for U.S. Holders.

All prospective investors should consult with their own tax advisors regarding the U.S. federal, state, local, non-U.S. income and other tax considerations of acquiring, holding and disposing of the Common Shares.

**WE RECOMMEND THAT PROSPECTIVE HOLDERS OF OUR COMMON SHARES CONSULT WITH THEIR TAX ADVISORS REGARDING THE TAX CONSEQUENCES TO THEM (INCLUDING THE APPLICATION AND EFFECT OF ANY FEDERAL, STATE, LOCAL, NON-U.S. INCOME AND OTHER TAX LAWS) OF THE OWNERSHIP AND DISPOSITION OF OUR COMMON SHARES.**

## **U.S. Holders**

### ***Taxation of Distributions to U.S. Holders***

Subject to the PFIC rules discussed below, a U.S. Holder generally will be required to include in gross income, in accordance with such U.S. Holder’s method of accounting for United States federal income tax purposes, as dividends the amount of any distribution of cash or other property (other than certain distributions of the Company’s shares or rights to acquire the Company’s shares) paid on the Company’s



Common Shares to the extent the distribution is paid out of the Company's current or accumulated earnings and profits (as determined under United States federal income tax principles). Distributions in excess of such earnings and profits generally will be applied against and reduce the U.S. Holder's basis in its Common Shares (but not below zero) and, to the extent in excess of such basis, will be treated as gain from the sale or exchange of such Common Shares (the treatment of which is described under "— Gain or Loss on Sale, Taxable Exchange or Other Taxable Disposition of Common Shares to U.S. Holders" below). Because we do not intend to determine our earnings and profits on the basis of U.S. federal income tax principles, we expect that distributions, if issued, will generally be reported to U.S. Holders as dividends.

Dividends paid by us will be taxable to a corporate U.S. Holder at regular rates and will not be eligible for the dividends-received deduction generally allowed to domestic corporations in respect of dividends received from other domestic corporations. With respect to individuals and other non-corporate U.S. Holders, dividends generally will be taxed at the lower applicable long-term capital gains rate (see "**Gain or Loss on Sale, Taxable Exchange or Other Taxable Disposition of Common Shares to U.S. Holders**" below) applicable to "qualified dividend income," provided that certain conditions are satisfied, including that (1) our Common Shares on which the dividends are paid are readily tradable on an established securities market in the United States or the Company is eligible for the benefits of the U.S.-Canada income tax treaty (the "Treaty"), (2) we are not a PFIC (nor treated as such with respect to a U.S. Holder) at the time the dividend was paid or in the previous year, and (3) certain other requirements are met. U.S. Holders should consult their tax advisors regarding the availability of such lower rate for any dividends paid with respect to our Common Shares.

For U.S. foreign tax credit purposes, dividends paid on our Common Shares generally will be treated as foreign source income and generally will constitute passive category income. The amount of a dividend will include any amounts withheld by us in respect of Canadian income taxes. Subject to applicable limitations, some of which vary depending upon the U.S. Holder's particular circumstances, Canadian income taxes withheld from dividends on the Common Shares, at a rate not exceeding any reduced rate pursuant to the Treaty, will be creditable against the U.S. Holder's U.S. federal income tax liability. In lieu of claiming a foreign tax credit, U.S. Holders may, at their election, deduct foreign taxes, including any Canadian income taxes, in computing their taxable income, subject to generally applicable limitations under U.S. law. An election to deduct foreign taxes instead of claiming foreign tax credits applies to all foreign taxes paid or accrued in the taxable year. The rules governing foreign tax credits are complex and U.S. Holders should consult their tax advisers regarding the creditability or deductibility of foreign taxes in their particular circumstances.

The amount of any dividend paid in Canadian dollars will equal the U.S. dollar value of the Canadian dollars received, calculated by reference to the exchange rate in effect on the date the dividend is received by you, in the case of Common Shares, regardless of whether the Canadian dollars are converted into U.S. dollars. If the Canadian dollars received as a dividend are converted into U.S. dollars on the date of receipt, a U.S. Holder generally will not be required to recognize foreign currency gain or loss in respect of the dividend income. If the Canadian dollars received as a dividend are not converted into U.S. dollars on the date of receipt, a U.S. Holder will have a basis in the Canadian dollars equal to their U.S. dollar value on the date of receipt. Any gain or loss realized on a subsequent conversion or other disposition of the Canadian dollar will be treated as U.S. source ordinary income or loss.

#### ***Gain or Loss on Sale, Taxable Exchange or Other Taxable Disposition of Common Shares to U.S. Holders***

Subject to the PFIC rules discussed below, a U.S. Holder generally will recognize capital gain or loss on the sale or other taxable disposition of our Common Shares. The amount of gain or loss recognized by a U.S. Holder on a sale or other taxable disposition generally will be equal to the difference between (i) the sum of the amount of cash and the fair market value of any property received in such disposition and (ii) the U.S. Holder's adjusted tax basis in its Common Shares so disposed of. A U.S. Holder's adjusted tax basis in its Common Shares generally will equal the U.S. Holder's acquisition cost reduced by any prior distributions treated as a return of capital.

Any capital gain or loss recognized generally will be long-term capital gain or loss if the U.S. Holder's holding period for such Common Shares exceeds one year. Long-term capital gain realized by a non-corporate U.S. Holder may be taxed at rates of taxation lower than the rates applicable to ordinary income and



short-term capital gains, while short-term capital gains are subject to U.S. federal income tax at the rates applicable to ordinary income. The deductibility of capital losses is subject to various limitations.

Any gain or loss recognized by a U.S. Holder will generally be U.S. source gain or loss for foreign tax credit purposes. Consequently, a U.S. Holder may not be able to use the foreign tax credit arising from any non-U.S. tax imposed on the disposition of the Common Shares unless such credit can be applied (subject to applicable limitations) against tax due on other income treated as derived from non-U.S. sources.

#### ***Passive Foreign Investment Company (“PFIC”) Rules***

A non-U.S. corporation will be classified as a PFIC for United States federal income tax purposes if either (i) at least 75% of its gross income in a taxable year, including its pro rata share of the gross income of any corporation in which it is considered to own at least 25% of the shares by value, is passive income or (ii) at least 50% of its assets in a taxable year (ordinarily determined based on fair market value and averaged quarterly over the year), including its pro rata share of the assets of any corporation in which it is considered to own at least 25% of the shares by value, are held for the production of, or produce, passive income. Passive income generally includes, among other things, dividends, interest, rents and royalties (other than rents or royalties derived from the active conduct of a trade or business) and gains from the disposition of assets giving rise to passive income.

Although our PFIC status is determined annually, an initial determination that our Company is a PFIC generally will apply for subsequent years to a U.S. Holder who held Company Shares while we were a PFIC, whether or not we meet the test for PFIC status in those subsequent years. If we are determined to be a PFIC for any taxable year (or portion thereof) that is included in the holding period of a U.S. Holder of our Common Shares and the U.S. Holder did not make either a timely mark-to-market election or a qualified electing fund (“QEF”) election for our first taxable year as a PFIC in which the U.S. Holder held (or was deemed to hold) Common Shares, as described below, such U.S. Holder generally will be subject to special rules with respect to (i) any gain recognized by the U.S. Holder on the sale or other disposition of its Common Shares (which may include gain realized by reason of transfers of Common Shares that would otherwise qualify as nonrecognition transactions for United States federal income tax purposes) and (ii) any “excess distribution” made to the U.S. Holder (generally, any distributions to such U.S. Holder during a taxable year of the U.S. Holder that are greater than 125% of the average annual distributions received by such U.S. Holder in respect of the Common Shares during the three preceding taxable years of such U.S. Holder or, if shorter, such U.S. Holder’s holding period for the Common Shares). Under these special tax rules:

- the U.S. Holder’s gain or excess distribution will be allocated ratably over the U.S. Holder’s holding period for the Common Shares;
- the amount allocated to the U.S. Holder’s taxable year in which the U.S. Holder recognized the gain or received the excess distribution, or to the period in the U.S. Holder’s holding period before the first day of our first taxable year in which we are a PFIC, will be taxed as ordinary income;
- the amount allocated to other taxable years (or portions thereof) of the U.S. Holder and included in its holding period will be taxed at the highest tax rate in effect for that year and applicable to the U.S. Holder without regard to the U.S. Holder’s other items of income and loss for such year; and
- an additional amount equal to the interest charge generally applicable to underpayments of tax will be imposed on the U.S. Holder with respect to the tax attributable to each such other taxable year of the U.S. Holder.

In general, if we are determined to be a PFIC, a U.S. Holder may be able to avoid application of the PFIC tax consequences described above in respect to our Common Shares by making a timely and valid QEF election (if eligible to do so) to include in income its pro rata share of our net capital gains (as long-term capital gain) and other earnings and profits (as ordinary income), on a current basis, in each case whether or not distributed, in the taxable year of the U.S. Holder in which or with which our taxable year ends. A U.S. Holder generally may make a separate election to defer the payment of taxes on undistributed income inclusions under the QEF rules, but if deferred, any such taxes will be subject to an interest charge. There is no assurance that we will have timely knowledge of our status as a PFIC in the future or of the required information to be provided. We, therefore, have not determined whether, if we were to be classified as a PFIC



for a taxable year, we will provide information necessary for a U.S. Holder to make a QEF election which, if available, would result in tax treatment different from (and generally less adverse than) the general tax treatment for PFICs. Accordingly, U.S. Holders should assume that they will not be able to make a QEF election with respect to the Common Shares.

Alternatively, if a U.S. Holder, at the close of its taxable year, owns shares in a PFIC that are treated as marketable stock, the U.S. Holder may make a mark-to-market election with respect to such shares for such taxable year. If the U.S. Holder makes a valid mark-to-market election for the first taxable year of the U.S. Holder in which the U.S. Holder holds (or is deemed to hold) Common Shares in us and for which we are determined to be a PFIC, such U.S. Holder generally will not be subject to the PFIC rules described above in respect to its Common Shares. Instead, in general, the U.S. Holder will include as ordinary income in each taxable year the excess, if any, of the fair market value of Common Shares at the end of its taxable year over its adjusted basis in its Common Shares. These amounts of ordinary income would not be eligible for the favorable tax rates applicable to qualified dividend income or long-term capital gains. The U.S. Holder also generally will recognize an ordinary loss in respect of the excess, if any, of its adjusted basis in its Common Shares over the fair market value of its Common Shares at the end of its taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). The U.S. Holder's basis in its Common Shares will be adjusted to reflect any such income or loss amounts, and any further gain recognized on a sale or other taxable disposition of its Common Shares will be treated as ordinary income.

The mark-to-market election is available only for stock that is regularly traded on a national securities exchange that is registered with the Securities and Exchange Commission or on a foreign exchange or market that the IRS determines has rules sufficient to ensure that the market price represents a legitimate and sound fair market value. If made, a mark-to-market election would be effective for the taxable year for which the election was made and for all subsequent taxable years unless the Common Shares ceased to qualify as "marketable stock" for purposes of the PFIC rules or the IRS consented to the revocation of the election. U.S. Holders are urged to consult their own tax advisors regarding the availability and tax consequences of a mark-to-market election in respect to our Common Shares under their particular circumstances.

If we are or become a PFIC and, at any time, have a non-U.S. subsidiary that is classified as a PFIC, U.S. Holders generally would be deemed to own a portion of the shares of such lower-tier PFIC, and generally could incur liability for the deferred tax and interest charge described above if we receive a distribution from, or dispose of all or part of our interest in, the lower-tier PFIC or the U.S. Holders otherwise were deemed to have disposed of an interest in the lower-tier PFIC. There can be no assurance that we will have timely knowledge of the status of any such lower-tier PFIC. In addition, we may not hold a controlling interest in any such lower-tier PFIC and thus there can be no assurance we will be able to cause the lower-tier PFIC to provide such required information. A mark-to-market election generally would not be available with respect to such lower-tier PFIC. U.S. Holders are urged to consult their tax advisors regarding the tax issues raised by lower-tier PFICs.

A U.S. Holder that owns (or is deemed to own) shares in a PFIC during any taxable year of the U.S. Holder, may have to file an IRS Form 8621, or any successor form, (whether or not a QEF or mark-to-market election is made) and such other information as may be required by the U.S. Treasury Department. Failure to do so, if required, will extend the statute of limitations until such required information is furnished to the IRS (potentially including with respect to items that do not relate to a U.S. Holder's investment in Common Shares).

The rules dealing with PFICs and with the QEF and mark-to-market elections are very complex and are affected by various factors in addition to those described above. Accordingly, U.S. Holders of our Common Shares should consult their own tax advisors concerning the application of the PFIC rules to our Common Shares under their particular circumstances.

### ***Information Reporting and Backup Withholding***

Payments of dividends or sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries may be subject to information reporting and backup withholding, unless (i) the U.S. Holder is a corporation or other exempt recipient, or (ii) in the case of backup withholding, the U.S. Holder provides a correct U.S. taxpayer identification number and certifies that it is not subject to backup withholding.





Backup withholding is not an additional tax. Any amounts withheld under the U.S. backup withholding rules will be allowed as a credit against a U.S. Holder's U.S. federal income tax liability, if any, or will be refunded, if such U.S. Holder furnishes required information to the IRS in a timely manner. Each U.S. Holder should consult its own tax advisor regarding the information reporting and backup withholding rules in their particular circumstances and the availability of and procedures for obtaining an exemption from backup withholding.

#### ***Reporting Obligations for Certain Owners of Foreign Financial Assets***

Certain U.S. Holders may be required to file an IRS Form 926 (Return by a U.S. Transferor of Property to a Foreign Corporation) to report a transfer of property (including cash) to us. Substantial penalties may be imposed on a U.S. Holder that fails to comply with this reporting requirement, and the period of limitations on assessment and collection of United States federal income taxes will be extended in the event of a failure to comply. Furthermore, certain U.S. Holders who are individuals and certain entities will be required to report information with respect to such U.S. Holder's investment in "specified foreign financial assets" on IRS Form 8938 (Statement of Specified Foreign Financial Assets), subject to certain exceptions. Specified foreign financial assets generally include any financial account maintained with a non-U.S. financial institution and should also include the Common Shares if they are not held in an account maintained with a U.S. financial institution. Persons who are required to report specified foreign financial assets and fail to do so may be subject to substantial penalties, and the period of limitations on assessment and collection of United States federal income taxes may be extended in the event of a failure to comply. Potential investors are urged to consult their tax advisors regarding the foreign financial asset and other reporting obligations and their application to an investment in our Common Shares.

The discussion of reporting obligations set forth above is not intended to constitute an exhaustive description of all reporting obligations that may apply to a U.S. Holder. A failure to satisfy certain reporting obligations may result in an extension of the period during which the IRS can assess a tax, and under certain circumstances, such an extension may apply to assessments of amounts unrelated to any unsatisfied reporting obligation. Penalties for failure to comply with these reporting obligations are substantial. U.S. Holders should consult with their own tax advisors regarding their reporting obligations under these rules, including the requirement to file an IRS Form 8938.

#### **Non-U.S. Holders**

This section applies to you if you are a "Non-U.S. Holder." As used herein, the term "Non-U.S. Holder" means a beneficial owner of our Common Shares that is for United States federal income tax purposes that is not a U.S. Holder, as defined above.

#### ***Taxation of Distributions to Non-U.S. Holders***

A Non-U.S. Holder of our Common Shares will generally not be subject to U.S. federal income or withholding tax on dividends received on our Common Shares, unless such income is effectively connected with the conduct by the holder of a U.S. trade or business.

Any distribution not constituting a dividend will be treated as first reducing the adjusted basis in the Non-U.S. Holder's shares of our Common Shares and, to the extent it exceeds the adjusted basis in the Non-U.S. Holder's shares of our Common Shares, as gain from the sale or exchange of such shares. Any such gain will be subject to the treatment described below under "— Gain on Sale or Other Disposition of our Common Shares to Non-U.S. Holders".

#### ***Gain or Loss on Sale, Taxable Exchange or Other Taxable Disposition of Common Shares to Non-U.S. Holders***

A Non-U.S. Holder of our Common Shares will not be subject to U.S. federal income or withholding tax on gain realized on the sale or other taxable disposition of our Common Shares of Common Shares, unless: such gain is effectively connected with the conduct by the holder of a U.S. trade or business; or in the case of gain realized by an individual holder, the holder is present in the United States for 183 days or more in the taxable year of the sale and certain other conditions are met.

## UNDERWRITING

We expect to enter an underwriting agreement with Boustead Securities, LLC (who we refer to as the Representative), as representative of the underwriters named in this prospectus, with respect to the Common Shares in this offering. Under the terms and subject to the conditions contained in the underwriting agreement, the Representative will agree to purchase from us on a firm commitment basis the respective number of Common Shares at the public price less the underwriting discounts set forth on the cover page of this prospectus, and each of the underwriters has severally agreed to purchase, and we have agreed to sell to the underwriters, the number of Common Shares listed next to its name in the following table.

Underwriters	Number of Shares
Boustead Securities, LLC	4,000,000
Total	4,000,000

The Common Shares sold by the underwriters to the public will initially be offered at the initial public offering price range set forth on the cover page of this prospectus. Any Common Shares sold by the underwriters to securities dealers may be sold at a discount from the initial public offering price not to exceed \$0.175 per share. If all of the shares are not sold at the initial offering price, the Representative may change the offering price and the other selling terms. The Representative has advised us that the underwriters do not intend to make sales to discretionary accounts.

If the underwriters sell more Common Shares than the total number set forth in the table above, we have granted to the Representative an option, exercisable for 45 days from the date of this prospectus, to purchase up to 600,000 additional Common Shares at the public offering price less the underwriting discount, constituting 15% of the total number of Common Shares to be offered in this offering (excluding shares subject to this option). The Representative may exercise this option solely for the purpose of covering over-allotments in connection with this offering. This offering is being conducted on a firm commitment basis. Any Common Shares issued or sold under the option will be issued and sold on the same terms and conditions as the other Common Shares that are the subject of this offering.

In connection with the offering, the underwriters may purchase and sell shares in the open market. Purchases and sales in the open market may include short sales, purchases to cover short positions, which may include purchases pursuant to the over-allotment option, and stabilizing purchases.

- Short sales involve secondary market sales by an underwriter of a greater number of shares than they are required to purchase in the offering.
- “Covered” short sales are sales of shares in an amount up to the number of shares represented by the over-allotment option.
- “Naked” short sales are sales of shares in an amount in excess of the number of shares represented by the over-allotment option.
- Covering transactions involve purchases of shares either pursuant to the over-allotment option or in the open market after the distribution has been completed in order to cover short positions.
- To close a naked short position, an underwriter must purchase shares in the open market after the distribution has been completed. A naked short position is more likely to be created if an underwriter is concerned that there may be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.
- To close a covered short position, an underwriter must purchase shares in the open market after the distribution has been completed or must exercise the over-allotment option. In determining the source of shares to close the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option.
- Stabilizing transactions involve bids to purchase shares so long as the stabilizing bids do not exceed a specified maximum.

Purchases to cover short positions and stabilizing purchases, as well as other purchases by an underwriter for its own account, may have the effect of preventing or retarding a decline in the market price of the Common Shares. They may also cause the price of the Common Shares to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The underwriters may conduct these transactions in the over-the-counter market or otherwise. If the underwriters commence any of these transactions, they may discontinue them at any time.

### Discounts and Expenses

The following table shows the underwriting discounts payable to the underwriters by us in connection with this offering (assuming both the exercise and non-exercise of the over-allotment option that we have granted to the Representative), based on the assumed initial public offering price of \$5.00 per share, which is the midpoint of the price range set forth on the cover page of this prospectus:

	Per Share	Total Without Exercise of Over-Allotment Option	Total With Exercise of Over-Allotment Option
Public offering price	\$ 5.00	\$ 20,000,000	\$ 23,000,000
Underwriting discounts (7%) <sup>(1)</sup>	\$ 0.35	\$ 1,400,000	\$ 1,610,000
Non-accountable expense allowance	\$ 0.50	\$ 200,000	\$ 230,000
Proceeds, before expenses, to us	\$ 4.15	\$ 18,400,000	\$ 21,390,000

- (1) Does not include (i) the warrant to purchase Common Shares equal to 7% of the number of shares sold in the offering, or (ii) amounts representing reimbursement of certain out-of-pocket expenses, as described below.

We have agreed to issue warrants to the Representative to purchase a number of Common Shares equal to 7% of the total number of shares sold in this offering at an exercise price equal to 125% of the public offering price of the shares sold in this offering. The Representative's warrants will have a cashless exercise provision and will terminate on the fifth anniversary of the effective date of the registration statement of which this prospectus is a part. The Representative's warrants are not exercisable or convertible for more than five years from the commencement of sales of the public offering. The Representative's warrants also provide for customary anti-dilution provisions and immediate "piggyback" registration rights with respect to the registration of the Common Shares underlying the Representative's warrants for a period of seven years from the effective date of the registration statement of which this prospectus forms a part. We have registered the Representative's warrants and the shares underlying the Representative's warrants in this offering.

The Representative's warrant and the underlying shares may be deemed to be compensation by FINRA, and therefore will be subject to FINRA Rule 5110(e)(1). In accordance with FINRA Rule 5110(e)(1), neither the Representative's warrant nor any of our Common Shares issued upon exercise of the Representative's warrants may be sold, transferred, assigned, pledged or hypothecated, or be the subject of any hedging, short sale, derivative, put or call transaction that would result in the effective economic disposition of such securities by any person, for a period of 180 days immediately following the effective date of the registration statement pursuant to which the Representative's warrant is being issued, subject to certain exceptions. The Representative's warrant to be received by the Representative and related persons in connection with this offering: (i) fully comply with lock-up restrictions pursuant to FINRA Rule 5110(e)(1); and (ii) fully comply with transfer restrictions pursuant to FINRA Rule 5110(e)(2).

We have agreed to pay the Representative the reasonable out-of-pocket expenses incurred by the Representative in connection with this offering up to \$255,000, consisting of up to \$125,000 relating to reasonable fees of Representative's legal counsel. The Representative's out-of-pocket expenses include but are not limited to: (i) road show and travel expenses up to \$50,000, (ii) reasonable fees of Representative's legal counsel up to \$125,000, (iii) the cost of background check on our officers, directors and major shareholders up to \$5,000, and (iv) due diligence expenses up to \$75,000. Any out-of-pocket expenses above \$5,000 are to be pre-approved by the Company. As of the date of this prospectus, we have not paid the Representative



advances of for its anticipated out-of-pocket costs. Any such advance payments will be returned to us to the extent such out-of-pocket expenses are not actually incurred in accordance with FINRA Rule 5110(g)(4)(A). We have also agreed to pay the Representative a non-accountable expense allowance equal to 1% of the gross proceeds received at the closing of this offering.

### **Determination of Offering Price**

In determining the initial public offering price, we and the Representative have considered a number of factors, including:

- the information set forth in this prospectus and otherwise available to the Representative;
- our prospects and the history and prospects for the industry in which we compete;
- an assessment of our management;
- our prospects for future revenue and earnings;
- the general condition of the securities markets at the time of this offering;
- the recent market prices of, and demand for, publicly traded securities of generally comparable companies; and
- other factors deemed relevant by the Representative and us.

The estimated initial public offering price set forth on the cover page of this preliminary prospectus is subject to change as a result of market conditions and other factors. Neither we nor the Representative can assure investors that an active trading market will develop for our Common Shares, or that the shares will trade in the public market at or above the initial public offering price.

We have agreed to indemnify the Representative and the other underwriters against certain liabilities, including liabilities under the Securities Act. If we are unable to provide this indemnification, we will contribute to payments that the Representative and the other underwriters may be required to make for these liabilities.

### **Right of First Refusal**

We have agreed to provide the Representative the right of first refusal for twelve (12) months following the consummation of this offering or the termination or expiration of the engagement with the Representative to act as financial advisor or to act as joint financial advisor on or at least equal economic terms on any public or private financing (debt or equity), merger, business combination, recapitalization or sale of some or all of our equity or our assets (collectively, “Future Services”); provided, however, that the Representative shall not be entitled to have such right of first refusal if this offering is not consummated. In the event that we engage the Representative to provide such Future Services, the Representative will be compensated consistent with the engagement agreement with the Representative, unless we mutually agree otherwise. To the extent we are approached by a third party to lead any public or private financing (debt or equity), merger, business combination, recapitalization or sale of some or all of our equity or assets, the Representative will be notified of the transaction and be granted the right to participate in such transaction under any syndicate formed by such third party.

### **No Sales of Similar Securities**

We have agreed not to offer, issue, sell, contract to sell, encumber, grant any option for the sale of or otherwise dispose of any shares of our Common Shares or other securities convertible into or exercisable or exchangeable for Common Shares at a price per share that is less the price per Common Share in this offering, or modify the terms of any existing securities, whether in conjunction with another broker-dealer or on the Company’s own volition, for a period of twelve months following date on which the Common Shares are trading on the Nasdaq Capital Market, without the prior written consent of the Representative.

### **Company Lock-Up**

The Company will not for a period of up to 365 days from the date on which the trading of the Common Shares on Nasdaq commences: (i) offer, pledge, announce the intention to sell, sell, contract to

sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of, directly or indirectly, or file with the SEC a registration statement under the Securities Act relating to, the Common Shares, or modify the terms of existing securities, or (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the Common Shares.

### **Lock-Up Agreements**

#### ***Officers, Directors, and 1% Holders***

Our directors, executive officers and certain beneficial holders of 1% or more of our outstanding Common Shares have agreed not to offer, sell, agree to sell, directly or indirectly, or otherwise dispose of any Common Shares for a period of up to 365 days from the date on which the trading of our Common Shares on Nasdaq commences.

#### ***Halo***

Under the Debenture and the Investor Rights Agreement, Halo agreed to enter into a lock-up agreement with us and the Representative, pursuant to which Halo shall not offer, issue, sell, contract to sell, encumber, grant any option for the sale of, or otherwise dispose of, any of our securities for a period of 270 days from the date on which the trading of our Common Shares on Nasdaq commences (the “Lock-Up Trigger Date”), subject to customary carve-outs. The lock-up agreement will permit that up to 50% of our securities held by Halo may be sold or transferred from the 271st day through the 365th day following the Lock-Up Trigger Date, and the remaining 50% of such securities may be sold or transferred without the lock-up restrictions beginning on the 366th day following the Lock-Up Trigger Date. The lock-up restrictions shall not prohibit Halo from selling or transferring such number of our Common Shares to comply with the Ownership Limitation.

#### ***Private Placement***

Investors in the Private Placement have entered into lock-up agreements, pursuant to which such investors shall not sell, transfer or otherwise dispose of their Common Shares for the period beginning on the date of the closing of the Private Placement until the 180th day after the date on which the trading of our Common Shares on Nasdaq commences (the “Private Placement Trigger Date”). Between the 181st and 270th day after the Private Placement Trigger Date, such investors shall not sell, transfer or otherwise dispose of more than one-third of their Common Shares, subject to a maximum sale on any trading day of 3% of the daily volume. Between the 271st and 365th day after the Private Placement Trigger Date, such investors shall not to sell, transfer or otherwise dispose of more than one-third of their Common Shares, subject to a maximum sale on any trading day of 3% of the daily volume. After the 365th day after the Private Placement Trigger Date, such investors will be entitled to sell their remaining Common Shares without restriction.

Notwithstanding the above, commencing 90 days after the Private Placement Trigger Date, if the Company’s Common Share price is at least 50% higher than the Common Share price in this offering, and the Common Shares trade at least 100,000 shares daily, both for ten consecutive trading days, such investors may sell one-third of their shares subject to a maximum sale on any trading day of 3% of the daily volume; and if the Company’s Common Share price is at least 100% higher than the Common Share price in this offering and the Common Shares trade at least 100,000 shares daily, both for ten consecutive trading days, such investors may sell up to an additional one-third of their shares subject to a maximum sale on any trading day of 3% of the daily volume; and if the Company Common Share price is at least 150% higher than the Common Share price in this offering and the Common Shares trade at least 100,000 shares daily, both for ten consecutive trading days, such investors may sell an additional one-third constituting a maximum total of all of their shares subject to a maximum sale on any trading day of 3% of the daily volume.

#### ***Halo Transferee***

The Halo Transferee has entered into a lock-up agreement, pursuant to which the Halo Transferee shall not sell, transfer or otherwise dispose of their Common Shares for the period beginning on the date of the closing of the Halo transfer until the 210th day after the date on which the trading of our Common Shares on



Nasdaq commences (the “Halo Transfer Trigger Date”). Between the 211th and 285th day after the Halo Transfer Trigger Date, the Halo Transferee shall not sell, transfer, or otherwise dispose of more than one-third of their Common Shares, subject to a maximum sale on any trading day of 3% of the daily volume. Between the 286th and 360th day after the Halo Transfer Trigger Date, the Halo Transferee shall not sell, transfer, or otherwise dispose of more than one-third of their Common Shares, subject to a maximum sale on any trading day of 3% of the daily volume. After the 360th day after the Halo Transfer Trigger Date, the Halo Transferee will be entitled to sell their remaining Common Shares without restriction.

Notwithstanding the above, the underwriters of this offering may engage in stabilization activities as described above. The Representative may in its sole discretion and at any time without notice release some or all of the shares subject to lock-up agreements prior to the expiration of the lock-up period. When determining whether or not to release shares from the lock-up agreements, the Representative will consider, among other factors, the security holder’s reasons for requesting the release, the number of shares for which the release is being requested and market conditions at the time.

#### **Electronic Offer, Sale and Distribution of Common Shares**

A prospectus in electronic format may be made available on the websites maintained by the Representative. In addition, Common Shares may be sold by the Representative to securities dealers who resell Common Shares to online brokerage account holders. Other than the prospectus in electronic format, the information on the Representative’s website and any information contained in any other website maintained by the Representative is not part of the prospectus or the registration statement of which this prospectus forms a part, has not been approved and/or endorsed by us or the Representative in its capacity as Representative and should not be relied upon by investors.

#### **Selling Restrictions**

No action has been taken in any jurisdiction (except in the United States) that would permit a public offering of the Common Shares, or the possession, circulation or distribution of this prospectus or any other material relating to us or the Common Shares, where action for that purpose is required. Accordingly, the Common Shares may not be offered or sold, directly or indirectly, and neither this prospectus nor any other offering material or advertisements in connection with the Common Shares may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of any such country or jurisdiction.

#### **Offer Restrictions Outside the United States**

Other than in the United States, no action has been taken by us or the underwriters that would permit a public offering of the securities offered by this prospectus in any jurisdiction where action for that purpose is required. The securities offered by this prospectus may not be offered or sold, directly or indirectly, nor may this prospectus or any other offering material or advertisements in connection with the offer and sale of any such securities be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this prospectus comes are advised to inform themselves about and to observe any restrictions relating to this offering and the distribution of this prospectus. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities offered by this prospectus in any jurisdiction in which such an offer or a solicitation is unlawful. In particular, the Common Shares have not been qualified for distribution by prospectus in Canada and may not be offered or sold in Canada during the course of their distribution hereunder except pursuant to a Canadian prospectus or prospectus exemption.



**EXPENSES RELATED TO THE OFFERING**

The following table sets forth the costs and expenses, other than the underwriting discounts and commissions and expenses, payable in connection with this offering. All amounts shown are estimates and subject to future contingencies, except the SEC registration fee, the Financial Industry Regulatory Authority filing fee, and the Nasdaq Capital Market entry and listing fee.

Description	Amount
U.S. Securities and Exchange Commission registration fee	\$ 2,782.39
Financial Industry Regulatory Authority filing fee	\$ 3,268.62
Nasdaq Capital Market entry and listing fee	\$ 75,000
Accounting and Audit fees and expenses	\$ 160,500
Legal fees and expenses	\$ 250,000
Printing expenses	\$ 15,000
Miscellaneous	\$ 50,000
<b>Total</b>	<b>\$556,551.01</b>

## LEGAL MATTERS

We are being represented by Rimon, P.C., with respect to certain legal matters as to United States federal securities and state securities law. The underwriters are being represented by Bevilacqua PLLC, with respect to certain legal matters as to United States federal securities and state securities law. The validity of the Common Shares offered in this offering and certain legal matters as to Canadian law will be passed upon for us by Dentons Canada LLP, and certain legal matters as to U.K. law, Malta law and Lesotho law will be passed upon for us by Dentons & Co, Corrieri Cilia and Kleingeld & Mayet, respectively.

## EXPERTS

BF Borgers CPA PC (“BF Borgers”), an independent registered public accounting firm, has audited our financial statements as set forth in their report thereon. We have included such consolidated financial statements in this prospectus in reliance on the report of such firm given on their authority as experts in accounting and auditing. BF Borgers is independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the SEC and the PCAOB on auditor independence. BF Borgers’ headquarters are located at 5400 W Cedar Ave, Lakewood, CO 80226.

## ENFORCEABILITY OF CIVIL LIABILITIES

We are a corporation organized under the laws of the Province of Ontario, Canada. Most of our directors and executive officers reside in the United Kingdom and the Kingdom of Lesotho, and significantly all of our assets and the assets of such persons are located outside of the United States. As a result, it may not be possible for investors to effect service of process within the United States upon these persons or us, or to enforce against them or us judgments obtained in U.S. courts, whether or not predicated upon the civil liability provisions of the federal securities laws of the United States or of the securities laws of any state of the United States. There is doubt as to the enforceability in foreign jurisdictions, either in original actions or in actions for enforcement of judgments of U.S. courts, of civil liabilities predicated solely on the federal securities laws of the United States or the securities laws of any state of the United States.

## WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the U.S. Securities and Exchange Commission (the “SEC”) a registration statement on Form F-1 under the Securities Act relating to the securities we are offering to sell. This prospectus, which constitutes part of the registration statement, does not contain all of the information set forth in the registration statement or the exhibits and schedules which are part of the registration statement. Some items included in the registration statement have been omitted from this prospectus in accordance with the rules and regulations of the SEC. For further with respect to us and our securities, we refer you to the registration statement, including all amendments, supplements, exhibits, and schedules thereto. Statements contained in this prospectus regarding the contents of any contract or any other document are not necessarily complete. If a contract or document has been filed as an exhibit to the registration statement, please see a copy of such contract or document that has been filed. Each statement in this prospectus relating to a contract or document that is filed as an exhibit to the registration statement is qualified in all respects by reference to the full text of such contract or document filed as an exhibit to the registration statement.

You may access and read the registration statement and this prospectus, including the related exhibits and schedules, and any document we file with the SEC at the SEC’s Internet website that contains reports and other information regarding issuers that file electronically with the SEC. Our filings with the SEC are available to the public without charge through the SEC’s website at <http://www.sec.gov>.

Upon completion of this offering, we will be subject to the information reporting requirements of the Exchange Act, that are applicable to “foreign private issuers,” and under those requirements will file reports with the SEC. Those other reports or other information may be inspected without charge at the locations described above. As a “foreign private issuer,” we will be exempt from the rules under the Exchange Act related to the furnishing and content of proxy statements, and our officers, directors, and principal shareholders will be exempt from the reporting and “short-swing” profit recovery provisions contained in Section 16 of the Exchange Act with respect to their purchases and sales of common shares. Furthermore, as a “foreign private issuer,” we are also not subject to the requirements of Regulation FD (Fair Disclosure) promulgated under the Exchange Act. In addition, we will not be required under the Exchange Act to file annual or other reports and financial statements with the SEC as frequently or as promptly as U.S. companies that have securities registered under the Exchange Act. As such, we will file with the SEC, within 120 days after the end of each fiscal year, or such other applicable time as required by the SEC, an annual report on Form 20-F containing financial statements audited by an independent registered public accounting firm. We also intend to furnish to the SEC under cover of Form 6-K certain other material information. Our corporate website is [www.akandacorp.com](http://www.akandacorp.com). After the consummation of this offering, you may go to our website to access our periodic reports and other information that we file with the SEC as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. The information contained in, or that can be accessed through, our website is not incorporated by reference into, and is not a part of, this prospectus. We have included our website address in this prospectus solely for informational purposes.

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**AKANDA CORP.**  
**CONDENSED STATEMENTS OF FINANCIAL POSITION**

	Note	September 30, 2021 (Unaudited)	August 31, 2021
<b>ASSETS</b>			
Current Assets			
Cash, held in trust		\$ 250,001	250,001
Total Current Assets		\$ 250,001	250,001
<b>Total Assets</b>		<b>\$ 250,001</b>	<b>250,001</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current Liabilities			
Accounts payable		\$ 92,055	27,635
Loan from shareholder		4,226	4,263
Total Current Liabilities		\$ 96,281	31,898
<b>Total Liabilities</b>		<b>\$ 96,281</b>	<b>31,898</b>
Shareholders' Equity			
Share capital	5	\$ 250,001	250,001
Accumulated deficit		(96,179)	(31,898)
Accumulated other comprehensive loss		) (102	—
Total Shareholders' Equity		\$ 153,720	218,103
<b>Total Liabilities and Shareholders' Equity</b>		<b>\$ 250,001</b>	<b>250,001</b>

The accompanying notes are an integral part of these unaudited condensed financial statements.

**AKANDA CORP.**  
**CONDENSED STATEMENT OF OPERATIONS**  
**(Unaudited)**

	July 16, 2021 (Inception) to September 30, 2021
<b>Operating expenses:</b>	
Accounting and audit fees	\$ 16,822
Consultant fees	32,904
Directors' remuneration	12,275
Legal fees	39,474
Total operating expenses	101,475
<b>Other income:</b>	
Foreign exchange gains	\$ 5,296
Total other income	5,296
<b>Net loss</b>	(96,179)
Other comprehensive loss	) (102
<b>Net and comprehensive loss</b>	\$ (96,281)

The accompanying notes are an integral part of these unaudited condensed financial statements.

**AKANDA CORP.**  
**CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**(Unaudited)**

	Note	Share Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
<b>Inception, July 16, 2021</b>		\$ —	\$ —	—	\$ —
Share issuance	5	250,001	—	—	250,001
Net loss		—	(31,898)	—	(31,898)
<b>Balance, August 31, 2021</b>		<u>\$ 250,001</u>	<u>\$ (31,898)</u>	<u>—</u>	<u>\$ 218,103</u>
Net loss		—	(64,281)	(102)	(64,383)
<b>Balance, September 30, 2021</b>		<u><u>\$ 250,001</u></u>	<u><u>\$ (96,179)</u></u>	<u><u>(102)</u></u>	<u><u>\$ 153,720</u></u>

The accompanying notes are an integral part of these unaudited condensed financial statements.

**AKANDA CORP.**  
**CONDENSED STATEMENT OF CASH FLOWS**  
**(Unaudited)**

	Note	July 16, 2021 (Inception) to September 30, 2021
<b>Cash flows from Operating Activities</b>		
Net loss		\$ (96,179)
Foreign exchange movements through profit and loss		)(5,296
Increase in accounts payable		92,055
Cash used in operating activities		\$ )(9,420
<b>Cash flows from Financing Activities</b>		
Proceeds from share issuances		\$ 250,001
Loan received from shareholder		4,226
Cash flows provided by financing activities		\$ 254,227
Effect of foreign exchange translation		5,194
Change in cash during the period		\$ 250,001
Cash at beginning of period		—
Cash at end of period		\$ 250,001

The accompanying notes are an integral part of these unaudited condensed financial statements.

## AKANDA CORP.

**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**July 16, 2021 (Inception) to September 30, 2021**

**NOTE 1. Nature of Operations and Going Concern**

Akanda Corp. (the “Company”) is domiciled in Canada. The Company’s registered office is 77 King Street West, Suite 400, Toronto-Dominion Centre, Toronto Canada, Ontario, M5K0A1.

The Company’s main business is intended to be the ultimate parent company (refer below, and to Note 2 and Note 9 below) that will hold the equity investments, directly or indirectly, in Cannahealth Ltd., Canmart Ltd., Bophelo Holdings Ltd and Bophelo Bio Science and Wellness (Pty) Ltd.

In September 2021, the Company entered into a share purchase agreement with Halo Collective Inc. (“Halo”) to acquire shares of Cannahealth Ltd. in Malta, Canmart Ltd. in the UK, Bophelo Holdings in the UK and Bophelo Bio Science & Wellness Pty Ltd. in Lesotho. The share purchase agreement became unconditional on or about November 3, 2021 and the Company acquired the shares in the aforementioned entities from Halo. In consideration of this acquisition, Halo was issued 13,129,212 common shares in the Company.

During March 2020, the World Health Organization declared Covid-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

**NOTE 2. Basis of Preparation**

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

The Company’s board of directors approved these financial statements on January 16, 2022. The financial statements are presented in US dollars and all financial amounts, other than per-share amounts, are rounded to the nearest dollar. The functional currency of the Company is the US dollar.

*Going concern*

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Company will continue to operate in the foreseeable future as a going concern. Subsequent to the transaction envisaged in Note 9, the Company shall be the ultimate parent company of the businesses referred to in Note 9. The financial forecast for the Akanda group for the next 18 months indicates that it will generate revenue through cultivation and sale of dried cannabis flower and/or cannabis biomass as well as through the sale and distribution of third party cannabis based medicinal products. Additionally, the group has recently closed a private placement and has raised approximately USD 5.6 million to fund the capital expenditure, operating expenses and the working capital requirements of the Company (and the group).

These are unaudited condensed financial statements which should be read in conjunction with the most recent audited financial statements.

**NOTE 3. Use of Judgements and Estimates**

In preparing these financial statements, management has made judgements and estimates that affect the application of the Company’s accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.





## AKANDA CORP.

**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**July 16, 2021 (Inception) to September 30, 2021**

**NOTE 3. Use of Judgements and Estimates (continued)**

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively. Areas requiring a significant degree of estimation and judgment include fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets and liabilities and assessment of the Company's ability to continue as a going concern.

**NOTE 4. Significant Accounting Policies**

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

*General*

The accounting policies described in these financial statements have been applied consistently to all periods presented in these financial statements.

*Cash*

Cash consists of cash held in a trust account held by the Company's attorneys and other short-term highly liquid investments with original maturities of three months or less, which are classified as cash equivalents. The Company did not hold any cash equivalents as at September 30, 2021 and August 31, 2021.

*Share capital*

Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12 — Income Taxes.

*Financial Instruments***(a) Classification**

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

**(b) Measurement****Financial assets and liabilities at amortized cost**

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

**Financial assets and liabilities at FVTPL**

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and



## AKANDA CORP.

**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**July 16, 2021 (Inception) to September 30, 2021**

**NOTE 4. Significant Accounting Policies (continued)**

losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise.

*Debt investments at FVTOCI*

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

*Equity investments at FVTOCI*

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

*Related parties*

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged as defined by IFRS for SMEs.

**NOTE 5. Share Capital***Authorized**Common shares*

The Company has an unlimited number of authorized common shares with no par value.

Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All rights attached to the Company's shares held by the Company are suspended until those shares are reissued.

*Issued*

As at September 30, 2021, the company has 6,095,706 common shares in issue at no par value.

	Number of common shares	Share capital 2021
Inception at July 16, 2021	—	—
Shares issued to founders	5,626,806	1
Shares issued- August 26, 2021	468,900	250,000
Issued and outstanding at September 30, 2021	<u>6,095,706</u>	<u>\$ 250,001</u>

**NOTE 6. Related Party Transactions***Accounts payable from Canmart Ltd*

During the period from July 16, 2021 (inception) to September 30, 2021, the Company received working capital from Canmart Ltd in the amount of CAD 3,360 (USD 2,643), which is outstanding and



## AKANDA CORP.

**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**July 16, 2021 (Inception) to September 30, 2021**

**NOTE 6. Related Party Transactions (continued)**

payable as of September 30, 2021 (at August 31, 2021 CAD nil (USD nil)). This working capital is repayable on demand and bears no interest.

*Loan from Shareholder*

During the period from July 16, 2021 (inception) to September 30, 2021, the Company received a loan from a shareholder in the amount of CAD 5,374 (USD 4,226), which is outstanding and payable as of September 30, 2021 (at August 31, 2021 CAD 5,374 (USD 4,263)). This loan is repayable on demand and bears no interest.

*Key Management Compensation*

The Company's directors and other members of senior management, being the Executive Chairman, CEO and CFO, have the authority and responsibility for planning, directing and controlling the activities of the Company.

To date, Akanda Corp has not remunerated senior management as these executives are remunerated directly by Canmart Ltd in respect of services rendered as employees of the group.

**NOTE 7. Financial Instruments**

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus, for an item not at Fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

The Company derecognizes a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
- substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset

Financial liabilities are classified as measured at amortized cost or fair value through profit or loss (FVTPL). A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference



## AKANDA CORP.

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS  
July 16, 2021 (Inception) to September 30, 2021**NOTE 7. Financial Instruments (continued)**

between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

At September 30, 2021 and August 31, 2021, the Company's financial instruments include cash, accounts payable, and loan from shareholder.

**NOTE 8. Capital Management**

As of September 30, 2021, the Company's capital is composed of shareholders' equity. The Company's primary objectives, when managing its capital, are to maintain adequate levels of funding to support the operations of the Company and to maintain corporate and administrative functions.

The Company defines capital as cash and equity, consisting of shareholders' equity. The capital structure of the Company is managed to provide sufficient funding operating activities. Funds are primarily secured through equity capital raised by way of the Company's shareholders. There can be no assurances that the Company will be able to continue raising equity capital in this manner. The Company invests all capital that is surplus to its immediate needs in short-term, liquid and highly rated financial instruments, such as cash, which are all held with major financial institutions.

There were no changes to the Company's approach to capital management during the period from July 16, 2021 (inception) to September 30, 2021.

**NOTE 9. Subsequent Events***Entering into of Sale and Purchase Agreement and Debenture Agreement with Halo Collective Inc.*

On September 28, 2021, Halo Collective Inc. ("Halo"), entered into a share purchase agreement (the "Purchase Agreement") with Akanda Corp. in connection with the sale and purchase of its international assets (the "Transaction"). These international assets comprise Halo's investments in Bophelo Bio Science & Wellness (Pty) Ltd, Canmart Ltd., Bophelo Holdings Ltd. and Cannahealth Ltd. The Purchase Agreement became unconditional on or around 3 November 2021 and the Transaction with Halo was successfully completed.

Prior to the completion of the Transaction, Halo completed an internal reorganization, pursuant to which Halo's international assets in the UK & Lesotho namely Canmart Ltd, Bophelo Holdings Ltd and Bophelo Bio Science & Wellness (Pty) became, directly or indirectly, wholly owned subsidiaries of Cannahealth Ltd. In accordance with the terms of the Purchase Agreement, Halo sold 100% of the issued and outstanding shares of Cannahealth Ltd to the Company in exchange for 13,129,212 common shares in the capital of the Company ("Akanda Shares"), representing aggregate consideration of USD \$13,129,212.

In conjunction with the Transaction, Akanda entered into a secured convertible debenture agreement with Halo on or around November 3, 2021. The debenture agreement has a principal amount of USD 6,559,294 and bears interest at a rate of 1% per annum. The amount due to Halo pursuant to the debenture agreement, comprising the principal amount and accrued interest payable respectively, ranks as a senior obligation of the Company in preference to other creditors. The debt is secured by way of a pledge of the Company's shareholding in Cannahealth Ltd as well as by a general security interest granted to Halo in the assets of the Company, with the exception of any ownership interest or securities indirectly owned by the Company in Bophelo Bio Science & Wellness (Pty) Ltd. The debt is subject to automatic conversion into common shares of the Company upon the occurrence of a triggering event, which includes an initial public offering of the Company's securities or an amalgamation, merger or takeover of the Company by a third party, and is repayable by November 2, 2022. In addition to automatic conversion in terms of the triggering event, the debenture is convertible into common shares of the Company at its own election. In the event

## AKANDA CORP.

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS  
July 16, 2021 (Inception) to September 30, 2021**NOTE 9. Subsequent Events (continued)**

of the debenture being converted to common shares of the Company as a result of a triggering event or at election of the Company, the conversion price shall be the current market price of the Company at the time of the occurrence of the triggering event, or in the case where no triggering event has taken place, then at the price of the last private placement of the Company where more than USD \$1,000,000 has been raised.

*Investor Rights Agreement*

In conjunction with the closing of the Transaction, the Company has entered into an investor rights agreement with Halo which will see Halo acquire certain investor rights, which most notably include the ability to appoint no more than one director to the board of directors of the Company.

*Private Placement*

Subsequent to Akanda Corp.'s reporting period end of September 30, 2021, Akanda Corp. completed an initial first closing of a private placement fund raising process which saw Akanda Corp. raise approximately USD \$5.3 million exchange for issuing 2,126,000 common shares at a price of US\$ 2.50 per share. This fund raising process is ongoing and is expected to close by January 31, 2022. Subsequent to the initial first closing, The Company undertook a final closing of the private placement fund raising process on January 14, 2022 and pursuant to this will issue a further 154,000 common shares to subscribers at a price of US\$ 2.50 per share. An additional and final closing of the offering took place on January 26, 2022 for a further subscription of 4,000 common shares and \$19,982 in gross proceeds.

*Conversion of subsidiary debt*

On November 10, 2021, and following the successful closing of the Transaction with Halo, the board of directors passed a resolution approving the settlement of a USD \$2.2 million bridge loan facility due and payable by Bophelo Bio Science & Wellness (Pty) Ltd to the Company's Executive Chairman, LM Mojela. In terms of the settlement, Akanda Corp. will issue 880,000 common shares to LM Mojela on behalf of Bophelo Bioscience & Wellness (Pty) Ltd.



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**CANNAHEALTH LTD.**  
**CONDENSED STATEMENTS OF FINANCIAL POSITION**

	Note	September 30, 2021 (Unaudited)	December 31, 2020
<b>ASSETS</b>			
Current assets		—	
Cash, held in trust		\$ 1,396	1,477
<b>Total Assets</b>		<b>\$ 1,396</b>	<b>1,477</b>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>			
Shareholder's Equity		—	
Share capital	5	\$ 1,477	1,477
Accumulated deficit		—	
Accumulated comprehensive loss		) (81	
Total Shareholder's Equity		1,396	1,477
<b>Total Liabilities and Shareholder's Equity</b>		<b>\$ 1,396</b>	<b>1,477</b>

The accompanying notes are an integral part of these unaudited condensed financial statements.

**CANNAHEALTH LTD.**  
**CONDENSED STATEMENTS OF OPERATIONS**  
**(Unaudited)**

	January 1, 2021 to September 30, 2021	July 1, 2020 (Inception) to September 30, 2020
Net sales	\$ —	—
Other comprehensive income:		
Foreign exchange loss	) (81	—
<b>Net and comprehensive loss</b>	<b>\$ ) (81</b>	<b>—</b>

The accompanying notes are an integral part of these unaudited condensed financial statements.

**CANNAHEALTH LTD.**  
**CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**(Unaudited)**

	Note	Share Capital	Accumulated Deficit	Accumulated Comprehensive Loss	Total Shareholder's Equity
<b>Inception, July 1, 2020</b>					
Share issuance at inception	5	\$ 1,477	\$ —	\$ —	1,477
<b>Balance, September 30, 2020</b>		<u>\$ 1,477</u>	<u>\$ —</u>	<u>\$ —</u>	<u>1,477</u>
<b>Balance, January 1, 2021</b>					
		\$ 1,477	\$ —	\$ —	1,477
Effect of foreign exchange translation	5	\$ —	—	¥81	) (81
<b>Balance, September 30, 2021</b>		<u>\$ 1,477</u>	<u>\$ —</u>	<u>\$ ¥81</u>	<u>1,396</u>

The accompanying notes are an integral part of these unaudited condensed financial statements.

**CANNAHEALTH LTD.**  
**CONDENSED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

	January 1, 2021 to September 30, 2021	July 1, 2020 (Inception) to September 30, 2020
<b>Cash Flows from Operating Activities</b>	\$ —	—
<b>Cash Flows from Financing Activities</b>	\$ —	—
Proceeds from share issue	\$ —	1,477
Cash flows provided by financing activities	\$ —	1,477
Net change in cash	\$ —	—
Cash at beginning of period	\$ 1,477	—
Foreign currency translation movement	\$ ) (81	—
Cash at end of period	<u>\$ 1,396</u>	<u>1,477</u>

The accompanying notes are an integral part of these unaudited condensed financial statements.

**CANNAHEALTH LTD.****NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS****January 1, 2021 to September 30, 2021****NOTE 1. Reporting Entity**

Cannahealth Ltd. (the “Company”) is domiciled in Malta. The Company’s registered office is at Level 4, The Penthouse Suite 2, Ewropa Business Centre, Triq Dun Karm Birkirkara, Malta. The Company was formed on July 1, 2020 to carry on business as a general commercial company.

The Company’s main business is intended to be the entity within the Akanda Corp. group (Refer to Note 2 and Note 7 below) that will hold the equity investments in Bophelo Holdings Ltd., Canmart Ltd. directly and Bophelo Bio Science & Wellness Pty Ltd. indirectly. The Company is the subject of a share purchase agreement between Halo Collective Inc. and Akanda Corp which has resulted, on or around November 3, 2021, in the Company to become a wholly owned subsidiary of Akanda Corp.

To date, the Company has not commenced any operations. The continuing operations of the Company are dependent upon its ability to generate profitable operations in the future, and to continue to secure additional financing.

During March 2020, the World Health Organization declared Covid-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

**NOTE 2. Basis of preparation and going concern**

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

They were authorized for issue by the Company’s board of directors on January 26, 2022.

These financial statements are presented in US Dollars. The functional currency of the Company is Euro.

*Going concern*

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Company will continue to operate in the foreseeable future as a going concern. Subsequent to the transaction envisaged in Note 7, the Company became a wholly owned subsidiary of Akanda Corp (“Akanda”). The financial forecast for the Akanda group for the next 18 months indicates that it will generate revenue through cultivation and sale of dried cannabis flower and/or cannabis biomass as well as through the sale and distribution of third party cannabis based medicinal products. Additionally, the group is engaged in a private placement and is expected to raise between USD 5 million and USD 6 million to fund the capital expenditure and working capital requirements of the Company (and the group).

These financial statements are unaudited and condensed and should be read in conjunction with the latest audited financial statements.

**NOTE 3. Use of judgement and estimates**

In preparing these financial statements, management has made judgements and estimates that affect the application of the Company’s accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

## CANNAHEALTH LTD.

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS  
January 1, 2021 to September 30, 2021**NOTE 3. Use of judgement and estimates (continued)**

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively. Areas requiring a significant degree of estimation and judgment include fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets and liabilities and assessment of the Company's ability to continue as a going concern.

**NOTE 4. Significant accounting policies***General*

The accounting policies described in these financial statements have been applied consistently to all periods presented in these financial statements.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured at cost are translated into the functional currency at the exchange rate at transaction date.

*Cash*

Cash includes cash held in trust and other short term highly liquid investments with original maturities of three months or less, which are classified as cash equivalents. The Company did not hold any cash equivalents at September 30, 2021 and December 31, 2020.

*Financial Instruments***(a) Classification**

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

**(b) Measurement****Financial assets and liabilities at amortized cost**

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

**Financial assets and liabilities at FVTPL**

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise.

## CANNAHEALTH LTD.

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS  
January 1, 2021 to September 30, 2021**NOTE 4. Significant accounting policies (continued)**

## Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

## Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

*Fair value measurement*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price

**NOTE 5. Capital***Authorized*

The Company has authorized share capital of 1,200 ordinary shares at a par value of EUR 1 each and there are no preference shares in issue.

*Issued*

The Company has 1,200 issued shares at EUR 1 each for total proceeds of \$1,477 (EUR 1,200).

	Number of ordinary shares	Share capital 2021
Inception at July 1, 2020		
Share issuance at inception	1,200	\$ 1,477
Issued and outstanding at September 30, 2020		1,477
Issued and outstanding at January 1, 2021		1,477
Issued and outstanding at September 30, 2021		1,477

## Ordinary shares

Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All rights attached to the Company's shares held by the Company are suspended until those shares are reissued.





## CANNAHEALTH LTD.

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS  
January 1, 2021 to September 30, 2021**NOTE 6. Financial Instruments**

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus, for an item not at Fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

The Company derecognizes a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
- substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset

Financial liabilities are classified as measured at amortized cost or fair value through profit or loss (FVTPL). A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

At September 30, 2021 and December 31, 2020 the Company's financial instruments included cash.

**NOTE 7. Subsequent Events***Acquisition of the Company by Akanda Corp.*

On September 28, 2021, Halo Collective Inc. ("Halo"), entered into a share purchase agreement (the "Purchase Agreement") with Akanda Corp. in connection with the sale and purchase of its international assets (the "Transaction"). These international assets comprise Halo's investments in Bophelo Bio Science & Wellness Ltd, Canmart Ltd., Bophelo Holdings Ltd. and Cannahealth Ltd. The Purchase Agreement became unconditional on or around 3 November 2021 and the Transaction with Halo was successfully completed.

Prior to the completion of the Transaction, Halo completed an internal reorganization, pursuant to which Halo's international assets in the UK & Lesotho namely Canmart Ltd, Bophelo Holdings Ltd and Bophelo Bio Science & Wellness became, directly or indirectly, wholly owned subsidiaries of Cannahealth Ltd. In accordance with the terms of the Purchase Agreement, Halo sold 100% of the issued and outstanding shares of Cannahealth Ltd to the Company in exchange for 13,129,212 common shares in the capital of the Company ("Akanda Shares"), representing aggregate consideration of USD \$13,129,212.

## CANNAHEALTH LTD.

NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS  
January 1, 2021 to September 30, 2021**NOTE 7. Subsequent Events (continued)**

In conjunction with the Transaction, Akanda entered into a secured convertible debenture agreement with Halo on or around November 2, 2021. The debenture agreement has a principal amount of USD 6,559,294 and bears interest at a rate of 1% per annum. The amount due to Halo pursuant to the debenture agreement, comprising the principal amount and accrued interest payable respectively, ranks as a senior obligation of the Company in preference to other creditors. The debt is secured by way of a pledge of the Company's shareholding in Cannahealth Ltd as well as by a general security interest granted to Halo in the assets of the Company, with the exception of any ownership interest or securities owned in Bophelo Bio Science & Wellness Ltd. The debt subject to automatic conversion into common shares of the Company upon the occurrence of a triggering event, which includes an initial public offering of the Company's securities or an amalgamation, merger or takeover of the Company by a third party. is repayable by November 2, 2022. In addition to automatic conversion in terms of the triggering event, the debenture is convertible into common shares of the Company at its own election. In the event of the debenture being converted to common shares of the Company as a result of a triggering event or at election of the Company, the conversion price shall be the current market price of the Company at the time of the occurrence of the triggering event, or in the case where no triggering event has taken place, then at the price of the last private placement of the Company where more than USD \$1,000,000 has been raised.

*Private Placement*

Subsequent to Akanda Corp's reporting period end of September 30, 2021, Akanda Corp. completed an initial first closing of a private placement fund raising process which saw Akanda Corp. raise approximately USD \$5.3 million in exchange for issuing 2,126,000 common shares at a price of US\$ 2.50 per share. Subsequent to the initial first closing, the Company undertook a final closing of the private placement fund raising process on January 14, 2022 and pursuant to will issue a further 154,000 common shares to subscribers at a price of US\$ 2.50 per share. An additional and final closing of the offering took place on January 26, 2022 for a further subscription of 4,000 common shares and \$19,982 in gross proceeds.

*Changes to the Board of Directors*

On November 3, 2021, TW Scott and T Virk were appointed as directors of the Company and K Sidhu and A Met resigned as directors of the Company.

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**BOPHELO HOLDINGS LTD**  
**CONDENSED STATEMENTS OF FINANCIAL POSITION**

	Note	September 30, 2021 (Unaudited)	August 31, 2021
<b>ASSETS</b>			
Current Assets			
Cash		\$ 135	138
<b>Total assets</b>		<u>\$ 135</u>	<u>138</u>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>			
Shareholder's Equity			
Share capital	5	\$ 138	138
Accumulated other comprehensive loss		) (3	—
Total Shareholder's Equity		<u>\$ 135</u>	<u>138</u>
<b>Total Liabilities and Shareholder's Equity</b>		<u>\$ 135</u>	<u>138</u>

The accompanying notes are an integral part of these unaudited condensed financial statements.

**BOPHELO HOLDINGS LTD**  
**CONDENSED STATEMENT OF OPERATIONS**  
**(Unaudited)**

	August 4, 2021 (Inception) to September 30, 2021	
Net sales	\$	—
Foreign exchange translation through other comprehensive loss	)	(3
<b>Net and Comprehensive loss</b>	<b>\$ )</b>	<b>(3</b>

The accompanying notes are an integral part of these unaudited condensed financial statements.

**BOPHELO HOLDINGS LTD**  
**CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY**  
**(Unaudited)**

	Note	Share Capital	Accumulated Deficit	Accumulated other comprehensive loss	Total Shareholder's Equity
<b>Inception, August 4, 2021</b>		\$ —	\$ —	\$ —	—
Share issuance at inception	5	138	—	—	138
<b>Balance, August 31, 2021</b>		\$ 138	\$ —	\$ —	138
Effect of foreign exchange	5		—	) (3	—
<b>Balance, September 30, 2021</b>		\$ 138	\$ —	\$ ) (3	135

The accompanying notes are an integral part of these unaudited condensed financial statements.

**BOPHELO HOLDINGS LTD**  
**CONDENSED STATEMENT OF CASH FLOWS**  
**(Unaudited)**

	August 4, 2021 (Inception) to September 30, 2021
<b>Cash Flows from Operating Activities</b>	\$
<b>Cash flows from Financing Activities</b>	—
Proceeds from share issue	138
Cash flows provided by financing activities	138
Effect of foreign exchange	) (3
Net change in cash	135
Cash at beginning of period	—
Cash at end of period	\$ 135

The accompanying notes are an integral part of these unaudited condensed financial statements.



**BOPHELO HOLDINGS LTD**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**August 4, 2021 (Inception) to September 30, 2021**

**NOTE 1. Reporting Entity**

Bophelo Holdings Ltd (the “Company”) is domiciled in England. The Company’s registered office is at 49 Greek Street London W1D4EG. The Company was formed on August 4, 2021, to carry on business as a general commercial company.

The Company’s main business is intended to be the entity within the Akanda Corp. group (Refer to Note 2 and Note 8 below) that will hold the equity investment in Bophelo Bio Science and Wellness (Pty) Ltd, a cannabis cultivation company incorporated in Lesotho. The Company is a wholly owned subsidiary of Cannahealth Ltd, which was acquired on or around November 3, 2021 by Akanda Corp. pursuant to the successful closing of a share purchase agreement with Halo Collective Inc. (“Halo”).

To date, the Company has not commenced any operations. The continuing operations of the Company are dependent upon its ability to generate profitable operations in the future, and to continue to secure additional financing.

During March 2020, the World Health Organization declared Covid-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

**NOTE 2. Basis of preparation and going concern**

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

They were authorized for issue by the Company’s board of directors on January 26, 2022.

These financial statements are presented in US Dollars. The functional currency of the Company is Great British Pounds.

*Going concern*

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Company will continue to operate in the foreseeable future as a going concern. Subsequent to the transaction envisaged in Note 8, the Company shall become, directly or indirectly, a wholly owned subsidiary of Akanda Corp. (“Akanda”). The financial forecast for the Akanda group for the next 18 months indicates that it will make significant revenue through production & sale of dried cannabis flowers through a hoop house, shade cloth & greenhouse grow as well as sale of cannabis based medicinal products. Until such time that the group becomes cash flow positive, any shortfall would be funded by the shareholders of Akanda. Additionally, the group is engaged in a Pre IPO financing process and is expected to raise USD 5 million to fund the capital expenditure and working capital requirements of the Company (and the group).

These financial statements are both unaudited and condensed and should be read in conjunction with the most recent audited financial statements.

**NOTE 3. Use of judgements and estimates**

In preparing these financial statements, management has made judgements and estimates that affect the application of the Company’s accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

**BOPHELO HOLDINGS LTD**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**August 4, 2021 (Inception) to September 30, 2021**

**NOTE 3. Use of judgements and estimates (continued)**

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively. Areas requiring a significant degree of estimation and judgment include fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets and liabilities and assessment of the Company's ability to continue as a going concern.

**NOTE 4. Significant accounting policies***General*

The accounting policies described in these financial statements have been applied consistently to all periods presented in these financial statements.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured at cost are translated into the functional currency at the exchange rate at transaction date.

*Cash*

Cash include cash on hand and other short term highly liquid investments with original maturities of three months or less, which are classified as cash equivalents. The Company did not hold any cash equivalents as at September 30, 2021 and August 31, 2021.

*Financial Instruments**(a) Classification*

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

*(b) Measurement*

Financial assets and liabilities at amortized cost.

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise.

Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other



**BOPHELO HOLDINGS LTD**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**August 4, 2021 (Inception) to September 30, 2021**

**NOTE 4. Significant accounting policies (continued)**

net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

*Equity investments at FVTOCI*

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

*Fair value measurement*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

*Related parties*

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged as defined by IFRS for SMEs.

**NOTE 5. Capital****Authorised shares**

The company has an authorised share capital of 100 ordinary shares with a par value of 1 Pound each.

**Issued Shares**

	Number of ordinary shares	Share capital 2021
Inception at August 4, 2021		
Share issuance at inception	100	\$ 138
Issued and outstanding at August 31, 2021	<u>100</u>	<u>\$ 138</u>
Less: Effect of foreign exchange		) (3
Issued and outstanding at September 30, 2021	<u>100</u>	<u>\$ 135</u>

*Ordinary shares*

Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All rights attached to the Company's shares held by the Company are suspended until those shares are reissued.



**BOPHELO HOLDINGS LTD**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**August 4, 2021 (Inception) to September 30, 2021**

**NOTE 5. Capital (continued)**

On August 4, 2021, the Company issued share capital of USD \$138 consisting of 100 ordinary shares with a par value of 1 Pound, each.

**NOTE 6. Capital Management**

As of September 30, 2021 the Company's capital is composed of shareholder's equity. The Company's primary objectives, when managing its capital, are to maintain adequate levels of funding to support the operations of the Company and to maintain corporate and administrative functions.

The Company defines capital as cash and equity, consisting of shareholder's equity. The capital structure of the Company is managed to provide sufficient funding operating activities. Funds are primarily secured through equity capital raised by way of the Company's shareholder. There can be no assurances that the Company will be able to continue raising equity capital in this manner. The Company invests all capital that is surplus to its immediate needs in short-term, liquid and highly rated financial instruments, such as cash, which are all held with major financial institutions.

There were no changes to the Company's approach to capital management during the period from August 4, 2021 (inception) to September 30, 2021.

**NOTE 7. Financial Instruments**

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus, for an item not at Fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

The Company derecognizes a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
  - substantially all of the risks and rewards of ownership of the financial asset are transferred; or
  - the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset

Financial liabilities are classified as measured at amortized cost or fair value through profit or loss (FVTPL). A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

**BOPHELO HOLDINGS LTD**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**August 4, 2021 (Inception) to September 30, 2021**

**NOTE 7. Financial Instruments (continued)**

At September 30, 2021 and August 31, 2021, the Company's financial instruments include cash.

**NOTE 8. Subsequent Events**

*Acquisition of the Company by Akanda Corp.*

On September 28, 2021, Halo Collective Inc. ("Halo"), entered into a share purchase agreement (the "Purchase Agreement") with Akanda Corp. in connection with the sale and purchase of its international assets (the "Transaction"). These international assets comprise Halo's investments in Bophelo Bio Science & Wellness (Pty) Ltd, Canmart Ltd., Bophelo Holdings Ltd. and Cannahealth Ltd. The Purchase Agreement became unconditional on or around 3 November 2021 and the Transaction with Halo was successfully completed.

Prior to the completion of the Transaction, Halo completed an internal reorganization, pursuant to which Halo's international assets in the UK & Lesotho namely Canmart Ltd, Bophelo Holdings Ltd and Bophelo Bio Science & Wellness (Pty) became, directly or indirectly, wholly owned subsidiaries of Cannahealth Ltd. As part of the internal reorganization, the Company acquired, on November 3, 2021, 100% of the issued and outstanding share capital of Bophelo Bio Science & Wellness (Pty) Ltd from Halo, as well as the outstanding intercompany loan claims (with an carrying amount of USD \$5,313,781) by Halo against Bophelo Bio Science & Wellness (Pty) Ltd.

The total purchase consideration paid by the Company for the equity and claims in Bophelo Bio Science & Wellness (Pty) Ltd was USD \$1.

*Private Placement*

Subsequent to Bophelo Holdings Ltd's reporting period end of September 30, 2021, the Company's ultimate parent company, Akanda Corp., completed an initial first closing of a private placement fund raising process which saw Akanda Corp. raise approximately USD \$5.3 million in exchange for issuing 2,126,000 common shares at a price of US\$ 2.50 per share. Subsequent to the initial first closing, The Company undertook a final closing of the private placement fund raising process on January 14, 2022 and pursuant to this will issue a further 154,000 common shares to subscribers at a price of US\$ 2.50 per share. An additional and final closing of the offering took place on January 26, 2022 for a further subscription of 4,000 common shares and \$19,982 in gross proceeds.

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**BOPHELO BIO SCIENCE AND WELLNESS (PTY) LTD**  
**CONDENSED STATEMENTS OF FINANCIAL POSITION**

	Note	\$	September 30, 2021 (Unaudited)	December 31, 2020
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash			480,444	10,120
Prepayments	8		108,659	113,485
Shareholders' loan			6	7
Total Current Assets			589,109	123,612
<b>Non-Current Assets</b>				
Property, plant and equipment	5		1,515,188	742,887
Capital work in progress	9		487,875	883,145
Right-of-use asset	7		2,035,074	2,199,779
Intangible assets	6		264,188	304,260
Total Non-Current Assets			4,302,325	4,130,071
<b>Total Assets</b>			<b>4,891,434</b>	<b>4,253,683</b>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIT</b>				
<b>Current Liabilities</b>				
Trade and other payables	12		245,600	182,878
Loans and borrowings	10		10,603,444	2,263,605
Lease liability	11		45,662	283,976
Total Current Liabilities			10,894,706	2,730,459
<b>Non-Current Liabilities</b>				
Lease liability	11		2,432,073	2,598,176
Loans and borrowings	10		—	3,977,108
Total Non-Current Liabilities			2,432,073	6,575,284
<b>Total Liabilities</b>			<b>13,326,779</b>	<b>9,305,743</b>
<b>Shareholders' Deficit</b>				
Share capital	13		156	156
Reserves	13		7	7
Accumulated deficit			(8,626,701)	(5,160,401)
Accumulated other comprehensive income			191,193	108,177
Total Shareholders' Deficit			(8,435,345)	(5,052,061)
<b>Total Liabilities and Shareholders' Deficit</b>			<b>4,891,434</b>	<b>4,253,683</b>

The accompanying notes are an integral part of these unaudited condensed financial statements.

**BOPHELO BIO SCIENCE AND WELLNESS (PTY) LTD,  
CONDENSED STATEMENTS OF OPERATIONS  
(Unaudited)**

**For the Nine Months Ended September 30**

	\$	2021 (Unaudited)	2020 (Unaudited)
Sales	—	—	—
Cost of sales (excluding amortization and depreciation)	—	—	—
Operating Expenses:			
Amortization and depreciation	231,427	173,971	
Consulting and professional fees	504,866	454,721	
General & Administration expenses	1,317,292	163,654	
Office expenses	33,216	14,171	
Personnel expenses	955,032	223,345	
Short term accommodation expense	—	31,912	
Travel expenses	57,063	4,789	
Total Operating expenses	(3,098,896)	(1,066,563)	
Loss from operations	(3,098,896)	(1,066,563)	
Other Income / (Expense):			
Interest income	25,782	9,529	
Interest expenses	(393,186)	(487,069)	
Total Other Income / Expense	(367,404)	(477,540)	
Loss before tax	(3,466,300)	(1,544,103)	
Income tax expense	—	—	
Net loss for the year	(3,466,300)	(1,544,103)	
Other comprehensive income:			
Foreign currency translation	83,016	604,902	
<b>Total comprehensive loss for the year</b>	<b>(3,383,284)</b>	<b>(939,201)</b>	
<b>Basic and diluted loss per ordinary share</b>	<b>) (16</b>	<b>)(6.95</b>	
<b>Weighted average number of ordinary shares outstanding</b>	<b>222,212</b>	<b>222,212</b>	

The accompanying notes are an integral part of these unaudited condensed financial statements.

**BOPHELO BIO SCIENCE AND WELLNESS (PTY) LTD**  
**CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT**  
**(Unaudited)**

	\$	Number of Shares	Share Capital	Reserves	Accumulated Deficit	Accumulated other comprehensive income	Total Shareholders' Deficit
<b>Balance, January 1, 2020</b>		222,212	156	7	(2,862,091)	(42,365)	(2,904,493)
Effect of foreign exchange translation						604,902	604,902
Net loss					(1,544,103)		(1,544,103)
<b>Balance, September 30, 2020</b>		<u>222,212</u>	<u>156</u>	<u>7</u>	<u>(4,406,194)</u>	<u>562,337</u>	<u>(3,843,694)</u>
<b>Balance, January 1, 2021</b>		222,212	156	7	(5,160,401)	108,177	(5,052,061)
Effect of foreign exchange translation						83,016	83,016
Net loss					(3,466,300)		(3,466,300)
<b>Balance September 30, 2021</b>		<u>222,212</u>	<u>156</u>	<u>7</u>	<u>(8,626,701)</u>	<u>191,193</u>	<u>(8,435,345)</u>

The accompanying notes are an integral part of these unaudited condensed financial statements.

**BOPHELO BIO SCIENCE AND WELLNESS (PTY) LTD**  
**CONDENSED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**  
**For the Nine Months Ended September 30**

	\$	2021 (Unaudited)	2020 (Unaudited)
<b>Cash Flows from Operating Activities</b>			
Net loss		(3,466,300)	(1,544,103)
Non-cash items included in net income:			
Depreciation and amortization		231,427	173,971
Interest expenses		393,186	487,069
Write off of property, plant and equipment		—	—
Changes in operating assets and liabilities:			
Prepayments		4,826	(98,457)
Trade and other payables		62,723	291,149
Net cash used in operating activities		<u>(2,774,139)</u>	<u>(690,371)</u>
<b>Cash Flows from Investing Activities:</b>			
Additions to capital WIP		—	(146,806)
Additions to property, plant and equipment		(554,858)	(241,208)
Proceeds from advances received		—	6,916
Net cash used in investing activities		<u>(554,858)</u>	<u>(381,159)</u>
<b>Cash Flows from Financing Activities:</b>			
Repayment of lease liability		(404,407)	—
Loans received		4,474,495	239,864
Net cash provided by financing activities:		<u>4,070,078</u>	<u>239,864</u>
Net change in cash		741,081	(831,605)
Effects of currency translation on cash		(270,758)	82,597
Cash at beginning of period		10,120	818,447
Cash at end of period		<u>480,443</u>	<u>69,379</u>
Supplemental cash flow disclosure			
Interest paid	\$	—	\$ —
Tax paid	\$	—	\$ —

The accompanying notes are an integral part of these unaudited condensed financial statements.

**BOPHELO BIO SCIENCE AND WELLNESS (PTY) LTD**  
**NOTES TO THE CONDENSED UNAUDITED FINANCIAL STATEMENTS**  
**For the Nine Months Ended September 30, 2021**

**NOTE 1. Nature of operations**

Bophelo Bio Science and Wellness (Pty) Ltd (the “Company”) is domiciled in Lesotho. The Company’s registered office is at Ha Mojela, Ts’akholo, Mafeteng, Lesotho. The Company was formed, on the 5<sup>th</sup> of July 2018, to pursue the business of growing, manufacturing, and distributing pharmaceutical and medicinal botanical products.

The Company was party to an internal reorganization undertaken by its former parent company, Halo Collective, Inc. (“Halo”). The internal reorganization was completed on or around 3 November 2021 (refer to Note 2 and Note 17); which saw the Company become an indirect wholly owned subsidiary of Akanda Corp. (“Akanda”).

During March 2020, the World Health Organization declared Covid-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

**NOTE 2. Basis of preparation and going concern**

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

They were authorized for issue by the Company’s board of directors on January 26, 2022.

These financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are measured at fair value. These financial statements are presented in United States dollars. The Company’s functional currency is the Lesotho Loti. The fiscal year end is December 31.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

These financial statements are both unaudited and condensed and should be read in conjunction with the most recent audited financial statements.

*Going concern*

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to evaluate and complete a business combination. At September 30, 2021, the Company has an accumulated deficit of \$8,626,701 including a net loss for the period ended September 30, 2021 of \$3,466,300. The going concern basis presumes that funds will be available to finance future operations and that the realization of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The Company will continue to operate in the foreseeable future as a going concern. Subsequent to the transaction described in Note 17, the Company became a wholly owned subsidiary of Akanda Corp (“Akanda”). The financial forecast for the Akanda group for the next 18 months indicates that it will generate revenue through cultivation and sale of dried cannabis flower and/or cannabis biomass as well as through the sale and distribution of third party cannabis based medicinal products. Additionally, the group is engaged in a private placement and has raised between USD 5 million and USD 6 million to fund the capital

**BOPHELO BIO SCIENCE AND WELLNESS (PTY) LTD**  
**NOTES TO THE CONDENSED UNAUDITED FINANCIAL STATEMENTS**  
**For the Nine Months Ended September 30, 2021**

**NOTE 2. Basis of preparation and going concern (continued)**

expenditure and working capital requirements of the Company (and the group). Details of the Akanda transaction are contained in Note 17.

**NOTE 3. Use of judgements and estimates**

In preparing these financial statements, management has made judgements and estimates that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively. Areas requiring a significant degree of estimation and judgment include fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets and liabilities, the measurement of right of use assets and lease liabilities, and assessment of the Company's ability to continue as a going concern.

**NOTE 4. Significant accounting policies**

*General*

The accounting policies described in these financial statements have been applied consistently to all periods presented in these financial statements.

*Foreign currency*

Transactions in foreign currencies are translated from the respective functional currency of the Company to the reporting currency using the exchange rates at transaction date. Receivables, payables and other monetary assets and liabilities, as well as equity and share capital denominated in foreign currencies are re-translated to the reporting currency using the exchange rates at the balance sheet date. Resulting foreign currency differences are recognized in the income statement, except for foreign currency differences arising on re-translation of Fair Value through Other Comprehensive Income (FVOCI) investments and financial liabilities designated as a hedge of a net investment, which are recognized in other comprehensive income. Resulting foreign currency differences that arise due to the translation of share capital and share premium are recognized in other comprehensive income.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured at cost are translated into the functional currency at the exchange rate at transaction date.

*Property, plant and equipment*

The Company estimates the useful lives of the property, plant and equipment based on the period over which the assets are available for use. These estimates are reviewed periodically and any changes in the estimates are accounted for prospectively.

The property, plant and equipment are recorded at cost less depreciation on a straight-line basis. The estimated useful lives of the assets are as below:

Plant and equipment	10 years
Leasehold improvements	20 years
Motor vehicles	4 years
Computers	3 years
Furniture and fixtures	6 years



**BOPHELO BIO SCIENCE AND WELLNESS (PTY) LTD**  
**NOTES TO THE CONDENSED UNAUDITED FINANCIAL STATEMENTS**  
**For the Nine Months Ended September 30, 2021**

**NOTE 4. Significant accounting policies (continued)**

*Intangible assets*

The Company has a cannabis operator's license which is valid for 10 years and is subject to a renewal at the end of the 10 years. The license is automatically renewed annually on payment of necessary fees as well as submission of operational documents to the Ministry of Health.

Intangible assets are recorded at cost less amortization and impairment losses, if any. Intangible assets are amortized on a straight-line basis for the validity of the license, which is 10 years.

*Biological Assets*

Biological assets are measured at their fair value less costs to sell ("FVLCS") in the Statement of Financial Position. The Company's method of accounting for biological assets attributes value accretion on a straight-line basis throughout the life of the biological asset from initial cloning to the point of harvest. All direct and indirect costs of biological assets are capitalized as they are incurred. Under IFRS 13 Fair Value Measurement, fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The measurement of the fair value of the asset must take into the condition of the asset as well as any restrictions on the sale of the asset. When applying IFRS 13 Fair Value Measurement to non-financial assets, in this case the biological asset and produce, the fair value takes into account a market participant's ability to use that asset in its highest and best use. The highest and best use takes into account the use of the asset that is physically possible, legally permissible and financially feasible, either, in combination with other assets or on a standalone basis.

Biological assets and produce held by the Company is planned to be used in four possible ways:

- Sale to the export market;
- Sale to the local market;
- Repurposed for use in research and development; and
- Written off for being obsolete.

*Cash*

Cash includes cash on hand and other short term highly liquid investments with original maturities of three months or less, which are classified as cash equivalents. The Company did not hold any cash equivalents as of September 30, 2021, and 2020.

*Leases*

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement exists, and if the Company has the right to direct the use of the asset. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.





**BOPHELO BIO SCIENCE AND WELLNESS (PTY) LTD**  
**NOTES TO THE CONDENSED UNAUDITED FINANCIAL STATEMENTS**  
**For the Nine Months Ended September 30, 2021**

**NOTE 4. Significant accounting policies (continued)**

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

- a) fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- c) amounts expected to be payable under a residual value guarantee;
- d) exercise prices of purchase options if the Company is reasonably certain to exercise that option; and
- e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option.

Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit or loss.

*Revenue*

In accordance with IFRS 15, the Company recognizes revenue, excluding interest and dividend income and other such income from financial instruments recognized in accordance with IFRS 9, upon transfer of promised goods or services to customers in amounts that reflect the consideration to which the Company expects to be entitled in exchange for those goods or services based on the following five step approach:

- Step 1: Identify the contracts with customers;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contract; and
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

The Company typically satisfies its performance obligations upon completion of sale. The Company primarily acts as principal in contracts with its customers. The Company does not have material obligations for returns, refunds and other similar obligations, nor warranties and related obligations.

Revenue is recognized at the amount of the transaction price that is allocated to the performance obligation. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer.



**BOPHELO BIO SCIENCE AND WELLNESS (PTY) LTD**  
**NOTES TO THE CONDENSED UNAUDITED FINANCIAL STATEMENTS**  
**For the Nine Months Ended September 30, 2021**

**NOTE 4. Significant accounting policies (continued)**

The Company does not have any revenue streams at the moment as it has not made any commercial sales to date. The Company does expect to have a single revenue stream in the future which will relate to the sale of cannabis biomass. This revenue stream which will be assessed as one performance obligation. Revenue from biomass and cannabis flower sales will be recognized once the performance obligation has been satisfied, which would be upon the customer taking the delivery of the bulk biomass and/or cannabis flower. The transaction price for each product and service will be determined based on the respective invoice.

The Company exercises judgments in determining the amount of the costs incurred to obtain or fulfill a contract with a customer, which includes, but is not limited to (a) the likelihood of obtaining the contract, (b) the estimate of the profitability of the contract, and (c) the credit risk of the customer. An impairment loss will be recognized in profit or loss to the extent that the carrying amount of the asset exceeds (a) the remaining amount of consideration that the entity expects to receive in exchange for the goods or services to which the asset relates, less (b) the costs that relate directly to providing those goods or services and that have not been recognized as expenses.

*Earnings (loss) per share*

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of ordinary shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company.

*Income tax*

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The amount of deferred tax provided is based on the expected manner of recovery or settlement of the carrying amount of assets and liabilities, using tax rates (substantively) enacted, at year-end. Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities which intend either to settle current tax liabilities and assets on a net basis or to realize the assets and settle the liabilities simultaneously. Current and deferred



**BOPHELO BIO SCIENCE AND WELLNESS (PTY) LTD**  
**NOTES TO THE CONDENSED UNAUDITED FINANCIAL STATEMENTS**  
**For the Nine Months Ended September 30, 2021**

**NOTE 4. Significant accounting policies (continued)**

tax are recognized in the income statement, except when it relates to a business combination or for items directly recognized in equity or other comprehensive income.

*Foreign Currency Translation*

The functional and reporting currency of the Company is the Lesotho Loti and United States Dollars respectively. Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date or at an average rate. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in profit and loss

*Share capital*

Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

The share capital of the Company is translated to the spot rate at the end of the financial year.

*Fair value measurement*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

**NOTE 5. Property, plant and equipment**

	\$	Plant and equipment	Leasehold improvement	Motor vehicles	Computers	Furniture and Fixtures	Total
Cost at January 1, 2020		449,044	304,770	38,427	—	—	792,241
Additions		172,369	—	—	—	—	172,369
Write-offs		(23,748)	—	—	—	—	(23,748)
Foreign exchange movements		(11,304)	(11,333)	(1,429)	—	—	(24,066)
Cost at December 31, 2020		586,361	293,437	36,998	—	—	916,796
Additions		32,418	822,928	87,044	4,213	4,437	879,954
Cost at September 30, 2021		618,779	1,116,365	50,046	4,213	4,437	1,793,750
Accumulated Depreciation at January 1, 2020		(67,113)	(22,489)	(4,803)	—	—	(94,405)



**BOPHELO BIO SCIENCE AND WELLNESS (PTY) LTD**  
**NOTES TO THE CONDENSED UNAUDITED FINANCIAL STATEMENTS**  
**For the Nine Months Ended September 30, 2021**

**NOTE 5. Property, plant and equipment (continued)**

	\$	Plant and equipment	Leasehold improvement	Motor vehicles	Computers	Furniture and Fixtures	Total
Depreciation		(60,212)	(14,950)	(9,425)	—	—	(84,587)
Foreign exchange movements		3,615	1,114	354	—	—	5,083
Accumulated Depreciation at December 31, 2020		(123,710)	(36,325)	(13,874)	—	—	(173,909)
Depreciation		(48,297)	(55,434)	(8,335)	(402)	(287)	(112,705)
Foreign exchange movements		5,208	9,257	636	7	5	15,113
Accumulated Depreciation at September 30, 2021		(166,799)	(82,502)	(21,573)	(405)	(282)	(278,562)
Carrying value at January 1, 2020		381,931	282,281	33,624	—	—	697,836
Additions		172,369	—	—	—	—	172,369
Disposals		(23,748)	—	—	—	—	(23,748)
Depreciation		(60,212)	(14,950)	(9,425)	—	—	(84,587)
Foreign exchange movements		(7,689)	(10,219)	(1,075)	—	—	(18,983)
Carrying value at December 31, 2020		462,651	257,112	23,124	—	—	742,887
Additions		32,418	822,928	87,044	4,213	4,437	879,954
Disposals							
Depreciation		(48,297)	(55,434)	(8,335)	(402)	(287)	(112,705)
Foreign exchange movements		5,208	9,257	636	7	5	15,113
Carrying value at September 30, 2021		451,981	1,026,862	28,473	3,808	4,064	1,515,188

**NOTE 6. Intangible asset**

	\$	Licenses	Total
Cost at January 1, 2020		421,348	421,348
Foreign exchange movements		(15,668)	(15,668)
Cost at December 31, 2020		405,680	405,680
Foreign exchange movements		(14,291)	(14,291)
Cost at September 30, 2021		391,389	391,389
Accumulated amortization at January 1, 2020		(63,202)	(63,202)
Amortization		(41,337)	(41,337)
Foreign exchange translation		3,119	3,119
Accumulated amortization at December 31, 2020		(101,420)	(101,420)
Accumulated amortization at December 31, 2020		(101,420)	(101,420)
Amortization		(29,880)	(29,880)
Foreign exchange translation		4,908	4,908
Accumulated amortization at December 31, 2020		(127,202)	(127,202)
Carrying value at January 1, 2020		358,146	358,146



Amortization	(41,337	(41,337
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**BOPHELO BIO SCIENCE AND WELLNESS (PTY) LTD**  
**NOTES TO THE CONDENSED UNAUDITED FINANCIAL STATEMENTS**  
**For the Nine Months Ended September 30, 2021**

**NOTE 6. Intangible asset (continued)**

	\$	Licenses	Total
Foreign exchange translation		(12,549)	(12,549)
Carrying value at December 31, 2020		304,260	304,260
Amortization		(29,880)	(29,880)
Foreign exchange translation		(9,383)	(9,383)
Carrying value at September 30, 2021		264,188	264,188

**NOTE 7. Right of use asset**

The Company leases land upon which its operating premises are located from the Mophuthi Matsoso Development Trust.

	\$	Land Lease	Total
<b>Cost:</b>			
Balance as at January 1, 2020		2,503,827	2,503,827
Additions during the year		—	—
Balance as at December 31, 2020		2,503,827	2,503,827
Additions during the year		—	—
foreign exchange movement	(178,028)	(178,028)	
Balance as at September 30, 2021		2,325,799	2,503,827
<b>Accumulated Depreciation:</b>			
Balance as at January 1, 2020		93,893	93,893
Charge for the year		122,820	122,820
Effects of Currency Translation		87,335	87,335
Balance as at December 31, 2020		304,048	304,048
Charge for the year		88,781	88,781
Effects of Currency Translation		(102,044)	(102,044)
Balance as at September 30, 2021		(290,725)	(290,725)
<b>Net Book Value:</b>			
At December 31, 2020		2,199,779	2,199,779
At September 31, 2021		2,035,074	2,035,074

The carrying amount of the right-of-use asset is depreciated on a straight-line basis over the remaining term of the lease, which at September 30, 2021, was around 17 years.

**NOTE 8. Prepayments**

	\$	September 30, 2021	December 31, 2020
Prepaid expenses		108,659	113,485
		108,659	113,485

**NOTE 9. Capital work in progress**

	\$	September 30, 2021	December 31, 2020
Capital work in progress		487,875	883,145
		487,875	883,145



**BOPHELO BIO SCIENCE AND WELLNESS (PTY) LTD**  
**NOTES TO THE CONDENSED UNAUDITED FINANCIAL STATEMENTS**  
**For the Nine Months Ended September 30, 2021**

**NOTE 9. Capital work in progress (continued)**

As at September 30, 2021 the Company's Capital work in progress relate to the partial green house.

**NOTE 10. Loans and borrowings**

The loans described below have been granted to the Company to fulfill its capital and operational requirements. The terms of the loans are described below:

- a. Louisa Mojela's loan as at September 30, 2021 of \$1,741,017 (2020: \$1,552,487) includes the following loans:
  - Bridge Loan of US\$ 1 million — The loan is a bridge financing facility received from L Mojela to fund capital expenditure and working capital of the Company. The loan carries a redemption premium of 100% of the capital amount borrowed. This redemption premium is triggered and becomes payable upon the successful raising of capital of not less than \$18m. This capital raise must happen prior to 31 October 2020 for the Lender to qualify for the redemption premium. This loan is repayable within 18 months from the date of first drawdown (which was on or around 1 December 2019), alternatively, the repayment of the loan plus the redemption premium is payable on the successful raising of capital of not less than USD 18m. The loan carries interest at a rate of 1.5% per month applicable from the first draw down date. In the event that the redemption premium is triggered and payable, all interest accrued on the loan is cancelled and only the capital plus the redemption premium is payable. At balance sheet date, the capital raising of \$18m contemplated by the loan agreement had not taken place and therefore interest is applicable on the loan under the terms described above. The loan agreement was amended in May 2020 to cater for a further additional borrowing (on the same terms and conditions described above) to the amount of US\$100,000. This resulted in a cumulative amount borrowed of US\$1.1million (capital amount of the loan). The loan is secured by a first notarial bond/ mortgage over the Company's property.

The security is shared with Middleton and both the Middleton and L Mojela entered into an intercreditor agreement to this effect. The balance on this loan as at September 30, 2021 is \$1,490,101 (2020: \$1,350,813).

  - Loan 2 — This is a short-term loan facility provided by L Mojela to the Company of approximately US\$135,226 in capital value lent. This loan was provided in the financial year ending December 31, 2020. The purpose of this loan was to assist the Company in funding working capital deficits. This loan was unsecured, repayable within 30 days of receiving the payment and carried interest at the rate linked to the prime lending rate in the Republic of South Africa. The capital balance of this loan was repaid in full before the end of the financial year December 31, 2020. The interest balance on this loan remains unpaid and outstanding as at September 30, 2021 with a value of US\$ 12,139 (2020: \$11,230)
  - Loan 3 — This loan is also a short-term facility provided by L Mojela to the Company to fund its day-to-day operating costs. The loan received was to the extent of US\$190,444 in the financial year ending December 31, 2020. This loan does not have a fixed repayment date, is unsecured and is interest free. As at December 31, 2020 the loan balance on this facility was US\$183,736 (2020: \$190,444).
- b. Halo Collective Inc's loan as at September 30, 2021 of \$8,862,425 (2020: \$4,688,226) does not have a fixed repayment date and is interest free. This loan account balance includes the loans acquired pursuant to the Purchase and Sale agreement between Halo and the shareholders of the Company as well as the funds provided to the Company in order to manage their day-to-day expenses. In addition to the principal amount of loans acquired by Halo upon the completion of



**BOPHELO BIO SCIENCE AND WELLNESS (PTY) LTD**  
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**NOTE 10. Loans and borrowings (continued)**

its acquisition of the Company, Halo also acquired the accrued interest thereon at the date of acquisition. These accrued interest balances are now owed to Halo and therefore have been included in Halo loan balance. The accrued interest portion of the loans acquired by Halo amounted to USD 59,756 as at December 31, 2020. This accrued interest balance is interest free and does not have a fixed repayment date. The Company intends to settle the accrued interest owing to Halo within 12 months of the date of these unaudited condensed financial statements.

A continuity of the Company's loans payables is as follows:

	\$	Louisa Mojela	Granny Seape	1942 Capital	Seedy Lette	GMG/Middleton	Halo Collective Inc.	Total
Value at January 1, 2020		2,191,396	300,477	1,285,146	240,251	1,049,322	(6,916)	5,059,674
Loans issued		438,420	—	—	—	—	731,375	1,169,796
Loans carried off		(1,147,260)	(307,337)	(1,314,361)	(245,712)	(1,030,158)	4,044,828	—
Loans repaid		(137,788)	—	—	—	—	—	(137,788)
Interest on loans		278,901	12,656	54,190	10,130	753	—	356,631
Foreign exchange movements		(71,182)	(5,796)	(24,974)	(4,669)	(19,917)	(81,061)	(207,598)
Value at December 31, 2020		1,552,487	—	—	—	—	4,688,226	6,240,714
Current portion		1,552,487	—	—	—	—	711,118	2,263,605
Non-current portion		—	—	—	—	—	3,977,108	3,977,108
Value at December 31, 2020		1,552,487	—	—	—	—	4,688,226	6,240,714
Loans issued		—	—	—	—	—	4,474,495	4,474,495
Loans carried off		—	—	—	—	—	—	—
Loans repaid		—	—	—	—	—	—	—
Interest on loans		190,220	—	—	—	—	—	190,221
Foreign exchange movements		(1,690)	—	—	—	—	(300,296)	(301,986)
Value at September 30, 2021		1,741,017	—	—	—	—	8,862,425	10,603,444
Current portion		1,741,017	—	—	—	—	8,862,425	10,603,444
Non-current portion		—	—	—	—	—	—	—
Value at September 30, 2021		1,741,017	—	—	—	—	8,862,425	10,603,444

**NOTE 11. Finance lease liability**

The Company's lease liability consists of lease on the land in which it operates. The present value of future lease payments was measured using an incremental borrowing rate of 10.25% per annum as at April 1, 2019

	\$	Land Lease	Total
<b>Balance as at January 1, 2020</b>		2,408,074	2,408,074
Interest Expense		284,950	284,950

Lease payments during the year

— —

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**BOPHELO BIO SCIENCE AND WELLNESS (PTY) LTD**  
**NOTES TO THE CONDENSED UNAUDITED FINANCIAL STATEMENTS**  
**For the Nine Months Ended September 30, 2021**

**NOTE 11. Finance lease liability (continued)**

	\$	Land Lease	Total
Effects of Currency Translation		(105,816)	(105,816)
		2,882,152	2,882,152
Less: current portion		(283,976)	(283,976)
<b>As at December 31, 2020</b>		2,598,176	2,598,176
Interest Expense		202,965	202,965
Lease payments during the year		(511,686)	(511,686)
Effects of Currency Translation		(95,426)	(95,426)
		2,477,735	2,477,735
Less: current portion		(45,662)	(46,517)
<b>As at September 30, 2021</b>		2,432,073	2,432,073

As at September 31, 2021 the Company's minimum lease payments are as follows:

	\$	September 31, 2021
Amounts payable within 1 year		45,662
Amounts payable between 1 and 5 years		1,369,863
Amounts payable after 5 years		3,150,685
Total payments		4,566,210
Interest on lease agreement		2,088,475
		2,432,073

**NOTE 12. Trade and other payables**

	\$	September 31, 2021	December 31, 2020
Trade payables		99,158	107,839
Directors' remuneration payable		75,693	48,584
Consulting fees payable		61,561	—
LRA Duties		13	—
Accrued payroll taxes		9,175	26,455
		245,600	182,878

**NOTE 13. Capital***Authorized Share Capital*

The Company has 10 million ordinary shares of par value of \$0.0007 (1 Lisente or 0.01 Loti) each.





**BOPHELO BIO SCIENCE AND WELLNESS (PTY) LTD**  
**NOTES TO THE CONDENSED UNAUDITED FINANCIAL STATEMENTS**  
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**NOTE 13. Capital (continued)***Issued Share Capital*

	\$	Number of shares	Par value	Share capital	Reserves	Total
Balance at December 31, 2020		222,212	0.0007	156	7	163
Issued and outstanding as at September 30 2021		222,212	0.0007	156	7	163

*Ordinary shares*

Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All rights attached to the Company's shares held by the Company are suspended until those shares are reissued.

At the time of the formation of the Company, 100 ordinary shares were issued to its founders, L Mojela & G Seape. During the 2019, L Mojela and G Seape exchanged these shares for shares in Boiketlo Biomed Pty Ltd. ("Boiketlo"), which resulted in Boiketlo holding 100% of the 100 shares comprising the Company's issued share capital at the time. Following this, the Company changed the par value per share of its authorized share capital to 0.01 Loti (US\$0.0007) each, from its initial par value of 1 Loti (US\$0.07) each. Subsequently, during 2019, Middleton Gardens Ltd. ("Middleton") subscribed for 122,212 ordinary shares at a par value of 0.01 Loti (US\$0.0007) each and Boiketlo subscribed for a further 99,900 ordinary shares at the same par value per share. Pursuant to the Sale and Purchase Agreement entered into on November 27, 2019, Halo Collective Inc. ("Halo") acquired all of the outstanding and issued ordinary shares held by Middleton and Boiketlo and consequently became the 100% shareholder of the Company holding all 222,212 ordinary shares in issue.

**NOTE 14. Financial instruments and risk management***Financial instruments*

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus, for an item not at Fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

The Company derecognizes a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
  - substantially all of the risks and rewards of ownership of the financial asset are transferred; or
  - the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset

Financial liabilities are classified as measured at amortized cost or fair value through profit or loss (FVTPL). A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial



**BOPHELO BIO SCIENCE AND WELLNESS (PTY) LTD**  
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**NOTE 14. Financial instruments and risk management (continued)**

liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

At September 30, 2021, the Company's financial instruments include cash, loans and borrowings, and trade and other payables.

*Capital management*

The Company's primary objective is to ensure that it maintains sufficient capital to support the initial and ongoing development of the business infrastructure. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In maintaining or adjusting the capital structure, the Company will request further funding from the shareholders and other related parties.

*Financial risk management*

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors has established the risk management committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the board of directors on its activities.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company has exposure to the following risks arising from financial instruments:

- 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 receivables from customers and investments in debt securities. The Company is yet to be exposed to credit risk as revenue has yet to be generated.
- Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's objective when managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company is currently not generating revenue and is therefore at risk of not obtaining the required cash flow from the Company's lenders in order to incur and settle the necessary capital and operational expenses.
- Market risk is the risk that changes in market prices — e.g., foreign exchange rates, interest rates and equity prices — will affect the Company's income or the value of its holdings of financial



**BOPHELO BIO SCIENCE AND WELLNESS (PTY) LTD**  
**NOTES TO THE CONDENSED UNAUDITED FINANCIAL STATEMENTS**  
**For the Nine Months Ended September 30, 2021**

**NOTE 14. Financial instruments and risk management (continued)**

instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company's primary sale market will be outside of Lesotho and will therefore be subject risks related to foreign exchange rates. This will be compounded as the Rand, on which the Loti is pegged, is considered to be volatile in terms of the foreign exchange market.

*Currency risk*

The Company is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and payables are denominated and the respective functional currency of the Company. The functional currency of the Company is the Lesotho Loti. The currencies in which these transactions are primarily denominated are Lesotho Loti, Euro, United States dollar, British pound sterling and Canadian dollar.

**NOTE 15. Segmented Information**

The Company operates primarily in a single operating segment, being the cultivation of medicinal cannabis. All of the Company's Non-Current Assets are based in Lesotho. Once the Company starts generating revenue, its customers would be primarily located in Europe.

**NOTE 16. Income Taxes**

The provision for income taxes differs from the amount that would have resulted in applying the statutory tax rate as follows:

	\$	September 30, 2021	December 31, 2020
Net loss for the year		(3,466,300)	(2,298,310)
Statutory income tax rate		% 25	% 25
Expected tax recovery at statutory income tax rates		(866,575)	(574,578)
Change in deferred tax assets not recognized		866,575	574,578
		—	)

Temporary differences that give rise to the following deferred tax assets and liabilities are:

	\$	September 30, 2021	December 31, 2020
Deferred tax assets			
Net operating loss carried forward		8,626,701	5,160,401
Deferred tax assets not recognized		(8,626,701)	(5,160,401)
Net deferred tax assets		—	)

As at September 30, 2021, the Company has approximately \$8,626,701 \$ (2020 — \$5,160,401) of non-capital losses in Lesotho that may be used to offset future taxable income. These losses may be carried forward on an indefinite basis and do not expire. The Company has not recognized the deferred tax assets due to the uncertainty around utilizing all of the losses carry-forwards.

Tax attributes are subject to review, and potential adjustment, by tax authorities.



**BOPHELO BIO SCIENCE AND WELLNESS (PTY) LTD**  
**NOTES TO THE CONDENSED UNAUDITED FINANCIAL STATEMENTS**  
**For the Nine Months Ended September 30, 2021**

**NOTE 17. Subsequent Events**

*Acquisition of the Company by Akanda Corp.*

On September 28, 2021, Halo Collective Inc. (“Halo”), entered into a share purchase agreement (the “Purchase Agreement”) with Akanda Corp. in connection with the sale and purchase of its equity holding in Cannahealth Limited (the “Transaction”). The Purchase Agreement became unconditional on or around 3 November 2021 and the Transaction with Halo was successfully completed.

Prior to the completion of the Transaction, Halo completed an internal reorganization, pursuant to which Halo’s international assets in the UK & Lesotho namely Canmart Ltd, Bophelo Holdings Ltd and Bophelo Bio Science and Wellness (Pty) Ltd became, directly or indirectly, wholly owned subsidiaries of Cannahealth Ltd. As part of this internal reorganization, Bophelo Holdings Ltd acquired the claims held by Halo against the Company, as well 100% of the issued share capital of the Company from Halo. Bophelo Holdings Ltd, is in turn, a wholly owned subsidiary of Cannahealth Limited. Following the completion of the internal reorganization and the successful closing of the Transaction, Akanda Corp. became the ultimate parent company of Bophelo Bio Science and Wellness (Pty) Ltd.

*Private Placement*

Subsequent to Akanda Corp’s reporting period end of September 30, 2021, Akanda Corp. completed an initial first closing of a private placement fund raising process which saw Akanda Corp. raise approximately USD \$5.3 million in exchange for issuing 2,126,000 common shares at a price of US\$ 2.50 per share. Subsequent to the initial first closing, the Company undertook a final closing of the private placement fund raising process on January 14, 2022 and pursuant to will issue a further 154,000 common shares to subscribers at a price of US\$ 2.50 per share. An additional and final closing of the offering took place on January 26, 2022 for a further subscription of 4,000 common shares and \$19,982 in gross proceeds.

*Changes to the Board of Directors*

On November 3, 2021, A Met and P Van Den Berg resigned as directors of the Company.



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**CANMART LTD**  
**CONDENSED STATEMENTS OF FINANCIAL POSITION**

Presented in US Dollars	Note	\$	September 30, 2021 (Unaudited)	December 31, 2020
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash			227,856	1,907
Inventory			12,597	611
Trade and other receivables			105,142	—
Total Current Assets			345,595	2,518
<b>Non-Current Assets</b>				
Intangible assets	5		17,022	17,146
Total Non-Current Assets			17,022	17,146
<b>Total Assets</b>			<b>362,617</b>	<b>19,664</b>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY (DEFICIT)</b>				
<b>Current Liabilities</b>				
Trade and other payables	7		327,198	1,024
			327,198	1,024
<b>Non-Current Liabilities</b>				
Shareholder loan			969,282	—
			969,282	—
<b>Total Liabilities</b>			<b>1,296,480</b>	<b>1,024</b>
<b>Shareholder's Equity (Deficit)</b>				
Share capital	8		3	3
Accumulated deficit			(960,473)	(2,291)
Other reserves			21,046	21,046
Accumulated other comprehensive income/ (loss)			5,561	) (117)
			(938,863)	18,640
<b>Total Liabilities and Shareholder's Equity (Deficit)</b>			<b>362,617</b>	<b>19,664</b>

The accompanying notes are an integral part of these unaudited condensed financial statements.

**CANMART LTD**  
**CONDENSED STATEMENT OF OPERATIONS**  
**(Unaudited)**  
**For the Nine Months Ended September 30**

Presented in US Dollars	Note	2021	2020
Sales		17,359	1,788
Cost of sales		<del>(11,469)</del>	<del>(1,531)</del>
		5,890	257
Consulting and professional fees		565,614	—
License costs		1,267	894
Salaries and wages		339,556	—
General & administrative expenses		93,650	514
<b>Total operating expenses</b>		1,000,087	1,408
<b>Loss from Operations</b>		<u><del>(994,197)</del></u>	<u><del>(1,151)</del></u>
<b>Other Income (Expense)</b>			
Interest income		50	1
Foreign exchange through profit and loss		35,911	—
Other income		54	136
Total Other Income (Expense)		36,015	137
Net loss before income tax		<u><del>(958,182)</del></u>	<u><del>(1,014)</del></u>
Income tax expense		—	—
Net Loss for the Year		<u><del>(958,182)</del></u>	<u><del>(1,014)</del></u>
Other Comprehensive Loss:			
Exchange differences on foreign currency translation		5,678	)(22
<b>Net and Comprehensive Loss</b>		<u><del>(952,504)</del></u>	<u><del>(1,036)</del></u>
<b>Basic and dilutive loss per ordinary share</b>		<u><del>(476,252)</del></u>	<u><del>(518.20)</del></u>
<b>Weighted average number of ordinary shares outstanding</b>		<u><u>2</u></u>	<u><u>2</u></u>

The accompanying notes are an integral part of these unaudited condensed financial statements.

**CANMART LTD**  
**CONDENSED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY FOR THE NINE MONTHS**  
**ENDED SEPTEMBER 30, 2021 AND 2020.**  
**(Unaudited)**

Presented in US Dollars	\$	Number of Shares	Share Capital	Accumulated other comprehensive income/(loss)	Accumulated Deficit	Other Reserves	Total Equity (Deficit)
<b>Balance, January 1, 2020</b>		2	3	) (1	) (30	—	) (28
Issue of shares		—	—	—	—	—	
Currency translation		—	—	) (21	—		) (21
Contribution to reserves by owners of the Company						18,140	18,140
Net loss		—	—	—	) 1,014	—	) 1,014
<b>Balance, September 30, 2020</b>		<u>2</u>	<u>3</u>	<u>) (22</u>	<u>) 1,044</u>	<u>18,140</u>	<u>17,077</u>
<b>Balance, January 1, 2021</b>		2	3	) 117	) 2,291	21,046	18,641
Effect of foreign currency translation		—	—	5,678	—	—	5,678
Net loss		—	—	—	) 958,182		) 958,182
<b>Balance, September 30, 2021</b>		<u>2</u>	<u>3</u>	<u>5,561</u>	<u>) 960,473</u>	<u>21,046</u>	<u>) 933,863</u>

The accompanying notes are an integral part of these unaudited condensed financial statements.

**CANMART LTD**  
**CONDENSED STATEMENT OF CASH FLOWS**  
**(Unaudited)**

Presented in US Dollars	Note\$	January 1, 2020 to September 30, 2021	January 1, 2020 to September 30, 2020
<b>Cash Flows from Operating Activities:</b>			
Net loss		(958,182)	(1,014)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		—	—
Foreign exchange through profit and loss		(85,911)	
Changes in operating assets and liabilities:			
Increase in inventory		(11,986)	—
Increase in trade and other payables		326,173	303
Increase in trade and other receivables		(105,142)	(2,151)
Net cash provided by operating activities		<u>(785,048)</u>	<u>(2,862)</u>
<b>Cash Flows from Investing Activities:</b>			
Payments for acquisition of cannabis licenses		—	(14,779)
Net cash used in investing activities		—	<u>(14,779)</u>
<b>Cash Flows from Financing Activities:</b>			
Additional contributions to owners' capital		—	18,140
Proceeds from shareholder's loan		969,282	—
Net cash provided by financing activities:		<u>969,282</u>	<u>18,140</u>
Effects of foreign exchange translation on cash		41,715	(1,163)
Net change in cash		225,949	) (664)
Cash at beginning of year		<u>1,907</u>	<u>1,116</u>
Cash at end of year		<u><u>227,856</u></u>	<u><u>452</u></u>
Supplemental cash flow information:			
Interest paid		—	—
Taxes paid		—	—
Non-cash Investing and Financing Activities:			
Contributions to reserves by shareholders due to waiver of balance due to related party		—	—

The accompanying notes are an integral part of these unaudited condensed financial statements.

**CANMART LTD**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**For the nine months ended September 30, 2020 and 2021**

**NOTE 1. Nature of Operations**

Canmart Ltd (the “Company”) is domiciled in United Kingdom was incorporated on December 27, 2018. The Company’s registered office is at Units 1a/1b Learoyd Road, New Romney, Kent, England. The Company was formed to establish the business of warehousing and storage facilities for land transport activities.

The Company’s main business is the production and sale of cannabis-based products for medicinal use. The Company is part of a business restructuring agreement in which it will indirectly become part of Akanda Corp., a newly incorporated Company in Canada (Refer to Note 2 and Note 11 below).

On October 1, 2020 the former owners of Canmart Ltd, David Dean and Darran Quinn, entered into a Sale and Purchase Agreement with Halo Collective Inc. (“Halo”) in terms of which Halo would acquire the entire outstanding and issued share capital of the Company (amounting to 2 ordinary shares) from the former owners of the Company. On October 30, 2020, Halo and the former owners of the Company entered into an amendment agreement relating to the Sale and Purchase agreement dated October 1, 2020, in terms of which the original agreement was amended to update the purchase consideration payable to the former owners of the Company by Halo to an amount of 135,416,666 common shares of Halo. The acquisition of the Company by Halo closed on November 10, 2020.

On November 3, 2021, Cannahealth Ltd acquired 100% of the issued and outstanding share capital of Canmart Ltd from Halo, together with the outstanding intercompany loan claims held by Halo against Canmart Ltd, pursuant to an internal reorganization undertaken by Halo. Following the completion of the internal reorganization, the Company became a wholly owned subsidiary of Cannahealth Ltd, which was in turn acquired on or around November 3, 2021 by Akanda Corp. pursuant to the successful closing of a share purchase agreement with Halo Collective Inc. (“Halo”).

During March 2020, the World Health Organization declared Covid-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

**NOTE 2. Basis of preparation and going concern**

These financial statements have been prepared in accordance with International Financial Reporting Standards. (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

They were authorized for issue by the Company’s board of directors on January 28, 2022.

These financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are measured at fair value. These financial statements are presented in United States dollars. The fiscal year end is December 31. The Company’s functional currency is Great British Pounds.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

These financial statements are both unaudited and condensed and should be read in conjunction with the most recent audited financial statements.

*Going concern*

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.



**CANMART LTD**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**For the nine months ended September 30, 2020 and 2021**

**NOTE 2. Basis of preparation and going concern (continued)**

The Company will continue to operate in the foreseeable future as a going concern. Subsequent to the transaction envisaged in Note 9, the Company shall be the ultimate parent company of the businesses referred to in Note 9. The financial forecast for the Akanda group for the next 18 months indicates that it will generate make significant revenue through the cultivation and production & sale of dried cannabis flower and/or cannabis biomass through a hoop house, shade cloth & greenhouse grow as well as through the sale and distribution of third party of cannabis based medicinal products. Until such time that the group becomes cash flow positive, any shortfall would be funded by the shareholders of Akanda. Additionally, the group is engaged in a private placement process and is expected to raise between USD 5 million and USD 6 million to fund the capital expenditure and working capital requirements of the Company (and the group).

**NOTE 3. Use of judgements and estimates**

In preparing these financial statements, management has made judgements and estimates that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively. Areas requiring a significant degree of estimation and judgment include fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets and liabilities and assessment of the Company's ability to continue as a going concern.

An allowance is made for all debts which the company considers unlikely to recover. The allowance is recognized through profit and loss.

The estimates used to determine the useful life of the intangible assets are determined by considering the relevant market related information and the term granted in respect of licences.

**NOTE 4. Significant accounting policies**

*General*

The accounting policies described in these financial statements have been applied consistently to all periods presented in these financial statements.

*Foreign currency and foreign translation*

Transactions in foreign currencies are translated from the respective functional currencies to the reporting currency of the Company using the exchange rates at transaction date. Receivables, payables and other monetary assets and liabilities denominated in foreign currencies are re-translated to the reporting currency using the exchange rates at the balance sheet date. Resulting foreign currency differences are recognized in the income statement, except for foreign currency differences arising on re-translation of Fair Value through Other Comprehensive Income (FVOCI) investments and financial liabilities designated as a hedge of a net investment, which are recognized in other comprehensive income.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured at cost are translated into the functional currency at the exchange rate at transaction date.

The functional and reporting currency of the Company is the Great British Pounds and United States dollar respectively. Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date or at an average rate. Monetary assets and liabilities denominated in foreign





**CANMART LTD**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**For the nine months ended September 30, 2020 and 2021**

**NOTE 4. Significant accounting policies (continued)**

currencies are translated at the rate of exchange in effect at the statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in profit and loss in both the years ended September 30, 2020 and 2021.

*Intangible assets*

The Company has cannabis distribution licenses which have been assessed as having an indefinite useful life. As such, these licenses are not amortized but their recoverable amounts are tested annually for impairment. The intangible assets are recorded at cost less impairment losses, if any. The Company capitalizes the initial license application cost as the cost of intangible assets while the annual license renewal fees are expensed in the year during which they occur.

*Cash*

Cash includes cash on hand and other short-term highly liquid investments with original maturities of three months or less, which are classified as cash equivalents. The Company did not hold any cash equivalents as of September 30, 2021 and December 31, 2020.

*Revenue*

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognizes revenue when it transfers control over a good or service to a customer. In accordance with IFRS 15, the Company recognizes revenue, excluding interest and dividend income and other such income from financial instruments recognized in accordance with IFRS 9, upon transfer of promised goods or services to customers in amounts that reflect the consideration to which the Company expects to be entitled in exchange for those goods or services based on the following five step approach:

- Step 1: Identify the contracts with customers;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contract; and
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

The Company typically satisfies its performance obligations upon completion of sale. The Company primarily acts as principal in contracts with its customers. The Company does not have material obligations for returns, refunds and other similar obligations, nor warranties and related obligations.

Revenue is recognized at the amount of the transaction price that is allocated to the performance obligation. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer.

The company has a single revenue stream currently that relates to the sale of cannabis-based products for medicinal use. This revenue stream is assessed as one performance obligation. Revenue from cannabis based medicinal product sales is recognized once the performance obligation has been satisfied, which would be upon the customer taking the delivery of the product. The transaction price for each product and service will be determined based on the respective invoice.

The Company exercises judgments in determining the amount of the costs incurred to obtain or fulfil a contract with a customer, which includes, but is not limited to (a) the likelihood of obtaining the contract, (b) the estimate of the profitability of the contract, and (c) the credit risk of the customer. An impairment loss



**CANMART LTD**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**For the nine months ended September 30, 2020 and 2021**

**NOTE 4. Significant accounting policies (continued)**

will be recognized in profit or loss to the extent that the carrying amount of the asset exceeds (a) the remaining amount of consideration that the entity expects to receive in exchange for the goods or services to which the asset relates, less (b) the costs that relate directly to providing those goods or services and that have not been recognized as expenses.

*Earnings (loss) per share*

The calculation of earnings per share (EPS) for the period ended September 30, 2020 and 2021 is based on the profit /loss attributable to the shareholder of the Company (net profit (loss)) and the weighted average number of shares outstanding (basic and diluted) during the period ended September 30, 2020 and 2021. The Company has no potentially dilutive securities, such as options or warrants, currently issued and outstanding.

*Income tax*

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The amount of deferred tax provided is based on the expected manner of recovery or settlement of the carrying amount of assets and liabilities, using tax rates (substantively) enacted, at year-end. Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities which intend either to settle current tax liabilities and assets on a net basis or to realize the assets and settle the liabilities simultaneously. Current and deferred tax are recognized in the income statement, except when it relates to a business combination or for items directly recognized in equity or other comprehensive income.

*Share capital*

Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.



**CANMART LTD**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**For the nine months ended September 30, 2020 and 2021**

**NOTE 4. Significant accounting policies (continued)**

*Fair value measurement*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk. When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

**NOTE 5. Intangible Assets**

	\$	Licences	Total
Cost at January 1, 2020		16,563	16,563
Amortisation		—	—
Foreign exchange translation		583	583
Cost at December 31, 2020		17,146	17,146
Accumulated amortisation at December 31, 2020		—	—
Carrying value at December 31, 2020		17,146	17,146
Foreign exchange translation		(124)	(124)
Amortisation		—	—
Cost at September 30, 2021		17,022	17,022
Accumulated amortisation at December 31, 2020		—	—
Carrying value at September 30, 2021		17,022	17,022

The licences held by the Company have been issued by the Medicines & Healthcare Products Regulatory Agency in the United Kingdom. The licences allow the Company to hold and distribute a controlled drug as determined by the Medicines & Healthcare Products Regulatory Agency. The detailed terms of the licenses are described below:

*Controlled Drug License*

The Controlled Drug License held by the Company was issued to the Company by the Home Office on February 4, 2020 with an expiry date of February 3, 2021. This license was successfully renewed further with a new expiry date of February 3, 2022. This license (license ref no. 846476) allows the Company to import, store and export controlled drugs, namely schedule 2 drugs, into and from the United Kingdom. The Company pays an annual license renewal fee to renew the license annually which renewal is subject to enhanced to disclosure and barring the undertaking by the Home Office within 3 years of the time of the first disclosures made to the Home Office by the Company when it applied for the license. The cost of acquiring this license is approximately US\$4,795 (GBP 3,655). The license is considered to have an indefinite useful life as its renewal is only subject to the payment of an annual renewal fee and occasional Home Office disclosure checks. As such, the license is not subject to amortization.

*Manufacturer's Specials License*

The Company also holds a Manufacturer's Specials License (issued by Medicine and Health Regulatory Agency) with license number MS50996. The license was issued on August 5, 2019, which allows it to import



**CANMART LTD**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**For the nine months ended September 30, 2020 and 2021**

**NOTE 5. Intangible Assets (continued)**

and store non authorised pharmaceuticals/ unlicensed medicinal products, otherwise known as specials. The License does not have an expiry date but under the terms of the license, fees are payable to the Medicine and Health Regulatory Agency for inspection and other fees. The costs attributable to this license is approximately US\$9,598 (GBP 6,971). The license is considered to have an indefinite useful life as it does not have an expiry date and its only ongoing obligation to the license holder is the payment of an annual license fee and inspection costs. As such, the license is not subject to amortization.

*Wholesale Distribution Authorization License*

The Wholesale Distribution Authorization License (issued by Medicine and Health Regulatory Agency) with license number 50996 and allows the Company to distribute by way of wholesale, medical cannabis products and to store such products at its approved premises. The license was granted on August 2, 2019 and it does not have an expiry date. The license will remain in force from the date of issue unless cancelled, suspended, revoked, varied or relinquished by the Company. The cost of the license was approximately US\$2,624 (GBP 2,000). The license is considered to have an indefinite useful life as it does not have an expiry date. As such the license is not subject to amortization.

**NOTE 6. Trade and other receivables**

	\$	September, 30 2021	December, 31 2020
Trade receivables		12,366	523
Allowance for bad debts		—	) (523
VAT receivable		11,531	—
PAYE receivables		81,245	—
		<u>105,142</u>	<u>—</u>

**NOTE 7. Share capital**

*Issued*

Ordinary shares

On inception, the Company issued share capital of US\$3 (Great British Pounds 2) consisting of two ordinary shares with a par value of US\$1.5 (Great British Pounds 1) per share. The Company received the proceeds of these share issues during 2019.

Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All rights attached to the Company's shares held by the Company are suspended until those shares are reissued.

**NOTE 8. Financial instruments and risk management**

*Financial instruments*

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus, for an item not at Fair value through profit or loss





**CANMART LTD**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**For the nine months ended September 30, 2020 and 2021**

**NOTE 8. Financial instruments and risk management (continued)**

(FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

The Company derecognizes a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
- substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset

Financial liabilities are classified as measured at amortized cost or fair value through profit or loss (FVTPL). A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

At September 30, 2021 and December 31, 2020, the Company's financial instruments include cash, trade receivables, trade and other payables and shareholder loan.

*Financial risk management*

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors has established the risk management committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the board of directors on its activities.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company has exposure to the following risks arising from financial instruments:

- 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 receivables from customers and investments in debt securities.
- Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's objective when managing liquidity is to ensure, as far as possible, that it will have



**CANMART LTD**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**For the nine months ended September 30, 2020 and 2021**

**NOTE 8. Financial instruments and risk management (continued)**

sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

- Market risk is the risk that changes in market prices — e.g., foreign exchange rates, interest rates and equity prices — will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

*Currency risk*

The Company is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and payables are denominated and the respective functional currency of the Company. The functional currency of the Company is the United States dollar. The currencies in which these transactions are primarily denominated are Euro, United States dollar, British pound sterling and Canadian dollar.

*Capital Management*

The Company's primary objective is to ensure that it maintains sufficient capital to support the initial and ongoing development of the business infrastructure. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In maintaining or adjusting the capital structure, the Company will request further funding from the shareholders and other related parties.

**NOTE 9. Income Tax**

The provision for income taxes differs from the amount that would have resulted in applying the combined federal statutory tax rate as follows:

	\$	September 30, 2021	December 31, 2020
Net loss for the period		)(958,182	)(2,261
Statutory income tax rate	%	18	% 18
Expected tax recovery at statutory income tax rates		)(172,472	) (407
Change in deferred tax assets not recognized		172,472	407
		) —	) —

Temporary differences that give rise to the following deferred tax assets and liabilities at are:

	\$	September 30, 2021	December 31, 2020
Deferred tax assets			
Net operating loss carried forward		) 960,473	) 2,291
Deferred tax assets not recognized		)(960,473	)(2,291
Net deferred tax assets		) —	) —

As at September 30, 2021, the Company has approximately \$960,473 (December 31, 2020 — \$2,291) of non-capital losses in the United Kingdom that may be used to offset future taxable income. These losses may be carried forward on an indefinite basis and do not expire. The Company has not recognized the deferred tax assets due to the uncertainty around utilizing all of the losses carry-forwards.



**CANMART LTD**  
**NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**  
**For the nine months ended September 30, 2020 and 2021**

**NOTE 10. Related Party Transactions**

*Related party balances*

As at September 30, 2021, \$969,282 (2020:\$Nil) was due to a related party that pertained to the loan provided by the company's shareholder, Halo Collective Inc. ("Halo"). This loan is interest free and unsecured.

*Use of Warehouse premises*

The Company makes use of warehouse space owned by an entity known as D&D Investments Ltd. This entity is owned and controlled by two of the Company's directors, namely David Dean and Darran Quinn. The Company does not pay rental for the time being in relation to the use of this property and no signed lease agreement is in place.

**NOTE 11. Subsequent Events**

*Entering into of Sale and Purchase Agreement with Halo Collective Inc.*

On September 28, 2021, Halo Collective Inc. ("Halo"), entered into a share purchase agreement (the "Purchase Agreement") with Akanda Corp. in connection with the sale and purchase of its international assets (the "Transaction"). These international assets comprise Halo's investments in Bophelo Bio Science & Wellness (Pty) Ltd, Canmart Ltd., Bophelo Holdings Ltd. and Cannahealth Ltd. The Purchase Agreement became unconditional on or around 3 November 2021 and the Transaction with Halo was successfully completed. On September 28, 2021, Halo Collective Inc. ("Halo"), entered into a share purchase agreement (the "Purchase Agreement") with Akanda Corp. in connection with the sale/purchase of its international assets (the "Transaction"). These international assets comprise Halo's investments in Bophelo Bio Science & Wellness Pty Ltd, Canmart Ltd., Bophelo Holdings Ltd. And Cannahealth Ltd.

Prior to the completion of the Transaction, Halo completed an internal reorganization, pursuant to which Halo's international assets in the UK & Lesotho namely Canmart Ltd, Bophelo Holdings Ltd and Bophelo Bio Science & Wellness (Pty) became, directly or indirectly, wholly owned subsidiaries of Cannahealth Ltd. In accordance with the terms of the Purchase Agreement, Halo sold 100% of the issued and outstanding shares of Cannahealth Ltd to the Company in exchange for 13,129,212 common shares in the capital of the Company ("Akanda Shares"), representing aggregate consideration of USD \$13,129,212. On November 3, 2021, Cannahealth Ltd acquired, for a total purchase consideration of USD \$1, 100% of the issued and outstanding share capital of Canmart Ltd from Halo, together with the outstanding intercompany loan claims (with a carrying amount of USD \$1,226,679) held by Halo against Canmart Ltd, pursuant to an internal reorganization undertaken by Halo. Following the completion of the internal reorganization, the Company became a wholly owned subsidiary of Cannahealth Ltd, which was in turn acquired on or around November 3, 2021 by Akanda Corp. pursuant to the successful closing of a share purchase agreement with Halo Collective Inc. ("Halo").

*Private Placement*

Subsequent to Akanda Corp's reporting period end of September 30, 2021, Akanda Corp. completed an initial first closing of a private placement fund raising process which saw Akanda Corp. raise approximately USD \$5.3 million in exchange for issuing 2,126,000 common shares at a price of US\$ 2.50 per share. Subsequent to the initial first closing, the Company undertook a final closing of the private placement fund raising process on January 14, 2022 and pursuant to will issue a further 154,000 common shares to subscribers at a price of US\$ 2.50 per share. An additional and final closing of the offering took place on January 26, 2022 for a further subscription of 4,000 common shares and \$19,982 in gross proceeds.

*Changes to the board of directors*

On November 3, 2021, the board of directors passed a resolution appoint T Virk, T Scott and V Iyer as directors of the Company, while K Sidhu and P Van Den Berg were removed as directors of the Company with immediate effect.



**AKANDA CORP.**  
**UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS**

The following unaudited pro forma combined financial statements give effect to the following transactions:

- i. The acquisition of Bophelo Bio Science and Wellness (Pty) Ltd (“Bophelo Bio Science”), Canmart Limited (“Canmart”), Bophelo Holdings Limited (“Bophelo Holdings”), and Cannahealth Limited (“Cannahealth”) by Akanda Corp. (the “Company”) pursuant to a Sale and Purchase Agreement dated September 28, 2021. Pursuant to the Sale and Purchase Agreement, the Company will acquire all of the outstanding ordinary shares of Cannahealth from its shareholder Halo Co. Inc. (“Halo”) in exchange for 13,129,212 common shares of the Company issued to Halo. The conditions precedent to the Sale and Purchase Agreement were fulfilled after the end of reporting period presented ending September 30, 2021.
- ii. The settlement of a bridge loan of \$2,200,000 by way of an issue of 880,000 common shares of the Company at a price of \$2.50 each;
- iii. The issue of 2,280,400 common shares of the Company at a price of \$2.50 each pursuant to a private placement capital raise;
- iv. The issue of 4,000,000 common shares of the Company at a price of \$5.00 pursuant to the Company’s Initial Public Offering.
- v. The settlement of a Debenture owing to Halo with a total outstanding debt of \$6,559,254 through an issue of 1,311,851 common shares of the Company at a price of \$5.00 each.

These financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.



**AKANDA CORP.**  
**Unaudited Pro Forma Condensed Combined Statement of Financial Position**  
**As of September 30, 2021**

	Akanda Corp.	Cannahealth	Bophelo Holdings	Canmart	Bophelo Bio Science	Total	Proforma Adjustments	Notes	Proforma As Adjusted
\$	30 September 2021	30 September 2021	30 September 2021	30 September 2021	30 September 2021	30 September 2021			
<b>ASSETS</b>									
<b>Current Assets</b>									
Cash	250,001	1,396	135	227,856	480,444	959,832	23,644,920	4(a,c&d)	24,604,752
Trade and other receivables	—	—	—	105,142	—	105,142	—		105,142
Prepayments	—	—	—	—	108,659	108,659	—		108,659
Inventory	—	—	—	12,597	—	12,597	—		12,597
Loan to shareholder	—	—	—	—	6	6	—		6
Total Current Assets	250,001	1,396	135	345,595	589,109	1,186,236	23,644,920		24,831,156
<b>Non-Current Assets</b>									
Property, plant and equipment	—	—	—	—	1,515,188	1,515,188	—		1,515,188
Capital work in progress	—	—	—	—	487,875	487,875	—		487,875
Right-of-use asset	—	—	—	—	2,035,074	2,035,074	—		2,035,074
Intangible assets	—	—	—	17,022	264,188	281,210	—		281,210
Total Non-Current Assets	—	—	—	17,022	4,302,325	4,319,347	—		4,319,347
<b>Total Assets</b>	<b>250,001</b>	<b>1,396</b>	<b>135</b>	<b>362,617</b>	<b>4,891,434</b>	<b>5,505,583</b>	<b>23,644,920</b>		<b>29,150,503</b>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>									
<b>Current Liabilities</b>									
Trade and other payables	92,055	—	—	327,198	245,600	664,853	—		664,853
Loans and borrowings	4,226	—	—	—	10,603,444	10,603,444	(8,009,785)	4(b&c)	2,593,659
Lease liability	—	—	—	—	45,662	45,662	—		45,662
Total Current Liabilities	96,281	—	—	327,198	10,894,706	11,313,959	(8,009,785)		3,304,174
<b>Non-Current Liabilities</b>									
Lease liability	—	—	—	—	2,432,073	2,432,073	—		2,432,073
Loans and borrowings	—	—	—	969,282	—	973,508	—		973,508
Total Non-Current Liabilities	—	—	—	969,282	2,432,073	3,405,581	—		3,405,581
<b>Total Liabilities</b>	<b>96,281</b>	<b>—</b>	<b>—</b>	<b>1,296,480</b>	<b>13,326,779</b>	<b>14,719,540</b>	<b>(8,009,785)</b>		<b>6,709,755</b>
<b>Shareholders' Equity</b>									
Capital	250,001	1,477	138	3	156	251,775	45,531,612	4(a,b,c,d&e)	45,783,387
Reserves	—	—	—	21,046	7	21,053	—	—	21,053
Accumulated deficit	(96,179)	—	—	(960,473)	(8,626,701)	(9,683,353)	(740,469)		(10,432,822)
Other comprehensive income	{102	{81	{3	5,561	191,193	196,568	(13,127,438)	4(a)	(12,930,870)
Total Shareholders' equity	153,720	1,396	135	(933,863)	(8,435,345)	(9,213,957)	31,654,705		22,440,748
<b>Total Liabilities and Shareholders' Equity</b>	<b>250,001</b>	<b>1,396</b>	<b>135</b>	<b>362,617</b>	<b>4,891,434</b>	<b>5,505,583</b>	<b>23,644,920</b>		<b>29,150,503</b>

*See accompanying notes to the Unaudited Pro Forma Condensed Combined Financial Statements.*



**AKANDA CORP.**  
**Unaudited Pro Forma Condensed Combined Statement of Operations**  
**Nine Months Ended September 30, 2021**

	Akanda Corp.	Cannahealth	Bophelo Holdings	Canmart	Bophelo Bio Science	Total	Proforma Adjustments	Notes	Proforma As Adjusted
\$	30 September 2021	30 September 2021	30 September 2021	30 September 2021	30 September 2021				
Sales	—	—	—	17,359	—	17,359	—		17,359
Cost of sales	—	—	—	(11,469)	—	(11,469)	—		(11,469)
Gross Profit	—	—	—	5,890	—	5,890	—		5,890
Accounting & Audit	16,822	—	—	—	—	16,822	—		16,822
Amortisation and depreciation	—	—	—	—	231,427	231,427	—		231,427
Consulting and professional fees	32,904	—	—	565,614	504,866	1,103,384	—		1,103,384
General & administrative expenses	—	—	—	93,650	1,317,292	1,410,942	—		1,410,942
Legal fees	39,474	—	—	—	—	39,474	—		39,474
License costs	—	—	—	1,267	—	1,267	—		1,267
Office expenses	—	—	—	—	33,216	33,216	—		33,216
Personnel expenses	12,275	—	—	339,556	955,032	1,306,863	—		1,306,863
Travel expenses	—	—	—	—	57,063	57,063	—		57,063
Loss from Operations	(101,475)	—	—	(994,917)	(3,098,898)	(4,194,568)	—		(4,194,568)
Interest income	—	—	—	50	25,782	25,832	—		25,832
Interest expenses	—	—	—	—	(393,186)	(393,186)	(749,469)	4(b)	(1,142,655)
Foreign exchange gain	5,296	—	—	35,911	—	41,207	—		41,207
Other income	—	—	—	54	—	54	—		54
Net loss from operations	(96,179)	—	—	(958,182)	(3,466,300)	(4,520,661)	(749,469)		(5,270,130)
Foreign exchange translation	(102)	(81)	(3)	5,678	83,016	88,508	—		88,508
Net and comprehensive loss	(96,281)	(81)	(3)	(952,504)	(3,383,284)	(4,432,153)	(749,469)		(5,181,622)
Basic and dilutive loss per ordinary share	(0.02)	—	—	(476,252)	(15.23)	—	—		(0.18)
Weighted average number of ordinary shares outstanding	6,095,706	1,200	100	2	222,212	—	21,817,577	4(a,b,c,d&e)	28,136,797

*See accompanying notes to the Unaudited Pro Forma Condensed Combined Financial Statements.*

**AKANDA CORP.**  
**Unaudited Pro Forma Condensed Combined Statement of Operations**  
**Nine Months Ended September 30, 2020**

	Akanda Corp.	Cannahealth	Bophelo Holdings	Canmart	Bophelo Bio Science	Total	Proforma Adjustments	Notes	Proforma As Adjusted
	\$ N/A	30 September 2020	N/A	30 September 2020	30 September 2020				
Sales		—		1,788	—	1,788	—		1,788
Cost of sales		—		(1,331)	—	(1,531)	—		(1,531)
Gross Profit		—		257	—	257	—		257
Amortization and depreciation		—		—	(173,971)	(173,971)	—		(173,971)
Consulting and professional fees		—		—	(454,721)	(454,721)	—		(454,721)
General & Administration expenses		—		(1,408)	(163,654)	(165,062)	—		(163,654)
Office expenses		—			(14,171)	(14,171)	—		(14,171)
Personnel expenses		—			(223,345)	(223,345)			(223,345)
Short term accommodation expense		—			(31,912)	(31,912)	—		(31,912)
Travel expenses		—			(4,789)	(4,789)	—		(4,789)
Loss from Operations		—		(1,151)	(1,066,383)	(1,067,714)	—		(1,067,714)
Interest income		—		1	9,529	9,530	—		9,530
Interest expenses		—		—	(487,069)	(487,069)	(749,469)	4(b)	(1,236,538)
Foreign exchange gain		—		—	—	—			—
Other income				136	—	136			136
Net loss from operations		—		(1,014)	(1,544,103)	(1,545,117)	(749,469)		(2,294,586)
Foreign exchange translation		—		(22)	604,902	604,880	—		604,880
Net and comprehensive loss		—		(1,036)	(939,201)	(940,237)	(749,469)		(1,689,706)
Basic and dilutive loss per ordinary share		—		(518.20)	(6.95)				(0.06)
Weighted average number of ordinary shares outstanding		1,200		2	222,212		21,817,677	4(a,b,c,d&e)	28,136,797

**AKANDA CORP.**  
**Notes to the Unaudited Pro Forma Condensed Combined Financial Statements**

Akanda Corp. (the “Company”) was incorporated in July 2021 and on September 28, 2021, the Company entered into a Sale and Purchase Agreement (the “Agreement”) with Halo Collective Inc. (“Halo”), pursuant to which the Company acquired all of the outstanding ordinary shares of Cannahealth Limited (“Cannahealth”) from Halo in exchange for 13,129,212 common shares of the Company. The Agreement became unconditional on or around November 3, 2021. Upon completion of the acquisition, the Company entered into a Debenture Agreement (the “Debenture”) with Halo with a principal debt of \$6,559,254 which will be converted to equity upon completion of an Initial Public Offering and listing of the Company.

Cannahealth is the holding company of Canmart Limited (“Canmart”) and Bophelo Holding Limited (“Bophelo Holdings”), which in turn, is the holding company of Bophelo Bio Science and Wellness (Pty) Ltd (“Bophelo Bio Science”). Following the completion of the Agreement, Akanda directly and indirectly owns 100% of the issued share capital of Cannahealth, Canmart, Bophelo Holdings and Bophelo Bio Science.

The Company has issued 2,280,400 common shares of the Company at a price of \$2.50 each pursuant to a private placement capital raise, and will further issue of 4,000,000 common shares of the Company at a price of \$5.00 each pursuant to its Initial Public Offering. The Company has also issued 880,000 common shares at a price of \$2.50 each to settle a bridge loan facility, and will issue 1,311,851 common shares at a price of \$5.00 each to settle the principal amount owing in terms of the Debenture.

**NOTE 1. BASIS OF PRO FORMA PRESENTATION**

The unaudited pro forma condensed combined financial statements are based on the Company’s historical financial statements as well as those of Bophelo Bio Science, Canmart, Bophelo Holdings and Cannahealth. These historical consolidated financial statements have been adjusted to give effect to the acquisition of the above-mentioned companies and the shares issued as part of the acquisition, as well as to give effect to the issue of the Company’s common shares pursuant to the pre-initial public offering capital raise and the Initial Public Offering itself. The unaudited pro forma combined statements of operations for the reporting periods ended September 30, 2021 and the reporting periods ended December 31, 2020 give effect to the above-mentioned companies acquisition as if it had occurred on January 1, 2020. The unaudited proforma combined statements of financial position as of September 30, 2021 and December 31, 2020 give effect to the above-mentioned companies acquisition as if it had occurred on September 30, 2021. The Company, and its subsidiaries, will have a fiscal year end of December 31.

For accounting purposes, the Company has considered the accounting guidance provided by the relevant IASB agendas and determined that the merger of Akanda Corporation and Bophelo Bio Science, Canmart, Bophelo Holdings, and Cannahealth should be treated as a combination of companies under common control and the pooling of interests’ method applied. As such, the assets and liabilities of Bophelo Bio, Canmart, Bophelo Holdings, and Cannahealth have been presented at their historical carrying values.

Historical financial information has been adjusted in the pro forma balance sheet to pro forma events that are: (1) directly attributable to the Acquisition; (2) factually supportable; and (3) expected to have a continuing impact on the Company’s results of operations. The pro forma adjustments presented in the pro forma combined balance sheet and statement of operations are described in Note 4 — Pro Forma Adjustments.

The unaudited pro forma condensed combined financial information is for illustrative purposes only. These companies may have performed differently had they actually been combined for the periods presented. You should not rely on the pro forma combined financial information as being indicative of the historical results that would have been achieved had the companies always been combined or the future results that the combined companies will experience after the acquisition.

**NOTE 2. ACCOUNTING PERIODS PRESENTED**

Certain pro forma adjustments were made to conform Bophelo Bio, Canmart, Bophelo Holdings, and Cannahealth accounting policies to the Company’s accounting policies as noted below.



The unaudited pro forma condensed combined statement of financial position as of September 30, 2021 is presented as if the acquisition had occurred on September 30, 2021 and combines the unaudited condensed statements of financial position of Akanda Corporation, Bophelo Bio Science, Canmart, Bophelo Holdings, and Cannahealth at September 30, 2021.

The unaudited pro forma condensed combined statement of operations for the nine months ended September 30, 2021 has been prepared by combining the unaudited condensed statements of operations of Akanda Corporation, Bophelo Bio Science, Canmart, Bophelo Holdings, and Cannahealth for the nine months ended September 30, 2021.

### **NOTE 3. PRELIMINARY PURCHASE PRICE ALLOCATION**

On September 28 2021, the Company entered into a Sale and Purchase Agreement (the “Agreement”) with Halo Collective Inc. (“Halo”), pursuant to which the Company acquired all of the outstanding ordinary shares of Cannahealth Limited (“Cannahealth”) from Halo in exchange for 13,129,212 common shares of the Company. The Agreement became unconditional after the end of the reporting period ending September 30, 2021. The unaudited pro forma condensed combined financial statements include various assumptions, including those related to the preliminary purchase price allocation of the assets acquired and liabilities assumed of Cannahealth, Canmart, Bophelo Holdings and Bophelo Bio Science. For accounting purposes, the Company has determined that the acquisition of Cannahealth, Canmart, Bophelo Holdings and Bio Science is a common control business combination. As such, the assets and liabilities of Cannahealth, Canmart, Bophelo Holdings and Bio Science have been presented at their historical carrying values. Accordingly, pro forma adjustments are preliminary and have been made solely for illustrative purposes.

### **NOTE 4. PRO FORMA ADJUSTMENTS**

The pro forma adjustments are based on our preliminary estimates and assumptions that are subject to change. The following adjustments have been reflected in the unaudited pro forma condensed combined financial information:

- a) Pursuant to the Agreement, 13,129,212 of the Company’s common shares were issued in lieu of payment for the shares acquired in Cannahealth, Canmart, Bophelo Holdings, and Bophelo Bio Science. The value of the common shares issued by the Company amounts to \$13,129,212. A journal was processed to:
  - i. Recognise the increase in the Company’s share capital and the accompanying investment in subsidiaries in the Company’s statement of financial position;
  - ii. Accounting for the consolidation of Cannahealth, Canmart, Bophelo Holdings and Bophelo Bio Science in accordance with the pooling of interests’ method of consolidation, thereby eliminating share capital in the acquired entities (Cannahealth, Canmart, Bophelo Holdings and Bophelo Bio Science) and recognising the difference between the net asset value of the acquired entities and the purchase consideration, namely the 13,129,212 common shares issued by the Company, directly in equity.
- b) In connection with amounts owing to LM Mojela in terms of a bridge loan facility, the Company issued 880,000 common shares at \$2.50 each to settle amounts owing under the bridge loan facility. At September 30, 2021, the bridge loan had accrued interest to the amount of \$350,351. Settlement of the bridge loan by way of an issue of common shares reduces accrued interest of \$350,351 to \$nil but attracts a redemption premium of \$1,100,000.
- c) In connection with the Company’s private placement capital raise, the Company issued 2,280,400 common shares at \$2.50 each to raise total gross proceeds under the private placement of \$5,701,000. In connection with its fundraising efforts, the Company has engaged Boustead Securities Limited (“Boustead”) as its lead underwriter. In accordance with the Company’s agreed-upon terms of engagement with Boustead, a cash fee of 7% of the gross cash proceeds of the capital raise, as well as a 1% non-accountable expense fee is payable to Boustead. Furthermore, Boustead is entitled to receive 7% of the number of shares issued in the form of warrants with a strike price of \$2.50.





- d) In connection with the Company's Initial Public Offering capital raise, the Company will issue 4,000,000 common shares at \$5.00 each to raise total proceeds under the Initial Public Offering of \$20,000,000. In connection with its fundraising efforts, the Company has engaged Boustead Securities Limited ("Boustead") as its lead underwriter. In accordance with the Company's agreed-upon terms of engagement with Boustead, a cash fee of 7% of the gross cash proceeds of the capital raise, as well as a 1% non-accountable expense fee is payable to Boustead. Furthermore, Boustead is entitled to receive 7% of the number of shares issued in the form of warrants with a strike price of \$5.00 being the estimated price under the Offering.
- e) In connection with amounts owing to Halo in terms of the Debenture, and to settle the principal debt owing under the Debenture, the Company will issue 1,311,851 common shares at a price of \$5.00 each upon the completion of an Initial Public Offering and listing of the Company.

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**Report of Independent Registered Public Accounting Firm**

To the shareholders and the board of directors of Akanda Corp.

**Opinion on the Financial Statements**

We have audited the accompanying statement of financial position of Akanda Corp. (the “Company”) as of August 31, 2021, the related statement of operations, stockholders’ equity (deficit), and cash flows for the period from July 16, 2021 (inception) through to August 31, 2021, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of August 31, 2021, and the results of its operations and its cash flows for the period from July 16, 2021 (inception) through to August 31, 2021, in conformity with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

**Substantial Doubt about the Company’s Ability to Continue as a Going Concern**

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company’s significant operating losses raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**Basis for Opinion**

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ BF Borgers CPA PC  
**BF Borgers CPA PC**  
Served as Auditor since 2021  
Lakewood, CO  
November 18, 2021

**AKANDA CORP.**  
**STATEMENT OF FINANCIAL POSITION**

	Note	August 31, 2021
<b>ASSETS</b>		
Current Assets		
Cash, held in trust		\$ 250,001
Total Current Assets		250,001
<b>Total Assets</b>		<b>\$ 250,001</b>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIT</b>		
Current Liabilities		
Accounts payable		\$ 27,635
Loan from shareholder		4,263
<b>Total Liabilities</b>		<b>31,898</b>
Shareholders' Equity		
Share capital	5	\$ 250,001
Accumulated deficit		(31,898)
Total Shareholders' Equity		218,103
<b>Total Liabilities and Shareholders' Equity</b>		<b>\$ 250,001</b>

The accompanying notes are an integral part of these financial statements.

**AKANDA CORP.**  
**STATEMENT OF OPERATIONS**

	<u>July 16, 2021 (Inception) to August 31, 2021</u>
<b>Operating expenses:</b>	
Legal fees	\$ 31,898
<b>Total operating expenses</b>	<u>31,898</u>
<b>Net and comprehensive loss</b>	<u><u>\$ (31,898)</u></u>

The accompanying notes are an integral part of these financial statements.

**AKANDA CORP.**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

	Note	Share Capital	Accumulated Deficit	Total Shareholders' Equity
<b>Inception, July 16, 2021</b>		\$ —	\$ —	\$ —
Share issuance	5	250,001	—	250,001
Net loss		—	(31,898)	(31,898)
<b>Balance, August 31, 2021</b>		<u>\$ 250,001</u>	<u>\$ (31,898)</u>	<u>\$ 218,103</u>

The accompanying notes are an integral part of these financial statements.

**AKANDA CORP.**  
**STATEMENT OF CASH FLOWS**

	Note	July 16, 2021 (Inception) to August 31, 2021
<b>Cash flows from Operating Activities</b>		
Net income		\$ (31,898)
Increase in accounts payable		27,635
Cash used in operating activities		\$ (4,263)
<b>Cash flows from Financing Activities</b>		
Proceeds from share issuances		\$ 250,001
Loan received from shareholder		4,263
Cash flows provided by financing activities		\$ 254,264
Change in cash during the period		\$ 250,001
Cash at beginning of period		—
Cash at end of period		<u>\$ 250,001</u>

The accompanying notes are an integral part of these financial statements.

## AKANDA CORP.

NOTES TO THE FINANCIALS STATEMENTS  
July 16, 2021 (Inception) to August 31, 2021**NOTE 1. Nature of Operations and Going Concern**

Akanda Corp. (the “Company”) is domiciled in Canada. The Company’s registered office is 77 King Street West, Suite 400, Toronto-Dominion Centre, Toronto Canada, Ontario, M5K0A1.

The Company’s main business is intended to be the ultimate parent company (Refer to Note 2 and Note 9 below) that will hold the equity investments, directly or indirectly, in Cannahealth Limited, Canmart Ltd, Bophelo Holdings Ltd and Bophelo Bio Science and Wellness Pty Ltd.

In September 2021, the Company will be subject to a business restructuring agreement in which the company will acquire shares of Cannahealth Limited in Malta, Canmart Ltd in the UK, Bophelo Holdings in the UK and Bophelo Bio Science and Wellness (Pty) Ltd in Lesotho from a Canadian listed Cannabis company called Halo Collective Inc. In consideration of this acquisition, Halo will be issued shares in the Company.

During March 2020, the World Health Organization declared Covid-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

**NOTE 2. Basis of Preparation**

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

The Company’s board of directors approved these financial statements on October 14, 2021. The financial statements are presented in US dollars and all financial amounts, other than per-share amounts, are rounded to the nearest dollar. The functional currency of the Company is the US dollar.

*Going concern*

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Company will continue to operate in the foreseeable future as a going concern. Subsequent to the transaction envisaged in Note 9, the Company shall be the ultimate parent company of the businesses referred to in Note 9. The financial forecast for the Akanda group for the next 18 months indicates that it will make significant revenue through production & sale of dried cannabis flowers through a hoop house, shade cloth & greenhouse grow as well as sale of cannabis based medicinal products. Until such time that the group becomes cash flow positive, any shortfall would be funded by the shareholders of Akanda. Additionally, the group is engaged in a Pre IPO financing process and is expected to raise USD 5 million to fund the capital expenditure and working capital requirements of the Company (and the group).

**NOTE 3. Use of Judgements and Estimates**

In preparing these financial statements, management has made judgements and estimates that affect the application of the Company’s accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively. Areas requiring a significant degree of estimation and judgment include fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets and



**AKANDA CORP.**  
**NOTES TO THE FINANCIALS STATEMENTS**  
**July 16, 2021 (Inception) to August 31, 2021**

**NOTE 3. Use of Judgements and Estimates (continued)**

liabilities and assessment of the Company's ability to continue as a going concern.

**NOTE 4. Significant Accounting Policies**

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

*General*

The accounting policies described in these financial statements have been applied consistently to all periods presented in these financial statements.

*Cash*

Cash consists of cash held within trust account held by an attorney (share capital raised) and other short-term highly liquid investments with original maturities of three months or less, which are classified as cash equivalents. The Company did not hold any cash equivalents as of August 31, 2021.

*Share capital*

Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

*Financial Instruments*

(a) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

(b) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise.

**AKANDA CORP.**  
**NOTES TO THE FINANCIALS STATEMENTS**  
**July 16, 2021 (Inception) to August 31, 2021**

**NOTE 4. Significant Accounting Policies (continued)**

*Debt investments at FVTOCI*

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

*Equity investments at FVTOCI*

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

*Related parties*

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged as defined by IFRS for SMEs.

**NOTE 5. Share Capital**

*Authorized*

*Common shares*

The Company has authorized shares of an unlimited number with no par value.

Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All rights attached to the Company's shares held by the Company are suspended until those shares are reissued.

*Issued*

The company has 6,095,706 issued shares at no par value.

	Number of common shares	Share capital 2021
Inception at July 16, 2021	—	—
Shares issued to founders	5,626,806	1
Shares issued- August 26, 2021	468,900	250,000
Issued and outstanding at August 31, 2021	<u>6,095,706</u>	<u>\$ 250,001</u>

**NOTE 6. Related Party Transactions**

*Loan from Shareholder*

During the period from July 16, 2021 (inception) to August 31, 2021, the Company received a loan from a shareholder in the amount of \$4,263, which is outstanding and payable as of August 31, 2021. This loan is repayable on demand and bears no interest.

*Key Management Compensation*

The Company's directors and other members of key management, being the Executive Chairman, CEO and CFO who have the authority and responsibility for planning, directing and controlling the activities of the Company.



**AKANDA CORP.**  
**NOTES TO THE FINANCIALS STATEMENTS**  
**July 16, 2021 (Inception) to August 31, 2021**

**NOTE 6. Related Party Transactions (continued)**

To date Akanda Corp has not remunerated the Executive Chairman, the CEO or the CFO within Akanda Corp., these executives are remunerated within a group related entity for their relevant duties.

**NOTE 7. Financial Instruments**

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus, for an item not at Fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

The Company derecognizes a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
- substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset

Financial liabilities are classified as measured at amortized cost or fair value through profit or loss (FVTPL). A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

At August 31, 2021, the Company's financial instruments include cash, accounts payable, and loan from shareholder

**NOTE 8. Capital Management**

As of August 31, 2021, the Company's capital is composed of shareholders' equity. The Company's primary objectives, when managing its capital, are to maintain adequate levels of funding to support the operations of the Company and to maintain corporate and administrative functions.

The Company defines capital as cash and equity, consisting of shareholders' equity. The capital structure of the Company is managed to provide sufficient funding operating activities. Funds are primarily secured through equity capital raised by way of the Company's shareholders. There can be no assurances that the Company will be able to continue raising equity capital in this manner. The Company invests all

**AKANDA CORP.**  
**NOTES TO THE FINANCIALS STATEMENTS**  
**July 16, 2021 (Inception) to August 31, 2021**

**NOTE 8. Capital Management (continued)**

capital that is surplus to its immediate needs in short-term, liquid and highly rated financial instruments, such as cash, which are all held with major financial institutions.

There were no changes to the Company's approach to capital management during the period from July 16, 2021 (inception) to August 31, 2021.

**NOTE 9. Employee Share Ownership Plan**

On August 6, 2021, the board of directors approved a Stock Option Plan ("ESOP"). In terms of the ESOP, employees, officers, directors and consultants of the Company (and its subsidiaries) are eligible to receive awards in the form of stock options and or restricted share unit awards. The aggregate number of shares reserved for issuance pursuant to awards granted under the ESOP shall not exceed 20% of the Company's total issued and outstanding Common Shares from time to time.

**NOTE 10. Subsequent Events**

*Appointment of Officer to Company*

With effect from October 1, 2021, the Company appointed Dr. Asli Akkar-Schenkl as President of the Company.

*Entering into of Sale and Purchase Agreement with Halo Collective Inc.*

On September 29, 2021, Halo Collective Inc. ("Halo"), entered into a share purchase agreement (the "Purchase Agreement") with Akanda Corp. in connection with the sale/purchase of its international assets (the "Transaction"). These international assets comprise Halo's investments in Bophelo Bio Science & Wellness Pty Ltd, Canmart Ltd, Bophelo Holdings Ltd and Cannahealth Limited.

Prior to the completion of the Transaction, Halo intends to complete an internal reorganization, pursuant to which Halo's international assets in the UK, Malta and Lesotho, namely Canmart Ltd, Cannahealth Limited and Bophelo Bio Science and Wellness (Pty) Ltd will become, directly or indirectly, wholly owned subsidiaries of Akanda Corp. In accordance with the terms of the Purchase Agreement, Halo will then sell 100% of the issued and outstanding shares of Cannahealth to the Company in exchange for 13,129,212 common shares in the capital of the Company ("Akanda Shares"), representing aggregate consideration of US\$13,129,212. On November 3, 2021, Akanda Corp. completed the acquisition of Cannahealth Limited. Accordingly, the company issued 13,129,212 common shares to Halo in lieu of the acquisition. Contemporaneously with the closing of the Purchase Agreement, the company entered into an investor rights agreement with Halo, which will provide Halo with certain investor rights as a shareholder of the company, including certain information rights and the rights to appoint a director to the board of Akanda. The company also issued a debenture to Halo in terms of which the company is indebted to Halo to the amount of approximately \$6.6 million, in lieu of the acquisition of the loan claims in Bophelo Bio Science and Canmart that were previously held by Halo prior to the completion of the internal reorganization. The debenture is secured by way of a general security over the assets of the Company, as well as by a pledge of the 1,200 shares held by the Company in Cannahealth Limited. The debenture bears interest at a rate of 1% per annum and is repayable on or before November 2, 2021. The debenture (including accrued interest thereon) is convertible, at the Company's election, into common shares of the Company, and the debenture (including accrued interest thereon) will automatically convert into common shares of the Company upon the successful completion of an Initial Public Offering.

*Private Placement*

Subsequent to Akanda's reporting period end of August 31, 2021, Akanda sold an aggregate of 2,126,400 Common Shares at an initial closing of a private placement to accredited investors at a purchase



**AKANDA CORP.**  
**NOTES TO THE FINANCIALS STATEMENTS**  
**July 16, 2021 (Inception) to August 31, 2021**

**NOTE 10. Subsequent Events (continued)**

price of \$2.50 per share and received approximately \$5,316,000 in gross proceeds. Additional closings of the offering may be held until November 29, 2021, subject to Akanda's option to extend for additional 60 days, to raise up to a maximum aggregate amount of \$10,000,000.

*Settlement of subsidiary bridge loan*

On November 10, 2021, Akanda approved the settlement of an outstanding bridge loan payable by Bophelo to Louisa Mojela. In terms of the settlement, Akanda issued 880,000 Common Shares at a price of \$2.50 per share to Ms. Mojela to settle a total amount outstanding under the bridge loan facility of \$2.2 million, inclusive of an applicable \$1.1 million redemption premium under the loan agreement. In exchange for Akanda settling the loan payable to Ms. Mojela on behalf of Bophelo, the Company recorded a corresponding inter-company loan account claim against Bophelo.

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**Report of Independent Registered Public Accounting Firm**

To the shareholders and the board of directors of Cannahealth Limited

**Opinion on the Financial Statements**

We have audited the accompanying statement of financial position of Cannahealth Limited (the “Company”) as of December 31, 2020, the related statement of operations, stockholders’ equity (deficit), and cash flows for the period from July 1, 2020 (inception) through to December 31, 2020, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020, and the results of its operations and its cash flows for the period from July 1, 2020 (inception) through to December 31, 2020, in conformity with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

**Substantial Doubt about the Company’s Ability to Continue as a Going Concern**

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company’s significant operating losses raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**Basis for Opinion**

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ BF Borgers CPA PC  
**BF Borgers CPA PC**  
Served as Auditor since 2021  
Lakewood, CO  
November 18, 2021

**CANNAHEALTH LIMITED**  
**STATEMENT OF FINANCIAL POSITION**

	Note	December 31, 2020
<b>ASSETS</b>		
Current assets		
Cash, held in trust		\$ 1,477
<b>Total Assets</b>		<b>\$ 1,477</b>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>		
Shareholder's Equity		
Share capital	5	\$ 1,477
Accumulated deficit		—
Total Shareholder's Equity		1,477
<b>Total Liabilities and Shareholder's Equity</b>		<b>\$ 1,477</b>

The accompanying notes are an integral part of these financial statements.

**CANNAHEALTH LIMITED**  
**STATEMENT OF OPERATIONS**

	July 1, 2020 (Inception) to December 31, 2020
Net sales	\$ —
Net and comprehensive loss	\$ —

The accompanying notes are an integral part of these financial statements.

**CANNAHEALTH LIMITED**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

	Note	Share Capital	Accumulated Deficit	Total Shareholder's Equity
<b>Inception, July 1, 2020</b>		\$ —	\$ —	\$ —
Share issuance at inception	5	1,477	—	1,477
<b>Balance, December 31, 2020</b>		<u>\$ 1,477</u>	<u>\$ —</u>	<u>\$ 1,477</u>

The accompanying notes are an integral part of these financial statements.

**CANNAHEALTH LIMITED**  
**STATEMENT OF CASH FLOWS**

	July 1, 2020 (Inception) to December 31, 2020
<b>Cash Flows from Operating Activities</b>	\$ —
<b>Cash Flows from Financing Activities</b>	
Proceeds from share issue	1,477
Cash flows provided by financing activities	1,477
Net change in cash	\$ 1,477
Cash at beginning of period	—
Cash at end of period	\$ 1,477

The accompanying notes are an integral part of these financial statements.

**CANNAHEALTH LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**July 1, 2020 (Inception) to December 31, 2020**

**NOTE 1. Reporting Entity**

Cannahealth Limited (the “Company”) is domiciled in Malta. The Company’s registered office is at Level 4, The Penthouse Suite 2, Ewropa Business Centre, Triq Dun Karm Birkirkara, Malta. The Company was formed on July 1, 2020 to carry on business as a general commercial company.

The Company’s main business is intended to be the entity within the Akanda Corp. group (Refer to Note 2 and Note 8 below) that will hold the equity investment in Bophelo Holdings Ltd, Canmart Ltd directly and Bophelo Bio Science and Wellness (Pty) Ltd indirectly. The Company is part of a business restructuring agreement in which it will directly become part of Akanda Corp., a newly incorporated Company in Canada.

To date, the Company has not commenced any operations. The continuing operations of the Company are dependent upon its ability to generate profitable operations in the future, and to continue to secure additional financing.

During March 2020, the World Health Organization declared Covid-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

**NOTE 2. Basis of preparation and going concern**

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

They were authorized for issue by the Company’s board of directors on October 14, 2021.

These financial statements are presented in US Dollars. The functional currency of the Company is Euro.

*Going concern*

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Company will continue to operate in the foreseeable future as a going concern. Subsequent to the transaction envisaged in Note 8, the Company shall directly become a wholly owned subsidiary of Akanda Corp (“Akanda”). The financial forecast for the Akanda group for the next 18 months indicates that it will make significant revenue through production & sale of dried cannabis flowers through a hoop house, shade cloth & greenhouse grow as well as sale of cannabis based medicinal products. Until such time that the group becomes cash flow positive, any shortfall would be funded by the shareholders of Akanda. Additionally, the group is engaged in a Pre IPO financing process and is expected to raise USD 5 million to fund the capital expenditure and working capital requirements of the Company (and the group).

**NOTE 3. Use of judgement and estimates**

In preparing these financial statements, management has made judgements and estimates that affect the application of the Company’s accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

**CANNAHEALTH LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**July 1, 2020 (Inception) to December 31, 2020**

**NOTE 3. Use of judgement and estimates (continued)**

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively. Areas requiring a significant degree of estimation and judgment include fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets and liabilities and assessment of the Company's ability to continue as a going concern.

**NOTE 4. Significant accounting policies**

*General*

The accounting policies described in these financial statements have been applied consistently to all periods presented in these financial statements.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured at cost are translated into the functional currency at the exchange rate at transaction date.

*Cash*

Cash includes cash held in trust and other short term highly liquid investments with original maturities of three months or less, which are classified as cash equivalents. The Company did not hold any cash equivalents at December 31, 2020.

*Financial Instruments*

(a) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

(b) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise.

**CANNAHEALTH LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**July 1, 2020 (Inception) to December 31, 2020**

**NOTE 4. Significant accounting policies (continued)**

**Debt investments at FVTOCI**

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

**Equity investments at FVTOCI**

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

*Fair value measurement*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

**NOTE 5. Capital**

*Authorized*

**Ordinary shares**

The Company has authorized share capital of 1,200 ordinary shares at a par value of EUR 1 each and there are no preference shares.

*Issued*

The Company has 1,200 issued shares at EUR 1 each for total proceeds of \$1,477 (EUR 1,200).

	Number of ordinary shares	Share capital 2020
Inception at July 1, 2020		
Share issuance at inception	1,200	\$ 1,477
Issued and outstanding at December 31, 2020		<u>1,477</u>



**CANNAHEALTH LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**July 1, 2020 (Inception) to December 31, 2020**

**NOTE 5. Capital (continued)**

## Ordinary shares

Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All rights attached to the Company's shares held by the Company are suspended until those shares are reissued.

**NOTE 6. Capital Management**

As of December 31, 2020 the Company's capital is composed of shareholder's equity. The Company's primary objectives, when managing its capital, are to maintain adequate levels of funding to support the operations of the Company and to maintain corporate and administrative functions.

The Company defines capital as cash and equity, consisting of shareholder's equity. The capital structure of the Company is managed to provide sufficient funding operating activities. Funds are primarily secured through equity capital raised by way of the Company's shareholders. There can be no assurances that the Company will be able to continue raising equity capital in this manner. The Company invests all capital that is surplus to its immediate needs in short-term, liquid and highly rated financial instruments, such as cash, which are all held with major financial institutions.

There were no changes to the Company's approach to capital management during the period from July 1, 2020 (inception) to December 31, 2020.

**NOTE 7. Financial Instruments**

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus, for an item not at Fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

The Company derecognizes a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
- substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset

Financial liabilities are classified as measured at amortized cost or fair value through profit or loss (FVTPL). A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based



**CANNAHEALTH LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**July 1, 2020 (Inception) to December 31, 2020**

**NOTE 7. Financial Instruments (continued)**

on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

At December 31, 2020 the Company's financial instruments included cash.

**NOTE 8. Subsequent Events**

*Entering into of Sale and Purchase Agreement with Halo Collective Inc.*

On September 29, 2021, Halo Collective Inc. ("Halo"), entered into a share purchase agreement (the "Purchase Agreement") with Akanda Corp. in connection with the sale/purchase of its international assets (the "Transaction"). These international assets comprise Halo's investments in Bophelo Bio Science & Wellness Pty Ltd, Canmart Ltd, Bophelo Holdings Ltd and Cannahealth Limited.

Prior to the completion of the Transaction, Halo intends to complete an internal reorganization, pursuant to which Halo's international assets in the UK, Malta & Lesotho namely Canmart Ltd, Cannahealth Limited and Bophelo Bio Science and Wellness (Pty) Ltd will become, directly or indirectly, wholly owned subsidiaries of Akanda Corp. In accordance with the terms of the Purchase Agreement, Halo will then sell 100% of the issued and outstanding shares of Cannahealth to Akanda in exchange for 13,129,212 common shares in the capital of the Akanda ("Akanda Shares"), representing aggregate consideration of US\$13,129,212. On or around November 3, 2021, the sale and purchase Agreement became unconditional and Akanda completed the acquisition of Cannahealth Limited. Accordingly, Akanda issued 13,129,212 common shares to Halo in lieu of the acquisition. Contemporaneously with the closing of the Sale and Purchase Agreement, Akanda entered into an investor rights agreement with Halo, which will see Halo gaining certain investor rights as a shareholder of Akanda, including certain information rights and the rights to appoint a director to the board of Akanda. Akanda also entered into a debenture agreement with Halo in terms of which Akanda is indebted to Halo to the amount of approximately \$6.6m, in lieu of the acquisition of the loan claims in Bophelo Bio Science and Canmart that were previously held by Halo prior to the completion of the internal reorganization. The debenture is secured by way of a general security over the assets of Akanda, as well as by a pledge of the 1,200 shares held by Akanda in Cannahealth Limited. The debenture bears interest at a rate of 1% per annum and is repayable on or before November 2, 2021. The debenture (including accrued interest thereon) is convertible, at Akanda's election, into common shares of Akanda, and the debenture (including accrued interest thereon) will automatically convert into common shares of Akanda upon the successful completion of an Initial Public Offering.

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**Report of Independent Registered Public Accounting Firm**

To the shareholders and the board of directors of Bophelo Holdings Ltd.

**Opinion on the Financial Statements**

We have audited the accompanying statement of financial position of Bophelo Holdings Ltd. (the “Company”) as of August 31, 2021, the related statement of operations, stockholders’ equity (deficit), and cash flows for the period from August 4, 2021 (inception) through to August 31, 2021, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of August 31, 2021, and the results of its operations and its cash flows for the period from August 4, 2021 (inception) through to August 31, 2021 in conformity with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

**Substantial Doubt about the Company’s Ability to Continue as a Going Concern**

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company’s significant operating losses raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**Basis for Opinion**

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ BF Borgers CPA PC  
**BF Borgers CPA PC**  
Served as Auditor since 2021  
Lakewood, CO  
November 18, 2021

**BOPHELO HOLDINGS LTD**  
**STATEMENT OF FINANCIAL POSITION**

	Note	August 31, 2021
<b>ASSETS</b>		
Current Assets		
Cash		\$ 138
<b>Total assets</b>		<b>\$ 138</b>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>		
Shareholder's Equity		
Share capital	5	\$ 138
Accumulated deficit		—
Total Shareholder's Equity		\$ 138
<b>Total Liabilities and Shareholder's Equity</b>		<b>\$ 138</b>

The accompanying notes are an integral part of these financial statements.

**BOPHELO HOLDINGS LTD**  
**STATEMENT OF OPERATIONS**

	August 4, 2021 (Inception) to August 31, 2021
Net sales	\$ —
Net and Comprehensive loss	\$ —

The accompanying notes are an integral part of these financial statements.

**BOPHELO HOLDINGS LTD**  
**STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY**

	Note	Share Capital	Accumulated Deficit	Total Shareholder's Equity
<b>Inception, August 4, 2021</b>		\$ —	\$ —	\$ —
Share issuance at inception	5	138	—	138
<b>Balance, August 31, 2021</b>		\$ 138	\$ —	\$ 138

The accompanying notes are an integral part of these financial statements.



**BOPHELO HOLDINGS LTD**  
**STATEMENT OF CASH FLOWS**

	August 4, 2021 (Inception) to August 31, 2021
<b>Cash Flows from Operating Activities</b>	\$ —
<b>Cash flows from Financing Activities</b>	
Proceeds from share issue	138
Cash flows provided by financing activities	138
Net change in cash	138
Cash at beginning of period	—
Cash at end of period	\$ 138

The accompanying notes are an integral part of these financial statements.

**BOPHELO HOLDINGS LTD**  
**NOTES TO THE FINANCIALS STATEMENTS**  
**August 4, 2021 (Inception) to August 31, 2021**

**NOTE 1. Reporting Entity**

Bophelo Holdings Ltd (the “Company”) is domiciled in England. The Company’s registered office is at 49 Greek Street London W1D4EG. The Company was formed on August 4, 2021, to carry on business as a general commercial company.

The Company’s main business is intended to be the entity within the Akanda Corp. group (Refer to Note 2 and Note 8 below) that will hold the equity investment in Bophelo Bio Science and Wellness (Pty) Ltd, a cannabis cultivation company incorporated in Lesotho. The Company is part of a business restructuring agreement in which it will indirectly become part of Akanda Corp., a newly incorporated Company in Canada.

To date, the Company has not commenced any operations. The continuing operations of the Company are dependent upon its ability to generate profitable operations in the future, and to continue to secure additional financing.

During March 2020, the World Health Organization declared Covid-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

**NOTE 2. Basis of preparation and going concern**

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

They were authorized for issue by the Company’s board of directors on October 14, 2021.

These financial statements are presented in US Dollars. The functional currency of the Company is Great British Pounds.

*Going concern*

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Company will continue to operate in the foreseeable future as a going concern. Subsequent to the transaction envisaged in Note 8, the Company shall become, directly or indirectly, a wholly owned subsidiary of Akanda Corp. (“Akanda”). The financial forecast for the Akanda group for the next 18 months indicates that it will make significant revenue through production & sale of dried cannabis flowers through a hoop house, shade cloth & greenhouse grow as well as sale of cannabis based medicinal products. Until such time that the group becomes cash flow positive, any shortfall would be funded by the shareholders of Akanda. Additionally, the group is engaged in a Pre IPO financing process and is expected to raise USD 5 million to fund the capital expenditure and working capital requirements of the Company (and the group).

**NOTE 3. Use of judgements and estimates**

In preparing these financial statements, management has made judgements and estimates that affect the application of the Company’s accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

**BOPHELO HOLDINGS LTD**  
**NOTES TO THE FINANCIALS STATEMENTS**  
**August 4, 2021 (Inception) to August 31, 2021**

**NOTE 3. Use of judgements and estimates (continued)**

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively. Areas requiring a significant degree of estimation and judgment include fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets and liabilities and assessment of the Company's ability to continue as a going concern.

**NOTE 4. Significant accounting policies***General*

The accounting policies described in these financial statements have been applied consistently to all periods presented in these financial statements.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured at cost are translated into the functional currency at the exchange rate at transaction date.

*Cash*

Cash include cash on hand and other short term highly liquid investments with original maturities of three months or less, which are classified as cash equivalents. The Company did not hold any cash equivalents as of August 31, 2021.

*Financial Instruments***(a) Classification**

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

**(b) Measurement**

Financial assets and liabilities at amortized cost.

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise.

**BOPHELO HOLDINGS LTD**  
**NOTES TO THE FINANCIALS STATEMENTS**  
**August 4, 2021 (Inception) to August 31, 2021**

**NOTE 4. Significant accounting policies (continued)**

**Debt investments at FVTOCI**

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

**Equity investments at FVTOCI**

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

*Fair value measurement*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

*Related parties*

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged as defined by IFRS for SMEs.

**NOTE 5. Capital**

**Authorised shares**

The company has 100 authorised shares with a par value of 1 Pound each.

**Issued Shares**

	Number of ordinary shares	Share capital 2021
Inception at August 4, 2021		
Share issuance at inception	100	\$ 138
Issued and outstanding at August 31, 2021	100	\$ 138

**Ordinary shares**

Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All rights attached to the Company's shares held by the Company are suspended until those shares are reissued.



**BOPHELO HOLDINGS LTD**  
**NOTES TO THE FINANCIALS STATEMENTS**  
**August 4, 2021 (Inception) to August 31, 2021**

**NOTE 5. Capital (continued)**

On August 4, 2021, the Company issued share capital of USD \$138 consisting of a hundred shares with a nominal value of USD \$1, each.

**NOTE 6. Capital Management**

As of August 31, 2021 the Company's capital is composed of shareholder's equity. The Company's primary objectives, when managing its capital, are to maintain adequate levels of funding to support the operations of the Company and to maintain corporate and administrative functions.

The Company defines capital as cash and equity, consisting of shareholder's equity. The capital structure of the Company is managed to provide sufficient funding operating activities. Funds are primarily secured through equity capital raised by way of the Company's shareholder. There can be no assurances that the Company will be able to continue raising equity capital in this manner. The Company invests all capital that is surplus to its immediate needs in short-term, liquid and highly rated financial instruments, such as cash, which are all held with major financial institutions.

There were no changes to the Company's approach to capital management during the period from August 4, 2021 (inception) to August 31, 2021.

**NOTE 7. Financial Instruments**

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus, for an item not at Fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

The Company derecognizes a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
- substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset

Financial liabilities are classified as measured at amortized cost or fair value through profit or loss (FVTPL). A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference



**BOPHELO HOLDINGS LTD**  
**NOTES TO THE FINANCIALS STATEMENTS**  
**August 4, 2021 (Inception) to August 31, 2021**

**NOTE 7. Financial Instruments (continued)**

between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

At August 31, 2021, the Company's financial instruments include cash.

**NOTE 8. Subsequent Events**

*Entering into of Sale and Purchase Agreement with Halo Collective Inc.*

On September 29, 2021, Halo Collective Inc. ("Halo"), entered into a share purchase agreement (the "Purchase Agreement") with Akanda Corp. in connection with the sale/purchase of its international assets (the "Transaction"). These international assets comprise Halo's investments in Bophelo Bio Science & Wellness Pty Ltd, Canmart Ltd, Bophelo Holdings Ltd and Cannahealth Limited.

Prior to the completion of the Transaction, Halo intends to complete an internal reorganization, pursuant to which Halo's international assets in the UK, Malta & Lesotho namely Canmart Ltd, Cannahealth Limited and Bophelo Bio Science and Wellness (Pty) Ltd will become, directly or indirectly, wholly owned subsidiaries of Akanda Corp. In accordance with the terms of the Purchase Agreement, Halo will then sell 100% of the issued and outstanding shares of Cannahealth to Akanda in exchange for 13,129,212 common shares in the capital of the Akanda ("Akanda Shares"), representing aggregate consideration of US\$13,129,212. On or around November 3, 2021, the sale and purchase Agreement became unconditional and Akanda completed the acquisition of Cannahealth Limited. Accordingly, Akanda issued 13,129,212 common shares to Halo in lieu of the acquisition. Contemporaneously with the closing of the Sale and Purchase Agreement, Akanda entered into an investor rights agreement with Halo, which will see Halo gaining certain investor rights as a shareholder of Akanda, including certain information rights and the rights to appoint a director to the board of Akanda. Akanda also entered into a debenture agreement with Halo in terms of which Akanda is indebted to Halo to the amount of approximately \$6.6m, in lieu of the acquisition of the loan claims in Bophelo Bio Science and Canmart that were previously held by Halo prior to the completion of the internal reorganization. The debenture is secured by way of a general security over the assets of Akanda, as well as by a pledge of the 1,200 shares held by Akanda in Cannahealth Limited. The debenture bears interest at a rate of 1% per annum and is repayable on or before November 2, 2021. The debenture (including accrued interest thereon) is convertible, at Akanda's election, into common shares of Akanda, and the debenture (including accrued interest thereon) will automatically convert into common shares of Akanda upon the successful completion of an Initial Public Offering.



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### **Report of Independent Registered Public Accounting Firm**

To the shareholders and the board of directors of Bophelo Bio Science and Wellness (Pty) Ltd.

#### **Opinion on the Financial Statements**

We have audited the accompanying statements of financial position of Bophelo Bio Science and Wellness (Pty) Ltd. (the “Company”), as of December 31, 2020 and 2019, the related statements of comprehensive loss, changes in shareholders’ equity (deficit) and cash flows for the years then ended, and related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years ended December 31, 2020 and 2019, in conformity with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

#### **Substantial Doubt about the Company’s Ability to Continue as a Going Concern**

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company’s significant operating losses raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

#### **Basis for Opinion**

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

**/s/ BF Borgers CPA PC**

Served as Auditor since 2021

Lakewood, CO

November 18, 2021

**BOPHELO BIO SCIENCE AND WELLNESS (PTY) LTD**  
**STATEMENTS OF FINANCIAL POSITION**

	Note	\$	December 31, 2020	December 31, 2019
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash			10,120	818,447
Prepayments	8		113,485	310
Shareholders' loan			7	156
Loans and borrowings	10		—	6,916
Total Current Assets			123,612	825,829
<b>Non-Current Assets</b>				
Property, plant and equipment	5		742,887	697,836
Capital work in progress	9		883,145	616,377
Right-of-use asset	7		2,199,779	2,409,933
Intangible assets	6		304,260	358,146
Total Non-Current Assets			4,130,071	4,082,292
<b>Total Assets</b>			<b>4,253,683</b>	<b>4,908,121</b>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>				
<b>Current Liabilities</b>				
Trade and other payables	12		182,878	43,006
Loans and borrowings	10		2,263,605	—
Lease liability	11		283,976	294,944
Total current liabilities			2,730,459	337,950
<b>Non-Current Liabilities</b>				
Lease liability	11		2,598,176	2,408,074
Loans and borrowings	10		3,977,108	5,066,590
Total Non-Current Liabilities			6,575,284	7,474,664
<b>Total Liabilities</b>			<b>9,305,743</b>	<b>7,812,614</b>
<b>Shareholder's Deficit</b>				
Share capital	13		156	156
Reserves	13		7	7
Accumulated deficit			(5,160,401)	(2,862,091)
Accumulated other comprehensive income (loss)			108,177	(42,565)
Total shareholder's deficit			(5,052,061)	(2,904,493)
<b>Total Liabilities and Shareholder's Deficit</b>			<b>4,253,683</b>	<b>4,908,121</b>

The accompanying notes are an integral part of these financial statements.

**BOPHELO BIO SCIENCE AND WELLNESS (PTY) LTD****STATEMENTS OF OPERATIONS****For the Years Ended December 31**

	\$	2020	2019
Sales		—	—
Operating Expenses			
Amortization and depreciation		248,743	198,824
Consulting and professional fees		701,985	365,641
Biological Assets costs		58,429	—
Short term accommodation expense		45,482	26,269
Office expenses		26,874	13,116
Personnel expenses		374,900	100,256
Travel expenses		5,154	30,582
General & Administration expenses		201,768	166,515
Loss from operations		(1,663,334)	(901,203)
Interest income		10,187	399
Interest expenses		(645,162)	(493,807)
Net loss before income tax		(2,298,310)	(1,394,611)
Income tax expense		—	—
Net loss for the year		(2,298,310)	(1,394,611)
Other comprehensive income:			
Foreign currency translation		150,742	(42,565)
<b>Total comprehensive loss for the year</b>		<b>(2,147,568)</b>	<b>(1,437,176)</b>
<b>Basic and diluted loss per ordinary share</b>		<b>¥9.66</b>	<b>(3)2.26</b>
<b>Weighted average number of ordinary shares outstanding</b>		<b>222,212</b>	<b>43,206</b>

The accompanying notes are an integral part of these financial statements.

**BOPHELO BIO SCIENCE AND WELLNESS (PTY) LTD**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' DEFICIT**

	\$	Number of Shares	Share Capital	Reserves	Accumulated Deficit	Accumulated other comprehensive income	Total Shareholders' Deficit
<b>Balance, January 1, 2019</b>		100	7	—	(1,467,480)		(1,467,473)
<b>Effect of change in par value per share</b>		—	7	7	—	—	—
Share issuance		222,112	156	—	—	—	156
Effect of foreign exchange translation		—	—		—	(42,565)	(42,565)
Net loss		—	—		(1,394,611)		(1,394,611)
<b>Balance, December 31, 2019</b>		222,212	156	7	(2,862,091)	(42,565)	(2,904,493)
Effect of foreign exchange translation		—			—	150,742	150,742
Net loss		—	—		(2,298,310)		(2,298,310)
<b>Balance, December 31, 2020</b>		222,212	156	7	(5,160,401)	108,177	(5,052,061)

The accompanying notes are an integral part of these financial statements.

## BOPHELO BIO SCIENCE AND WELLNESS (PTY) LTD

STATEMENT OF CASH FLOWS  
For the Years Ended December 31

	\$	2020	2019
<b>Cash Flows from Operating Activities</b>			
Net loss		(2,298,310)	(1,394,611)
Non-cash items included in net income:			
Depreciation and amortization		248,743	198,824
Interest expenses		645,162	493,807
Write off of property, plant and equipment		23,748	—
Changes in operating assets and liabilities:			
Prepayments		(113,175)	(310)
Trade and other payables		139,873	42,283
Net cash used in operating activities		(1,353,959)	(660,007)
<b>Cash Flows from Investing Activities:</b>			
Additions to capital WIP		(266,768)	(616,377)
Additions to property, plant and equipment		(172,369)	(53,920)
Proceeds from advances issued		6,934	(6,848)
Net cash used in investing activities		(432,203)	(677,145)
<b>Cash Flows from Financing Activities:</b>			
Loans received		1,169,796	2,116,312
Loans repaid		(137,788)	—
Net cash provided by financing activities:		1,032,008	2,116,312
Net change in cash		(754,155)	779,160
Effects of currency translation on cash		(54,172)	15,143
Cash at beginning of year		818,447	24,144
Cash at end of year		10,120	818,447
Supplemental cash flow disclosure Interest paid	\$	—	\$ —
Tax paid	\$	—	\$ —

The accompanying notes are an integral part of these financial statements.

**BOPHELO BIO SCIENCE AND WELLNESS (PTY) LTD****NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended December 31, 2019 and 2020****NOTE 1. Nature of operations**

Bophelo Bio Science and Wellness (Pty) Ltd (the “Company”) is domiciled in Lesotho. The Company’s registered office is at Ha Mojela, Ts’akholo, Mafeteng, Lesotho. The Company was formed, on the 5<sup>th</sup> of July 2018, to establish the business of growing, manufacture, and distribution of pharmaceutical and medicinal botanical products.

The Company is part of a business restructuring agreement in which it will indirectly become part of Akanda Corp., a newly incorporated Company in Canada (refer to Note 2 and Note 20).

During March 2020, the World Health Organization declared Covid-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

**NOTE 2. Basis of preparation and going concern**

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

They were authorized for issue by the Company’s board of directors on October 14, 2021.

These financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are measured at fair value. These financial statements are presented in United States dollars. The Company’s functional currency is the Lesotho Loti. The fiscal year end is December 31.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

*Going concern*

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to evaluate and complete a business combination. At December 31, 2020, the Company has an accumulated deficit of \$5,160,401 including a net loss for the year ended December 31, 2020 of \$2,298,310. The going concern basis presumes that funds will be available to finance future operations and that the realization of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The Company will continue to operate in the foreseeable future as a going concern. The financial forecast for the Company for the next 18 months indicates that it will earn revenue through production & sale of dried cannabis flowers through a hoop house, shade cloth & partial greenhouse grow. Until such time that the Company becomes cash flow positive, any shortfall would be funded by the shareholders of the Company. Additionally, the Company is part of its parent Company’s internal reorganization pursuant to which the Company will directly or indirectly become the subsidiary of a newly incorporated Canadian Company, Akanda Corp (“Akanda”). Akanda is currently engaged in a Pre IPO financing round and is expected to raise USD 5 million to fund the Company’s capital expenditures and working capital requirements. Further to that, Akanda is in the process of listing on Nasdaq which will bring in more business opportunities in the foreseeable future. Details of the Akanda transaction are contained in Note 20.

**BOPHELO BIO SCIENCE AND WELLNESS (PTY) LTD****NOTES TO THE FINANCIAL STATEMENTS****For the Years Ended December 31, 2019 and 2020****NOTE 3. Use of judgements and estimates**

In preparing these financial statements, management has made judgements and estimates that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively. Areas requiring a significant degree of estimation and judgment include fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets and liabilities, the measurement of right of use assets and lease liabilities, and assessment of the Company's ability to continue as a going concern.

**NOTE 4. Significant accounting policies***General*

The accounting policies described in these financial statements have been applied consistently to all periods presented in these financial statements.

*Foreign currency*

Transactions in foreign currencies are translated from the respective functional currency of the Company to the reporting currency using the exchange rates at transaction date. Receivables, payables and other monetary assets and liabilities, as well as equity and share capital denominated in foreign currencies are re-translated to the reporting currency using the exchange rates at the balance sheet date. Resulting foreign currency differences are recognized in the income statement, except for foreign currency differences arising on re-translation of Fair Value through Other Comprehensive Income (FVOCI) investments and financial liabilities designated as a hedge of a net investment, which are recognized in other comprehensive income. Resulting foreign currency differences that arise due to the translation of share capital and share premium are recognized in other comprehensive income.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured at cost are translated into the functional currency at the exchange rate at transaction date.

*Property, plant and equipment*

The Company estimates the useful lives of the property, plant and equipment based on the period over which the assets are available for use. These estimates are reviewed periodically and any changes in the estimates are accounted for prospectively.

The property, plant and equipment are recorded at cost less depreciation on a straight-line basis. The estimated useful lives of the assets are as below:

Plant and equipment	10 years
Leasehold improvements	20 years
Motor vehicles	4 years

*Intangible assets*

The Company has one license which is valid for 10 years and is subject to a renewal at the end of the 10 years. The license is automatically renewed annually on payment of necessary fees as well as submission of operational documents to the Ministry of Health.



**BOPHELO BIO SCIENCE AND WELLNESS (PTY) LTD**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended December 31, 2019 and 2020**

**NOTE 4. Significant accounting policies (continued)**

The Intangible assets are recorded at cost less amortization and impairment losses, if any. The Intangible assets are amortized on a straight-line basis for the validity of the license which is 10 years.

*Biological Assets*

Biological assets are measured at their fair value less costs to sell (“FVLCS”) in the Statement of Financial Position. The Company’s method of accounting for biological assets attributes value accretion on a straight-line basis throughout the life of the biological asset from initial cloning to the point of harvest. All direct and indirect costs of biological assets are capitalized as they are incurred.

Under IFRS 13 Fair Value Measurement, fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The measurement of the fair value of the asset must take into the condition of the asset as well as any restrictions on the sale of the asset. When applying IFRS 13 Fair Value Measurement to non-financial assets, in this case the biological asset and produce, the fair value takes into account a market participant’s ability to use that asset in its highest and best use. The highest and best use takes into account the use of the asset that is physically possible, legally permissible and financially feasible, either, in combination with other assets or on a standalone basis.

Biological assets and produce held by the Company is planned to be used in 4 ways:

- Sale to the export market;
- Sale to the local market;
- Repurposed for use in research and development; and
- Written off for being obsolete.

For the year ended December 31, 2020, the Company expensed costs related to its biological assets in the amount of \$58,429 (2019 — Nil) as the costs were incurred in relation to research and development activities.

*Cash*

Cash includes cash on hand and other short term highly liquid investments with original maturities of three months or less, which are classified as cash equivalents. The Company did not hold any cash equivalents as of December 31, 2019, and 2020.

*Leases*

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement exists, and if the Company has the right to direct the use of the asset. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

As a lessee, the Company recognizes a right-of-use asset and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.



**BOPHELO BIO SCIENCE AND WELLNESS (PTY) LTD**

**NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended December 31, 2019 and 2020**

**NOTE 4. Significant accounting policies (continued)**

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

- a) fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- c) amounts expected to be payable under a residual value guarantee;
- d) exercise prices of purchase options if the Company is reasonably certain to exercise that option; and
- e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option.

Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit or loss.

*Revenue*

In accordance with IFRS 15, the Company recognizes revenue, excluding interest and dividend income and other such income from financial instruments recognized in accordance with IFRS 9, upon transfer of promised goods or services to customers in amounts that reflect the consideration to which the Company expects to be entitled in exchange for those goods or services based on the following five step approach:

- Step 1: Identify the contracts with customers;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contract; and
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

The Company typically satisfies its performance obligations upon completion of sale. The Company primarily acts as principal in contracts with its customers. The Company does not have material obligations for returns, refunds and other similar obligations, nor warranties and related obligations.

Revenue is recognized at the amount of the transaction price that is allocated to the performance obligation. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer.



## BOPHELO BIO SCIENCE AND WELLNESS (PTY) LTD

### NOTES TO THE FINANCIAL STATEMENTS For the Years Ended December 31, 2019 and 2020

#### NOTE 4. Significant accounting policies (continued)

The Company does not have any revenue streams at the moment as it has not made any commercial sales to date. The Company does expect to have a single revenue stream in the future which will relate to the sale of cannabis biomass. This revenue stream which will be assessed as one performance obligation. Revenue from biomass cannabis sales will be recognized once the performance obligation has been satisfied, which would be upon the customer taking the delivery of the bulk biomass. The transaction price for each product and service will be determined based on the respective invoice.

The Company exercises judgments in determining the amount of the costs incurred to obtain or fulfill a contract with a customer, which includes, but is not limited to (a) the likelihood of obtaining the contract, (b) the estimate of the profitability of the contract, and (c) the credit risk of the customer. An impairment loss will be recognized in profit or loss to the extent that the carrying amount of the asset exceeds (a) the remaining amount of consideration that the entity expects to receive in exchange for the goods or services to which the asset relates, less (b) the costs that relate directly to providing those goods or services and that have not been recognized as expenses.

#### *Earnings (loss) per share*

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of ordinary shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company.

#### *Income tax*

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The amount of deferred tax provided is based on the expected manner of recovery or settlement of the carrying amount of assets and liabilities, using tax rates (substantively) enacted, at year-end. Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities which intend either to settle current tax liabilities and assets on a net basis or to realize the assets and settle the liabilities simultaneously. Current and deferred

**BOPHELO BIO SCIENCE AND WELLNESS (PTY) LTD**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Years Ended December 31, 2019 and 2020**

**NOTE 4. Significant accounting policies (continued)**

tax are recognized in the income statement, except when it relates to a business combination or for items directly recognized in equity or other comprehensive income.

*Foreign Currency Translation*

The functional and reporting currency of the Company is the Lesotho Loti and United States Dollars respectively. Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date or at an average rate. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in profit and loss

*Share capital*

Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

The share capital of the Company is translated to the spot rate at the end of the financial year.

*Fair value measurement*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price

## BOPHELO BIO SCIENCE AND WELLNESS (PTY) LTD

NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended December 31, 2019 and 2020

## NOTE 5. Property, plant and equipment

	\$	Plant and equipment	Leasehold improvement	Motor vehicles	Total
Cost at January 1, 2019	-	438,432	286,482	—	724,914
Additions		1,911	13,419	38,590	53,920
Foreign exchange movements		8,701	4,869	(163)	13,407
Cost at December 31, 2019		449,044	304,770	38,427	792,241
Additions		172,369	—	—	172,369
Write-offs		(23,748)	—	—	(23,748)
Foreign exchange movements		(11,304)	(11,338)	(1,429)	(24,066)
Cost at December 31, 2020		586,361	293,437	36,998	916,796
Accumulated depreciation at January 1, 2019		(21,922)	(7,162)	—	(29,084)
Depreciation		(44,325)	(15,038)	(4,757)	(64,120)
Foreign exchange movements		(866)	(289)	(46)	(1,201)
Accumulated Depreciation at December 31, 2019		(67,113)	(22,489)	(4,803)	(94,405)
Depreciation		(60,212)	(14,950)	(9,425)	(84,587)
Foreign exchange movements		3,615	1,114	354	5,083
Accumulated Depreciation at December 31, 2020		(123,710)	(36,325)	(13,874)	(173,909)
Carrying value at January 1, 2019		416,510	279,320	—	695,830
Additions		1,911	13,419	38,590	53,920
Depreciation		(44,325)	(15,038)	(4,757)	(64,120)
Foreign exchange movements		7,835	4,580	(209)	12,206
Carrying value at December 31, 2019		381,931	282,281	33,624	697,836
Additions		172,369	—	—	172,369
Disposals		(23,748)	—	—	(23,748)
Depreciation		(60,212)	(14,950)	(9,425)	(84,587)
Foreign exchange movements		(7,089)	(10,219)	(1,075)	(18,983)
Carrying value at December 31, 2020		462,651	257,112	23,124	742,887

**BOPHELO BIO SCIENCE AND WELLNESS (PTY) LTD****NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended December 31, 2019 and 2020****NOTE 6. Intangible asset**

	<u>\$</u>	<u>Licenses</u>	<u>Total</u>
Cost at January 1, 2019		413,223	413,223
Foreign exchange movements		8,125	8,125
Cost at December 31, 2019		421,348	421,348
Foreign exchange movements		(15,668)	(15,668)
Cost at December 31, 2020		405,680	405,680
Accumulated amortization at January 1, 2019		(20,661)	(20,661)
Amortization		(41,725)	(41,725)
Foreign exchange movement		816	816
Accumulated amortization at December 31, 2019		(63,202)	(63,202)
Accumulated amortization at December 31, 2019		(63,202)	(63,202)
Amortization		(41,337)	(41,337)
Foreign exchange translation		3,119	3,119
Accumulated amortization at December 31, 2020		(101,420)	(101,420)
Carrying value at January 1, 2019		392,562	392,562
Amortization		(41,725)	(41,725)
Foreign exchange movement		7,309	7,309
Carrying value at December 31, 2019		358,146	358,146
Amortization		(41,337)	(41,337)
Foreign exchange translation		(12,549)	(12,549)
Carrying value at December 31, 2020		304,260	304,260



## BOPHELO BIO SCIENCE AND WELLNESS (PTY) LTD

NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended December 31, 2019 and 2020**NOTE 7. Right of use asset**

The Company leases the land from Mophuthi Matsoso Development Trust.

	\$	Land Lease	Total
<b>Cost:</b>			
Balance as at January 1, 2019		—	—
Additions during the year		2,503,827	2,503,827
Balance as at December 31, 2019		2,503,827	2,503,827
Additions during the year		—	—
Balance as at December 31, 2020		2,503,827	2,503,827
<b>Accumulated Depreciation:</b>			
Balance as at January 1, 2019		—	—
Charge for the year		92,979	92,979
Effects of Currency Translation		914	914
Balance as at December 31, 2019		93,893	93,893
Charge for the year		122,820	122,820
Effects of Currency Translation		87,335	87,335
Balance as at December 31, 2020		304,048	304,048
<b>Net Book Value:</b>			
At December 31, 2019		2,409,934	2,409,934
At December 31, 2020		2,199,779	2,199,779

The carrying amount of the right-of-use asset is depreciated on a straight-line basis over the remaining term of the lease, which at December 31, 2020, was around 18 years.

**NOTE 8. Prepayments**

	\$	December 31, 2020	December 31, 2019
Prepaid expenses		113,485	310
		<u>113,485</u>	<u>310</u>

As at December 31, 2020 the Company's prepaid expenses pertain to initial deposit paid to a supplier for the construction of a perimeter fence on site as well as the insurance. As at December 31, 2019 the Company's prepaid expenses pertain to a small prepaid amount on the lease.

**NOTE 9. Capital work in progress**

	\$	December 31, 2020	December 31, 2019
Capital work in progress		883,145	616,377
		<u>883,145</u>	<u>616,377</u>

As at December 31, 2020 and 2019 the Company's Capital work in progress relate to the ongoing civil, gravelling, storm drainage work on site.



**BOPHELO BIO SCIENCE AND WELLNESS (PTY) LTD****NOTES TO THE FINANCIAL STATEMENTS****For the Years Ended December 31, 2019 and 2020****NOTE 10. Loans and borrowings**

The loans described below have been granted to the Company to fulfill its capital and operational requirements. The terms of the loans are described below:

- a. Louisa Mojela's loan as at December 31, 2020 of \$1,552,487 (2019: \$2,191,396) includes the following loans:
  - Bridge Loan of US\$1 million — The loan is a bridge financing facility received from L Mojela to fund capital expenditure and working capital of the Company. The loan carries a redemption premium of 100% of the capital amount borrowed. This redemption premium is triggered and becomes payable upon the successful raising of capital of not less than \$18 million. This capital raise must happen prior to October 31, 2020 for the Lender to qualify for the redemption premium. This loan is repayable within 18 months from the date of first drawdown (which was on or around December 1, 2019), alternatively, the repayment of the loan plus the redemption premium is payable on the successful raising of capital of not less than USD 18 million. The loan carries interest at a rate of 1.5% per month applicable from the first draw down date. In the event that the redemption premium is triggered and payable, all interest accrued on the loan is cancelled and only the capital plus the redemption premium is payable. At balance sheet date, the capital raising of \$18 million contemplated by the loan agreement had not taken place and therefore interest is applicable on the loan under the terms described above. The loan agreement was amended in May 2020 to cater for a further additional borrowing (on the same terms and conditions described above) to the amount of US\$100,000. This resulted in a cumulative amount borrowed of US\$1.1 million (capital amount of the loan). The loan is secured by a first notarial bond/mortgage over the Company's property. The security is shared with Middleton and both the Middleton and L Mojela entered into an intercreditor agreement to this effect. The balance on this loan as at December 31, 2020 is \$1,350,813 (2019: \$1,069,760)
  - Loan 2 — This loan was entered into with L Mojela for a capital sum of US\$945,809 in the financial year 2018. The purpose of this loan was to fund the acquisition of the Company's license to operate as a prohibited drug operator under section 12 of the Drugs of Abuse Act, 2008 as well as to fund the day-to-day operating costs of the Company. This loan is unsecured and repayable by December 31, 2021. It carries an interest rate linked to the prime lending rate in the Republic of South Africa. The balance on this loan as at December 31, 2020 is \$Nil (2019: \$1,121,636). This loan was acquired by Halo Collective Inc. ("Halo") pursuant to a Purchase and Sale agreement between Halo and the shareholders of the Company. This loan now forms part of the Halo intercompany loan account balance referred to in the continuity schedule below.
  - Loan 3 — This is a short-term loan facility provided by L Mojela to the Company of approximately US\$135,226 in capital value lent. This loan was provided in the financial year ending December 31, 2020. The purpose of this loan was to assist the Company in funding working capital deficits. This loan was unsecured, repayable within 30 days of receiving the payment and carried interest at the rate linked to the prime lending rate in the Republic of South Africa. The capital balance of this loan was repaid in full before the end of the financial year December 31, 2020. The interest balance on this loan remains unpaid and outstanding as at December 31, 2020 with a value of US\$ 11,230 (2019: \$Nil)
  - Loan 4 — This loan is also a short-term facility provided by L Mojela to the Company to fund its day-to-day operating costs. The loan received was to the extent of US\$190,444 in the financial year ending December 31, 2020. This loan does not have a fixed repayment date, is unsecured and is interest free. As at December 31, 2020 the loan balance on this facility was US\$190,444 (2019: \$Nil).
- b. Granny Seape's loan as at December 31, 2020 of \$Nil (2019: \$300,477) was entered into with the Company for a capital sum of US\$255,337 in the financial year ending December 31, 2018. The



## BOPHELO BIO SCIENCE AND WELLNESS (PTY) LTD

## NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended December 31, 2019 and 2020

**NOTE 10. Loans and borrowings (continued)**

purpose of this loan was to fund the acquisition of the Company's license to operate as a prohibited drug operator under section 12 of the Drugs of Abuse Act, 2008 as well as to fund the day-to-day operating costs of the Company. This loan is unsecured and repayable by December 31, 2021. It carries an interest rate linked to the prime lending rate in the Republic of South Africa. This loan was acquired by Halo Collective Inc. ("Halo") pursuant to a Purchase and Sale agreement between Halo and the shareholders of the Company. This loan now forms part of the Halo intercompany loan account balance referred to in the continuity schedule below.

- c. 1942 Capital's loan as at December 31, 2020 of \$Nil (2019: \$1,285,146) was entered into with the Company for a capital sum of US\$1,083,686 in the financial year 2018. The purpose of this loan was to fund the acquisition of the Company's license to operate as a prohibited drug operator under section 12 of the Drugs of Abuse Act, 2008 as well as to fund the day-to-day operating costs of the Company. This loan is unsecured and repayable by December 31, 2021. It carries an interest rate linked to the prime lending rate in the Republic of South Africa. This loan was acquired by Halo Collective Inc. ("Halo") pursuant to a Purchase and Sale agreement between Halo and the shareholders of the Company. This loan now forms part of the Halo intercompany loan account balance referred to in the continuity schedule below.
- d. Seedy Lette's loan as at December 31, 2020 of \$Nil (2019: \$240,251) was entered into with the Company for a capital sum of US\$202,589 in the financial year 2018. The purpose of this loan was to fund the acquisition of the Company's license to operate as a prohibited drug operator under section 12 of the Drugs of Abuse Act, 2008 as well as to fund the day-to-day operating costs of the Company. This loan is unsecured and repayable by December 31, 2021. It carries an interest rate linked to the prime lending rate in the Republic of South Africa. This loan was acquired by Halo Collective Inc. ("Halo") pursuant to a Purchase and Sale agreement between Halo and the shareholders of the Company. This loan now forms part of the Halo intercompany loan account balance referred to in the continuity schedule below.
- e. Middleton Gardens Ltd. loan as at December 31, 2020 of \$Nil (2019: \$1,049,322). The loan is a bridge financing facility received from Middleton Gardens to fund capital expenditure and working capital of the Company to the extent of a capital amount of US\$ 1 million. This loan is repayable within 15 months from the date of first drawdown (which was on or around 1 March 2019), alternatively, the repayment of the loan is payable on the successful raising of capital of not less than US\$ 18 million. A redemption premium of 100% is triggered and payable by the Company to Middleton Gardens ("Middleton") should the successful capital raise take place before December 31, 2019. In the absence of the redemption premium being triggered, this loan carries interest at the rate of 1.5% per month. This loan is secured by a notarial/mortgage bond over the Company's movable and immovable property. This security is shared with L Mojela as referenced in Note 10a above. This loan was acquired by Halo Collective Inc. ("Halo") pursuant to a Purchase and Sale agreement between Halo and the shareholders of the Company. This loan now forms part of the Halo intercompany loan account balance referred to in the continuity schedule below. Furthermore, the redemption premium on the US\$1million loan mentioned above was deemed to be triggered by mutual arrangement between the Company, Middleton and Halo. Halo settled this redemption premium through the issue of Halo shares following the closing of the Purchase and Sale agreement. Accordingly, no interest accrued on the US\$1million loan mentioned above.

## BOPHELO BIO SCIENCE AND WELLNESS (PTY) LTD

NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended December 31, 2019 and 2020

## NOTE 10. Loans and borrowings (continued)

The Company entered into another loan agreement with Middleton for the borrowing of a further US\$100,000 in May 2020. With regard to this loan of US\$ 100,000, interest was accrued at the rate of 1.5% per month and the capital value of this loan along with the interest was acquired by Halo. This loan too forms part of the Halo intercompany loan account balance.

- f. Halo Collective Inc's loan as at December 31, 2020 of \$4,688,226 (2019: receivable of \$6,916) does not have a fixed repayment date and is interest free. This loan account balance includes the following loans acquired pursuant to the Purchase and Sale agreement between Halo and the shareholders of the Company.

- L Mojela — US\$ 1,147,260
- G Seape — US\$ 307,337
- 1942 Capital — US\$ 1,314,361
- Seedy Lette — US\$ 245,712
- Middleton Gardens — US\$ 1,030,158

The total of the above loans acquired and reflected in the Halo loan account balance is US\$ 4,044,828. The remaining portion of this loan amounting to US\$ 711,118 pertains to the short-term funding provided by Halo to cover the day-to-day expenses of the Company. There is no fixed repayment date on this loan, is unsecured as well as interest free.

A continuity of the Company's loans payables is as follows:

	\$	Louisa Mojela	Granny Seape	1942 Capital	Seedy Lette	GMG/Middleton	Halo Collective Inc.	Total
Value at January 1, 2019		994,506	232,276	1,139,483	213,020	—	—	2,579,284
Loans issued		1,043,690	34,771	—	—	1,037,852	(6,848)	2,109,464
Interest on loans		122,183	28,243	122,057	22,818	1,254	—	296,555
Foreign exchange movements		31,017	5,187	23,606	4,413	10,216	(68)	74,371
Value at December 31, 2019		2,191,396	300,477	1,285,146	240,251	1,049,322	(6,916)	5,059,674
Current portion		—	—	—	—	—	(6,916)	(6,916)
Non-current portion		2,191,396	300,477	1,285,146	240,251	1,049,322	—	5,066,590
Value at December 31, 2019		2,191,396	300,477	1,285,146	240,251	1,049,322	(6,916)	5,059,674
Loans issued		438,420	—	—	—	—	731,375	1,169,796
Loans carried off		(1,147,260)	(307,337)	(1,314,361)	(245,712)	(1,030,158)	4,044,828	—
Loans repaid		(137,788)	—	—	—	—	—	(137,788)
Interest on loans		278,901	12,656	54,190	10,130	753	—	356,631
Foreign exchange movements		(71,182)	(5,796)	(24,974)	(4,669)	(19,917)	(81,061)	(207,598)
Value at December 31, 2020		1,552,487	—	—	—	—	4,688,226	6,240,714
Current portion		1,552,487	—	—	—	—	711,118	2,263,605
Non-current portion		—	—	—	—	—	3,977,108	3,977,108
Value at December 31, 2020		1,552,487	—	—	—	—	4,688,226	6,240,714



## BOPHELO BIO SCIENCE AND WELLNESS (PTY) LTD

NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended December 31, 2019 and 2020

## NOTE 11. Finance lease liability

The Company's lease liability consists of lease on the land in which it operates. The present value of future lease payments was measured using an incremental borrowing rate of 10.25% per annum as at April 1, 2019

	\$	Land Lease	Total
Balance as at January 1, 2019	—	—	—
Additions:			
Lease Liability – Initial adoption of IFRS 16	2,503,827	2,503,827	2,503,827
Interest Expense	197,252	197,252	197,252
Lease payments during the year	—	—	—
Effects of Currency Translation	1,939	1,939	1,939
	2,703,018	2,703,018	2,703,018
Less: current portion	(294,944)	(294,944)	(294,944)
<b>Balance as at December 31, 2019</b>	<b>2,408,074</b>	<b>2,408,074</b>	<b>2,408,074</b>
Interest Expense	284,950	284,950	284,950
Lease payments during the year	—	—	—
Effects of Currency Translation	(105,816)	(105,816)	(105,816)
	2,882,152	2,882,152	2,882,152
Less: current portion	(283,976)	(283,976)	(283,976)
<b>As at December 31, 2020</b>	<b>2,598,176</b>	<b>2,598,176</b>	<b>2,598,176</b>

As at December 31, 2020 the Company's minimum lease payments are as follows:

	\$	December 31, 2020
Amounts payable within 1 year	—	283,976
Amounts payable between 1 and 5 years		1,135,903
Amounts payable after 5 years		3,762,677
Total payments		5,182,556
Interest on lease agreement		(2,300,404)
		<u>2,882,152</u>

## NOTE 12. Trade and other payables

	\$	December 31, 2020	December 31, 2019
Trade payables	—	107,839	31,784
Directors' remuneration payable		48,584	10,533
Accrued payroll taxes		26,455	688
		<u>182,878</u>	<u>43,006</u>



**BOPHELO BIO SCIENCE AND WELLNESS (PTY) LTD****NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended December 31, 2019 and 2020****NOTE 13. Capital***Authorized Share Capital*

The Company has 10 million ordinary shares of par value of \$0.0007 (1 Lisente or 0.01 Loti) each.

*Issued Share Capital*

	\$	Number of shares	Par value	Share capital	Share premium	Total
Balance at December 31, 2018		100	0.07	7	—	7
Change in par value from 1 Loti to 1 Lisente per share		—	—	)(7	7	—
Additional shares issued		222,112	0.0007	156	—	156
Issued and outstanding as at December 31, 2019 and 2020		222,212	0.0007	156	7	163

*Ordinary shares*

Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All rights attached to the Company's shares held by the Company are suspended until those shares are reissued.

At the time of the formation of the Company, 100 ordinary shares were issued to its founders L Mojela & G Seape. During the 2019, L Mojela and G Seape exchanged these shares for shares in Boiketlo Biomed Pty Ltd. ("Boiketlo"), which resulted in Boiketlo holding 100% of the 100 shares comprising the Company's issued share capital at the time. Following this, the Company changed the par value per share of its authorized share capital to 0.01 Loti (US\$0.0007) each, from its initial par value of 1 Loti (US\$0.07) each. Subsequently, during 2019, Middleton Gardens Ltd. ("Middleton") subscribed for 122,212 ordinary shares at a par value of 0.01 Loti (US\$0.0007) each and Boiketlo subscribed for a further 99,900 ordinary shares at the same par value per share. Pursuant to the Sale and Purchase Agreement entered into on November 27, 2019, Halo Collective Inc. ("Halo") acquired all of the outstanding and issued ordinary shares held by Middleton and Boiketlo and consequently became the 100% shareholder of the Company holding all 222,212 ordinary shares in issue.

**NOTE 14. Biological assets***Farm work in progress*

During the 2020 year, the Company had incurred costs which were capitalized against a biological asset as the cost to grow the plants. At December 31, 2020 the Company did not hold the required licenses to be able to sell and distribute the harvested plants. The amount of US\$58,429 incurred and capitalized against the biological asset have therefore been expensed through a fair value adjustment.

**NOTE 15: Related Party Transactions****Related Party Transactions**

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers. The Company has entered into a few non-arm's length transactions as below:

- Short term accommodation leased from L Mojela for the purpose of housing expatriate staff



**BOPHELO BIO SCIENCE AND WELLNESS (PTY) LTD****NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended December 31, 2019 and 2020****NOTE 15: Related Party Transactions (continued)**

- Leasing of office space from a Company controlled by G Seape
- Procurement of fuel from L Mojela for the purposes of operating the Company vehicle on site. In the financial year ending December 31, 2020, the Company procured and paid for its own fuel.
- Consulting services undertaken from Seedy Lette in the financial year ending December 31, 2019 relating to various government liaison activities.
- Professional services undertaken by L Mojela as an executive of the Company over and above the director's remuneration.

**Related Party Transactions**

- The Company has leased the land from Mophuthi Matsoso Development Trust ("Mophuthi Trust"), the details are disclosed under Note 11.

	December 31, 2020	December 31, 2019
Directors Remuneration	116,448	10,431
Director Professional fees	121,467	121,970
Key Management Remuneration	268,326	161,134
Short term accommodation expense	45,482	26,269
Office expenses for office space	2,377	9,388
Fuel expenses	—	4,172
Consulting fees to Seedy Lette	—	10,931
	<u>554,100</u>	<u>344,295</u>

The Directors remuneration is included in the Personnel expenses and the Key management remuneration is included in the Professional and Consulting fees in the Statement of operations.

**Related Party Balances**

As at December 31, 2020, the entire balance of the Loans & Borrowings (Note 10) was owing to the shareholders and other related parties. As at December 31, 2019 included in the Loans & Borrowings were an amount of \$3,781,445 owing to the shareholders and other related parties. During the year ended December 31, 2020 further loans were issued to the value of \$1,169,796 (2019 \$2,116,312) and the amount of loans taken over amounted to \$4,044,828 (2019 \$-). During the year ended December 31, 2020 the loans incurred interest to the value of \$356,631 (2019 \$296,555).

As at December 31, 2020, the amounts presented in the Lease liability (Note 11) pertained to the amount owing to Mophuthi Trust, a Trust controlled by L Mojela & G Seape to the extent of \$2,882,152. As at December 31, 2019, the amount (Note 11) was \$2,703,018.

**NOTE 16. Financial instruments and risk management***Financial instruments*

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.



## BOPHELO BIO SCIENCE AND WELLNESS (PTY) LTD

### NOTES TO THE FINANCIAL STATEMENTS For the Years Ended December 31, 2019 and 2020

#### NOTE 16. Financial instruments and risk management (continued)

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus, for an item not at Fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

The Company derecognizes a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
- substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset

Financial liabilities are classified as measured at amortized cost or fair value through profit or loss (FVTPL). A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

At December 31, 2020, the Company's financial instruments include cash, loans and borrowings, and trade and other payables.

#### *Capital management*

The Company's primary objective is to ensure that it maintains sufficient capital to support the initial and ongoing development of the business infrastructure. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In maintaining or adjusting the capital structure, the Company will request further funding from the shareholders and other related parties.

#### *Financial risk management*

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors has established the risk management committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the board of directors on its activities.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.



**BOPHELO BIO SCIENCE AND WELLNESS (PTY) LTD****NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended December 31, 2019 and 2020****NOTE 16. Financial instruments and risk management (continued)**

The Company has exposure to the following risks arising from financial instruments:

- 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 receivables from customers and investments in debt securities. The Company is yet to be exposed to credit risk as revenue has yet to be generated.
- Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's objective when managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company is currently not generating revenue and is therefore at risk of not obtaining the required cash flow from the Company's lenders in order to incur and settle the necessary capital and operational expenses. At the end of the year ended December 31, 2020 the Company had cash balances available amounting to \$10,120 (2019 \$818,447) and a shortfall of \$2,720,339 (2019 \$Nil) to settle current liabilities of \$2,730,459 (2019 — \$337,950).
- Market risk is the risk that changes in market prices — e.g., foreign exchange rates, interest rates and equity prices — will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company's primary sale market will be outside of Lesotho and will therefore be subject risks related to foreign exchange rates. This will be compounded as the Rand, on which the Loti is pegged, is considered to be volatile in terms of the foreign exchange market.

*Currency risk*

The Company is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and payables are denominated and the respective functional currency of the Company. The functional currency of the Company is the Lesotho Loti. The currencies in which these transactions are primarily denominated are Lesotho Loti, Euro, United States dollar, British pound sterling and Canadian dollar.

**NOTE 17. Segmented Information**

The Company operates primarily in a single operating segment, being the cultivation of medicinal cannabis. All of the Company's Non-Current Assets are based in Lesotho. Once the Company starts generating revenue, its customers would be primarily located in Europe.

**NOTE 18. Income Taxes**

The provision for income taxes differs from the amount that would have resulted in applying the statutory tax rate as follows:

	\$	December 31, 2020	December 31, 2019
Net loss for the year		(2,298,310)	(1,394,611)
Statutory income tax rate	%	25	% 25
Expected tax recovery at statutory income tax rates		(574,578)	(348,653)
Change in deferred tax assets not recognized		574,578	348,653
		—	—





**BOPHELO BIO SCIENCE AND WELLNESS (PTY) LTD****NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended December 31, 2019 and 2020****NOTE 18. Income Taxes (continued)**

Temporary differences that give rise to the following deferred tax assets and liabilities at are:

	\$	December 31, 2020	December 31, 2019
Deferred tax assets			
Net operating loss carried forward		5,160,401	2,862,091
Deferred tax assets not recognized		(5,160,401)	(2,862,091)
Net deferred tax assets		—	—

As at December 31, 2020, the Company has approximately \$5,160,401 (2019 — \$2,862,091) of non-capital losses in Lesotho that may be used to offset future taxable income. These losses may be carried forward on an indefinite basis and do not expire. The Company has not recognized the deferred tax assets due to the uncertainty around utilizing all of the losses carry-forwards.

Tax attributes are subject to review, and potential adjustment, by tax authorities.

**NOTE 19. Subsequent Events***Entering into of Sale and Purchase Agreement with Halo Collective Inc.*

On September 29, 2021, Halo Collective Inc. (“Halo”), entered into a share purchase agreement (the “Purchase Agreement”) with Akanda Corp. in connection with the sale/purchase of its international assets (the “Transaction”). These international assets comprise Halo’s investments in Bophelo Bio Science & Wellness Pty Ltd, Canmart Ltd, Bophelo Holdings Ltd and Cannahealth Limited.

Prior to the completion of the Transaction, Halo intends to complete an internal reorganization, pursuant to which Halo’s international assets in the UK, Malta & Lesotho namely Canmart Ltd, Cannahealth Limited and Bophelo Bio Science and Wellness (Pty) Ltd will become, directly or indirectly, wholly owned subsidiaries of Akanda Corp. In accordance with the terms of the Purchase Agreement, Halo will then sell 100% of the issued and outstanding shares of Cannahealth to Akanda in exchange for 13,129,212 common shares in the capital of the Company (“Akanda Shares”), representing aggregate consideration of US\$13,129,212. On or around November 3, 2021, the sale and purchase Agreement became unconditional and Akanda completed the acquisition of Cannahealth Limited. Accordingly, Akanda issued 13,129,212 common shares to Halo in lieu of the acquisition. Contemporaneously with the closing of the Sale and Purchase Agreement, Akanda entered into an investor rights agreement with Halo, which will see Halo gaining certain investor rights as a shareholder of Akanda, including certain information rights and the rights to appoint a director to the board of Akanda. Akanda also entered into a debenture agreement with Halo in terms of which Akanda is indebted to Halo to the amount of approximately \$6.6m, in lieu of the acquisition of the loan claims in Bophelo Bio Science and Canmart that were previously held by Halo prior to the completion of the internal reorganization. The debenture is secured by way of a general security over the assets of the Akanda, as well as by a pledge of the 1,200 shares held by the Akanda in Cannahealth Limited. The debenture bears interest at a rate of 1% per annum and is repayable on or before November 2, 2021. The debenture (including accrued interest thereon) is convertible, at the Akanda’s election, into common shares of Akanda, and the debenture (including accrued interest thereon) will automatically convert into common shares of the Akanda upon the successful completion of an Initial Public Offering.

*Settlement of bridge loan*

On November 10, Akanda Corp. approved the settlement of an outstanding bridge loan payable by Bophelo Bio Science and Wellness (Pty) Ltd to Louisa Mojela. In terms of the settlement, Akanda will



**BOPHELO BIO SCIENCE AND WELLNESS (PTY) LTD**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the Years Ended December 31, 2019 and 2020**

**NOTE 19. Subsequent Events (continued)**

issue 880,000 common shares at a price of \$2.50 per share to Louisa Mojela in order to settle a total amount outstanding under the bridge loan facility of \$2.2 million, inclusive of an applicable \$1.1m redemption premium under the loan agreement. In exchange for the Company settling the loan payable to Louisa Mojela on behalf of Bophelo Bio Science and Wellness (Pty) Ltd, the Company shall have a corresponding inter-company loan account claim against Bophelo Bio Science and Wellness (Pty) Ltd.

## INDEX TO FINANCIAL STATEMENTS

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### **Report of Independent Registered Public Accounting Firm**

To the shareholders and the board of directors of Canmart Ltd

#### **Opinion on the Financial Statements**

We have audited the accompanying statements of financial position of Canmart Ltd (the “Company”), as of December 31, 2020 and 2019, the related statements of comprehensive loss, changes in shareholders’ equity (deficit) and cash flows for the years then ended, and related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years ended December 31, 2020 and 2019, in conformity with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

#### **Substantial Doubt about the Company’s Ability to Continue as a Going Concern**

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company’s significant operating losses raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

#### **Basis for Opinion**

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ BF Borgers CPA PC

Served as Auditor since 2021

Lakewood, CO

November 18, 2021

**CANMART LTD**  
**STATEMENTS OF FINANCIAL POSITION**

Presented in US Dollars	Note	\$	December 31, 2020	December 31, 2019
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash			1,907	1,116
Inventory			611	—
Total Current Assets			2,518	1,116
<b>Non-Current Assets</b>				
Intangible assets	5		17,146	16,563
Total Non-Current Assets			17,146	16,563
<b>Total Assets</b>			<b>19,664</b>	<b>17,679</b>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY (DEFICIT)</b>				
<b>Current Liabilities</b>				
Trade and other payables	7		1,024	—
Due to related parties			—	17,707
<b>Total Liabilities</b>			<b>1,024</b>	<b>17,707</b>
<b>Shareholder's Equity (Deficit)</b>				
Share capital	8		3	3
Accumulated deficit			(2,291)	(30)
Other reserves			21,046	—
Accumulated other comprehensive income			(117)	(1)
			18,640	(28)
<b>Total Liabilities and Shareholder's Equity (Deficit)</b>			<b>19,664</b>	<b>17,679</b>

The accompanying notes are an integral part of these financial statements.

**CANMART LTD**  
**STATEMENT OF OPERATIONS**  
**For the Years Ended December 31**

Presented in US Dollars	Note	\$	2020	2019
Sales			2,062	—
Cost of sales			(1,809)	—
<b>Gross Profit</b>			253	—
Consulting and professional fees			31	—
License costs			1,491	—
General & administrative expenses			1,101	32
<b>Total operating expenses</b>			(2,623)	32
<b>Loss from Operations</b>			(2,370)	32
<b>Other Income (Expense)</b>				
Finance income			1	2
Finance expenses			—	—
Other income			108	—
<b>Total Other Income (Expense)</b>			109	2
Net loss before income tax			(2,261)	30
Income tax expense			—	—
<b>Net Loss for the Year</b>			(2,261)	30
<b>Other Comprehensive Loss:</b>				
Exchange differences on foreign currency translation			(116)	(1)
<b>Total Comprehensive Loss</b>			(2,377)	31
<b>Basic and dilutive loss per ordinary share</b>			(1,188.50)	(15.50)
<b>Weighted average number of ordinary shares outstanding</b>			2	2

The accompanying notes are an integral part of these financial statements.

**CANMART LTD**  
**STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY**

Presented in US Dollars	\$	Number of Shares	Share Capital	Accumulated other comprehensive income	Accumulated Deficit	Other Reserves	Total Equity (Deficit)
<b>Balance, December 31, 2018</b>		2	3	—	—	—	3
Issue of shares		—	—	—	—	—	
Currency translation		—	—	) (1	—		) (1
Net loss		—	—	—	) (30	—	) (30
<b>Balance, December 31, 2019</b>		<u>2</u>	<u>3</u>	<u>) (1</u>	<u>) (30</u>	<u>—</u>	<u>) (28</u>
Currency translation		—	—	(1)16	—	—	) (116
Contribution to reserves by owners of the Company						21,046	21,046
Net loss		—	—	—	(2,261		(2,261
<b>Balance, December 31, 2020</b>		<u>2</u>	<u>3</u>	<u>(1)17</u>	<u>(2,291</u>	<u>21,046</u>	<u>18,640</u>

The accompanying notes are an integral part of these financial statements.



**CANMART LTD**  
**STATEMENT OF CASH FLOWS**

Presented in US Dollars	Note	\$	January 1, 2020 to December 31, 2020	January 1, 2019 to December 31, 2019
<b>Cash Flows from Operating Activities:</b>				
Net loss			(2,281	) (30
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			—	—
Changes in operating assets and liabilities:				
Increase in inventory			861	—
Increase in trade and other payables			1,024	—
Increase in due to related parties			3,339	17,707
Net cash provided by operating activities			1,491	17,677
<b>Cash Flows from Investing Activities:</b>				
Payments for acquisition of cannabis licenses			—	(15,625
Net cash used in investing activities			—	(15,625
<b>Cash Flows from Financing Activities:</b>				
Proceeds from share subscriptions receivable			—	2
Net cash provided by financing activities:			—	2
Effects of foreign exchange translation on cash			8700	(938
Net change in cash			791	1,116
Cash at beginning of year			1,116	—
Cash at end of year			1,907	1,116
<b>Supplemental cash flow information:</b>				
Interest paid			—	—
Taxes paid			—	—
<b>Non-cash Investing and Financing Activities:</b>				
Contributions to reserves by shareholders due to waiver of balance due to related party			21,046	—

The accompanying notes are an integral part of these financial statements.

## CANMART LTD

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2019 and 2020**

**NOTE 1. Nature of Operations**

Canmart Ltd (the “Company”) is domiciled in United Kingdom was incorporated on December 27, 2018. The Company’s registered office is at Units 1a/1b Learoyd Road, New Romney, Kent, England. The Company was formed to establish the business of warehousing and storage facilities for land transport activities.

The Company’s main business is the production and sale of cannabis-based products for medicinal use. The Company is part of a business restructuring agreement in which it will indirectly become part of Akanda Corp., a newly incorporated Company in Canada (Refer to Note 2 and Note 11 below).

On October 1, 2020 the former owners of Canmart Ltd, David Dean and Darran Quinn, entered into a Sale and Purchase Agreement with Halo Collective Inc. (“Halo”) in terms of which Halo would acquire the entire outstanding and issued share capital of the Company (amounting to 2 ordinary shares) from the former owners of the Company. On October 30, 2020, Halo and the former owners of the Company entered into an amendment agreement relating to the Sale and Purchase agreement dated October 1, 2020, in terms of which the original agreement was amended to update the purchase consideration payable to the former owners of the Company by Halo to an amount of 135,416,666 common shares of Halo. The acquisition of the Company by Halo closed on November 10, 2020.

During March 2020, the World Health Organization declared Covid-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or ability to raise funds.

**NOTE 2. Basis of preparation and going concern**

These financial statements have been prepared in accordance with International Financial Reporting Standards. (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

They were authorized for issue by the Company’s board of directors on October 14, 2021

These financial statements have been prepared on a historical cost basis, except for certain financial instruments, which are measured at fair value. These financial statements are presented in United States dollars. The fiscal year end is December 31. The Company’s functional currency is Great British Pounds.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

*Going concern*

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Company will continue to operate in the foreseeable future as a going concern. Subsequent to the transaction envisaged in Note 11, the Company shall become, directly or indirectly, a wholly owned subsidiary of Akanda Corp (“Akanda”). The financial forecast for the Akanda group for the next 18 months indicates that it will make significant revenue through production & sale of dried cannabis flowers through a hoop house, shade cloth & greenhouse grow as well as sale of cannabis based medicinal products. Until such time that the group becomes cash flow positive, any shortfall would be funded by the shareholders of Akanda.



## CANMART LTD

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2019 and 2020**

**NOTE 2. Basis of preparation and going concern (continued)**

Additionally, the group is engaged in a Pre IPO financing process and is expected to raise USD 5 million to fund the capital expenditure and working capital requirements of the Company (and the group).

**NOTE 3. Use of judgements and estimates**

In preparing these financial statements, management has made judgements and estimates that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively. Areas requiring a significant degree of estimation and judgment include fair value measurements for financial instruments, the recoverability and measurement of deferred tax assets and liabilities and assessment of the Company's ability to continue as a going concern.

An allowance is made for all debts which the company considers unlikely to recover. The allowance is recognized through profit and loss.

The estimates used to determine the useful life of the intangible assets are determined by considering the relevant market related information and the term granted in respect of licences.

**NOTE 4. Significant accounting policies***General*

The accounting policies described in these financial statements have been applied consistently to all periods presented in these financial statements.

*Foreign currency and foreign translation*

Transactions in foreign currencies are translated from the respective functional currencies to the reporting currency of the Company using the exchange rates at transaction date. Receivables, payables and other monetary assets and liabilities denominated in foreign currencies are re-translated to the reporting currency using the exchange rates at the balance sheet date. Resulting foreign currency differences are recognized in the income statement, except for foreign currency differences arising on re-translation of Fair Value through Other Comprehensive Income (FVOCI) investments and financial liabilities designated as a hedge of a net investment, which are recognized in other comprehensive income.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are re-translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured at cost are translated into the functional currency at the exchange rate at transaction date.

The functional and reporting currency of the Company is the Great British Pounds and United States dollar respectively. Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date or at an average rate. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in profit and loss in both the years ended December 31, 2019 and 2020.

*Intangible assets*

The Company has cannabis distribution licenses which have been assessed as having an indefinite useful life. As such, these licenses are not amortized but their recoverable amounts are tested annually for

## CANMART LTD

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2019 and 2020**

**NOTE 4. Significant accounting policies (continued)**

impairment. The intangible assets are recorded at cost less impairment losses, if any. The Company capitalizes the initial license application cost as the cost of intangible assets while the annual license renewal fees are expensed in the year during which they occur.

*Cash*

Cash includes cash on hand and other short-term highly liquid investments with original maturities of three months or less, which are classified as cash equivalents. The Company did not hold any cash equivalents as of December 31, 2020.

*Revenue*

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognizes revenue when it transfers control over a good or service to a customer. In accordance with IFRS 15, the Company recognizes revenue, excluding interest and dividend income and other such income from financial instruments recognized in accordance with IFRS 9, upon transfer of promised goods or services to customers in amounts that reflect the consideration to which the Company expects to be entitled in exchange for those goods or services based on the following five step approach:

- Step 1: Identify the contracts with customers;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contract; and
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

The Company typically satisfies its performance obligations upon completion of sale. The Company primarily acts as principal in contracts with its customers. The Company does not have material obligations for returns, refunds and other similar obligations, nor warranties and related obligations.

Revenue is recognized at the amount of the transaction price that is allocated to the performance obligation. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer.

The company has a single revenue stream currently that relates to the sale of cannabis-based products for medicinal use. This revenue stream is assessed as one performance obligation. Revenue from cannabis based medicinal product sales is recognized once the performance obligation has been satisfied, which would be upon the customer taking the delivery of the product. The transaction price for each product and service will be determined based on the respective invoice.

The Company exercises judgments in determining the amount of the costs incurred to obtain or fulfil a contract with a customer, which includes, but is not limited to (a) the likelihood of obtaining the contract, (b) the estimate of the profitability of the contract, and (c) the credit risk of the customer. An impairment loss will be recognized in profit or loss to the extent that the carrying amount of the asset exceeds (a) the remaining amount of consideration that the entity expects to receive in exchange for the goods or services to which the asset relates, less (b) the costs that relate directly to providing those goods or services and that have not been recognized as expenses.

*Earnings (loss) per share*

The calculation of earnings per share (EPS) for the period ended December 31, 2019 and 2020 is based on the profit /loss attributable to the shareholder of the Company (net profit (loss)) and the weighted average



## CANMART LTD

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2019 and 2020**

**NOTE 4. Significant accounting policies (continued)**

number of shares outstanding (basic and diluted) during the period ended December 31, 2019 and 2020. The Company has no potentially dilutive securities, such as options or warrants, currently issued and outstanding.

*Income tax*

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The amount of deferred tax provided is based on the expected manner of recovery or settlement of the carrying amount of assets and liabilities, using tax rates (substantively) enacted, at year-end. Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities which intend either to settle current tax liabilities and assets on a net basis or to realize the assets and settle the liabilities simultaneously. Current and deferred tax are recognized in the income statement, except when it relates to a business combination or for items directly recognized in equity or other comprehensive income.

*Share capital*

Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

*Fair value measurement*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability

## CANMART LTD

NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended December 31, 2019 and 2020**NOTE 4. Significant accounting policies (continued)**

take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

**NOTE 5. Intangible Assets**

	\$	Licences	Total
Cost at December 31, 2018	—	—	—
Additions	15,625	15,625	
Amortisation	—	—	
Foreign exchange translation	938	938	
Cost at December 31, 2019	16,563	16,563	
Accumulated amortisation at December 31, 2019	—	—	
Carrying value at December 31, 2019	16,563	16,563	
Foreign exchange translation	583	583	
Amortisation	—	—	
Cost at December 31, 2020	17,146	17,146	
Accumulated amortisation at December 31, 2020	—	—	
Carrying value at December 31, 2020	17,146	17,146	

The licenses held by the Company have been issued by the Medicines & Healthcare Products Regulatory Agency in the United Kingdom. The licenses allow the Company to hold and distribute a controlled drug as determined by the Medicines & Healthcare Products Regulatory Agency. The detailed terms of the licenses are described below:

*Controlled Drug License*

The Controlled Drug License held by the Company was issued to the Company by the Home Office on February 4, 2020 with an expiry date of February 3, 2021. This license was successfully renewed further with a new expiry date of February 3, 2022. This license (license ref no. 846476) allows the Company to import, store and export controlled drugs, namely schedule 2 drugs, into and from the United Kingdom. The Company pays an annual license renewal fee to renew the license annually which renewal is subject to enhanced to disclosure and barring the undertaking by the Home Office within 3 years of the time of the first disclosures made to the Home Office by the Company when it applied for the license. The cost of acquiring this license is approximately US\$4,795 (GBP 3,655). The license is considered to have an indefinite useful life as its renewal is only subject to the payment of an annual renewal fee and occasional Home Office disclosure checks. As such, the license is not subject to amortization.

*Manufacturer's Specials License*

The Company also holds a Manufacturer's Specials License (issued by Medicine and Health Regulatory Agency) with license number MS50996. The license was issued on August 5, 2019, which allows it to import and store non authorised pharmaceuticals/ unlicensed medicinal products, otherwise known as specials. The License does not have an expiry date but under the terms of the license, fees are payable to the Medicine





**CANMART LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2019 and 2020**

**NOTE 5. Intangible Assets (continued)**

and Health Regulatory Agency for inspection and other fees. The costs attributable to this license is approximately US\$9,598 (GBP 6,971). The license is considered to have an indefinite useful life as it does not have an expiry date and its only ongoing obligation to the license holder is the payment of an annual license fee and inspection costs. As such, the license is not subject to amortization.

*Wholesale Distribution Authorization License*

The Wholesale Distribution Authorization License (issued by Medicine and Health Regulatory Agency) with license number 50996 and allows the Company to distribute by way of wholesale, medical cannabis products and to store such products at its approved premises. The license was granted on August 2, 2019 and it does not have an expiry date. The license will remain in force from the date of issue unless cancelled, suspended, revoked, varied or relinquished by the Company. The cost of the license was approximately US\$2,624 (GBP 2,000). The license is considered to have an indefinite useful life as it does not have an expiry date. As such the license is not subject to amortization.

**NOTE 6. Trade and other receivables**

	\$	December, 31 2020	December, 31 2019
Trade receivables		523	—
Allowance for bad debts		) (523	—
		<u>—</u>	<u>—</u>

**NOTE 7. Share capital***Issued*

## Ordinary shares

On inception, the Company issued share capital of US\$3 (Great British Pounds 2) consisting of two ordinary shares with a par value of US\$1.5 (Great British Pounds 1) per share. The Company received the proceeds of these share issues during 2019.

Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All rights attached to the Company's shares held by the Company are suspended until those shares are reissued.

**NOTE 8. Financial instruments and risk management***Financial instruments*

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus, for an item not at Fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

**CANMART LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2019 and 2020**

**NOTE 8. Financial instruments and risk management (continued)**

The Company derecognizes a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
- substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset

Financial liabilities are classified as measured at amortized cost or fair value through profit or loss (FVTPL). A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

At December 31, 2019 and 2020, the Company's financial instruments include cash, trade and other payables and balances due to related parties.

*Financial risk management*

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors has established the risk management committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the board of directors on its activities.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company has exposure to the following risks arising from financial instruments:

- 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 receivables from customers and investments in debt securities.
- Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's objective when managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.



**CANMART LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Years Ended December 31, 2019 and 2020**

**NOTE 8. Financial instruments and risk management (continued)**

- Market risk is the risk that changes in market prices — e.g., foreign exchange rates, interest rates and equity prices — will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

*Currency risk*

The Company is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and payables are denominated and the respective functional currency of the Company. The functional currency of the Company is the United States dollar. The currencies in which these transactions are primarily denominated are Euro, United States dollar, British pound sterling and Canadian dollar.

*Capital Management*

The Company's primary objective is to ensure that it maintains sufficient capital to support the initial and ongoing development of the business infrastructure. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In maintaining or adjusting the capital structure, the Company will request further funding from the shareholders and other related parties.

**NOTE 9. Income Tax**

The provision for income taxes differs from the amount that would have resulted in applying the combined federal statutory tax rate as follows:

	\$	December 31, 2020	December 31, 2019
Net loss for the year		) (2,261	)(30
Statutory income tax rate		% 18	% 19
Expected tax recovery at statutory income tax rates		) (407	) (6
Change in deferred tax assets not recognized		407	6
		<u>—</u>	<u>—</u>

Temporary differences that give rise to the following deferred tax assets and liabilities at are:

	\$	December 31, 2020	December 31, 2019
Deferred tax assets			
Net operating loss carried forward		2,291	30
Deferred tax assets not recognized		) (2,291	)(30
Net deferred tax assets		<u>—</u>	<u>—</u>

As at December 31, 2020, the Company has approximately \$2,408 (2019 — \$31) of non-capital losses in the United Kingdom that may be used to offset future taxable income. These losses may be carried forward on an indefinite basis and do not expire. The Company has not recognized the deferred tax assets due to the uncertainty around utilizing all of the losses carry-forwards.

## CANMART LTD

NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended December 31, 2019 and 2020**NOTE 10. Related Party Transactions***Related party balances*

As at December 31, 2020, \$Nil (2019: \$17,707) was due to related parties that pertained to the loans provided by the Company's directors, Darran Quinn and David Dean to the Company. During 2020, the Company's directors advanced an additional \$3,339 and a total balance of \$21,046 was waived by the Company's directors (David Dean and Darren Quinn) which resulted in other reserves to the extent of \$21,046.

Until Halo completed the acquisition of the Company on November 20, 2020 and became the 100% shareholder of the Company at that time, the Directors, Darran Quinn and David Dean were also the holders of the entire issued share capital of the Company (with each individual holding one share each at a par value of \$1.5 each (GBP 1 each)).

*Use of Warehouse premises*

The Company makes use of warehouse space owned by an entity known as D&D Investments Ltd. This entity is owned and controlled by two of the Company's directors, namely David Dean and Darran Quinn. The Company does not pay rental for the time being in relation to the use of this property and no signed lease agreement is in place.

**NOTE 11. Subsequent Events***Entering into of Sale and Purchase Agreement with Halo Collective Inc.*

On September 29, 2021, Halo Collective Inc. ("Halo"), entered into a share purchase agreement (the "Purchase Agreement") with Akanda Corp. in connection with the sale/purchase of its international assets (the "Transaction"). These international assets comprise Halo's investments in Bophelo Bio Science & Wellness Pty Ltd, Canmart Ltd, Bophelo Holdings Ltd and Cannahealth Limited.

Prior to the completion of the Transaction, Halo intends to complete an internal reorganization, pursuant to which Halo's international assets in the UK, Malta & Lesotho namely Canmart Ltd, Cannahealth Limited and Bophelo Bio Science and Wellness (Pty) Ltd will become, directly or indirectly, wholly owned subsidiaries of Akanda Corp. In accordance with the terms of the Purchase Agreement, Halo will then sell 100% of the issued and outstanding shares of Cannahealth to Akanda in exchange for 13,129,212 common shares in the capital of the Akanda ("Akanda Shares"), representing aggregate consideration of US\$13,129,212. On or around November 3, 2021, the sale and purchase Agreement became unconditional and Akanda completed the acquisition of Cannahealth Limited. Accordingly, Akanda issued 13,129,212 common shares to Halo in lieu of the acquisition. Contemporaneously with the closing of the Sale and Purchase Agreement, Akanda entered into an investor rights agreement with Halo, which will see Halo gaining certain investor rights as a shareholder of Akanda, including certain information rights and the rights to appoint a director to the board of Akanda. Akanda also entered into a debenture agreement with Halo in terms of which Akanda is indebted to Halo to the amount of approximately \$6.6m, in lieu of the acquisition of the loan claims in Bophelo Bio Science and Canmart that were previously held by Halo prior to the completion of the internal reorganization. The debenture is secured by way of a general security over the assets of Akanda, as well as by a pledge of the 1,200 shares held by Akanda in Cannahealth Limited. The debenture bears interest at a rate of 1% per annum and is repayable on or before November 2, 2021. The debenture (including accrued interest thereon) is convertible, at Akanda's election, into common shares of Akanda, and the debenture (including accrued interest thereon) will automatically convert into common shares of Akanda upon the successful completion of an Initial Public Offering.

**AKANDA CORP.**

**UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS**

The following unaudited pro forma combined financial statements give effect to the following transactions:

- i. The acquisition of Bophelo Bio Science and Wellness (Pty) Ltd (“Bophelo Bio Science”), Canmart Ltd (“Canmart”), Bophelo Holdings Ltd (“Bophelo Holdings”), and Cannahealth Limited (“Cannahealth”) by Akanda Corp. (the “Company”) pursuant to a Sale Purchase Agreement dated September 29, 2021. Pursuant to the Sale Purchase Agreement, the Company will acquire all of the outstanding ordinary shares of Cannahealth from its shareholder Halo Collective Inc. (“Halo”) in exchange for 13,129,212 common shares of the Company issued to Halo.
- ii. The issue of 2,000,000 common shares of the Company at a price of \$2.50 each pursuant to a pre-Initial Public Offering capital raise;
- iii. The issue of 4,000,000 common shares of the Company at a price of \$5.00 pursuant to the Company’s Initial Public Offering.

These financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

**AKANDA CORP.**  
**UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF FINANCIAL POSITION**  
**As of December 31, 2020**

	\$ Akanda Corp.	Cannahealth	Bophelo Holdings	Canmart	Bophelo Bio Science	Total	Proforma Adjustments	Notes	Proforma As Adjusted
	31 August 2021	31 December 2020	31 August 2021	31 December 2020	31 December 2020				
<b>ASSETS</b>									
<b>Current Assets</b>									
Cash	250,001	1,477	138	1,907	10,120	263,643	23,644,920	4(a,b & c)	23,908,563
Prepayments	—	—	—	—	113,485	113,845	—		113,485
Inventory	—	—	—	611	—	611	—		611
Loan to shareholder	—	—	—	—	7	7	—		7
<b>Total Current Assets</b>	<b>250,001</b>	<b>1,477</b>	<b>138</b>	<b>2,518</b>	<b>123,612</b>	<b>377,746</b>	<b>23,644,920</b>		<b>24,022,666</b>
<b>Non-Current Assets</b>									
Property, plant and equipment	—	—	—	—	742,887	742,887	—		742,887
Capital work in progress	—	—	—	—	883,145	883,145	—		883,145
Right-of-use asset	—	—	—	—	2,199,779	2,199,779	—		2,199,779
Intangible assets	—	—	—	17,146	304,260	321,406	—		321,406
<b>Total Non-Current Assets</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>17,146</b>	<b>4,130,071</b>	<b>4,147,217</b>	<b>—</b>		<b>4,147,217</b>
<b>Total Assets</b>	<b>250,001</b>	<b>1,477</b>	<b>138</b>	<b>19,664</b>	<b>4,253,683</b>	<b>4,524,963</b>	<b>23,644,920</b>		<b>28,169,883</b>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>									
<b>Current Liabilities</b>									
Trade and other payables	27,635	—	—	1,024	182,878	211,537	—		211,537
Loans and borrowings	4,263	—	—	—	2,263,605	2,267,868	(1,350,813)		917,055
Lease liability	—	—	—	—	283,976	283,976	—		283,976
<b>Total Current Liabilities</b>	<b>31,898</b>	<b>—</b>	<b>—</b>	<b>1,024</b>	<b>2,730,459</b>	<b>2,763,381</b>	<b>(1,350,813)</b>		<b>1,412,568</b>
<b>Non-Current Liabilities</b>									
Lease liability	—	—	—	—	3,977,108	3,977,108	—		3,977,108
Loans and borrowings	—	—	—	—	2,598,176	2,598,176	—		2,598,176
<b>Total Non-Current Liabilities</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>6,575,284</b>	<b>6,575,284</b>	<b>—</b>		<b>6,575,284</b>
<b>Total Liabilities</b>	<b>31,898</b>	<b>—</b>	<b>—</b>	<b>1,024</b>	<b>9,305,743</b>	<b>9,338,665</b>	<b>(1,350,813)</b>		<b>7,987,852</b>
<b>Shareholders' Equity</b>									
Capital	250,001	1,477	138	3	156	251,775	38,972,358	4(a,b & c)	39,224,133
Reserves	—	—	—	21,046	7	21,053	—		21,053
Accumulated deficit	(31,898)	—	—	(2,291)	(5,073,780)	5,194,590	(849,187)		(6,043,777)
Other comprehensive income	—	—	—	(118)	108,178	108,060	(13,127,438)	4(a)	(13,019,378)
<b>Total Shareholders' equity</b>	<b>218,103</b>	<b>1,477</b>	<b>138</b>	<b>18,640</b>	<b>(5,073,630)</b>	<b>4,813,702</b>	<b>24,995,733</b>		<b>20,182,031</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>250,001</b>	<b>1,477</b>	<b>138</b>	<b>19,664</b>	<b>4,253,676</b>	<b>4,524,963</b>	<b>23,644,920</b>		<b>28,169,883</b>

*See accompanying notes to the Unaudited Pro Forma Condensed Combined Financial Statements.*





## AKANDA CORP.

**UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS**  
**Year Ended December 31, 2020**

	\$ Akanda Corp.	Cannahealth	Bophelo Holdings	Canmart	Bophelo Bio Science	Total	Proforma Adjustments	Notes	Proforma As Adjusted
	31 August 2021	31 December 2020	31 August 2021	31 December 2020	31 December 2020				
Sales	—	—	—	2,062	—	2,062	—		2,062
Cost of sales	—	—	—	(1,809)	—	(1,809)	—		(1,809)
Gross Profit	—	—	—	253	—	253	—		253
Amortisation and depreciation	—	—	—	—	(248,743)	(248,743)	—		(248,873)
Consulting and professional fees	(31,898)	—	—	(31)	(701,985)	(733,914)	—		(702,016)
Fair value adjustment	—	—	—	—	(58,429)	(58,429)	—		(58,429)
Lease costs	—	—	—	—	(43,482)	(43,482)	—		(43,482)
Office expenses	—	—	—	—	(26,874)	(26,874)	—		(26,874)
Personnel expenses	—	—	—	—	(374,900)	(374,900)	—		(374,900)
Travel expenses	—	—	—	—	(5,154)	(5,154)	—		(5,154)
General & administrative expenses	—	—	—	(2,592)	(201,768)	(248,743)	—		(204,360)
Loss from Operations	(31,898)	—	—	(2,370)	(1,663,335)	(1,697,603)	—		(1,697,603)
Finance income	—	—	—	1	10,187	10,188	—		10,188
Finance expenses	—	—	—	—	(645,162)	(645,162)	(849,187)	4(d)	(1,494,349)
Other income	—	—	—	108	—	108	—		108
Net loss from operations	(31,898)	—	—	(2,261)	(2,298,310)	(2,332,469)	(849,187)		(3,181,656)
Foreign exchange translation	—	—	—	(116)	150,742	150,626	—		150,626
Net and comprehensive loss	(31,898)	—	—	(2,377)	(2,147,568)	(2,181,843)	(849,187)		(3,031,030)
Basic and dilutive loss per ordinary share	(0.01)	—	—	(1,189)	(9.66)	—	—		(0.11)
Weighted average number of ordinary shares outstanding	6,095,705	1,200	100	2	222,212	20,505,726	4(a,b,c&d)		26,824,945

*See accompanying notes to the Unaudited Pro Forma Condensed Combined Financial Statements.*

**AKANDA CORP.**  
**UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS**  
**Year Ended December 31, 2019**

	\$ Akanda Corp.	Cannahealth	Bophelo Holdings	Canmart	Bophelo Bio Science	Total	Proforma Adjustments	Notes	Proforma As Adjusted
	N/A	N/A	N/A	31 December 2019	31 December 2019				
Sales	—	—	—	—	—	—	—		—
Cost of sales	—	—	—	—	—	—	—		—
Gross Profit	—	—	—	—	—	—	—		—
Amortisation and depreciation	—	—	—	—	(198,824)	(198,824)	—		(198,824)
Consulting and professional fees	—	—	—	—	(365,641)	(365,641)	—		(365,641)
Biological Assets costs	—	—	—	—	—	—	—		—
Short term accommodation expense	—	—	—	—	(26,269)	(26,269)	—		(26,269)
Office expenses	—	—	—	—	(13,116)	(13,116)	—		(13,116)
Personnel expenses	—	—	—	—	(100,256)	(100,256)	—		(100,256)
Travel expenses	—	—	—	—	(30,582)	(30,582)	—		(30,582)
General & Administration expenses	—	—	—	(32)	(166,515)	(166,547)	—		(166,547)
Loss from Operations	—	—	—	(32)	(901,203)	(901,235)	—		(901,235)
Finance income	—	—	—	2	399	401	—		401
Finance expenses	—	—	—	—	(493,807)	(493,807)	(1,100,000)	4(d)	(1,593,807)
Other income	—	—	—	—	—	—	—		—
Net loss from operations	—	—	—	(30)	(1,394,611)	(1,394,641)	(1,100,000)		(2,494,641)
Foreign exchange translation	—	—	—	(1)	(42,565)	(42,566)	—		(42,566)
<b>Net and comprehensive loss</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(31)</b>	<b>(1,437,176)</b>	<b>(1,437,207)</b>	<b>(1,100,000)</b>		<b>(2,537,207)</b>
<b>Basic and dilutive loss per ordinary share</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(15.50)</b>	<b>(33.26)</b>	<b>—</b>	<b>—</b>		<b>(0.12)</b>
<b>Weighted average number of ordinary shares outstanding</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>2</b>	<b>43,206</b>	<b>—</b>	<b>20,686,032</b>	<b>4(a,b,c&amp;d)</b>	<b>20,729,240</b>

*See accompanying notes to the Unaudited Pro Forma Condensed Combined Financial Statements.*

**AKANDA CORP.****NOTES TO THE UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS**

Akanda Corp. (the “Company”) was incorporated in July 2021 and on September 29, 2021, the Company entered into a Share Purchase Agreement (the “Agreement”) with Halo Collective Inc. (“Halo”), pursuant to which the Company will acquire all of the outstanding ordinary shares of Cannahealth Limited (“Cannahealth”) from Halo in exchange for 13,129,212 common shares of the Company.

Cannahealth is the holding company of Canmart Limited (“Canmart”) and Bophelo Holding Limited (“Bophelo Holdings”), which in turn, is the holding company of Bophelo Bio Science and Wellness (Pty) Ltd (“Bophelo Bio Science”). Following the completion of the Agreement, Akanda will directly and indirectly own 100% of the issued share capital of Cannahealth, Canmart, Bophelo Holdings and Bophelo Bio Science.

The Company will also ii. issue of 2,000,000 common shares of the Company at a price of \$2.50 each pursuant to a pre-Initial Public Offering capital raise, and a further issue of 4,000,000 common shares of the Company at a price of \$5.00 each pursuant to its Initial Public Offering.

**NOTE 1. BASIS OF PRO FORMA PRESENTATION**

The unaudited pro forma condensed combined financial statements are based on the Company’s historical financial statements as well as those of Bophelo Bio Science, Canmart, Bophelo Holdings and Cannahealth. These historical consolidated financial statements have been adjusted to give effect to the acquisition of the above-mentioned companies and the shares issued as part of the acquisition, as well as to give effect to the issue of the Company’s common shares pursuant to the pre-initial public offering capital raise and the Initial Public Offering itself. The unaudited pro forma combined statements of operations for the reporting periods ended August 31, 2021 and the reporting periods ended December 31, 2020 give effect to the above-mentioned companies acquisition as if it had occurred on January 1, 2020 (and on January 1, 2019 for the unaudited pro forma condensed statement of operations for the year ended 31 December, 2019). The unaudited proforma combined statements of financial position as of August 31, 2021 and December 31, 2020 give effect to the above-mentioned companies acquisition as if it had occurred on December 31, 2020. The Company, including all of its subsidiaries, have a fiscal year end of December 31 following the combination of the companies under common control.

For accounting purposes, the Company has considered the accounting guidance provided by the relevant IASB agendas and determined that the merger of Akanda Corporation and Bophelo Bio, Canmart, Bophelo Holdings, and Cannahealth should be treated as a combination of companies under common control and the pooling of interests’ method applied. As such, the assets and liabilities of Bophelo Bio, Canmart, Bophelo Holdings, and Cannahealth have been presented at their historical carrying values.

Historical financial information has been adjusted in the pro forma balance sheet to pro forma events that are: (1) directly attributable to the Acquisition; (2) factually supportable; and (3) expected to have a continuing impact on the Company’s results of operations. The pro forma adjustments presented in the pro forma combined balance sheet and statement of operations are described in Note 4 — Pro Forma Adjustments.

The unaudited pro forma condensed combined financial information is for illustrative purposes only. These companies may have performed differently had they actually been combined for the periods presented. You should not rely on the pro forma combined financial information as being indicative of the historical results that would have been achieved had the companies always been combined or the future results that the combined companies will experience after the acquisition.

**NOTE 2. ACCOUNTING PERIODS PRESENTED**

Certain pro forma adjustments were made to conform Bophelo Bio, Canmart, Bophelo Holdings, and Cannahealth accounting policies to the Company’s accounting policies as noted below.

## AKANDA CORP.

## NOTES TO THE UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

**NOTE 2. ACCOUNTING PERIODS PRESENTED (continued)**

The unaudited pro forma condensed combined balance sheet as of December 31, 2020 is presented as if the acquisition had occurred on December 31, 2020 and combines the balance sheet of the Company at August 31, 2021, the historical balance sheet of Bophelo Holdings at August 31, 2021, and the historical balance sheet of Bophelo Bio, Canmart, and Cannahealth at December 31, 2020.

The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2020 has been prepared by combining the Company's historical consolidated statement of operations for the period ended August 31, 2021, with the historical statement of operations of Bophelo Holdings at August 31, 2021, and with the historical statement of operations of Bophelo Bio Science, Canmart, and Cannahealth for the year ended December 31, 2020.

**NOTE 3. PRELIMINARY PURCHASE PRICE ALLOCATION**

On September 29, 2021, the Company entered into a Share Purchase Agreement (the "Agreement") with Halo Collective Inc. ("Halo"), pursuant to which the Company will acquire all of the outstanding ordinary shares of Cannahealth Limited ("Cannahealth") from Halo in exchange for 13,129,212 common shares of the Company. The unaudited pro forma condensed combined financial statements include various assumptions, including those related to the preliminary purchase price allocation of the assets acquired and liabilities assumed of Cannahealth, Canmart, Bophelo Holdings and Bophelo Bio Science. For accounting purposes, the Company has determined that the acquisition of Cannahealth, Canmart, Bophelo Holdings and Bio Science is a common control business combination. As such, the assets and liabilities of Cannahealth, Canmart, Bophelo Holdings and Bio Science have been presented at their historical carrying values. Accordingly, pro forma adjustments are preliminary and have been made solely for illustrative purposes.

**NOTE 4. PRO FORMA ADJUSTMENTS**

The pro forma adjustments are based on our preliminary estimates and assumptions that are subject to change. The following adjustments have been reflected in the unaudited pro forma condensed combined financial information:

- a) Pursuant to the Agreement, 13,129,212 of the Company's common shares will be issued in lieu of payment for the shares acquired in Cannahealth, Canmart, Bophelo Holdings, and Bophelo Bio Science. The value of the common shares to be issued by the Company amounts to \$13,129,212. A journal was processed to:
  - i. Recognise the increase in the Company's share capital and the accompanying investment in subsidiaries in the Company's statement of financial position;
  - ii. Accounting for the consolidation of Cannahealth, Canmart, Bophelo Holdings and Bophelo Bio Science in accordance with the pooling of interests' method of consolidation, thereby eliminating share capital in the acquired entities (Cannahealth, Canmart, Bophelo Holdings and Bophelo Bio Science) and recognising the difference between the net asset value of the acquired entities and the purchase consideration, namely the 13,129,212 common shares issued by the Company, directly in equity.
- b) In connection with the Company's private placement capital raise initiated in August 2021, the Company, following the initial closing of the private placement on November 12, 2021 will issue 2,126,400 common shares to subscribing investors at a price of \$2.50 each to raise total proceeds under the private placement of \$5,316,000. In connection with its fundraising efforts, the Company has engaged Boustead Securities, LLC ("Boustead") as its lead underwriter. In accordance with the Company's agreed-upon terms of engagement with Boustead, a cash fee of 7% of the gross cash proceeds of the capital raise is payable to Boustead and a non-accountable expense allowance



## AKANDA CORP.

## NOTES TO THE UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

## NOTE 4. PRO FORMA ADJUSTMENTS (continued)

equal to 1% of such gross proceeds. Boustead waived any right to receive placement agent warrants in connection with the private placement.

- c) In connection with the Company's Initial Public Offering capital raise, the Company will issue 4,000,000 common shares at \$5.00 each to raise total proceeds under the Initial Public Offering of \$20,000,000. In connection with its fundraising efforts, the Company has engaged Boustead as its lead underwriter. In accordance with the Company's agreed-upon terms of engagement with Boustead, a cash fee of 7% of the gross cash proceeds of the capital raise is payable to Boustead and a non-accountable expense allowance equal to 1% of such gross proceeds. Furthermore, Boustead is entitled to receive 7% of the number of shares issued in the form of warrants with a strike price equal to the price per share paid by investor in the Initial Public Offering.
- d) The settlement of a \$2.2 million loan due to LM Mojela through an issue of 880,00 common shares in Company at a price of \$2.50 each. The settlement of the loan by way of an issue of equity attracts a redemption premium of 100% on the principal amount of the loan (\$1.1 million). In the event that the redemption premium is triggered, then all accrued interest on the loan is no longer due and payable. At December 31, 2020, accrued interest on the loan amounted to \$250,813.



# AKANDA

**Akanda Corp.**

**4,000,000 Common Shares**

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**PROSPECTUS**

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**Boustead Securities, LLC**

**, 2022**

Until and including \_\_\_\_\_, 2022 (the 25th day after the date of this prospectus), all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.





## PART II

## INFORMATION NOT REQUIRED IN PROSPECTUS

**Item 6. Indemnification of Directors and Officers.**

In accordance with the *Business Corporations Act* (Ontario) and pursuant to the bylaws of the Company (the “Bylaws”), subject to certain conditions, the Company shall, to the maximum extent permitted by law, indemnify a director or officer, a former director or officer, or another individual who acts or acted at the Company’s request as a director or officer, or an individual acting in a similar capacity, of another entity, against all costs, charges and expenses, including any amount paid to settle an action or satisfy a judgment, reasonably incurred by the individual in respect of any civil, criminal, administrative, investigative or other proceeding in which the individual is involved because of that association with the Company or other entity. We shall advance monies to a director, officer or other individual for costs, charges and expenses reasonably incurred in connection with such a proceeding; provided that such individual shall repay the moneys if the individual does not fulfill the conditions described below or is not successful on the merits in their defense of the action or proceeding. Indemnification is prohibited unless the individual:

- Acted honestly and in good faith with a view to our best interests;
- In the case of a criminal or administration action or proceeding enforced by a monetary penalty, had reasonable grounds to believe the conduct was lawful; and
- Was not judged by a court or other competent authority to have committed any fault or omitted to do anything that the individual ought to have done.

We also entered into indemnification agreements with each of our executive officers and directors. The indemnification agreements provide the indemnitees with contractual rights to indemnification, and expense advancement and reimbursement, to the fullest extent permitted under Ontario law.

**Item 7. Recent Sales of Unregistered Securities.**

Since the incorporation of the Company, we have issued and sold the securities described below without registering the securities under the Securities Act.

- On July 16, 2021, the Company sold an aggregate of 5,626,806 Common Shares at a purchase price of \$0.0000001 per share to certain founding shareholders including (i) 1,875,602 shares to Tejinder Virk, our Chief Executive Officer, (ii) 1,875,602 shares to Louisa Mojela, our Executive Chairman, (iii) 937,801 shares to ERB Investment Holdings, LLC, and (iv) 937,801 shares to S&G Holdings, Ltd. Both ERB Investment Holdings, LLC and S&G Holdings, Ltd. are owned and controlled by Raj Beri.
- On August 26, 2021, the Company sold 468,900 Common Shares to an accredited investor pursuant to a subscription agreement for common shares, at a subscription price of \$0.53 and received \$250,000 in gross proceeds.
- On November 3, 2021, the Company closed the Acquisition, pursuant to which the Company issued an aggregate of 13,179,212 Common Shares to Halo at a per share price of \$1.00.
- On November 3, 2021, the Company issued the Debenture in the principal amount of \$6,559,294 to Halo in exchange for setting off all outstanding indebtedness owed by Bophelo to Halo. See “*Prospectus Summary — Our History and Relationship with Halo — Issuance of Secured Convertible Debenture to Halo*” for additional information regarding the terms of the debenture including its conversion terms.
- On November 10, 2021, the Company issued 880,000 Common Shares, at a price of \$2.50 per share, to Louisa Mojela, our Executive Chairman, to settle Bophelo’s indebtedness to her in the aggregate amount of \$2,200,000 under the Mojela Bridge Financing Facility. See “*Certain Relationships and Related Party Transactions — Our Transactions with Our Executive Chairman.*”

On November 12, 2021, the Company sold an aggregate of 2,126,400 Common Shares at the initial closing of a private placement to accredited investors at a purchase price of \$2.50 per share for gross



proceeds of \$5,316,000 and on January 17 and 26, 2022, the Company completed additional closings to accredited investors of 162,000 Common Shares at a purchase price of \$2.50 per share, for approximately \$405,000. Louisa Mojela, our Executive Chairman, was one of the investors at the initial closing and purchased 100,000 Common Shares at the same purchase price.

None of the foregoing transactions involved any underwriters, underwriting discounts or commissions, or any public offering except that Boustead Securities, LLC served as the placement agent for the Seed Financing and the Private Placement. Boustead Securities, LLC waived commission for the Seed Financing and received under the Private Placement: (a) a commission equal to 7% of the gross proceeds and (b) a non-accountable expense allowance equal to 1% of the gross proceeds. The issuances of the above securities were deemed to be exempt from registration under the Securities Act in reliance upon Section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder, as transactions by an issuer not involving any public offering.

#### Item 8. Exhibits and Financial Statements Schedule

- (10) The following exhibits are filed as part of this Registration Statement and are numbered in accordance with Item 601 of Regulation S-K:

Exhibit Number	Description
1.1	<a href="#">Form of Underwriting Agreement.</a>
2.1	<a href="#">Share Purchase Agreement between Akanda Corp. and Halo Collective Inc., dated September 29, 2021.</a>
3.1	<a href="#">Articles of Incorporation of Akanda Corp., dated July 16, 2021.</a>
3.2	<a href="#">Article of Amendment of Akanda Corp., dated August 30, 2021.</a>
3.3	<a href="#">Bylaws of Akanda Corp., dated July 16, 2021.</a>
4.1	<a href="#">Investor Rights Agreement between Akanda Corp. and Halo Collective Inc., dated November 3, 2021.</a>
4.2	<a href="#">Secured Convertible Debenture issued to Halo Collective Inc., dated November 3, 2021.</a>
4.3	<a href="#">Form of Representative's Warrant.</a>
5.1	<a href="#">Form of Opinion of Dentons Canada LLP.</a>
8.1	<a href="#">Form of Opinion of Dentons Canada LLP as to Canadian tax matters (included in Exhibit 5.1).</a>
10.1 <sup>§</sup>	<a href="#">Stock Option Plan of Akanda Corp.</a>
10.2	<a href="#">Agreement of Sublease between Mophuthi Matsoso Development Trust and Bophelo Bio Science and Wellness (Pty) Ltd., dated 2018.</a>
10.3	<a href="#">Loan Agreement, dated September 29, 2020, by and between Bophelo Bio Science and Wellness (Pty) Ltd. and Louisa Mojela.</a>
10.4	<a href="#">Subscription Agreement for Common Shares dated August 26, 2021.</a>
10.5	<a href="#">Form of Subscription Agreement for Common Shares.</a>
10.6 <sup>§</sup>	<a href="#">Employment Agreement by and among Canmart, Halo Labs Inc. and Tejinder Virk, dated June 2, 2021.</a>
10.7 <sup>§</sup>	<a href="#">Contract of Employment by and between Akanda Corp. and Dr. Aslihan Akkar-Schenk, dated September 28, 2021.</a>
10.8 <sup>§</sup>	<a href="#">Form of Indemnity Agreement with directors and executive officers.</a>
10.9	<a href="#">Off-Take Agreement, dated August 3, 2020, by and between Medcan Ltd. and Bophelo Bio Science and Wellness (Pty) Ltd.</a>
10.10	<a href="#">Service, Refinement and Distribution Agreement, effective September 15, 2021, between Cantourage GmbH and Bophelo Bio Science and Wellness (Pty) Ltd.</a>
10.11	<a href="#">Bridge Loan Facility by and between Akanda Corp. and Cellen Limited dated December 2, 2021.</a>
10.12	<a href="#">Service Agreement by and among Akanda Corp., Canmart Limited and Louisa Mojela dated January 24, 2022.<sup>§</sup></a>

- 10.13 [Service Agreement by and among Akanda Corp., Canmart Limited and Trevor Scott dated January 24, 2022.](#)<sup>§</sup>

Exhibit Number	Description
14.1	<a href="#">Code of Business Conduct and Ethics of Akanda Corp.</a>
14.2	<a href="#">Whistleblower Policy of Akanda Corp.</a>
14.3	<a href="#">Related Party Transactions Policy of Akanda Corp.</a>
21.1	<a href="#">List of subsidiaries of Akanda Corp.</a>
23.1	<a href="#">Consent of Dentons Canada LLP (included in Exhibit 5.1).</a>
23.2	<a href="#">Consent of BF Borgers CPA PC, independent registered public accounting firm.</a>
24.1	<a href="#">Power of Attorney (included on the signature page to this Registration Statement).</a>
99.1	<a href="#">Request for Waiver under Item 8.A.4.</a>
99.2	<a href="#">Non-binding Letter of Intent between Akanda Corp. and Cellen Limited dated October 5, 2021</a>
99.3	<a href="#">Memorandum of Understanding between Akanda Corp. and Cellen Limited dated October 1, 2021</a>
99.4	<a href="#">Consent of Gila Jones</a>
99.5	<a href="#">Consent of Gugu Dingaan</a>
107	<a href="#">Filing Fee Table</a>

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\* To be filed by Amendment

§ Indicates a management contract or compensatory plan

(b) Financial Statements Schedules

See our Financial Statements starting on page F-1. All other schedules have been omitted because they are not required, are not applicable or the information is otherwise set forth in the financial statements and related notes thereto.

(c) Filing Fee

A table furnishing the calculation of filing fees paid for the securities being registered hereby is set forth in Exhibit 107 to this Registration Statement in the manner required by Item 601(b)(107) of Regulation S-K.

**Item 9. Undertakings**

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the U.S. Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The Registrant hereby undertakes:

- (1) That, for purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A under the Securities Act and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.
- (2) That, for the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

## SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form F-1 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of London, the United Kingdom on January 31, 2022.

Date: January 31, 2022

**Akanda Corp.**

By: /s/ Tejinder Virk

Name: Tejinder Virk

Title: Chief Executive Officer and Director

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Tejinder Virk and Trevor Scott, and each of them, his or her true and lawful attorney-in-fact and agent, with full power of substitution, for her or him and in her or his name, place and stead, in any and all capacities, to sign any and all amendments to this Form F-1 offering statement, and to file the same with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and ratifying and confirming all that said attorney-in-fact and agent or her or his substitute or substitutes may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

/s/ Tejinder Virk

Name: Tejinder Virk  
Title: Chief Executive Officer and Director  
(*Principal Executive Officer*)

Date: January 31, 2022

/s/ Trevor Scott

Name: Trevor Scott  
Title: Chief Financial Officer  
(*Principal Financial Officer and  
Principal Accounting Officer*)

Date: January 31, 2022

/s/ Louisa Mojela

Name: Louisa Mojela  
Title: Executive Chairman and Director

Date: January 31, 2022

/s/ Philip van den Berg

Name: Philip van den Berg  
Title: Director

Date: January 31, 2022

/s/ Charles Kié

Name: Charles Kié  
Title: Director

Date: January 31, 2022



**Signature of Authorized U.S. Representative of Registrant**

Pursuant to the requirements of the Securities Act of 1933, as amended, the undersigned, the duly authorized representative in the United States of Akanda Corp., has signed this registration statement in the city of Newark, State of Delaware, on January 31, 2022.

**Authorized U.S. Representative**

By: /s/ Donald J. Puglisi

\_\_\_\_\_  
Name: Donald J. Puglisi

Title: Managing Director

## AKANDA CORP.

## UNDERWRITING AGREEMENT

[\_\_\_\_], 2022

Boustead Securities, LLC  
6 Venture, Suite 395  
Irvine, CA 92618  
Attn: Keith Moore, Chief Executive Officer  
Attn: Daniel J. McClory, Managing Director

Ladies and Gentlemen:

This underwriting agreement (this “**Agreement**”) constitutes the agreement between **Akanda Corp.**, a company incorporated in the Province of Ontario (the “**Company**”), on the one hand, and **Boustead Securities, LLC** (the “**Representative**”), for itself as underwriter and as representative of the several underwriters listed on Schedule I hereto (the “**Underwriters**”), on the other hand, pursuant to which the Underwriters shall serve as the underwriters for the Company in connection with the proposed offering (the “**Offering**”) by the Company of its Offered Securities (as defined below).

The Company proposes, subject to the terms and conditions stated herein, to issue and sell to the Underwriters an aggregate of [\*] authorized but unissued common shares (the “**Firm Shares**”), without par value, of the Company (such shares generally, the “**Common Shares**”), and to grant the Representative the option to purchase an aggregate of up to [\*] additional Common Shares (the “**Option Shares**”) as may be necessary to cover over-allotments made in connection with the Offering. The Firm Shares and Option Shares are collectively referred to as the “**Offered Securities**.” The Offered Securities and the Representative’s Warrant (as defined below) and the Warrant Shares (as defined below) are collectively referred to herein as the “**Securities**.”

The Company hereby confirms its agreement with the Representative as follows:

**Section 1. Fees and Expenses; Survival and Other Activities.**

(a) Underwriting Discount; Representative’s Warrants; Expenses.

(i) Underwriting Discount. The Underwriters shall be entitled to receive an underwriting discount equal to 7% of the gross proceeds from the sale of the Offered Securities on a Closing Date, as defined in Section 3(c) herein, which will be paid to and allocated by the Representative among the Underwriters or selling syndicate and soliciting dealers.

(ii) Non-Accountable Expense Allowance. The Underwriters shall be entitled to receive a non-accountable expense allowance equal to 1% of the gross proceeds from the sale of the Offered Securities on a Closing Date, which will be paid to and allocated by the Representative among the Underwriters.

(iii) Representative’s Warrants. The Company hereby agrees to issue to the Representative (and/or its permitted designees) on a Closing Date, a warrant or warrants, as applicable (in the form attached as Exhibit A hereto, the “**Representative’s Warrant**”) to purchase the number of Common Shares equal to seven percent (7%) of the number of Firm shares and Option Shares, if any, issued in the Offering (“**Warrant Shares**”).

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The Representative’s Warrants will be exercisable for a term of five (5) years from the effective date (the “**Effective Date**”) of the Registration Statement (as defined below) at an initial exercise price equal to 125% of the price per share paid by investors in the Offering. The Representative’s Warrants shall include a “cashless” exercise feature, and shall contain provisions for registration rights for the Representative’s Warrants and the underlying Common Shares, as set forth in the Representative’s Warrants. The Representative understands and agrees that there are significant restrictions pursuant to FINRA Rule 5110 against transferring the Representative’s Warrants and the Warrant Shares during the one hundred eighty (180) days after the Effective Date and by its acceptance

thereof shall agree that it will not sell, transfer, assign, pledge or hypothecate the Representative's Warrants, or any portion thereof, or be the subject of any hedging, short sale, derivative, put or call transaction that would result in the effective economic disposition of such securities for a period of one hundred eighty (180) days following the Effective Date to anyone other than the circumstances listed under FINRA Rule 5110(e)(2). Delivery of the Representative's Warrants shall be made on a Closing Date and shall be issued in the name or names and in such authorized denominations as the Representative may request.

(iv) Expenses. Whether or not the transactions contemplated by this Agreement and the Registration Statement are consummated or this Agreement is terminated, the Company hereby agrees to pay all costs and expenses incident to the Offering, including the following:

A. all expenses in connection with the preparation, printing, formatting for EDGAR and filing of the Registration Statement, and any and all amendments and supplements thereto and the mailing and delivering of copies thereof to the Underwriters and dealers;

B. all fees and expenses in connection with filings with FINRA's Public Offering System;

C. all fees, disbursements and expenses of the Company's counsel and accountants in connection with the registration of the Offered Securities under the Securities Act of 1933, as amended (the "**Securities Act**") and the Offering;

D. all reasonable expenses in connection with the qualifications of the Offered Securities for offering and sale under state or blue sky laws, when applicable;

E. all fees and expenses in connection with listing the Offered Securities on the Nasdaq Stock Market ("**Nasdaq**"), including DTC eligibility;

F. all reasonable travel expenses of the Company's officers, directors and employees and any other expense of the Company incurred in connection with attending or hosting meetings with prospective purchasers of the Offered Securities;

G. any stock transfer taxes incurred in connection with this Agreement or the Offering;

H. the cost and charges of any transfer agent or registrar for the Offered Securities; and

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I. Underwriters' accountable out-of-pocket expenses in the aggregate amount of \$255,000, including Underwriters' counsel's fees of up to \$75,000 (\$25,000 of which have been advanced by the Company to the Underwriter). In addition, the Company has advanced to the Underwriter approximately \$72,000 for other expenses related to the Offering. Any such advances shall be applied against the aggregate out-of-pocket accountable expense allowance, which is capped at \$255,000, and any unused portion of the advances will be returned to the Company to the extent not actually incurred.

In the event that this Agreement is terminated pursuant to Section 9 hereof, or subsequent to a Material Adverse Effect (as defined in Section 2(g)), the Company will pay all documented out-of-pocket and unreimbursed expenses of the Underwriters (including fees and disbursements of Underwriters' counsel) incurred in connection herewith which shall be limited to expenses which are actually incurred as allowed under FINRA Rule 5110 and in any event, the aggregate amount of such expenses to be paid or reimbursed by the Company directly or indirectly to or on behalf of the Underwriters shall not exceed \$75,000.

(b) Survival and Other Activities. Notwithstanding anything to the contrary contained herein, the Company's obligation to pay fees actually earned and payable and to reimburse expenses actually incurred and reimbursable pursuant to Section 1 hereof and which are permitted to be reimbursed under FINRA Rule 5110(g)(5)(A), will survive any expiration or termination of this Agreement. Nothing in this Agreement shall be construed to limit the ability of the Underwriters or their Affiliates to pursue, investigate, analyze, invest in, or engage in investment banking, financial advisory or any other business relationship with Persons (as defined below) other than the Company. As used herein (i) "**Persons**" means an individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or subdivision thereof) or other entity of any kind and (ii) "**Affiliate**" means any Person that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with a Person as such terms are used in and construed under Rule 405 under the Securities Act.

**Section 2. Representations, Warranties and Covenants of the Company.** The Company hereby represents, warrants and covenants to the Underwriters, as of the date hereof, and as of the Closing Date, except as set out in the Registration Statement as follows:

(a) Securities Law Filings. The Company has filed with the Securities and Exchange Commission (the “**Commission**”) a registration statement on Form F-1 (Registration File No. [\*]) under the Securities Act and the rules and regulations of the Commission (the “**Rules and Regulations**”) promulgated thereunder and under the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”). At the time of the Effective Date, the Registration Statement and amendments met the requirements of Form F-1 under the Securities Act. The Company will file with the Commission pursuant to Rules 430A and 424(b) under the Securities Act, a final prospectus included in such registration statement relating to the Offering and the underwriting thereof and has advised the Representative of all further information (financial and other) with respect to the Company required to be set forth therein. Such registration statement, including the exhibits thereto, as amended at the date of this Agreement, is hereinafter called the “**Registration Statement**”; such prospectus in the form in which it appears in the Registration Statement as amended at the date of this Agreement is hereinafter called the “**Prospectus**.” If the Company has filed or files an abbreviated registration statement pursuant to Rule 462(b) under the Securities Act (the “**Rule 462 Registration Statement**”), then any reference herein to the term Registration Statement shall include such Rule 462 Registration Statement. Any preliminary prospectus included in the Registration Statement or filed with the Commission under the Securities Act is hereinafter called a “**Preliminary Prospectus**.” All references in this Agreement to financial statements and schedules and other information that is “contained,” “included,” “described,” “referenced,” “set forth” or “stated” in the Registration Statement, any Preliminary Prospectus or the Prospectus (and all other references of like import) shall be deemed to mean and include all such financial statements and schedules and other information that is or is deemed to be incorporated by reference in the Registration Statement, any Preliminary Prospectus or the Prospectus, as the case may be. The Registration Statement has been declared effective on the date hereof. The Company shall, prior to the Closing Date, file with the Commission a Form 8-A providing for the registration under the Exchange Act of the Common Shares.

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(b) Assurances. The Registration Statement (and any further documents to be filed with the Commission) contains all exhibits and schedules as required by the Securities Act. Each of the Registration Statement and any post-effective amendment thereto, at the time it became effective, at all other subsequent times until the Closing Date, complied in all material respects with the Securities Act and the applicable Rules and Regulations and did not and, as amended or supplemented, if applicable, will not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (*provided, however*, that the preceding representations and warranties contained in this sentence shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by the Representative expressly for use therein, which information shall consist solely of (i) the names of the Underwriters appearing in the Prospectus, (ii) the statement regarding delivery of the Common Shares set forth on the cover page of the Prospectus, (iii) the securities dealer discount referred to in the second paragraph of the section of the Prospectus captioned “Underwriting”, (iv) the information set forth in the fourth paragraph of the section of the Prospectus captioned “Underwriting” and (v) the table showing the number of securities to be purchased by each Underwriter (the “**Underwriter Information**”). Each Preliminary Prospectus, as of its date, complies in all material respects with the Securities Act and the applicable Rules and Regulations. The Prospectus, as of its date, complies in all material respects with the Securities Act and the applicable Rules and Regulations. As of its date, each Preliminary Prospectus and the Prospectus did not and will not contain as of the date thereof any untrue statement of a material fact or omit to state a fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading (*provided, however*, that the preceding representations and warranties contained in this sentence shall not apply to any Underwriter Information). All post-effective amendments to the Registration Statement reflecting facts or events arising after the date thereof which represent, individually or in the aggregate, a fundamental change in the information set forth therein have been so filed with the Commission. There are no documents required to be filed with the Commission in connection with the transaction contemplated hereby that (x) have not been filed as required pursuant to the Securities Act or (y) will not be filed within the requisite time period. The Company is eligible to use “free writing prospectuses” in connection with the Offering pursuant to Rules 164 and 433 under the Securities Act. Any free writing prospectus that the Company is required to file pursuant to Rule 433(d) under the Securities Act has been, or will be, filed with the Commission in accordance with the requirements of the Securities Act and the applicable Rules and Regulations. Each such free writing prospectus that the Company has filed, or is required to file, pursuant to Rule 433(d) under the Securities Act or that was prepared by or on behalf of or used by the Company complies or will comply in all material respects with the requirements of the Securities Act and the applicable Rules and Regulations. The Company has not and will not, without the prior consent of the Representative, prepare, use or refer to, any free writing prospectus. Each such free writing prospectus shall be deemed to be included as part of the Registration Statement for purposes of this Agreement.

(c) Offering Materials. The Company has delivered, or will as promptly as practicable deliver, to the Underwriters complete conformed copies of the Registration Statement and of each consent and certificate of experts, as applicable, filed

as a part thereof, and conformed copies of the Registration Statement (without exhibits), any Preliminary Prospectus, any free writing prospectus and the Prospectus, as amended or supplemented, in such quantities and at such places as the Underwriters reasonably request. Neither the Company nor any of its directors and officers has distributed and none of them will distribute, prior to the Closing Date, any offering material in connection with the offering and sale of the Offered Securities other than the Prospectus, the Registration Statement, and any free writing prospectus authorized in advance by the Representative.

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(d) **Subsidiaries.** All of the direct and indirect subsidiaries of the Company (the “**Subsidiaries**”) are described in the Registration Statement to the extent required by the Rules and Regulations. The Company owns, directly or indirectly, all of its capital stock or other equity interests of each Subsidiary free and clear of any liens, charges, security interests, encumbrances, rights of first refusal, preemptive rights or other restrictions (collectively, “**Liens**”) except as disclosed in the Registration Statement or the Prospectus, and all of the issued and outstanding shares of capital stock of each Subsidiary are validly issued and are fully paid, non-assessable and free of preemptive or similar rights to subscribe for or purchase securities.

(e) **Organization and Qualification.** The Company and each of the Subsidiaries is an entity duly incorporated or otherwise organized, validly existing and in good standing (where applicable) under the laws of the jurisdiction of its incorporation or organization, with the requisite power and authority to own and use its properties and assets and to carry on its business as currently conducted. Neither the Company nor any Subsidiary is in violation or material default of any of the provisions of its respective certificate or articles of incorporation, bylaws or other organizational or charter documents. Each of the Company and the Subsidiaries is duly qualified to conduct business and is in good standing as a foreign corporation or other entity in each jurisdiction in which the nature of the business conducted or property owned by it makes such qualification necessary, except where the failure to be so qualified or in good standing, as the case may be, could not reasonably be expected to result in: (i) a material adverse effect on the legality, validity or enforceability of this Agreement, the Representative’s Warrant or any other agreement or instrument entered into between the Company and the Underwriters (“**Transaction Documents**”), (ii) a material adverse effect on the results of operations, assets, business, prospects or condition (financial or otherwise) of the Company and the Subsidiaries, taken as a whole, or (iii) a material adverse effect on the Company’s ability to perform in any material respect on a timely basis its obligations under this Agreement or the Offering (any of (i), (ii) or (iii), a “**Material Adverse Effect**”) and to the knowledge of the Company, no action, claim, suit, investigation or proceeding (including, without limitation, an informal investigation or partial proceeding, such as a deposition), whether commenced or threatened (“**Proceeding**”) has been instituted in any such jurisdiction revoking, limiting or curtailing or seeking to revoke, limit or curtail such power and authority or qualification.

(f) **Authorization; Enforcement.** The Company has the requisite corporate power and authority to enter into and to consummate the transactions contemplated by this Agreement and each of the other Transaction Documents and the Offering and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of this Agreement by the Company and each of the other Transaction Documents and the consummation by it of the transactions contemplated hereby have been duly authorized by all necessary action on the part of the Company and no further action is required by the Company, the Company’s Board of Directors (the “**Board of Directors**”) or the Company’s shareholders in connection therewith other than in connection with the Required Approvals (as defined below). This Agreement and each other Transaction Document to which it is a party has been duly executed by the Company and, when delivered in accordance with the terms hereof, will constitute the valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors’ rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

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(g) **No Conflicts.** The execution, delivery and performance by the Company of this Agreement, the other Transaction Documents to which it is a party and the transactions contemplated hereby do not and will not (i) conflict with or violate any provision of the Company’s or any Subsidiary’s memorandum and articles of association, certificate or articles of incorporation, bylaws or other organizational or charter documents, or (ii) conflict with, or constitute a default (or an event that with notice or lapse of time or both would become a default) under, result in the creation of any Lien upon any of the properties or assets of the Company or any Subsidiary, or give to others any rights of termination, amendment, acceleration or cancellation (with or without notice, lapse of time or both) of, any agreement, credit facility, debt or other instrument (evidencing a Company or Subsidiary debt or otherwise) or other understanding to which the Company or any Subsidiary is a party or by which any property or asset of the Company or any Subsidiary is bound or affected, or (iii) subject to the Required Approvals, conflict with or result in a violation of any law, rule, regulation, order, judgment, injunction, decree or other restriction of any court or governmental authority to which the Company or a Subsidiary is subject

(including federal and state securities laws and regulations), or by which any property or asset of the Company or a Subsidiary is bound or affected; except in the case of each of clauses (ii) and (iii), such conflict, default or violation could not reasonably be expected to result in a Material Adverse Effect.

(h) Filings, Consents and Approvals. The Company is not required to obtain any consent, waiver, authorization or order of, give any notice to, or make any filing or registration with, any court or other federal, state, local or other governmental authority or other Person in connection with the execution, delivery and performance by the Company of this Agreement, the other Transaction Documents to which it is a party and the transactions contemplated hereby where the failure to obtain any such consent, waiver, authorization or order of, give any notice to, or make any filing or registration would not, singularly or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect, other than: (i) the filing with the Commission of the final Prospectus as required by Rule 424 under the Securities Act, (ii) application to the Nasdaq for the listing of the Offered Securities for trading thereon in the time and manner required thereby and (iii) such filings as are required to be made under applicable state securities laws (collectively, the “**Required Approvals**”).

(i) Issuance of the Securities. The Offered Securities are duly authorized and, when issued and paid for in accordance with this Agreement, the other Transaction Documents to which it is a party, and the terms of the Offering as described in the Prospectus, will be duly and validly issued, fully paid and non-assessable, and free and clear of all Liens. The Representative’s Warrant has been duly authorized for issuance, and the Warrant Shares, when issued, paid for and delivered upon due exercise of the Representative’s Warrant, will be duly authorized and validly issued, fully paid and nonassessable, free and clear of all Liens. The Company has sufficient authorized Common Shares for the issuance of the maximum number of Securities issuable pursuant to the Offering as described in the Prospectus.

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(j) Capitalization. The capitalization of the Company is as set forth in the Registration Statement and the Prospectus. The Company has not issued any Common Shares since [ \* ], 2021, other than (i) [ \* ], (ii) pursuant to the Company’s equity incentive plans as described in the Registration Statement and the Prospectus (the “**Company Incentive Plans**”), and (iii) the issuance of Common Shares to employees, directors or consultants pursuant to the Company Incentive Plans and pursuant to the conversion and/or exercise of any securities of the Company or the Subsidiaries which would entitle the holder thereof to acquire Common Shares at any time, including, without limitation, any debt, preferred shares, right, option, warrant or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, Common Shares (“**Ordinary Share Equivalents**”) as described in the Registration Statement and the Prospectus. No Person has any right of first refusal, preemptive right or right of participation, or any similar right to participate in the transactions contemplated by this Agreement. Except as a result of the purchase and sale of the Offered Securities or as disclosed in the Registration Statement and the Prospectus, there are no outstanding options, warrants, scrip rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities, rights or obligations convertible into or exercisable or exchangeable for, or giving any Person any right to subscribe for or acquire, any Common Shares or the capital stock of any Subsidiary, or contracts, commitments, understandings or arrangements by which the Company or any Subsidiary is or may become bound to issue additional Common Shares or Common Share Equivalents or capital stock of any Subsidiary. Except as disclosed in the Registration statement or the Prospectus, the issuance and sale of the Offered Securities will not obligate the Company or any Subsidiary to issue Common Shares or other securities to any Person (other than the Underwriters) and will not result in a right of any holder of Company securities to adjust the exercise, conversion, exchange or reset price under any of such securities. Except as disclosed in the Registration statement or the Prospectus, there are no securities of the Company or any Subsidiary that have any anti-dilution rights (other than adjustments for stock splits, recapitalizations, and the like) to the exercise or conversion price, have any exchange rights, or reset rights. Except as set forth in the Registration Statement, and the Prospectus, there are no outstanding securities or instruments of the Company or any Subsidiary that contain any redemption or similar provisions, and there are no contracts, commitments, understandings or arrangements by which the Company or any Subsidiary is or may become bound to redeem a security of the Company or such Subsidiary. The Company does not have any share appreciation rights or “phantom stock” plans or agreements or any similar plan or agreement relating to rights in Common Shares. All of the outstanding Common Shares are duly authorized, validly issued, fully paid and non-assessable, have been issued in compliance in all material respects with all applicable securities laws, and none of such outstanding shares was issued in violation of any preemptive rights or similar rights to subscribe for or purchase securities. No further approval or authorization of any shareholder, the Board of Directors or others is required for the issuance and sale of the Offered Securities. Except as disclosed in the Registration statement or the Prospectus, there are no shareholders agreements, voting agreements or other similar agreements with respect to the Common Shares or other securities of the Company to which the Company is a party or, to the knowledge of the Company, between or among any of the Company’s shareholders.

(k) Material Changes; Undisclosed Events, Liabilities or Developments. Since the date of the latest audited financial statements included within the Registration Statement, except as specifically disclosed in the Registration Statement and the Prospectus, (i) there has been no event, occurrence or development that has had or that could reasonably be expected to result in a



Material Adverse Effect, (ii) the Company has not incurred any liabilities (contingent or otherwise) other than (A) trade payables and accrued expenses incurred in the ordinary course of business consistent with past practice and (B) liabilities not required to be reflected in the Company's financial statements pursuant to International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"), or disclosed in filings made with the Commission, (iii) the Company has not altered its method of accounting, (iv) the Company has not declared or made any dividend or distribution of cash or other property to its shareholders or purchased, redeemed or made any agreements to purchase or redeem any Common Shares and (v) the Company has not issued any equity securities to any officer, director or Affiliate, except pursuant to existing Company stock option plans, if any. The Company does not have pending before the Commission any request for confidential treatment of information. Except for the issuance of the Offered Securities contemplated by the Prospectus or as disclosed in the Registration Statement, any Preliminary Prospectus or the Prospectus, no event, liability, fact, circumstance, occurrence or development has occurred or exists or is reasonably expected to occur or exist with respect to the Company or its Subsidiaries or their respective business, prospects (as such prospects are described in the Prospectus), properties, operations, assets or financial condition that would be required to be disclosed by the Company under the Securities Act, the Exchange Act or the Rules and Regulations as of the date of this Agreement that has not been so disclosed under the Securities Act, the Exchange Act or the Rules and Regulations.

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(l) Financial Statements. The financial statements of the Company, together with the related notes and schedules, included in the Registration Statement, any Preliminary Prospectus and the Prospectus comply in all material respects with the applicable requirements of the Securities Act and the Exchange Act and the Rules and Regulations, and fairly present, in all material respects, the financial condition of the Company as of the dates indicated and the results of operations and changes in cash flows for the periods therein specified in conformity with IFRS consistently applied throughout the periods involved. No other financial statements or schedules are required under the Securities Act, the Exchange Act, or the Rules and Regulations to be included in the Registration Statement, any Preliminary Prospectus and the Prospectus. The pro forma financial statements included in the Registration Statement, any Preliminary Prospectus and the Prospectus include assumptions that provide a reasonable basis for presenting the significant effects directly attributable to the transactions and events described therein, the related pro forma adjustments give appropriate effect to those assumptions, and the pro forma adjustments reflect the proper application of those adjustments to the historical financial statements amounts in the pro forma financial statements included in the Registration Statement, any Preliminary Prospectus and the Prospectus. The pro forma financial statements included in the Registration Statement, any Preliminary Prospectus and the Prospectus comply as to form in all material respects with the application requirements of Regulation S-X under the Exchange Act. No other pro forma financial information or schedules are required under the Securities Act, the Exchange Act, or the rules and regulations thereunder to be included in the Registration Statement, any Preliminary Prospectus and the Prospectus.

(m) Litigation. Except as disclosed in the Registration Statement, any Preliminary Prospectus or the Prospectus, there is no action, suit, proceeding or investigation pending or, to the knowledge of the Company, threatened against or affecting the Company, any Subsidiary, any of their respective properties or any of the Company's officers or directors before or by any court, arbitrator, governmental or administrative agency or regulatory authority (federal, state, county, local or foreign) (collectively, an "**Action**") which (i) adversely affects or challenges the legality, validity or enforceability of this Agreement or any of the Transaction Documents or the Offering or the Securities or (ii) could, if there were an unfavorable decision, reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any Subsidiary, nor any director or officer thereof, is or has within the last 10 years been the subject of any Action involving an order, judgment, decree, or finding of violation of or liability under federal or state securities laws or a claim of breach of fiduciary duty. There has not been, and to the knowledge of the Company, there is not pending or contemplated, any investigation by the Commission involving the Company or any current or former director or officer of the Company.

(n) Labor Relations. No material labor dispute exists or, to the knowledge of the Company, is imminent with respect to any of the employees of the Company, which could reasonably be expected to result in a Material Adverse Effect. None of the Company's or its Subsidiaries' employees is a member of a union that relates to such employee's relationship with the Company or such Subsidiary, and neither the Company nor any of its Subsidiaries is a party to a collective bargaining agreement, and the Company and its Subsidiaries believe that their relationships with their employees are good. No executive officer, to the knowledge of the Company, is, or is now expected to be, in violation of any material term of any employment contract, confidentiality, disclosure or proprietary information agreement or non-competition agreement, or any other contract or agreement or any restrictive covenant in favor of any third party, and the continued employment of each such executive officer does not subject the Company or any of its Subsidiaries to any liability with respect to any of the foregoing matters. The Company and its Subsidiaries are in compliance with all applicable laws and regulations relating to employment and employment practices, terms and conditions of employment and wages and hours, except where the failure to be in compliance could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(o) Compliance. Except as set forth in the Registration Statement, any Preliminary Prospectus or the Prospectus, neither the Company nor any Subsidiary: (i) is in default under or in violation of (and no event has occurred that has not been waived

that, with notice or lapse of time or both, would result in a default by the Company or any Subsidiary under), nor has the Company or any Subsidiary received notice of a claim that it is in default under or that it is in violation of, any indenture, loan or credit agreement or any other agreement or instrument to which it is a party or by which it or any of its properties is bound (whether or not such default or violation has been waived), (ii) is in violation of any judgment, decree or order of any court, arbitrator or governmental body or (iii) is or has been in violation of any statute, rule, ordinance or regulation of any governmental authority, including without limitation all foreign, federal, state and local laws relating to taxes, environmental protection, occupational health and safety, product quality and safety and employment and labor matters, except in each case as could not reasonably be expected to result in a Material Adverse Effect.

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(p) Regulatory Permits. The Company and the Subsidiaries possess all certificates, authorizations and permits issued by the appropriate federal, state, local or foreign regulatory authorities necessary to conduct their respective businesses as described in the Prospectus, except where the failure to possess such permits could not reasonably be expected to result in a Material Adverse Effect (“**Material Permits**”), and neither the Company nor any Subsidiary has received any notice of proceedings relating to the revocation or modification of any Material Permit.

(q) Regulatory Matters. The tests conducted by or on behalf of or sponsored by the Company or its Subsidiaries that are described or referred to in the Registration Statement, any Preliminary Prospectus and the Prospectus were and, if still pending, are being conducted in accordance in all material respects with all statutes, laws, rules and regulations, as applicable. Neither the Company nor its Subsidiaries has received any notices or other correspondence from any foreign, federal, state or local governmental or regulatory authority with respect to any ongoing tests requiring the termination or suspension of such tests. Except as would not be reasonably expected to result in a Material Adverse Effect, neither the Company nor any of its Subsidiaries has failed to file with any foreign, federal, state or local governmental or the applicable regulatory authorities any filing, declaration, listing, registration, report or submission that is required to be so filed. All such filings were in material compliance with applicable laws when filed and no deficiencies have been asserted by any applicable regulatory authority with respect to any such filings, declarations, listings, registrations, reports or submissions.

(a) Title to Assets. The Company and the Subsidiaries have good and marketable title in fee simple to all real property owned by them and good and marketable title in all personal property owned by them that is material to the business of the Company and the Subsidiaries, in each case free and clear of all Liens, except for Liens disclosed in the Registration Statement, any Preliminary Prospectus and the Prospectus, Liens as do not materially affect the value of such property and do not materially interfere with the use made and proposed to be made of such property by the Company and the Subsidiaries and Liens for the payment of federal, state or other taxes, the payment of which is neither delinquent nor subject to penalties. Any real property and facilities held under lease by the Company and the Subsidiaries are held by them under valid, subsisting and enforceable leases with which the Company and the Subsidiaries are in compliance except for any breach that could not reasonably be expected to result in a Material Adverse Effect.

(b) Patents and Trademarks. The Company and the Subsidiaries have, or have rights to use, all patents, patent applications, trademarks, trademark applications, service marks, trade names, trade secrets, inventions, copyrights, licenses and other intellectual property rights and similar rights necessary or required for use in connection with their respective businesses as described in the Registration Statement or the Prospectus and which the failure to so have could have a Material Adverse Effect (collectively, the “**Intellectual Property Rights**”). None of, and neither the Company nor any Subsidiary has received a notice (written or otherwise) that any of, the Intellectual Property Rights has expired, terminated or been abandoned, or is expected to expire or be abandoned, within two (2) years from the date of this Agreement, except where such action would not reasonably be expected to have a Material Adverse Effect. Except as disclosed in the Registration Statement or the Prospectus, neither the Company nor any Subsidiary has received, since the date of the latest audited financial statements included within the Registration Statement and the Prospectus, a written notice of a claim or otherwise has any knowledge that the Intellectual Property Rights violate or infringe upon the rights of any Person, except as would not have or reasonably be expected to not have a Material Adverse Effect. To the knowledge of the Company, all such Intellectual Property Rights are enforceable and there is no existing infringement by another Person of any of the Intellectual Property Rights. The Company and its Subsidiaries have taken reasonable security measures to protect the secrecy, confidentiality and value of all of their intellectual properties, except where failure to do so would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Company has no knowledge that it lacks or will be unable to obtain any rights or licenses to use all Intellectual Property Rights that are necessary to conduct its business.

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(c) Transactions With Affiliates and Employees. Except as set forth in the Registration Statement, any Preliminary Prospectus and the Prospectus, none of the officers or directors of the Company and, to the knowledge of the Company, none



of the employees of the Company is presently a party to any transaction with the Company or any Subsidiary (other than for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, or otherwise requiring payments to or from any officer, director or such employee or, to the knowledge of the Company, any entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee or partner, in each case in excess of \$120,000 other than for (i) payment of salary or consulting fees for services rendered, (ii) reimbursement for expenses incurred on behalf of the Company and (iii) other employee benefits, including stock option agreements under any stock option plan of the Company.

(d) No Undisclosed Contracts. There is no contract or document required by the Securities Act or by the Rules and Regulations to be described in the Registration Statement or in the Prospectus or to be filed as an exhibit to the Registration Statement which is not so described or filed therein as required. All descriptions of any such contracts or documents contained in the Registration Statement, any Preliminary Prospectus and in the Prospectus are accurate and complete descriptions of such documents in all material respects. Other than as described in the Registration Statement and the Prospectus, no such contract has been suspended or terminated for convenience or default by the Company or any Subsidiary party thereto or any of the other parties thereto, and neither the Company nor any of its Subsidiaries has received notice, and the Company has no knowledge, of any such pending or threatened suspension or termination, except for suspensions or terminations that are not reasonably likely to result in a Material Adverse Effect.

(e) No Undisclosed Relationships. No relationship, direct or indirect, exists between or among the Company or any of its Subsidiaries on the one hand, and the directors, officers, shareholders (or analogous interest holders), customers or suppliers of the Company or any of its Subsidiaries on the other hand, which is required to be described in or filed as an exhibit to the Registration Statement or the Prospectus and which is not so described or filed.

(f) Continued Business. No supplier, customer, distributor or sales agent of the Company or any Subsidiary has notified the Company or any Subsidiary that it intends to discontinue or decrease the rate of business done with the Company or any Subsidiary, except where such discontinuation or decrease has not resulted in and could not reasonably be expected to result in a Material Adverse Effect.

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(g) Sarbanes-Oxley; Accounting and Disclosure Controls. Except as disclosed in the Registration Statement and in the Prospectus, the Company is in compliance with any and all applicable requirements of the Sarbanes-Oxley Act of 2002 that are effective and applicable to the Company as of the date hereof, and any and all applicable rules and regulations promulgated by the Commission thereunder that are effective as of the date hereof and as of the Closing Date. The Company and the Subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance that: (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with IFRS and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management's general or specific authorization, and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. The Company and the Subsidiaries have established disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Company and the Subsidiaries and designed such disclosure controls and procedures to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms.

(h) Certain Fees, FINRA Affiliation. Except as set forth herein and in the Registration Statement and the Prospectus, no brokerage or finder's fees or commissions are or will be payable by the Company or any Subsidiary to any broker, financial advisor or consultant, finder, placement agent, investment banker, bank or other Person with respect to the transactions contemplated by the Transaction Documents. Except as set forth in the Registration Statement, and the Prospectus, to the Company's knowledge, there are no other arrangements, agreements or understandings of the Company or, to the Company's knowledge, any of its stockholders that may affect the Underwriters' compensation, as determined by FINRA. Except as already disclosed to the Representative, Company has not made any direct or indirect payments (in cash, securities or otherwise) to (i) any person, as a finder's fee, investing fee or otherwise, in consideration of such person raising capital for the Company or introducing to the Company persons who provided capital to the Company, (ii) any FINRA member, or (iii) any person or entity that has any direct or indirect affiliation or association with any FINRA member within the 12-month period prior to the date on which the Registration Statement was filed with the Commission (the "**Filing Date**") or thereafter. To the Company's knowledge, no (i) officer or director of the Company or its subsidiaries, (ii) owner of 10% or more of the Company's unregistered securities or that of its subsidiaries or (iii) owner of any amount of the Company's unregistered securities acquired within the 180-day period prior to the Filing Date, has any direct or indirect affiliation or association with any FINRA member. The Company will advise the Representative if it becomes aware that any officer, director or stockholder of the Company or its Subsidiaries is or becomes an affiliate or associated person of a FINRA member participating in the Offering.

(i) Investment Company. The Company is not, and is not an Affiliate of, and immediately after receipt of payment for the Offered Securities, will not be or be an Affiliate of, an “investment company” within the meaning of the Investment Company Act of 1940, as amended.

(j) Registration Rights. No Person has any right to cause the Company to effect the registration under the Securities Act of any securities of the Company.

(k) Solvency. Based on the consolidated financial condition of the Company as of the Closing Date, after giving effect to the receipt by the Company of the proceeds from the sale of the Offered Securities hereunder, the current cash flow of the Company, together with the proceeds the Company would receive, were it to liquidate all of its assets, after taking into account all anticipated uses of the cash, are sufficient to pay all amounts on or in respect of its liabilities when such amounts are required to be paid. The Company does not intend to incur debts beyond its ability to pay such debts as they mature (taking into account the timing and amounts of cash to be payable on or in respect of its debt). Except as set forth in the Registration Statement and the Prospectus, the Company has no knowledge of any facts or circumstances which lead it to believe that it will file for reorganization or liquidation under the bankruptcy or reorganization laws of any jurisdiction within one year from the Closing Date. The Registration Statement and the Prospectus sets forth as of the date provided therein under the “Capitalization” section all outstanding secured and unsecured Indebtedness of the Company or any Subsidiary, or for which the Company or any Subsidiary has commitments. For the purposes of this Agreement, “**Indebtedness**” means (x) any liabilities for borrowed money or amounts owed in excess of \$50,000 (other than trade accounts payable incurred in the ordinary course of business), (y) all guaranties, endorsements and other contingent obligations in respect of indebtedness of others, whether or not the same are or should be reflected in the Company’s consolidated balance sheet (or the notes thereto), except guaranties by endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business; and (z) the present value of any lease payments in excess of \$50,000 due under leases required to be capitalized in accordance with IFRS. Except as set forth in the Registration Statement and the Prospectus, neither the Company nor any Subsidiary is in default with respect to any Indebtedness.

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(l) Tax Status. Except for matters that would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect, the Company and each Subsidiary (i) has made or filed all income and franchise tax returns, reports and declarations required by any jurisdiction to which it is subject, (ii) has paid all taxes and other governmental assessments and charges that are material in amount, shown or determined to be due on such returns, reports and declarations and (iii) has set aside on its books provision reasonably adequate for the payment of all material taxes for periods subsequent to the periods to which such returns, reports or declarations apply. There are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and the officers of the Company or of any Subsidiary know of no basis for any such claim.

(m) Auditors. BF Borgers CPA PC (the “**Auditor**”) is the Company’s independent registered public accounting firm. To the knowledge and belief of the Company, such accounting firm (i) is a registered public accounting firm as required by the Exchange Act and (ii) has expressed its opinion with respect to the financial statements of the Company and its subsidiaries for the periods filed with the Registration Statement or the Prospectus.

(n) Office of Foreign Assets Control. Neither the Company nor any of its Subsidiaries, nor, to the knowledge of the Company, any director or officer of the Company or any Subsidiary, or any employee, representative, agent or affiliate of the Company or any of its Subsidiaries or any other person acting on behalf of the Company or any of its Subsidiaries is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department (“**OFAC**”), and the Company will not directly or indirectly use the proceeds of the offering of the Securities contemplated hereby, or lend, contribute or otherwise make available such proceeds to any person or entity, for the purpose of financing the activities of any person currently subject to any U.S. sanctions administered by OFAC.

(o) Insurance. The Company and each of its Subsidiaries carries, or is covered by, insurance in such amounts and covering such risks as, in the Company’s reasonable belief, is adequate for the conduct of its business and the value of its properties.

(p) Company Not Ineligible Issuer. (i) At the time of filing the Registration Statement relating to the Offered Securities and (ii) as of the date of the execution and delivery of this Agreement (with such date being used as the determination date for purposes of this clause (ii)), the Company met all the requirements set forth in General Instruction I of Form F-1.

(q) Emerging Growth Company. From the time of the initial confidential submission of the Registration Statement to the Commission (or, if earlier, the first date on which the Company engaged directly or through any person authorized to

act on its behalf in any Testing-the-Waters Communications) through the date hereof, the Company has been and is an “emerging growth company,” as defined in Section 2(a) of the Securities Act (an “**Emerging Growth Company**”). “**Testing-the-Waters Communication**” means any oral or written communication with potential investors undertaken in reliance on Section 5(d) of the Securities Act.

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(r) Forward-Looking Statements. No forward-looking statement (within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act) contained in either the Registration Statement, any Preliminary Prospectus or the Prospectus has been made or reaffirmed without a reasonable basis or has been disclosed other than in good faith.

(s) Statistical or Market-Related Data. Any statistical, industry-related and market-related data included or incorporated by reference in the Registration Statement, any Preliminary Prospectus or the Prospectus, are based on or derived from sources that the Company reasonably and in good faith believes to be reliable and accurate, and such data agree with the sources from which they are derived.

(t) Listing and Maintenance Requirements. The Securities are registered pursuant to Section 12(b) or 12(g) of the Exchange Act, and the Company has taken no action designed to, or which to its knowledge is likely to have the effect of, terminating the registration of the Securities under the Exchange Act nor has the Company received any notification that the Commission is contemplating terminating such registration. The Company is, and has no reason to believe that it will not in the foreseeable future continue to be, in compliance with all such listing and maintenance requirements. The Offered Securities are currently eligible for electronic transfer through the Depository Trust Company or another established clearing corporation and the Company is current in payment of the fees to the Depository Trust Company (or such other established clearing corporation) in connection with such electronic transfer. The issuance and sale of the Securities hereunder does not contravene the rules and regulations of Nasdaq.

(u) Foreign Corrupt Practices. Neither the Company, nor to the knowledge of the Company, any agent or other person acting on behalf of the Company, has (i) directly or indirectly, used any funds for unlawful contributions, gifts, entertainment or other unlawful expenses related to foreign or domestic political activity, (ii) made any unlawful payment to foreign or domestic government officials or employees or to any foreign or domestic political parties or campaigns from corporate funds, (iii) failed to disclose fully any contribution made by the Company (or made by any person acting on its behalf of which the Company is aware) which is in violation of law, or (iv) violated in any material respect any provision of the Foreign Corrupt Practices Act of 1977, as amended.

(v) Regulation M Compliance. The Company has not, and to its knowledge no one acting on its behalf has, (i) taken, directly or indirectly, any action designed to cause or to result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of any of the Offered Securities, (ii) sold, bid for, purchased, or, paid any compensation for soliciting purchases of, any of the Offered Securities, or (iii) paid or agreed to pay to any Person any compensation for soliciting another to purchase any other securities of the Company, other than, in the case of clauses (ii) and (iii), compensation paid to the Underwriters in connection with the Offering.

(w) Testing the Waters Communications. The Company (a) has not alone engaged in any Testing-the-Waters Communication other than Testing-the-Waters Communications with the consent of the Representative with entities that are qualified institutional buyers within the meaning of Rule 144A under the Securities Act or institutions that are accredited investors within the meaning of Rule 501 under the Securities Act and (b) has not authorized anyone other than the Underwriters to engage in Testing-the-Waters Communications. The Company reconfirms that the Underwriters have been authorized to act on its behalf in undertaking Testing-the-Waters Communications. The Company has not distributed any Written Testing-the-Waters Communications.

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(x) Money Laundering. The operations of the Company and its Subsidiaries are and have been conducted at all times in compliance with applicable financial record-keeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, applicable money laundering statutes and applicable rules and regulations thereunder (collectively, the “**Money Laundering Laws**”), and no Action or Proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any Subsidiary with respect to the Money Laundering Laws is pending or, to the knowledge of the Company or any Subsidiary, threatened.

(y) Certificates. Any certificate signed by an officer of the Company and delivered to the Underwriters or to counsel for the Underwriters shall be deemed to be a representation and warranty by the Company to the Underwriters as to the matters set forth therein.

(z) Reliance. The Company acknowledges that the Underwriters will rely upon the accuracy and truthfulness of the foregoing representations and warranties and hereby consents to such reliance.

### Section 3. Delivery and Payment.

(a) On the basis of the representations, warranties and agreements herein contained, but subject to the terms and conditions herein set forth, the Company agrees to issue and sell the Firm Shares to the Underwriters, and the Underwriters agree to purchase the Firm Shares. The purchase price for each Firm Share shall be \$[\*] per share (the “**Per Share Price**”).

(b) The Company hereby grants to the Representative the option to purchase some or all of the Option Shares, and, upon the basis of the warranties and representations and subject to the terms and conditions herein set forth, the Underwriters shall have the right to purchase all or any portion of the Option Shares at the Per Share Price as may be necessary to cover over-allotments made in connection with the transactions contemplated hereby. This option may be exercised by the Representative at any time (but not more than once) on or before the forty-fifth (45<sup>th</sup>) day following the date of the Prospectus, by written notice to the Company (the “**Option Notice**”). The Option Notice shall set forth the aggregate number of Option Shares as to which the option is being exercised, and the date and time when the Option Shares are to be delivered (such date and time being herein referred to as the “**Option Closing Date**”); *provided, however*, that the Option Closing Date shall not be earlier than the Closing Date (as defined below) nor earlier than the first business day after the date on which the option shall have been exercised nor later than the fifth business day after the date on which the option shall have been exercised unless the Company and the Representative otherwise agree. Payment of the purchase price for and delivery of the Option Shares shall be made at the Option Closing Date in the same manner and at the same office as the payment for the Firm Shares as set forth in subparagraph (c) below.

(c) The Firm Shares will be delivered by the Company to the Representative against payment of the purchase price therefor by wire transfer of same day funds payable to the order of the Company’s offices, or such other location as may be mutually acceptable, at a mutually agreeable time, on the second (or if the Firm Shares are priced, as contemplated by Rule 15c6-1(c) under the Exchange Act, after 4:30 p.m. Eastern Time, the third) full business day following the date hereof, or at such other time and date as the Representative and the Company determine pursuant to Rule 15c6-1(a) under the Exchange Act, or, in the case of the Option Shares, at such date and time set forth in the Option Notice. The time and date of delivery of the Firm Shares or the Option Shares, as applicable, is referred to herein as the “**Closing Date**.” If the Representative so elects, delivery of the Firm Shares and Option Shares may be made by credit through full fast transfer to the account at The Depository Trust Company designated by the Representative.

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**Section 4. Covenants and Agreements of the Company.** The Company further covenants and agrees with the Underwriters as follows:

(a) Registration Statement Matters. The Registration Statement and any amendments thereto have been declared effective, and if Rule 430A is used or the filing of the Prospectus is otherwise required under Rule 424(b), the Company will file the Prospectus (properly completed if Rule 430A has been used) pursuant to Rule 424(b) within the prescribed time period and will provide evidence satisfactory to the Representative of such timely filing. The Company will advise the Representative promptly after they receive notice thereof of the time when any amendment to the Registration Statement has been filed or becomes effective or any supplement or amendment to the Prospectus has been filed and will furnish the Representative with copies thereof. The Company will file promptly all reports and any definitive proxy or information statements required to be filed by the Company with the Commission pursuant to Section 13(a), 14 or 15(d) of the Exchange Act subsequent to the date of the Prospectus and for so long as the delivery of a prospectus is required in connection with the Offering. The Company will advise the Representative promptly after it receives notice thereof (i) of any request by the Commission to amend the Registration Statement or to amend or supplement the Prospectus or for additional information, and (ii) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or any post-effective amendment thereto or any order preventing or suspending the use of the Prospectus or any amendment or supplement thereto or any post-effective amendment to the Registration Statement, of the suspension of the qualification of the Offered Securities for offering or sale in any jurisdiction, of the institution or threatened institution of any proceeding for any such purpose, or of any request by the

Commission for the amending or supplementing of the Registration Statement, any Preliminary Prospectus or the Prospectus or for additional information. The Company shall use its commercially reasonable efforts to prevent the issuance of any such stop order or prevention or suspension of such use. If the Commission shall enter any such stop order or order or notice of prevention or suspension at any time, the Company will use its commercially reasonable efforts to obtain the lifting of such order at the earliest possible moment, or will file a new registration statement and use commercially reasonable efforts to have such new registration statement declared effective as soon as practicable. Additionally, the Company agrees that it shall comply with the provisions of Rules 424(b), 430A, 430B and 430C, as applicable, under the Securities Act, including with respect to the timely filing of documents thereunder, and will use commercially reasonable efforts to confirm that any filings made by the Company under such Rule 424(b) are received in a timely manner by the Commission.

(b) Blue Sky Compliance. The Company will cooperate with the Representative in endeavoring to qualify the Offered Securities for sale under the securities laws of such jurisdictions (United States and foreign) as the Representative may reasonably request and will make such applications, file such documents, and furnish such information as may be reasonably required for that purpose; *provided* the Company shall not be required to qualify as a foreign corporation or to file a general consent to service of process in any jurisdiction where it is not now so qualified or required to file such a consent; and *provided further* that the Company shall not be required to produce any new disclosure document other than the Prospectus. The Company will, from time to time, prepare and file such statements, reports and other documents as are or may be required to continue such qualifications in effect for so long a period as the Representative may reasonably request for distribution of the Offered Securities. The Company will advise the Representative promptly of the suspension of the qualification or registration of (or any such exemption relating to) the Offered Securities for offering, sale or trading in any jurisdiction or any initiation or threat of any proceeding for any such purpose, and in the event of the issuance of any order suspending such qualification, registration or exemption, the Company shall use its commercially reasonable efforts to obtain the withdrawal thereof at the earliest possible moment.

(c) Amendments and Supplements to the Prospectus and Other Matters. The Company will comply with the Securities Act and the Exchange Act, and the rules and regulations of the Commission thereunder, so as to permit the completion of the distribution of the Offered Securities as contemplated in this Agreement and the Prospectus. If during the period in which a prospectus is required by law to be delivered in connection with the distribution of Offered Securities contemplated by the Prospectus (the “**Prospectus Delivery Period**”), any event shall occur as a result of which, in the judgment of the Company or in the opinion of the Representative or counsel for the Underwriters, it becomes necessary to amend or supplement the Prospectus in order to make the statements therein, in the light of the circumstances under which they were made, as the case may be, not misleading, or if it is necessary at any time to amend or supplement the Prospectus to comply with any law, the Company will promptly prepare and file with the Commission, and furnish at its own expense to the Underwriters and to any dealers, an appropriate amendment to the Registration Statement or supplement to the Registration Statement, any Preliminary Prospectus or the Prospectus that is necessary in order to make the statements in the Prospectus as so amended or supplemented, in the light of the circumstances under which they were made, as the case may be, not misleading, or so that the Registration Statement, any Preliminary Prospectus or the Prospectus, as so amended or supplemented, will comply with law. Before amending the Registration Statement or supplementing the Prospectus in connection with the Offering, the Company will furnish the Representative with a copy of such proposed amendment or supplement and will not file any such amendment or supplement to which the Representative reasonably objects; the Representative and its counsel shall have a reasonable amount of time to review and return any comments to the Company.

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(d) Copies of any Amendments and Supplements to the Prospectus. The Company will furnish the Underwriter, without charge, during the period beginning on the date hereof and ending on the final Closing Date of the Offering, as many copies of the Prospectus and any amendments and supplements thereto as the Representative may reasonably request.

(e) Free Writing Prospectus. The Company covenants that it has not and will not, unless it has obtained or will obtain the prior consent of the Representative, make any offer relating to the Offered Securities that would constitute a “free writing prospectus” (as defined in Rule 405 of the Securities Act) required to be filed by the Company with the Commission or retained by the Company under Rule 433 of the Securities Act. In the event that the Representative expressly consents in writing to any such free writing prospectus (a “**Permitted Free Writing Prospectus**”), the Company covenants that it shall (i) treat each Permitted Free Writing Prospectus as a Company Free Writing Prospectus, and (ii) comply with the requirements of Rule 164 and 433 of the Securities Act applicable to such Permitted Free Writing Prospectus, including in respect of timely filing with the Commission, legending and record keeping.



(f) Registration. The Company shall use commercially reasonable efforts to maintain the effectiveness of the Registration Statement and a current Prospectus relating thereto for as long as the Securities remain outstanding. During any period when the Company fails to have maintained an effective Registration Statement or a current Prospectus relating thereto and a holder of a Representative's Warrant desires to exercise such warrants and, in the opinion of counsel to the holder, Rule 144 is not available as an exemption from registration for the resale of the Warrant Shares, the Company shall promptly file a registration statement registering the resale of the Warrant Shares and use commercially reasonable efforts to have it declared effective by the Commission within ninety (90) days.

(g) Transfer Agent. The Company will maintain, at its expense, a registrar and transfer agent for its Common Shares for so long as the Common Shares are publicly-traded.

(h) Earnings Statement. As soon as practicable and in accordance with applicable requirements under the Securities Act, but in any event not later than 18 months after the last Closing Date, the Company will make generally available to its security holders and to the Representative an earnings statement, covering a period of at least 12 consecutive months beginning after the last Closing Date, that satisfies the provisions of Section 11(a) and Rule 158 under the Securities Act.

(i) Periodic Reporting Obligations. During the Prospectus Delivery Period, the Company will duly file, on a timely basis, with the Commission all reports and documents required to be filed under the Exchange Act within the time periods and in the manner required by the Exchange Act.

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(j) No Manipulation of Price. The Company has not taken and will not take, directly or indirectly, any action designed to cause or result in, or that has constituted or might reasonably be expected to constitute, the stabilization or manipulation of the price of any securities of the Company.

(k) Company Lock-Up.

(i) The Company will not, without the prior written consent of the Representative, from the date of execution of this Agreement and continuing for a period of 12 months from the date on which the trading of the Common Shares the Nasdaq commences (the "**Lock-Up Period**"): (i) offer, pledge, announce the intention to sell, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of, directly or indirectly, or file with the Commission a registration statement under the Securities Act relating to, Common Shares or Ordinary Share Equivalents, or modify the terms of any existing securities, or (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the Common Shares or any Ordinary Share Equivalents, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Shares or any Ordinary Share Equivalents, in cash or otherwise, except to the Underwriters pursuant to this Agreement. The Company agrees not to accelerate the vesting of any option or warrant or the lapse of any repurchase right prior to the expiration of the Lock-Up Period.

(ii) The restrictions contained in Section 4(k)(i) hereof shall not apply to: (A) the Offered Securities, (B) any Common Shares previously issued under Company Incentive Plans as described as outstanding in the Registration Statement and the Prospectus, (C) any options and other awards granted under a Company Incentive Plan or Common Shares issued pursuant to an employee stock purchase plan, in each case, as described in the Registration Statement and the Prospectus, and (D) Common Shares or other securities issued in connection with a transaction with an unaffiliated third party that includes a bona fide commercial relationship (including joint ventures, marketing or distribution arrangements, collaboration agreements or intellectual property license agreements) or any acquisition of assets or acquisition of not less than a majority or controlling portion of the equity of another entity; provided that (x) the aggregate number of Common Shares issued pursuant to clause (D) shall not exceed five percent (5%) of the total number of outstanding Common Shares immediately following the issuance and sale of the Offered Securities pursuant to this Agreement and (y) the recipient of any such Common Shares or other securities issued or granted pursuant to clauses (B), (C) and (D) during the Lock-Up Period shall enter into an agreement substantially in the form of **Exhibit A** hereto.

(l) Acknowledgment. The Company acknowledges that any advice given by any of the Underwriters to the Company is solely for the benefit and use of the Board of Directors of the Company and may not be used, reproduced, disseminated, quoted or referred to, without such Underwriter's prior written consent.

**Section 5. Conditions of the Obligations of the Underwriters.** The obligations of the Underwriters hereunder shall be subject to the accuracy of the representations and warranties on the part of the Company set forth in Section 2 hereof, in each case as of the date hereof and as of the Closing Date as though then made, to the timely performance by each of the Company of its covenants and other obligations hereunder on and as of such dates, and to each of the following additional conditions:

(a) Accountants' Comfort Letter. On the date hereof, the Representative shall have received, and the Company shall have caused to be delivered to the Representative, a letter from the Auditor addressed to the Representative, dated as of the date hereof, in form and substance satisfactory to the Representative. The letter shall not disclose any change in the condition (financial or other), earnings, operations, business or prospects of the Company from that set forth in the Prospectus, which, in the Representative's sole judgment, is material and adverse and that makes it, in the Representative's sole judgment, impracticable or inadvisable to proceed with the Offering of the Offered Securities as contemplated by the Prospectus.

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(b) Bring-down Comfort Letter. On the Closing Date, the Representative shall have received from the Auditor a letter dated as of such Closing Date, in form and substance satisfactory to the Representative, to the effect that they reaffirm the statements made in the letter furnished pursuant to subsection (a) of this Section 5, except that the specified date referred to therein for the carrying out of procedures shall be no more than three business days prior to such Closing Date.

(c) Compliance with Registration Requirements; No Stop Order; No Objection from FINRA. The Registration Statement shall have become effective and all necessary regulatory and listing approvals shall have been received not later than 5:30 P.M., New York City time, on the date of this Agreement, or at such later time and date as shall have been consented to in writing by the Representative. The Prospectus (in accordance with Rule 424(b)) and any Permitted Free Writing Prospectus shall have been duly filed with the Commission in a timely fashion in accordance with the terms thereof. At or prior to the Closing Date and the actual time of the Closing, no stop order suspending the effectiveness of the Registration Statement or any part thereof shall have been issued and no proceeding for that purpose shall have been initiated or threatened by the Commission; no order preventing or suspending the use of the Prospectus shall have been issued and no proceeding for that purpose shall have been initiated or threatened by the Commission; no order having the effect of ceasing or suspending the distribution of the Offered Securities or any other securities of the Company shall have been issued by any securities commission, securities regulatory authority or stock exchange and no proceedings for that purpose shall have been instituted or shall be pending or, to the knowledge of the Company, contemplated by any securities commission, securities regulatory authority or stock exchange; all requests for additional information on the part of the Commission shall have been complied with; and the FINRA shall have raised no objections to the fairness and reasonableness of the placement terms and arrangements.

(d) Corporate Proceedings. All corporate proceedings and other legal matters in connection with this Agreement, the Registration Statement and the Prospectus, and the registration, sale and delivery of the Offered Securities, shall have been completed or resolved in a manner reasonably satisfactory to the Underwriters' counsel.

(e) No Material Adverse Effect. Subsequent to the execution and delivery of this Agreement and prior to the Closing Date, in the Underwriter's sole judgment after consultation with the Company, there shall not have occurred any Material Adverse Effect.

(f) Opinion of Counsel for the Company. The Representative shall have received on the Closing Date the favorable opinion and negative assurances statement of Rimon, P.C., counsel to the Company, dated as of such Closing Date, including, without limitation, a customary negative assurance letter, addressed to the Representative in customary form reasonably satisfactory to the Representative. The Underwriters and Rimon, P.C., shall be entitled to rely on the opinion of each of the Company's Republic of Malta, United Kingdom, Kingdom of Lesotho, and Canadian counsel filed as Exhibit 5.1 to the Registration Statement, as to the due incorporation, validity of the Securities and due authorization, execution and delivery of the Agreement.

(g) Opinion of Canadian Counsel for the Company. The Representative shall have received on the Closing Date the favorable opinion of Dentons Canada LLP, Canadian counsel to the Company, dated as of such Closing Date, including, without limitation, a customary negative assurance letter, addressed to the Representative in customary form reasonably satisfactory to the Representative.

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(h) Opinions of Other Counsels for the Company's Subsidiaries. The Representative shall have received on the Closing Date the favorable opinions of each of [\*], the Company's Republic of Malta counsel,<sup>1</sup> Dentons & Co., the Company's United Kingdom counsel, and Kleingeld & Mayet, the Company's Kingdom of Lesotho counsel, dated as of such Closing Date, for the Company's subsidiaries, including, without limitation, a customary negative assurance letter, addressed to the Representative in customary form reasonably satisfactory to the Representative.

(i) Officers' Certificate. The Representative shall have received on the Closing Date a certificate of the Company, dated as of such Closing Date, signed by the Chief Executive Officer and Chief Financial Officer of the Company, to the effect that, and the Representative shall be satisfied that, the signers of such certificate have reviewed the Registration Statement and the Prospectus, and this Agreement and to the further effect that:

(i) The representations and warranties of the Company in this Agreement are true and correct, as if made on and as of such Closing Date, and the Company has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied at or prior to such Closing Date;

(ii) No stop order suspending the effectiveness of the Registration Statement or the use of the Prospectus has been issued and no proceedings for that purpose have been instituted or are pending or, to the Company's knowledge, threatened under the Securities Act; no order having the effect of ceasing or suspending the distribution of the Offered Securities or any other securities of the Company has been issued by any securities commission, securities regulatory authority or stock exchange in the United States and no proceedings for that purpose have been instituted or are pending or, to the knowledge of the Company, contemplated by any securities commission, securities regulatory authority or stock exchange in the United States;

(iii) Subsequent to the respective dates as of which information is given in the Registration Statement and the Prospectus, there has not been: (a) any Material Adverse Effect; (b) any transaction that is material to the Company and the Subsidiaries taken as a whole, except transactions entered into in the ordinary course of business; (c) any obligation, direct or contingent, that is material to the Company and the Subsidiaries taken as a whole, incurred by the Company or any Subsidiary, except obligations incurred in the ordinary course of business; (d) any material change in the capital stock (except changes thereto resulting from the exercise of outstanding options or warrants or conversion of outstanding indebtedness into Common Shares) or outstanding indebtedness of the Company or any Subsidiary (except for the conversion of such indebtedness into Common Shares); (e) any dividend or distribution of any kind declared, paid or made on Common Shares; or (f) any loss or damage (whether or not insured) to the property of the Company or any Subsidiary which has been sustained or will have been sustained which has a Material Adverse Effect.

(j) Secretary's Certificate. As of the Closing Date the Representative shall have received a certificate of the Company signed by the Secretary of the Company, dated the Closing Date, certifying: (i) that each of the Company's articles of incorporation and bylaws attached to such certificate is true and complete, has not been modified and is in full force and effect; (ii) that each of the Subsidiaries articles of incorporation and bylaws or charter documents attached to such certificate is true and complete, has not been modified and is in full force and effect; (iii) that the resolutions of the Company's Board of Directors relating to the Offering attached to such certificate are in full force and effect and have not been modified; and (iv) the good standing of the Company and each of the Subsidiaries, but only to the extent good standing is a concept applicable in the jurisdiction of formation of a Subsidiary. The documents referred to in such certificate shall be attached to such certificate.

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<sup>1</sup> To confirm who is the Malta counsel that has worked for the Malta entity.

(i) Additional Documents. On or before the Closing Date, the Representative and counsel for the Underwriters shall have received such customary information and documents as they may reasonably require for the purposes of enabling them to pass upon the issuance and sale of the Offered Securities as contemplated herein, or in order to evidence the accuracy of any of the representations and warranties, or the satisfaction of any of the conditions or agreements, herein contained. If any condition specified in this Section 5 is not satisfied when and as required to be satisfied, this Agreement may be terminated by the Representative by notice to the Company at any time on or prior to the Closing Date, which termination shall be without liability on the part of any party to any



other party, except that Section 6 (Payment of Expenses), Section 7 (Indemnification and Contribution) and Section 8 (Representations and Indemnities to Survive Delivery) shall at all times be effective and shall survive such termination.

(j) Subsequent to the execution and delivery of this Agreement or, if earlier, the dates as of which information is given in the Registration Statement (exclusive of any amendment thereof) and the Prospectus (exclusive of any supplement thereto), there shall not have been any change in the capital stock or long-term debt of the Company (other than as described in the Registration Statement, any Preliminary Prospectus or the Prospectus) or any change or development involving a change, whether or not arising from transactions in the ordinary course of business, in the business, condition (financial or otherwise), results of operations, shareholders' equity, properties or prospects of the Company, taken as a whole, including but not limited to the occurrence of any fire, flood, storm, explosion, accident, act of war or terrorism or other calamity, the effect of which, in any such case described above, is, in the sole judgment of the Representative, so material and adverse as to make it impracticable or inadvisable to proceed with the sale of Offered Securities or Offering as contemplated hereby.

(k) Subsequent to the execution and delivery of this Agreement and up to a Closing Date, there shall not have occurred any of the following: (i) trading in securities generally on the Nasdaq or any of the New York Stock Exchange, the NYSE American, or any tier of the markets operated by OTC Markets Group, Inc. shall not have commenced, (ii) a banking moratorium shall have been declared by federal or state authorities or a material disruption has occurred in commercial banking or securities settlement or clearance services in the United States, (iii) the United States shall have become engaged in hostilities in which it is not currently engaged, the subject of an act of terrorism, there shall have been an escalation in hostilities involving the United States, or there shall have been a declaration of a national emergency or war by the United States, or (iv) there shall have occurred any other calamity or crisis or any actual or prospective change in general economic, political or financial conditions in the United States or elsewhere, if the effect of any such event in clause (ii) or (iv) makes it, in the sole judgment of the Representative, impracticable or inadvisable to proceed with the sale or delivery of the Offered Securities on the terms and in the manner contemplated by the Prospectus.

(l) The Representative shall have received a lock-up agreement from each person or entity set forth on Schedule A (each, a "**Lock-Up Party**"), duly executed by the applicable Lock-Up Party, in each case substantially in the form attached as Schedule B.

(m) No action shall have been taken and no statute, rule, regulation or order shall have been enacted, adopted or issued by any federal, state or foreign governmental or regulatory authority that would, as of the Closing Date, prevent the issuance or sale of the Offered Securities; and no injunction or order of any federal, state or foreign court shall have been issued that would, as of the Closing Date, prevent the issuance or sale of the Offered Securities or materially and adversely affect or potentially materially and adversely affect the business or operations of the Company.

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If any of the conditions specified in this Section 5 shall not have been fulfilled when and as required by this Agreement, or if any of the certificates, opinions, written statements or letters furnished to the Representative or to Underwriters' counsel pursuant to this Section 5 shall not be reasonably satisfactory in form and substance to the Representative and to Underwriters' counsel, all obligations of the Underwriters hereunder may be cancelled by the Representative at, or at any time prior to, the consummation of the Offering. Notice of such cancellation shall be given to the Company in writing.

**Section 6. Payment of Company Expenses.** The Company agrees to pay all costs, fees and expenses incurred by the Company in connection with the performance of its obligations hereunder and in connection with the transactions contemplated hereby, including, without limitation: (i) all expenses incident to the issuance, delivery and qualification of the Offered Securities (including all printing and engraving costs); (ii) all fees and expenses of the registrar and transfer agent of the Offered Securities; (iii) all necessary issue, transfer and other stamp taxes in connection with the issuance and sale of the Offered Securities; (iv) all fees and expenses of the Company's counsel, independent public or certified public accountants and other advisors; (v) all costs and expenses incurred in connection with the preparation, printing, filing, shipping and distribution of the Registration Statement (including financial statements, exhibits, schedules, consents and certificates of experts), the Prospectus, and all amendments and supplements thereto, and this Agreement; (vi) all filing fees, reasonable attorneys' fees and expenses incurred by the Company or the Underwriters in connection with qualifying or registering (or obtaining exemptions from the qualification or registration of) all or any part of the Offered Securities for offer and sale under the state securities or blue sky laws or the securities laws of any other country, and, if reasonably requested by the Representative, preparing and printing a "Blue Sky Survey," an "International Blue Sky Survey" or other memorandum, and any supplements thereto, advising any of the Representative of such qualifications, registrations and exemptions; (vii) if applicable, the filing fees incident to the review

and approval by the FINRA of the Underwriters' participation in the offering and distribution of the Offered Securities; (viii) the fees and expenses associated with including the Offered Securities on the Nasdaq; and (ix) all costs and expenses incident to the travel and accommodation of the Company's employees on the "roadshow," as described in Section 1(a)(iv) of this Agreement.

## **Section 7. Indemnification and Contribution.**

(a) The Company agrees to indemnify, defend and hold harmless the Underwriters, their respective affiliates, directors and officers and employees, and each person, if any, who controls the Underwriters within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act (each an **"Underwriter Indemnified Party"**), from and against any losses, claims, damages or liabilities (including in settlement of any litigation if such settlement is effected with the prior written consent of the Company) arising out of (i) an untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, including the information deemed to be a part of the Registration Statement at the time of effectiveness and at any subsequent time pursuant to Rules 430A and 430B of the Securities Act Regulations, or arise out of or are based upon the omission from the Registration Statement, or alleged omission to state therein, a material fact required to be stated therein or necessary to make the statements therein not misleading; or (ii) an untrue statement or alleged untrue statement of a material fact contained in the Prospectus, or any amendment or supplement thereto, or in any other materials used in connection with the Offering, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and will reimburse such Underwriter Indemnified Party for any legal or other expenses reasonably incurred by it in connection with evaluating, investigating or defending against such loss, claim, damage, liability or action; *provided, however*, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage, liability or action arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in the Registration Statement, the Prospectus, or any amendment or supplement thereto, or, in reliance upon and in conformity with the Underwriter Information. The indemnification obligations under this Section 7(a) are not exclusive and will be in addition to any liability which the Company might otherwise have and shall not limit any rights or remedies which may otherwise be available at law or in equity to each Underwriter Indemnified Party.

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(b) The Underwriters will indemnify, defend and hold harmless the Company, its affiliates, directors, officers and employees, and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act (each a **"Company Indemnified Party"**), from and against any losses, claims, damages or liabilities to which such Company Indemnified Party may become subject, under the Securities Act or otherwise (including in settlement of any litigation, if such settlement is effected with the written consent of the Representative), insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, the Prospectus, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in the Registration Statement, the Prospectus, or any amendment or supplement thereto, in reliance upon and in conformity with the Underwriter Information, and will reimburse such Company Indemnified Party for any legal or other expenses reasonably incurred by it in connection with defending against any such loss, claim, damage, liability or action. The indemnification obligations under this Section 7(b) are not exclusive and will be in addition to any liability which the Underwriters might otherwise have and shall not limit any rights or remedies which may otherwise be available at law or in equity to each Company Indemnified Party.

(c) Promptly after receipt by an indemnified party under subsection (a) or (b) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify the indemnifying party in writing of the commencement thereof, but the failure to notify the indemnifying party shall not relieve the indemnifying party from any liability that it may have to any indemnified party except to the extent such indemnifying party has been materially prejudiced by such failure. In case any such action shall be brought against any indemnified party, and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate in, and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party, and after notice from the indemnifying party to such indemnified party of the indemnifying party's election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under such subsection for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof; *provided, however*, that if (i) the indemnified party has reasonably concluded (based on advice of counsel) that there may be legal defenses available to it or other indemnified parties that are different from or in addition to those available to the indemnifying

party, (ii) a conflict or potential conflict exists (based on advice of counsel to the indemnified party) between the indemnified party and the indemnifying party (in which case the indemnifying party will not have the right to direct the defense of such action on behalf of the indemnified party), or (iii) the indemnifying party has not in fact employed counsel reasonably satisfactory to the indemnified party to assume the defense of such action within a reasonable time after receiving notice of the commencement of the action, the indemnified party shall have the right to employ a single counsel to represent it in any claim in respect of which indemnity may be sought under subsection (a) or (b) of this Section 7, in which event the reasonable fees and expenses of such separate counsel shall be borne by the indemnifying party or parties and reimbursed to the indemnified party as incurred.

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(d) The indemnifying party under this Section 7 shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party against any loss, claim, damage, liability or expense by reason of such settlement or judgment. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement, compromise or consent to the entry of judgment in any pending or threatened action, suit or proceeding in respect of which any indemnified party is a party or could be named and indemnity was or would be sought hereunder by such indemnified party, unless such settlement, compromise or consent (i) includes an unconditional release of such indemnified party from all liability for claims that are the subject matter of such action, suit or proceeding and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act by or on behalf of any indemnified party. Notwithstanding the foregoing, if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel pursuant to Section 7(c), such indemnifying party agrees that it shall be liable for any settlement effected without its written consent if (i) such settlement is entered into more than 45 days after receipt by such indemnifying party of the aforesaid request and (ii) such indemnifying party shall not have reimbursed such indemnified party in accordance with such request prior to the date of such settlement.

(e) If the indemnification provided for in this Section 7 is unavailable or insufficient to hold harmless an indemnified party under subsection (a) or (b) above, then the indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of the losses, claims, damages or liabilities referred to in subsection (a) or (b) above, (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other hand from the offering and sale of the Securities or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company on the one hand and the Underwriters on the other hand in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters on the other hand shall be deemed to be in the same proportion as the total net proceeds from the Offering (before deducting expenses) received by the Company bear to the total cash fees received by the Underwriters. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or the Underwriters and the parties' relevant intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission. The Company and the Underwriters agree that it would not be just and equitable if contributions pursuant to this subsection (e) were to be determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in the first sentence of this subsection (e). The amount paid by an indemnified party as a result of the losses, claims, damages or liabilities referred to in the first sentence of this subsection (e) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending against any action or claim that is the subject of this subsection (e). No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

(f) For purposes of this Agreement, the Representative confirms, and the Company acknowledges, that there is no information concerning the Underwriters furnished in writing to the Company by the Underwriters specifically for preparation of or inclusion in the Registration Statement, any Preliminary Prospectus or the Prospectus other than the Underwriter Information.

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**Section 8. Representations and Indemnities to Survive Delivery.** The respective indemnities, agreements, representations, warranties and other statements of the Company or any person controlling the Company, of its officers, and of the Underwriters set forth in or made pursuant to this Agreement will remain in full force and effect, regardless of any investigation made by or on behalf of the Underwriters, the Company, or any of its or their respective affiliates, officers or directors or any controlling person, as the case may be, and will survive delivery of and payment for the Offered Securities sold hereunder and any termination of this Agreement. A successor to the Underwriters, or to the Company, its directors or officers or any person controlling the Company, shall be entitled to the benefits of the indemnity, contribution and reimbursement agreements contained in this Agreement.

#### **Section 9. Termination.**

(a) This Agreement shall become effective upon the mutual execution of this Agreement by the Company and the Representative. The Representative shall have the right to terminate this Agreement by giving written notice to the Company at any time prior to the Closing Date if: (i) any domestic or international event or act or occurrence has materially disrupted, or in the reasonable opinion of the Representative will in the immediate future materially disrupt, the market for the Company's securities or securities in general; or (ii) trading on Nasdaq has been rejected by Nasdaq or made subject to material limitations, or minimum or maximum prices for trading have been fixed, or maximum ranges for prices for securities have been required, on the Nasdaq or by order of the Commission, FINRA or any other governmental authority having jurisdiction; or (iii) a banking moratorium has been declared by any state or federal authority or any material disruption in commercial banking or securities settlement or clearance services has occurred; or (iv) (A) there has occurred any outbreak or escalation of hostilities or acts of terrorism involving the United States, Canada, Malta, the United Kingdom or the Kingdom of Lesotho or there is a declaration of a national emergency or war by the United States, Canada, Malta, the United Kingdom or the Kingdom of Lesotho or (B) there has been any other calamity or crisis or any change in political, financial or economic conditions, if the effect of any such event in (A) or (B), in the reasonable judgment of the Representative, is so material and adverse that such event makes it impracticable or inadvisable to proceed with the Offering, sale and delivery of the Securities on the terms and in the manner contemplated by the Prospectus.

(b) Any notice of termination pursuant to this Section 9 shall be in writing.

(c) If this Agreement shall be terminated pursuant to any of the provisions hereof, or if the sale of the Securities provided for herein is not consummated because any condition to the obligations of the Underwriters set forth herein is not satisfied or because of any refusal, inability or failure on the part of the Company to perform any agreement herein or comply with any provision hereof, the Company will, subject to demand by the Representative, reimburse the Underwriters for only the reasonable fees and expenses of their counsel actually incurred by the Underwriters in connection herewith as allowed under FINRA Rule 5110, less any amounts previously paid by the Company, subject to the cap on expenses set forth in Section 1(a)(iv) hereof. To the extent that the Underwriters' out-of-pocket expenses are less than the sums already advanced by the Company to the Underwriter ("**Advances**"), the Underwriters will return to the Company that portion of the Advances not offset by actual expenses.

**Section 10. Right of First Refusal.** The Company hereby grants the Representative a right of first refusal ("**Right of First Refusal**") for one (1) year from the date of consummation of the Offering or the termination or expiration of the Company's engagement of the Representative, to act as underwriter, placement agent or financial advisor (or to act as joint underwriter, placement agent or financial advisor on at least equal economic terms) in connection with any public or private financings in the United States (debt or equity, and including self-underwritten offerings), merger, business combination, recapitalization or sale of some or all of the equity or assets of the Company or any of its Subsidiaries out of the ordinary course of business (collectively, "**Future Services**"); *provided, however*, that the Representative shall not be entitled to have such Right of First Refusal if no Offering is consummated. The Company shall notify the Representative in writing of its intention to pursue an activity that would enable the Representative to exercise its Right of First Refusal to provide Future Services. In the event the Company notifies the Representative of its intention to pursue an activity that would enable the Representative to exercise its Right of First Refusal to provide Future Services, the Representative shall notify the Company of its election to provide such Future Services, including notification of the compensation and other terms to which the Representative claims to be entitled, within thirty (30) days of written notice by the Company. In the event the Company engages the Representative to provide such Future Services, the Representative will be compensated consistent with Section 2 of that certain engagement letter between the Company and the Representative, dated September 8, 2020 (as amended, the "**Engagement Letter**"), unless mutually agreed otherwise by the Company and the Representative. To the extent the Company is approached by a third party ("**Third Party Advisor**") to lead any public or private financing (debt or equity), merger, business combination, recapitalization or sale of some or all of the equity or assets of the Company, Boustead will be notified of the transaction and be granted the right to participate in such transaction under any syndicate formed by the Third Party Advisor.

**Section 11. Notices.** All communications hereunder shall be in writing and shall be mailed, hand delivered, delivered by reputable overnight courier (i.e., Federal Express) or delivered by facsimile or e-mail transmission to the parties hereto as follows:

**If to the Representative, then to:**

Boustead Securities, LLC  
6 Venture, Suite 395  
Irvine, CA 92618  
Attn: Keith Moore  
Email: [keith@boustead1828.com](mailto:keith@boustead1828.com)

**With a copy (which shall not constitute notice) to:**

Bevilacqua PLLC  
1050 Connecticut Avenue, NW, Suite 500  
Washington, DC 20036  
Attn: Louis A. Bevilacqua, Esq.  
Email: [lou@bevilacquapllc.com](mailto:lou@bevilacquapllc.com)

**If to the Company:**

Akanda Corp.  
1a, 1b Learoyd Road  
New Romney TN28 8XU, United Kingdom Attn: Tejinder Virk  
Email: [tej@akandacorp.com](mailto:tej@akandacorp.com)

**With copies (which shall not constitute notice) to:**

Rimon, P.C.  
423 Washington Street, Suite 600  
San Francisco, CA 94111  
Attn: Mark C. Lee  
Email: [mark.c.lee@rimonlaw.com](mailto:mark.c.lee@rimonlaw.com)

Dentons Canada LLP  
77 King Street West, Suite 400  
Toronto-Dominion Centre  
Toronto, Ontario M5K 0A1 Canada  
Attn: Eric Foster  
Email: [eric.foster@dentons.com](mailto:eric.foster@dentons.com)

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Any party hereto may change the address for receipt of communications by giving written notice to the others.

**Section 12. Successors.** This Agreement will inure to the benefit of and be binding upon the parties hereto, and to the benefit of the employees, officers and directors and controlling persons referred to in Section 7 hereof, and to their respective successors, and personal assigns, and no other person will have any right or obligation hereunder.

**Section 13. Partial Unenforceability.** The invalidity or unenforceability of any section, paragraph or provision of this Agreement shall not affect the validity or enforceability of any other section, paragraph or provision hereof. If any Section, paragraph or provision of this Agreement is for any reason determined to be invalid or unenforceable, there shall be deemed to be made such minor changes (and only such minor changes) as are necessary to make it valid and enforceable.



**Section 14. Governing Law; Venue; Agent for Service; Waiver of Jury Trial.** This Agreement shall be deemed to have been made and delivered in New York and both this Agreement and the transactions contemplated hereby shall be governed as to validity, interpretation, construction, effect and in all other respects by the internal laws of the State of New York, without regard to the conflict of laws principles thereof. Each of the Underwriters and the Company: (i) agrees that any legal suit, action or proceeding arising out of or relating to this Agreement and/or the transactions contemplated hereby shall be instituted exclusively in New York Supreme Court, County of New York, or in the United States District Court for the Southern District of New York, (ii) waives any objection which it may now or hereafter have to the venue of any such suit, action or proceeding, and (iii) irrevocably consents to the jurisdiction of the New York Supreme Court, County of New York, and the United States District Court for the Southern District of New York in any such suit, action or proceeding. Each of the Underwriters and the Company further agrees to accept and acknowledge service of any and all process which may be served in any such suit, action or proceeding in the New York Supreme Court, County of New York, or in the United States District Court for the Southern District of New York and agrees that service of process upon the Company mailed by certified mail to the Company's address shall be deemed in every respect effective service of process upon the Company, in any such suit, action or proceeding, and service of process upon an Underwriter mailed by certified mail to such Underwriter's address shall be deemed in every respect effective service process upon such Underwriter, in any such suit, action or proceeding. The Company hereby appoints C T Corporation System, as its authorized agent (the "**Authorized Agent**") upon whom process may be served in any suit, action or proceeding arising out of or based upon the Transaction Documents or the transactions contemplated herein which may be instituted in any court referred to above. The Company hereby represents and warrants that the Authorized Agent (i) is validly existing and can lawfully accept such services of process and (ii) has accepted such appointment and has agreed to act as said agent for service of process, and the Company agrees to take any and all action, including the filing of any and all documents that may be necessary to continue such appointment in full force and effect as aforesaid. The Company hereby authorizes and directs the Authorized Agent to accept such service. Service of process upon the Authorized Agent shall be deemed, in every respect, effective service of process upon the Company. If the Authorized Agent shall cease to act as agent for service of process, the Company shall appoint, without unreasonable delay, another such agent in the United States, and notify the Representative of such appointment. This paragraph shall survive any termination of this Agreement, in whole or in part. The Company agrees that a final judgment in any such action, proceeding or counterclaim brought in any such court shall be conclusive and binding upon the Company and may be enforced in any other courts to the jurisdiction of which the Company is or may be subject, by suit upon such judgment. **EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE AND AGREES NOT TO REQUEST A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE ARISING OUT OF OR RELATING TO THIS AGREEMENT.**

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#### **Section 15. General Provisions.**

(a) This Agreement constitutes the entire agreement of the parties to this Agreement and supersedes all prior written or oral and all contemporaneous oral agreements, understandings and negotiations solely with respect to the subject matters hereof. Notwithstanding anything to the contrary set forth herein, it is understood and agreed by the parties hereto that all other terms and conditions of the Engagement Letter shall remain in full force and effect. This Agreement may be executed in two or more counterparts, each one of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. Such counterparts may be executed and delivered by electronic means, which shall not impair such execution or delivery. This Agreement may not be amended or modified unless in writing and signed by all of the parties hereto, and no condition herein (express or implied) may be waived unless waived in writing by each party whom the condition is meant to benefit. Section headings herein are for the convenience of the parties only and shall not affect the construction or interpretation of this Agreement.

(b) The Company acknowledges and agrees that in connection with the Offering of the Securities: (i) the Underwriters have acted at arm's length, is not an agent of, and owes no fiduciary duties to the Company or any other person, (ii) the Underwriters owe the Company only those duties and obligations set forth in this Agreement and (iii) the Underwriters may have interests that differ from those of the Company. The Company waives to the full extent permitted by applicable law any claims it may have against the Underwriters arising from an alleged breach of fiduciary duty in connection with the offering of the Offered Securities.

*[The remainder of this page has been intentionally left blank.]*

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If the foregoing is in accordance with your understanding of our agreement, please sign below whereupon this instrument, along with all counterparts hereof, shall become a binding agreement in accordance with its terms.

Very truly yours,

**AKANDA CORP.**

By: \_\_\_\_\_  
Name: Tejinder Virk  
Title: Chief Executive Officer

The foregoing Underwriting Agreement is hereby confirmed and agreed to of the date first above written.

**BOUSTEAD SECURITIES, LLC, in its**  
own capacity and as representative of the Underwriters

By: \_\_\_\_\_  
Name: Keith Moore  
Title: Chief Executive Officer

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#### Schedule I

Name	Number of Firm Shares to be Purchased	Number of Option Shares to be Purchased
Boustead Securities, LLC		
[*]		
Total		

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#### Schedule A

##### Lock-up Parties

**Lock-up Parties** \_\_\_\_\_

[\*]

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#### Schedule B

## Form of Lock-up Agreement

[\_\_\_\_\_] , 2021

Boustead Securities, LLC  
6 Venture, Suite 395  
Irvine, CA 92618

### **Re: Proposed Public Offering by Akanda Corp.**

Ladies and Gentlemen:

The undersigned, a stockholder of Akanda Corp., a Canadian company (the "Company"), understands that Boustead Securities, LLC (the "Representative") will act as the representative of the underwriters in carrying out an offering (the "Offering") of the Company's common shares (the "Securities"). In recognition of the benefit that the Offering will confer upon the undersigned, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned agrees with the Representative that, without the prior written consent of the Representative, during a period of up to 365 days from the date on which the trading of the Securities on the Nasdaq Stock Exchange commences (the "Lock-Up Period"), the undersigned will not, without the prior written consent of the Representative, directly or indirectly (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of any securities of the Company (collectively, the "Lock-Up Securities"), whether now owned or hereafter acquired by the undersigned or with respect to which the undersigned has or hereafter acquires the power of disposition, or file, or cause to be filed, any registration statement under the Securities Act of 1933, as amended, with respect to any of the foregoing or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the Lock-Up Securities, whether any such swap or transaction described in clause (i) or (ii) above is to be settled by delivery of the Lock-Up Securities or such other securities, in cash or otherwise.

The Representative may in its sole discretion and at any time without notice release some or all of the shares subject to lock-up agreements prior to the expiration of the Lock-Up Period. When determining whether or not to release shares from the lock-up agreements, the Representative will consider, among other factors, the security holder's reasons for requesting the release, the number of shares for which the release is being requested and market conditions at the time.

Notwithstanding the foregoing, and subject to the conditions below, the undersigned may transfer the Lock-Up Securities without the prior written consent of the Representative as follows, provided that (1) the Representative receives a signed lock-up agreement for the balance of the Lock-Up Period from each donee, trustee or transferee, as the case may be, (2) any such transfer shall not involve a disposition for value, (3) such transfers are not required to be reported in any public report or filing with the Securities and Exchange Commission, or otherwise and (4) the undersigned does not otherwise voluntarily effect any public filing or report regarding such transfers:

(i) as a bona fide gift or gifts (including but not limited to charitable gifts); or

(ii) to any member of the immediate family of the undersigned or to a trust or other entity for the direct or indirect benefit of, or wholly-owned by, the undersigned or the immediate family of the undersigned (for purposes of this lock-up agreement, "immediate family" shall mean any relationship by blood, marriage or adoption, not more remote than first cousin); or

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(iii) if the undersigned is a corporation, partnership, limited liability company, trust or other business entity (1) transfers to another corporation, partnership, limited liability company, trust or other business entity that is a direct or indirect affiliate (as defined in Rule 405 promulgated under the Securities Act of 1933, as amended) of the undersigned or (2) distributions of Common Shares or any security convertible into or exercisable for Common Shares to limited partners, limited liability company members or stockholders of the undersigned; or

(iv) if the undersigned is a trust, transfers to the beneficiary of such trust; or



(v) by will, other testamentary document or intestate succession; or

(vi) by operation of law pursuant to a qualified domestic order or in connection with a divorce settlement.; or

(vii) pursuant to a trading plan established pursuant to Rule 10b5-1 of the Exchange Act.

Furthermore, no provision in this letter shall be deemed to restrict or prohibit (1) transactions relating to Securities purchased in the Offering or acquired in open market transactions after the completion of Offering; and (2) the exercise or exchange by the undersigned of any option or warrant to acquire any Common Shares or options to purchase Common Shares, in each case for cash or on a “cashless” or “net exercise” basis, pursuant to any share option, share bonus or other share plan or arrangement; provided, however, that the underlying Common Shares shall continue to be subject to the restrictions on transfer set forth in this letter.

The undersigned further agrees that, prior to engaging in any transaction or taking any other action that is subject to the terms of this lock-up agreement during the Lock-Up Period, it will give notice thereof to the Representative and will not consummate such transaction or take any such action unless it has received written confirmation from the Company that the Lock-Up Period has expired.

The undersigned understands that, if the Offering shall terminate or be terminated prior to payment for and delivery of the Securities, the undersigned shall be released from all obligations set forth herein.

The undersigned also agrees and consents to the entry of stop transfer instructions with the Company’s transfer agent and registrar against the transfer of the Lock-Up Securities except in compliance with the foregoing restrictions.

The undersigned, whether or not participating in the Offering, understands that the Representative is proceeding with the Offering in reliance upon this lock-up agreement.

This lock-up agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to the conflict of laws principles thereof.

Very truly yours,

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(Name - Please Print)

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(Signature)

[Signature Page to Lock-Up Agreement]

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## **Exhibit A**

### **Form of Representative’s Warrant**

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## EXECUTION VERSION

Certain portions of this exhibit have been redacted in accordance with Item 601(a)(6) of Regulation S-K. This information is not material and disclosure of such information would constitute an unwarranted invasion of personal privacy. "[\*]" indicates that information has been redacted.

**SHARE PURCHASE AGREEMENT**

**THIS AGREEMENT** is dated effective September 29, 2021.

**AKANDA CORP.**  
(the "**Purchaser**")

- and -

**HALO COLLECTIVE INC.**  
(the "**Vendor**")

**RECITALS:**

- A. the Vendor is the registered and beneficial owner of all of the issued and outstanding shares (the "**Shares**") in the capital of Cannahealth Limited ("**Cannahealth**"), a limited liability company incorporated and existing under the laws of Malta;
- B. the Vendor is the parent company of each of: (i) Bophelo Holdings Ltd. ("**Holdco**"), a limited liability company incorporated and existing under the laws of the United Kingdom, (ii) Bophelo Bioscience & Wellness (pty) Ltd. ("**Bophelo**"), a limited liability company incorporated and existing under the laws of the Kingdom of Lesotho; and (iii) Canmart Ltd ("**Canmart**" and together with Cannahealth, Holdco and Bophelo, the "**Corporations**" and each a "**Corporation**"), a limited liability company incorporated and existing under the laws of the United Kingdom;
- C. Holdco acquired its interest in Bophelo pursuant to a share purchase agreement, made among the Vendor, Louisa Maliako Mojela, Moira Granny Seape, Boiketlo Biomed (Pty) Ltd., GMG Financial Services Ltd., 1942 Capital Partners (Pty) Ltd. and Seedy Lette, dated November 27, 2019 and its interest in Canmart pursuant to a share purchase agreement, made among the Vendor, David Keith Dean and Darran William Quinn, dated October 1, 2020 (collectively, the "**Pre-existing Purchase Agreements**");
- D. the Vendor and each of the Corporations intend to undertake a re-organization such that, among other things, Cannahealth shall become the sole registered and beneficial owner of Holdco and Canmart and Holdco shall become the sole registered and beneficial owner of Bophelo (the "**Reorganization**");
- E. Canmart carries on the business of a licensed importer and distributor of cannabis-based products for medicinal use in the United Kingdom (the "**Canmart Business**") and Bophelo carries on the business of cultivating and producing bulk cannabis, as authorized by the Ministry of Health of Lesotho, intended for export (the "**Bophelo Business**" and together with the Canmart Business, the "**Business**"); and
- F. the Purchaser wishes to purchase the Shares from the Vendor and the Vendor wishes to sell the Shares to the Purchaser upon the terms and conditions of this Agreement.

**NOW THEREFORE**, the parties agree as follows:

**ARTICLE 1**  
**INTERPRETATION**

## 1.1 Interpretation

In this share purchase agreement ("**Agreement**") the following shall apply:

- Taxes:** In this Agreement, "**Tax**" or "**Taxes**" means all federal, provincial, territorial, county, municipal, local or foreign taxes, duties, imposts, levies, assessments, tariffs and other charges imposed, assessed or collected by a Governmental Authority (as defined herein) including, (i) any gross income, net income, gross receipts, business, royalty, capital, capital gains, goods and services, value added, severance, stamp, franchise, occupation, premium, capital stock, sales and use, real property, land transfer, personal property, ad valorem, transfer, licence, profits, windfall profits, environmental, payroll, employment, employer health, pension plan, anti-dumping, countervail, excise tax; (ii) all withholdings on amounts paid to or by the relevant person; (iii) all employment insurance premiums, and pension plan contributions or premiums; (iv) any fine, penalty, interest, or addition to tax, (v) any tax imposed, assessed, or collected or payable pursuant to any Tax-sharing agreement or any other contract relating to the sharing or payment of any such Tax, levy, assessment, tariff, duty, deficiency, or fee; and (vi) any liability for any of the foregoing as a transferee, successor, guarantor, or by contract or by operation of law.
- (a)
- Currency:** Unless otherwise specified, all dollar amounts in this Agreement, including the symbol "\$", refer to Canadian currency.
- (b)
- Headings:** The division of this Agreement into Articles, Sections and other subdivisions and the inclusion of headings are provided for convenience only and do not affect the construction or interpretation of this Agreement.
- (c)
- Including:** In this Agreement, the words "include" or "including" mean "include (or including), without limitation," and the words following "include" or "including" are not to be considered an exhaustive list, unless expressly stated otherwise (e.g. including only).
- (d)
- Performance on Holidays:** If any act is required by the terms of this Agreement to be performed on a day which is not a Business Day, the act will be valid if performed on the next succeeding Business Day. In this Agreement "**Business Day**" means any day other than Saturday, Sunday or a statutory holiday in Ontario.
- (e)
- References to Persons:** Unless the context otherwise requires, any reference in this Agreement to a "person" includes any partnership, firm, trust, corporation, government entity, authority, or department, or other entity and their successors and permitted assigns.
- (f)
- Statutory References:** Unless otherwise specified, any reference in this Agreement to a statute includes all rules and regulations made under it and all applicable guidelines, bulletins or policies made in connection with it and which are legally binding, in each case as it or they may have been, or may from time to time be, amended or re-enacted.
- (g)

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## 3.

- (h) **Time:** Time is of the essence of this Agreement, and no extension or variation of this Agreement will operate as a waiver of this provision.
- Time Periods:** Unless otherwise specified, a period of days will be deemed to begin on the first day after the event which began the period and to end at 5:00 p.m. (Toronto Time) on the last day of the period. If a period of time is to expire on any day that is not a Business Day, the period will be deemed to expire at 5:00 p.m. (Toronto Time) on the next succeeding Business Day.
- (i)
- Knowledge:** in this Agreement, any reference to "knowledge" of the Vendor means the actual knowledge of Kiran Sidhu or Philip van den Berg and the knowledge that they would have had, had they made due and reasonable enquiry into the relevant matter.
- (j)

## ARTICLE 2 PURCHASE AND SALE OF PURCHASED INTEREST

### 2.1 Agreement to Purchase and Sell

Subject to the terms and conditions of this Agreement, as of the Closing Time, the Vendor shall sell, transfer, convey and assign to the Purchaser and the Purchaser shall purchase and acquire from the Vendor, all of the Shares.

## 2.2 Purchase Price

The consideration payable by the Purchaser to the Vendor for the Shares (the "**Purchase Price**") will be US\$13,129,212. The Purchase Price will be paid by way of issuance to the Vendor on the Closing Date of 13,129,212 common shares in the capital of the Purchaser (the "**Consideration Shares**") at a price per share of US\$1.00, as fully paid and non-assessable common shares, free and clear of all encumbrances.

## 2.3 Section 85 Election

The Vendor shall be entitled to make an income tax election with the Purchaser pursuant to subsection 85(1) of the *Income Tax Act* (Canada) ("**Tax Act**") and the analogous provisions of provincial income tax legislation to defer tax on the transfer of the Shares by the Vendor to the Purchaser in consideration for the Consideration Shares by providing two (2) signed copies of the necessary election forms to the Purchaser within ninety (90) days following the date of this Agreement, duly completed with the details of the Shares transferred and the applicable agreed amounts for the purposes of such elections. Thereafter, subject to the election forms complying with the provisions of the Tax Act (or applicable provincial income tax legislation), the forms will be signed by the Purchaser and returned to the Vendor within ninety (90) days after the receipt thereof by the Purchaser for filing with the Canada Revenue Agency (or the applicable provincial Governmental Entity). The Purchaser will not be responsible for the proper completion of any election form and, except for the obligation of the Purchaser to so sign and return duly completed election forms which are received by the Purchaser within ninety (90) days of the Closing Date, the Purchaser will not be responsible for any Taxes resulting from the failure by the Vendor to properly complete or file the election forms in the form and manner and within the time prescribed by the Tax Act (and any applicable provisions of provincial income tax legislation). In its sole discretion, the Purchaser may choose to sign and return an election form received by it more than ninety (90) days following the Closing Date but has no obligation to do so.

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4.

## ARTICLE 3 REPRESENTATIONS AND WARRANTIES

### 3.1 Representations and Warranties of the Vendor

The Vendor represents and warrants to the Purchaser as follows:

*Authorization, Non-Contravention, etc.*

- (a) the Vendor is a corporation formed and existing under the laws of Ontario;
- (b) the Vendor has the corporate power to enter into and perform its obligations under this Agreement;
- (c) the execution and delivery of, and performance by the Vendor of this Agreement and the sale of the Shares has been, or will at Closing be, duly authorized by all necessary action on behalf of the Vendor;
- (d) this Agreement has been duly and validly executed by the Vendor and constitutes a legal, valid and binding agreement of the Vendor, enforceable against it in accordance with its terms, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights and subject to general principles of equity;
- (e) the execution, delivery and performance by the Vendor of this Agreement and the consummation of the transactions contemplated hereby do not and will not (i) violate, conflict with or result in the breach of any provision of the constating documents of the Vendor; (ii) conflict with or result in a violation or breach of any law or order applicable to the Vendor or the Corporations or any of their respective assets, properties or businesses, including the Business; (iii) conflict with, result in any breach of, constitute a default (or event which with the giving of notice or lapse of

time, or both, would become a default) under, or give to others any rights of termination, amendment, acceleration, suspension, revocation or cancellation of, any contract to which the Vendor or any of the Corporations is a party or the Vendor or any of the Corporations is bound or by which any of the Vendor's or any of the Corporations' properties or assets are subject; (iv) result in the creation of any lien or other encumbrance on any of the Vendor's or any of the Corporations' properties or assets; or (v) conflict with or result in a breach of any of the terms or requirements of, or give any Governmental Authority (as defined below) the right to revoke, withdraw, suspend, cancel, terminate or modify, any permit, licence or authorization that is held by or on behalf of the Vendor or any of the Corporations;

- (f) except as disclosed in the disclosure schedule attached hereto as Schedule "A" (the "**Disclosure Schedule**"), no consent, approval, order or authorization of, or registration or declaration with, any applicable court, tribunal or government (federal, provincial, state, local or foreign) or any political subdivision thereof in Canada, the United Kingdom, the Kingdom of Lesotho, Malta, the United States or any other country, including any ministry, department, commission, board, bureau, agency or other regulatory, administrative or governmental authority (including stock exchanges) or instrumentality thereof (each, a "**Governmental Authority**") with jurisdiction over the Vendor or any of the Corporations is required to be obtained by the Vendor in connection with the execution and delivery of this Agreement or the consummation by the Vendor of the disposition of the Shares, except for those consents, orders, authorizations, declarations, registrations or approvals which have been obtained by the Vendor as of the date hereof or those consents, orders, authorizations, declarations, registrations or approvals that, if not obtained, would not prevent or materially delay the consummation of the disposition of the Shares or otherwise prevent the Vendor from performing its obligations under this Agreement;

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5.

- (g) all information with respect to the Corporations contained in the Vendor's prospectuses, annual reports, annual and interim Financial Statements, annual information forms, management's discussion and analysis of financial condition and results of operations, information circulars, material change reports, listing statements, press releases and all other information or documents required to be filed or furnished by the Vendor under applicable Canadian securities laws (the "**Disclosure Record**"), as of their respective filing dates, did not contain any misrepresentation (within the meaning of the Securities Act (Ontario)) other than any misrepresentation that was corrected and superseded by a subsequent document comprising the Disclosure Record;

*Financial Statements*

- (h) complete copies of the audited annual financial statements of each of the Corporations for the years ended December 31, 2020 and 2019 and their unaudited interim financial statements for the three and six months ended June 30, 2021 and 2020, and, in each case, the related statements of income and retained earnings, stockholders' equity and cash flow for the years then ended (the "**Financial Statements**") have been delivered to the Purchaser. The Financial Statements have been prepared in accordance with IFRS applied on a consistent basis throughout the periods involved. The Financial Statements are based on the books and records of the Corporations, and fairly present the financial condition of the Corporations as of the respective dates they were prepared and the results of the operations of the Corporations for the periods indicated;
- (i) except as disclosed in the Disclosure Schedule, no Corporation has any liabilities, except:
- (i) those which are adequately reflected or reserved against in the Financial Statements as of the applicable date thereof, or
  - (ii) those which have been incurred in the ordinary course of business consistent with past practice since the date of the most recent Financial Statements and which are not, individually or in the aggregate, material in amount;
- (j) since the date of the most recent Financial Statements, the business of the Corporations, including in particular the Business, has been conducted in the ordinary course, consistent with past practice and there has not been with respect to any Corporation any material adverse event;

*Corporation, Capital, Shares*

- (k) Cannahealth is a corporation validly existing and in good standing under the laws of Malta;
- (l) Holdco is a corporation validly existing and in good standing under the laws of England and Wales;
- (m) Canmart is a corporation validly existing and in good standing under the laws of England and Wales;
- (n) Bophelo is a corporation validly existing and in good standing under the laws of the Kingdom of Lesotho;

- (o) prior to the implementation of the Reorganization, each of the Corporations is a wholly owned subsidiary of the Vendor and Holdco is a wholly owned subsidiary of Cannahealth and, on completion of the Reorganization, Cannahealth is a wholly owned subsidiary of the Vendor, Holdco and Canmart are each a wholly owned subsidiary of Cannahealth, Bophelo is a wholly owned subsidiary of Holdco, and neither Canmart nor Bophelo have any subsidiaries;

- (p) prior to the implementation of the Reorganization, except for Cannahealth, which owns all of the issued and outstanding shares in the capital of Holdco, none of the Corporations own any securities of (or other interest in) any other person and, on completion of the Reorganization, other than shares of Holdco and Canmart, Cannahealth does not own any securities of (or other interest in) any other person, and other than Bophelo, Holdco does not own any securities of (or other interest in) any other person, and neither Canmart nor Bophelo own any securities of (or other interest in) any other person;

- (q) the authorized and issued capital of each of the Corporations, both as at the date of this Agreement and as of the Closing Date after taking account of the Reorganization respectively, is set forth in the Disclosure Schedule and the Shares represent all of the issued and outstanding shares of Cannahealth;

- (r) the Vendor beneficially owns the Shares with good and valid title and has the full power and authority to sell the Shares to the Purchaser;

- (s) the Shares are, or will at Closing be, free and clear of all liens, charges and encumbrances, other than those restrictions on transfer of the Shares, if any, stated in the memorandum of association of Cannahealth;

- (t) the execution and delivery by the Vendor of this Agreement and the performance by the Vendor of its obligations hereunder will not result in (i) the breach or violation of any terms or conditions of: (1) the constating documents or by-laws of the Vendor or any of the Corporations; (2) any applicable law, regulation or order, or (3) any contract to which the Vendor or any of the Corporations is a party or by which any of the property or assets of the Vendor or any of the Corporations may be affected, or (ii) the creation of any lien, charge or encumbrance on any of the Shares or the property or assets of any of the Corporations;

- (u) no person (other than the Purchaser under this Agreement) has any written or oral agreement, option, right or privilege capable of becoming an agreement or option to acquire any of the Shares or to cause to be issued any unissued securities of any of the Corporations;

*Conduct, Material Contracts*

- (v) neither Cannahealth nor Holdco carry on any activity or business, other than holding shares of Holdco and Canmart (in the case of Cannahealth) and holding shares of Bophelo (in the case of Holdco);

- (w) Canmart has conducted and is conducting the Canmart Business and operates and maintains the properties and assets used in the Canmart Business in compliance with all applicable laws, rules and regulations, except as would otherwise not have a material adverse effect on the Canmart Business;

- (x) Bophelo has conducted and is conducting the Bophelo Business and operates and maintains the properties and assets used in the Bophelo Business in compliance with all applicable laws, rules and regulations, except as would otherwise not have a material adverse effect on the Bophelo Business;
- (y) neither Canmart, nor Bophelo, or any respective subsidiary thereof, have received any written or oral notice from a governmental body that alleges that it is not in compliance with any material legal requirement, and nor has any such entity been subject to any material adverse inspection, finding, investigation, penalty assessment, suspension, revocation, audit or other compliance or enforcement action. (A) Such entities have not received any written or oral notice from any governmental body having jurisdiction over its operations, activities, locations, or facilities, of (I) any material deficiencies or violations of, or (II) any material remedial or corrective actions required in connection with, any company permit or license or their renewal, and (B) no action is being or, to the knowledge of the Vendor, has been threatened or contemplated which (I) could reasonably be expected to result in the issuance of any notice referenced in the preceding clause (A) or (II) could prevent or materially impair the Canmart Business or Bophelo Business;
- (z) Canmart has the corporate power to own or lease its property and to carry on the Canmart Business as now being conducted by it and is registered, licensed or otherwise qualified in all the jurisdictions where it owns or leases that property and carries on the Canmart Business;
- (aa) Bophelo has the corporate power to own or lease its property and to carry on the Bophelo Business as now being conducted by it and is registered, licensed or otherwise qualified in all the jurisdictions where it owns or leases that property and carries on the Bophelo Business;
- (bb) none of the Corporations is in default of any of its obligations under any material contract to which it is party (each a "**Material Contract**") and, to the knowledge of the Vendor, each other party to each Material Contract is not in default of its respective obligations under each such Material Contract;

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8.

- (cc) each of the Corporations holds all applicable licenses, permits, orders and related approvals authorizing it to conduct its business, in particular the Business, as applicable, including to: (i) import and distribute cannabis-based products into the United Kingdom for medicinal use; and (ii) cultivate and produce bulk cannabis for export from the Kingdom of the Lesotho (each a "**Regulatory License**"). Each Regulatory License is in full force and effect in all material respects and has not been revoked, suspended, cancelled, rescinded, terminated, modified and has not expired. There are no pending or, to the Vendor's knowledge, threatened actions by or before any Governmental Authority to revoke, suspend, cancel, rescind, terminate and/or materially adversely modify any Regulatory License. The Disclosure Schedule contains a complete and accurate list of all Regulatory Licenses, and true and correct copies of all of such Regulatory Licenses have been made available to the Purchaser;
- (dd) all finished goods inventories, supplies and spare parts inventories owned by any of the Corporations, wherever located (the "**Inventory**"), whether or not reflected in the most recent Financial Statements, consist of a quality and quantity usable and salable in the ordinary course of business, except for obsolete, damaged, defective or slow-moving or other items required to be removed from inventory under applicable law, each of which have been written off or written down to fair market value or for which adequate reserves have been established. All Inventory is owned by the Corporations free and clear of all liens and encumbrances, and no Inventory is held on a consignment basis;

*Litigation*

- (ee) there are no actions, suits, hearings, arbitrations, audits, charges, orders (draft or otherwise), judgments, injunctions, decrees, awards, writs, proceedings (public or private) or investigations that have been brought by or against any Governmental Authority or any other person (collectively, "**Proceedings**") pending or, to the knowledge of the Vendor, threatened, against or affecting the Shares or any of the Corporations or that seek to prevent, enjoin, alter or delay the transactions provided for by this Agreement;

*Insurance*



- (ff) Each of the Corporations maintain insurance policies of the type and in the amounts customarily carried by prudent persons conducting a business similar to the Business and are sufficient for compliance with all Laws and Contracts to which the Corporations (or any of them) are a party or by which they are bound.

- (gg) All insurance policies are in full force and effect. The Closing of the Transaction will not cause a modification, reduction or cancellation of any such insurance policy. The Corporation is not in default with respect to any of the provisions contained in any such insurance policies and has not failed to give any notice or pay any premium or present any claim under any such insurance policy in a timely manner. The Vendors have no reason to believe that any of the insurance policies will not be renewed by the insurer upon the scheduled expiry of the policy. There has been no significant change in relationship between any of the Corporations and their insurers, the premiums or availability of coverage, in the two (2) years preceding the date hereof. No Corporation has received notice from any of the insurers regarding cancellation of its insurance policies or denying any claims. There are no circumstances under which the Corporations would be required to or, in order to maintain its coverage, give any notice to the insurers under any such insurance policies which has not been given. No Corporation has experienced claims in excess of the current coverage of its insurance. There will be no retrospective insurance premiums or charges or any other similar adjustment on or with respect to any of the insurance policies for any period or occurrence from the date of this Agreement until the Closing Time.

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9.

*Indebtedness & Liabilities*

- (hh) except as disclosed in the Disclosure Schedule, no Corporation is indebted to any person and no Corporation is a party to, bound by, nor subject to any debt instrument or any agreement, contract or commitment to create, assume or issue any debt instrument or incur any indebtedness;
- (ii) no Corporation has given nor agreed to give, nor is it a party to or bound by or subject to any guarantee or other financial assistance to any person;

*Assets, Property, Books and Records*

- (jj) the assets owned, licensed or leased by each Corporation constitute all of the property and assets necessary to carry on such Corporation's business (including the Business) as currently carried on, are free of material defects and include all proprietary rights, Intellectual Property Rights and other property and assets, tangible and intangible, used in connection with the such business;
- (kk) without limiting the foregoing, on acquisition of the shares of each of Bophelo and Canmart pursuant to the Pre-existing Purchase Agreements, the Vendor acquired good and valid title to, and has the full power and authority to transfer, such shares to Cannahealth pursuant to the Reorganisation and Cannahealth holds such shares free and clear of all liens, charges and encumbrances;
- (ll) all material tangible assets used in the Business are in good operating condition and in a state of good repair and maintenance, except only for reasonable wear and tear;
- (mm) except as disclosed in the Disclosure Schedule, no Corporation is a party to any real property lease;
- (nn) except as disclosed in the Disclosure Schedule, none of the Corporations owns any real property;
- (oo) the accounts receivables of the Business, together with any security or collateral therefor, arose from *bona fide* transactions in the ordinary course of the Business and are valid, enforceable and fully collectible accounts and are not subject to any defence, set-off or counterclaim;
- (pp) the books and records of the Corporations (collectively, the "**Books and Records**") have, in all material respects, been duly maintained in accordance with all applicable legal requirements and contain full and accurate records of all material matters relating to the Corporations and the Business;



- (qq) the Disclosure Schedule contains a true and complete list of all deposit and disbursement accounts maintained by each of the Corporations with any bank, brokerage house or other financial institution, including for each such account the name and address of the financial institution, the nature of the account, the account number, and the name of the account holder, the names of each person with authority to draw on such account or to have access to such account, or to change the persons authorized to draw on the account. All such accounts, credit lines, safe deposit boxes and vaults are maintained by each of the Corporations for normal business purposes and no such proxy, power of attorney or other like instrument is irrevocable;

#### *Intellectual Property*

- (rr) no Corporation has during the 2 years preceding the date of this Agreement been a party to any Proceedings, nor to the knowledge of the Vendor, are any Proceedings threatened as to which there is a reasonable possibility of a determination adverse to any Corporation, involving a claim of infringement by any person of any patent, patent application and invention, trademark, tradename, trademark or tradename registration or application, copyright or copyright registration or application for copyright registration, and each licence or licensing agreement, for any of the foregoing, relating to the Business or held by any Corporation (the "**Intellectual Property Rights**"). No Intellectual Property Right is subject to any outstanding order, judgment, decree, stipulation or agreement restricting the use thereof by the applicable Corporation or restricting the licensing thereof by such Corporation to any person. The Vendor does not have any knowledge that would cause such person to believe that the use of the Intellectual Property Rights or the conduct of the Business conflicts with, infringes upon or violates any patent, patent licence, patent application, trademark, tradename, trademark or tradename registration, copyright, copyright registration, service mark, brand mark or brand name or any pending application relating thereto, or any trade secret, know-how, programs or processes, or any similar rights, of any person;

- (ss) Canmart either owns the entire right, title and interest in, to and under, or has acquired a licence to use, any and all patents, trademarks, tradenames, brand names and copyrights that are material to the conduct of the Canmart Business in the manner that the Canmart Business has been conducted prior to the date of this Agreement;

- (tt) Bophelo either owns the entire right, title and interest in, to and under, or has acquired a licence to use, any and all patents, trademarks, tradenames, brand names and copyrights that are material to the conduct of the Bophelo Business in the manner that the Bophelo Business has been conducted prior to the date of this Agreement;

#### *Employees*

- (uu) all salaries, wages, commissions and other compensation and benefits payable to each employee of the Corporations have been accrued and paid by the Corporations when due for all periods through the Closing Date. Except as set forth in the Disclosure Schedule, to the Vendor's knowledge, no current executive, key employee or group of employees has given notice of termination of employment or otherwise disclosed plans to terminate employment with any Corporation within the next 12 months;

- (vv) each applicable Corporation has complied and is currently complying, in respect of its employees, with all applicable laws respecting employment and employment practices and the protection of the health and safety of employees;

- (ww) there is no trade union or association certified by competent authority or recognized by any Corporation as bargaining agent for its employees, and no Corporation is a party to or bound by any collective agreement with any labour union or association of employees and, to the Vendor's knowledge, no such certification process with any labour union or association of employees is presently contemplated by any such employees;

- (xx) except as disclosed in the Disclosure Schedule, no Corporation has any outstanding contracts or agreements with any of its officers, directors, agents or employees, other than contracts of employment which have been entered into in the ordinary course;

#### *Tax Matters*

- (yy) each Corporation has paid all Taxes due and payable by it, including all Taxes shown on its Tax Returns as being due and payable, and all Taxes payable under any assessment or reassessment;
- (zz) each Corporation has prepared and filed all Tax Returns on time and in the prescribed manner with all appropriate Governmental Authorities which were required to be filed on or prior to the Closing Date. Each such Tax Return was correct and complete in all material respects and each Corporation has made complete and accurate disclosure in all material respects in its Tax Returns and in all materials accompanying those Tax Returns, except in respect of a particular Tax Return to the extent that it may have been modified in a subsequent Tax Return, as applicable;
- (aaa) the Vendor is not a "non-resident" of Canada for the purpose of Section 116 of the *Income Tax Act* (Canada);
- (bbb) there are no assessments or reassessments of Taxes that have been issued and are outstanding and no Corporation is negotiating any assessment or reassessment with any Governmental Authority;
- (ccc) the Vendor is not aware of any liabilities of any Corporation for Taxes or any grounds for an action, suit, investigation, arbitration proceeding or other Proceedings, assessments, reassessment or requests for information outstanding or threatened against any Corporation with respect to Taxes, including aggressive treatment of income expenses, credits or other claims for deduction under any Tax Return;
- (ddd) no Taxes shall accrue in respect of, or become payable by, or require the accelerated payment by, the Purchaser or relating to the Business, following the Closing as a result of the Reorganization (provided for clarity that the Vendor makes no representation under this Section 3.1(ddd) with respect to any Taxes that accrue, become payable or which payment is accelerated, to the extent such accrual, payment or acceleration was not caused or adversely impacted by the Reorganization);

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## 12.

### *Sanctions and Ethical Conduct*

- (eee) Vendor does not engage (and has not engaged) in activities which are in violation of any country- or list- based economic and trade sanctions administered and enforced by Canada, the Office of Foreign Assets Control of the US Department of the Treasury, the US Department of State or other Governmental Authority in any jurisdiction in which the Business is conducted (a "**Sanctions Authority**") or is engaged, directly or indirectly, in any activity which is prohibited under Sanctions, including without limitation: (i) any direct or indirect dealings involving or benefitting: (A) a person or entity that is listed on, or owned or controlled by, or acting on behalf of a person or entity listed on any list administered by a Sanctions Authority or otherwise the target of Sanctions; (B) a person or entity that, is owned or controlled by, or acting for or on behalf of, or providing assistance, support or services of any kind to, or otherwise associated with any person or entity in (A); (ii) making or receiving any contribution of funds, goods or services to or for the benefit of any person or entity described in (A) or (B); (iii) any dealing in, or otherwise engaging in any transaction relating to any property or interests in, property subject to prohibitions under Sanctions; and (iv) any transaction that evades, avoids or attempts to violate any of the prohibitions set forth in the Sanctions or has such a purpose. For the purpose of this Agreement, "**Sanctions**" means economic or financial sanctions pursuant to all applicable laws regarding sanctions and export controls of the Sanctions Authority, specifically the United Nations Act, Special Economic Measures Act, Export and Import Permits Act, Freezing Assets of Foreign Corrupt Officials Act, Defense Production Act, Proceeds of Crime (Money Laundering) Terrorist Financing Act, Anti-Terrorism Act and any other similar statute or regulation that is enacted in any jurisdiction in which the Business is conducted;
- (fff) the Vendor has not, directly or indirectly, in relation to the Business: (i) offered or given anything of value to any official or employee of any foreign government department or agency or instrumentality or government-owned entity, to any foreign political party or party official or political candidate or to any official or employee of a public international organization, or to anyone else acting in an official capacity (collectively, "**Foreign Official**"), in order to obtain, retain or direct business by: (A) influencing any act or decision of such Foreign Official in his official capacity; (B) inducing such Foreign Official to do or omit to do any act in violation of the lawful duty of such Foreign Official; (C) securing any improper advantage; or (D) inducing such Foreign Official to use his influence with a foreign government or instrumentality to affect or influence any act or decision of such government or

instrumentality; (ii) to cause the Vendor to violate the US Foreign Corrupt Practices Act of 1977; or (iii) to cause the Vendor to violate any other anti-corruption law applicable to the Vendor;

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13.

### *Consideration Shares*

(ggg) the Vendor understands that the Consideration Shares are being offered and issued pursuant to an exemption from prospectus requirements of Canadian securities laws, and, as a consequence of acquiring the Consideration Shares pursuant to such exemptions, certain protections, rights and remedies provided by the applicable Canadian securities laws, including statutory rights of rescission or damages, will not be available to the Vendor. The Vendor acknowledges that Purchaser will rely on the Vendor's representations, warranties and certifications set forth below for purposes of confirming the availability of any exemption from such registration and prospectus requirements. The Vendor has not received a document purporting to describe the business and affairs of the Purchaser that has been prepared primarily for delivery to and review by prospective investors so as to assist those investors to make an investment decision in respect of Purchaser under the terms of this Agreement. The Vendor has such knowledge and experience in financial and business affairs as to be capable of evaluating the merits and risks of an investment in the Consideration Shares, and is able to, and agrees to, bear the economic risk of loss of its value of the Consideration Shares. The Vendor acknowledges that it is eligible to acquire the Consideration Shares pursuant to the exemption from the prospectus requirements of Canadian securities laws found in s. 2.12 Asset Acquisitions of National Instrument 45-106 - Prospectus Exemptions of the Canadian Securities Administrators. The Vendor acknowledges that the certificates representing the Consideration Shares, or ownership statements issued under a direct registration system or other electronic book-based or book entry system, will bear the following legends in accordance with Canadian securities laws:

"UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE THE DATE THAT IS FOUR MONTHS AND A DAY AFTER THE LATER OF (I) [INSERT DISTRIBUTION DATE], AND (II) THE DATE THAT THE ISSUER BECAME A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY.";

(hhh) the Vendor acknowledges that (i) it has been provided with the opportunity to consult its own legal advisors with respect to the Consideration Shares issuable to it pursuant to this Agreement, and (ii) it is aware that no public market exists for the Consideration Shares and it may not be able to resell the Consideration Shares; and

(iii) the Vendor will execute and deliver within the applicable time periods all documentation as may be required by Canadian securities laws to permit the issuance of the Consideration Shares on the terms set forth herein and, if required by Canadian securities laws, will execute, deliver and file or assist Purchaser in obtaining and filing such reports, undertakings and other documents relating to the issuance of such Consideration Shares as may be required by any Canadian securities laws, securities regulator, stock exchange or other regulatory authority, which includes, without limitation, determining the eligibility of the Vendor to acquire the Consideration Shares under Canadian securities laws, preparing and registering certificates (if any) representing the Consideration Shares, and completing regulatory filings required by the applicable securities commissions. Accordingly, the Vendor consents to the collection, use and disclosure of certain personal information to Canadian securities regulatory authorities (including the Ontario Securities Commission (the "OSC")) and the Purchaser's advisors solely for and expressly limited to the purposes of meeting legal, regulatory, self-regulatory, security and audit requirements (including any applicable tax, securities, money laundering or antiterrorism legislation rules or regulations) in accordance with applicable Canadian securities law. The Vendor hereby acknowledges that it has been notified by the Purchaser: (i) of the requirement to deliver to the OSC the full name, address and telephone number of the party to whom the Consideration Shares are issued, the number of securities issued and the date of distribution; (ii) that this information is being collected indirectly by the OSC under the authority granted to it in Canadian securities legislation; (iii) that this information is being collected for the purposes of the administration and enforcement of the securities legislation of Ontario; and (iv) that the Administrative Support Clerk of the OSC can be contacted at Ontario Securities Commission, Suite 1903, Box 55, 20 Queen Street West, Toronto, Ontario M5H 3S8, or at (416) 593-3684, and can answer any questions about the OSC's indirect collection of this information.

### 3.2 Representations and Warranties of the Purchaser

The Purchaser represents and warrants to the Vendor as follows:

*Authorization, Non-Contravention, etc.*

- (a) the Purchaser is a corporation validly existing and in good standing under the laws of Ontario;
- (b) the Purchaser has the corporate power to enter into and perform its obligations under this Agreement;
- (c) the execution and delivery of, and performance by the Purchaser of this Agreement and the purchase of the Shares has been duly authorized by all necessary corporate action on behalf of the Purchaser;
- (d) this Agreement has been duly and validly executed by the Purchaser and constitutes a legal, valid and binding agreement of the Purchaser, enforceable against it in accordance with its terms, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights and subject to general principles of equity;
- (e) the Purchaser does not currently carry on any business other than as contemplated (expressly or implicitly) hereby and such business activities as are related thereto;
- (f) no consent, approval, order or authorization of, or registration or declaration with, any applicable Governmental Authority with jurisdiction over the Purchaser is required to be obtained by the Purchaser in connection with the execution and delivery of this Agreement or the consummation by the Purchaser of the acquisition of the Shares, except for those consents, orders, authorizations, declarations, registrations or approvals which have been obtained by the Purchaser as of the date hereof or those consents, orders, authorizations, declarations, registrations or approvals that, if not obtained, would not prevent or materially delay the consummation of the acquisition of the Shares or otherwise prevent the Purchaser from performing its obligations under this Agreement;
- (g) the authorized and issued capital of the Purchaser is set forth in Schedule "B";
- (h) there are no authorized or outstanding options, warrants, preemptive rights, rights of first refusal or other rights to purchase, or equity or debt securities convertible into or exchangeable or exercisable for, any shares of the Purchaser other than those issued (or issuable) pursuant to: (i) the Company's equity stock option plan; and (ii) those warrants (and underlying shares) to be granted to Boustead Securities Limited in connection with their acting as agents of the Company;
- (i) the Consideration Shares, when issued, shall issued as fully paid and non assessable common shares of the Purchaser;
- (j) the Consideration Shares are free and clear of all liens, charges and encumbrances, other than those restrictions on transfer of the Consideration Shares, if any, stated in the articles of the Purchaser; and

- (k) no person (other than the Vendor under this Agreement) has any written or oral agreement, option, right or privilege capable of becoming an agreement or option to acquire any of the Consideration Shares or to be caused to be issued any unissued securities of the Purchaser.

### 3.3 Survival

- (a) The representations and warranties of the Vendor shall survive the Closing for twelve (12) months from the Closing Date and, notwithstanding such Closing or any investigation made by or on behalf of the Purchaser, shall continue in full force and effect for the benefit of the Purchaser during such period; provided that, any claim which is based upon or relates to the representations and warranties made in Sections 3.1(k) through 3.1(u) and 3.1(cc) or which is based

upon intentional misrepresentation or fraud by the Vendor may be made or brought by the Purchaser at any time for the maximum period permitted by law.

- (b) The representations and warranties of the Purchaser shall survive the Closing for twelve (12) months from the Closing Date and, notwithstanding such Closing or any investigation made by or on behalf of the Vendor, shall continue in full force and effect for the benefit of the Vendor during such period; any claim which is based upon or relates to the representations and warranties made in Sections 3.2(g) through 3.2(k) or which is based upon intentional misrepresentation or fraud by the Purchaser may be made or brought by the Vendor at any time for the maximum period permitted by law.

### 3.4 Known Breach

In the event the Purchaser (including any director or officer thereof), prior to Closing, is aware of breach of a representation or warranty of the Vendor under this Agreement and nonetheless proceeds with Closing, then such representation or warranty will be deemed to be deleted from this Agreement and the Purchaser shall not be entitled to bring or assert any claim against the Vendor in respect of such breach.

## ARTICLE 4 FLOW-THROUGH REPRESENTATIONS AND WARRANTIES

### 4.1 Flow-through Representations and Warranties

To the extent necessary to allow the Purchaser to pursue claims against the original vendors under the Pre-existing Purchase Agreements, and without incurring any liability itself, Vendor adopts those representations and warranties made to it under the Pre-existing Purchase Agreements, and makes each such representation and warranty to the Purchaser (the "**Pre-existing Reps and Warranties**"), as though it was the party first making such representations and warranties and as though the Purchaser was the in the place of the Vendor under such agreements, *mutatis mutandis*.

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### 4.2 Subrogation and Limitation

- (a) In the event of any breach of any of the Pre-existing Reps and Warranties that entitles the Vendor to claim damages against, or indemnification from, the person or entity originally making such representations and warranties under the Pre-existing Purchase Agreements, the Purchaser shall be subrogated to, and the Vendor shall assign to the Purchaser, all of the Vendor's rights in respect of any such claim or indemnification. If the Vendor is unable to assign such rights to the Purchaser, then instead of assigning such rights to the Purchaser, the Vendor shall allow the Purchaser to bring a suit in the name of the Vendor, at the Purchaser's sole cost and expense; provided that, the Purchaser shall indemnify the Vendor for any losses, damages, costs and expenses (including legal expenses on a solicitor-client full indemnity basis) that the Vendor may, directly or indirectly, suffer or incur as result of or in connection with the Purchaser bringing any such suit. The Vendor shall execute all papers required and take all steps reasonable, necessary or advisable to secure and further such subrogation and assignment, at Purchaser's sole cost and expense. In no event shall the Vendor waive any rights that could adversely affect any such subrogation or assignment. Any amounts recovered by the Purchaser whether directly or in connection with the exercise of such subrogation or assignment shall be applied to compensate the Purchaser for any loss suffered by it as a result of the breach of the Pre-existing Reps and Warranties and for any costs or expenses incurred in connection with such recovery; provided that, any amount received by the Purchaser in excess of the amount of any such loss, costs and expenses, shall be for the account of the Vendor and shall, upon receipt, be held by the Purchaser in trust for the Vendor and forthwith paid over to the Vendor or as the Vendor may direct in writing.

- (b) Notwithstanding the foregoing, the Purchaser agrees and acknowledges that the rights granted to it under Section 4.2(a) shall be the sole and exclusive remedy available to the Purchaser in respect of a breach of the Pre-existing Reps and Warranties and the Purchaser shall not otherwise be entitled to other forms of recovery including through claims of indemnity, compensation, offset, contribution or otherwise, except to the extent such losses to the Purchaser were based upon or arose out of fraud by the Vendor. The foregoing sentence in this Section 4.2(b) shall not limit the right of the Purchaser to bring a direct action against the Vendor in connection with the enforcement of the terms of this Agreement, including with respect to any representations or warranties contained herein (with the exclusion of the Pre-existing Reps and Warranties).

**ARTICLE 5**  
**CONDITION PRECEDENT; INTERIM PERIOD**

**5.1 Conditions Precedent**

- (a) The obligations of the Purchaser to complete the purchase of the Shares is subject to:
- (i) the Vendor delivering to the Purchaser, copies of all regulatory approvals required to be obtained by the Vendor to complete the within transaction; and
  - (ii) the Purchaser receiving, addressed to it, opinion(s) of duty qualified legal counsel in each relevant jurisdiction, in form acceptable to the Purchaser, acting reasonably, confirming that each of the respective Corporations:
    - (A) has been incorporated and existing under the applicable laws of their respective jurisdictions of incorporation;
    - (B) has corporate capacity and power to own and lease their properties and assets and to conduct their business as currently being conducted;
    - (C) as to the authorized and issued share capital of such Corporation and to the ownership thereof; and

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- (D) is current with all corporate filings required to be made under their respective jurisdictions of incorporation and all other jurisdictions in which they exist or carry on any material business, and has all necessary licences, leases, permits, authorizations and other approvals necessary for the conduct of the Business as currently conducted, as applicable, and for the consummation of the transactions contemplated by this Agreement; and
  - (iii) the Vendor having completed the Reorganization, in a manner satisfactory to the Purchaser, acting reasonably,  
  
(collectively, the "**Purchaser Conditions**").
- (b) The obligations of the Vendor to complete the sale of the Shares is subject to:
- (i) the Vendor having been provided with executed subscription agreements or other evidence satisfactory to the Vendor, acting reasonably, in respect of bona fide subscriptions for shares in the capital of the Purchaser for aggregate gross proceeds of not less than US\$5,000,000 (or such lesser amount as may be determined by the Vendor); and
  - (ii) completion of the Reorganization,
- (collectively, the "**Vendor Conditions**", and together with the Purchaser Conditions, the "**Conditions Precedent**").
- (c) If, the Conditions Precedent have not been satisfied on or before December 31, 2021 (the "**Condition Date**"), then, in the event that a Purchaser Condition has not been met, at the election of the Purchaser and in the event that the Vendor Condition has not been met, at the election of the Vendor, this Agreement shall terminate and the parties shall have no further obligation to each other hereunder.
- (d) Notwithstanding the foregoing, if, the Conditions Precedent have not been satisfied on or before the Condition Date, then, in the event that a Purchaser Condition has not been met, the Vendor, and in the event that the Vendor Condition has not been met, the Purchaser, shall be entitled to extend the Condition Date, in so far as it relates to the Purchaser Conditions or the Vendor Conditions, as applicable, by up to 30 days or such other period determined by them, acting reasonably, for the sole purpose of fulfilling the applicable condition, by providing written notice of such extension to the other party.



## **ARTICLE 6 COVENANTS**

### **6.1 Conduct of Business During the Interim Period**

From the date of this Agreement up to the Closing Date, the Vendor covenants to the Purchaser that it will cause each Corporation to carry-on its business in the ordinary course, consistent with past practice and use its commercially reasonable efforts to preserve its assets and the existing contracts and goodwill of its customers, suppliers, vendors, service providers, personnel and others having business relations with it; provided that, in the event any Corporation desires to engage in any activity outside the ordinary course of its business for a bona fide reason, the Vendor shall obtain the Purchaser's prior written approval prior to any such Corporation engaging in any such activity, such approval not to be unreasonably withheld or delayed.

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### **6.2 Notice of Certain Events**

From the date of this Agreement up to the Closing Date, the Vendor covenants to the Purchaser that it will promptly notify the Purchaser in writing of:

- (a) any events, circumstances, facts or occurrences which would result in a breach of a representation, warranty or covenant of the Vendor, or which would have the effect of making any representation or warranty of the Vendor untrue in any material respect, or would be reasonably likely to result in a material adverse effect as to any of the Corporations; and
  - (i) the commencement or threat of any investigation, action or legal Proceedings by or before any Governmental Authority with respect to any Corporation, the Vendor, this Agreement or any of the other transactions contemplated by this Agreement and shall keep the Purchaser informed as to the status of any such investigation, action or legal Proceedings; and (ii) any communication to or from any Governmental Authority regarding any such investigation, threat or Proceedings and this Agreement or any of the other transactions contemplated by this Agreement.

### **6.3 Filings; Consents.**

- (a) The parties hereto will: (i) promptly make and effect all registrations, filings and submissions required to be made or effected by them under applicable law with respect to this Agreement and the transactions contemplated under this Agreement; and (ii) use commercially reasonable efforts to cause to be taken on a timely basis, all other actions necessary or appropriate for the purpose of consummating and effectuating the transactions contemplated by this Agreement, including the obtaining of all necessary consents, approvals or waivers from third parties. Each party will reasonably cooperate in efforts to obtain such consents, waivers and approvals.

- (b) The Vendor shall use commercially reasonable efforts to (i) promptly provide all information requested by any Governmental Authority in connection with this Agreement or any of the other transactions contemplated by this Agreement, and (ii) promptly take all actions and steps necessary to obtain any acknowledgement to be obtained or clearance or approval required to be obtained from such Governmental Authority in connection with the transactions contemplated by this Agreement, if any.

### **6.4 Further Assurances.**

Subject to the terms and conditions hereof, each of the parties hereto shall use commercially reasonable efforts (without further consideration being payable) to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or advisable to consummate and give effect to the transactions contemplated by this Agreement as soon as possible.

### **6.5 Post-Closing Covenants**

The Parties agree that, within 30 days of Bophelo issuing a new share certificate in connection with the Reorganization, the Vendor, the Purchaser and Bophelo shall work together to procure a non-resident endorsement of the share certificate from the Central Bank of Lesotho and shall use all commercially reasonable efforts to obtain the same in a prompt and timely manner.

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## ARTICLE 7 CLOSING ARRANGEMENTS

### 7.1 Date, Place and Time of Closing

The closing of the sale and purchase of the Shares ("**Closing**") will take place at 12:00 p.m. (Toronto Time) (the "**Closing Time**") on the date that is two (2) Business Days following satisfaction or waiver of all Conditions Precedent (the "**Closing Date**"), electronically through the offices of Dentons Canada LLP and the offices of Aird & Berlis LLP, or in such other manner, and on such other date and time, as may be agreed upon in writing by the parties.

### 7.2 Deliveries at Closing

At the Closing Time:

- (a) the Purchaser shall issue the Consideration Shares to the Vendor and provide the Vendor with a copy of the share certificate representing the Consideration Shares and a copy of the securities' register of the Purchaser evidencing such issuance;
- (b) the Vendor shall deliver to the Purchaser share certificates representing the Shares, duly endorsed in blank for transfer, or accompanied by irrevocable security transfer powers of attorney duly executed in blank;
- (c) the Vendor shall deliver to the Purchaser the following (if applicable, in form and substance satisfactory to the Purchaser, acting reasonably):
  - (i) certified copies of the resolutions of the board of directors of the Vendor authorizing entering into and completion of the transactions contemplated by this Agreement;
  - (ii) certified copies of the resolutions of the board of directors of Canahealth authorizing transfer of the Shares to the Purchaser;
  - (iii) a certificate of status (or equivalent) with respect to the Vendor and each Corporation, issued by the appropriate Governmental Authority in their respective jurisdictions of incorporation;
  - (iv) resignation of each director, officer, and employee (as applicable) of each of the Corporations, except to the extent such person is a director, officer, and employee of the Purchaser as of the date hereof;
  - (v) a release by the Vendor in favour of each of the Corporations for any and all claims that the Vendor may have against any of the Corporations;
  - (vi) the minute book for each of the Corporations;
  - (vii) an executed copy of the investor rights agreement, substantially in the form attached hereto as Schedule "C" (the "**Investor Rights Agreement**");

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- (viii) such other documents as may reasonably be requested by the Purchaser in order to complete the transactions contemplated herein.



- (d) the Purchaser shall deliver to the Vendor the following (if applicable, in form and substance satisfactory to the Vendor, acting reasonably):
- (i) certified copies of the resolutions of the board of directors of the Purchaser authorizing the entering into and completion of the transactions contemplated by this Agreement, including issuance of the Consideration Shares;
  - (ii) a certificate of status, compliance, good standing or like certificate with respect to the Purchaser, issued by the appropriate Governmental Authority in its jurisdiction of incorporation;
  - (iii) a release by each of the Corporations in favour of the Vendor for any and all claims that any of the Corporations may have against the Vendor as at the Closing Date;
  - (iv) an executed copy of the Investor Rights Agreement; and
  - (v) such other documents as may reasonably be requested by the Vendor in order to complete the transactions contemplated hereon.

## ARTICLE 8 TAX MATTERS

### 8.1 Tax Returns

- (a) The Vendor shall, at its cost, cause the Corporations to prepare and file in a timely fashion all Tax Returns required under any applicable Tax legislation (the "**Tax Returns**") to be filed by the Corporations for (i) any period ending on or before the Closing Date (including as a consequence of the Closing) and for which Tax Returns have not been filed as of that date; and (ii) any period beginning prior to the Closing Date and ending after the Closing Date (collectively, the "**Stub Period Returns**").
- (b) The Vendor and the Purchaser shall co-operate fully in good faith with each other and make available to each other in a timely fashion any information in their respective possession and that is reasonably required for the preparation and filing of the Stub Period Returns, and shall preserve that information in their respective possession until the expiration of any applicable limitation period under any applicable Tax legislation. The Vendor shall provide to the Purchaser (and its tax advisors) for its review and approval a copy of the Stub Period Returns and Tax Returns 30 days prior to filing and the Purchaser will have the opportunity to fully comment on those Stub Period Returns prior to filing.
- (c) From and after the Closing Date, the Purchaser shall cause the Corporations to retain, until the expiration of any applicable limitation period under any applicable Tax legislation, all Books and Records relating to any period ending on or before the Closing Date (including as a consequence of Closing) and that are reasonably required for the purpose of the preparation and filing of the Stub Period Returns. So long as such Books and Records are retained by the Corporations, the Vendor may inspect the same for the purpose of the preparation and filing of the Stub Period Returns.

- (d) After Closing, the Purchaser shall cause the Corporations to co-operate in a reasonable manner with the Vendor and its representatives for the purposes of the preparation of the Vendor's accounts and the Tax Returns and in providing any information in the possession of the Corporations and that is reasonably required for those purposes. Without limiting the generality of the foregoing, the Purchaser shall, upon reasonable notice, cause the Corporations to provide the Vendor and its representatives reasonable access to those Books and Records in the possession of the Corporations that are reasonably required for the preparation of the Vendor's accounts and the Tax Returns together with the assistance of those employees of the Corporations that the Vendor may reasonably request.

## ARTICLE 9 MISCELLANEOUS

## 9.1 Notices

Any notice, direction or other communication (each a "**Notice**") regarding the matters contemplated by this Agreement must be in writing and must be delivered personally, sent by registered mail or courier, or transmitted electronically, as follows:

(a) in the case of the Vendor, at:

Halo Collective Inc.  
504 - 100 Park Royal  
West Vancouver, BC V7T 1A2

Attention: Kiranjit Sidhu  
E-mail: [\*]

with a copy to:

Dentons Canada LLP  
77 King Street West, Suite 400  
Toronto-Dominion Centre  
Toronto, ON M5K 0A1

Attention: Eric Foster  
E-mail: eric.foster@dentons.com

(b) in the case of the Purchaser, at

Akanda Corp.  
77 King Street West, Suite 400  
Toronto-Dominion Centre  
Toronto, ON M5K 0A1

Attention: Tej Virk  
Email: [\*]

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22.

with a copy to:

Aird & Berlis LLP  
181 Bay Street, Suite 1800, Brookfield Place  
Toronto, ON M5J 2T9

Attention: Sherri Altshuler  
Email: saltshuler@airdberlis.com

A Notice is deemed to be delivered and received (i) if delivered personally, on the date of delivery if delivered prior to 5:00 p.m. (recipient's time) on a Business Day and otherwise on the next Business Day; (ii) if sent by same-day courier, on the date of delivery if delivered prior to 5:00 p.m. (recipient's time) on a Business Day and otherwise on the next Business Day; (iii) if sent by overnight courier, on the next Business Day; (iv) if sent by registered mail, on the third Business Day after mailing, or (v) if transmitted electronically, on the date of transmission if received prior to 5:00 p.m. (recipient's time) on a Business Day and otherwise on the next Business Day. A party may change its Notice address from time to time by Notice given in accordance with the foregoing provisions.

## 9.2 Further Assurances

Each party shall from time to time, before or after the Closing Time, execute, acknowledge and deliver or cause to be executed, acknowledged and delivered all further acts, documents and instruments as may be reasonably necessary or desirable in order to give full effect to this Agreement or any provision of it.

### **9.3 Costs and Expenses**

Unless otherwise specified, each party shall be responsible for all costs and expenses (including the fees and disbursements of legal counsel, bankers, investment bankers, accountants, brokers and other advisors) incurred by it in connection with this Agreement and the transactions contemplated by it.

### **9.4 Waiver of Rights**

Any waiver of any of the provisions of this Agreement will be binding only if it is in writing and signed by the party to be bound by it, and only in the specific instance and for the specific purpose for which it has been given. The failure or delay of any party in exercising any right under this Agreement will not operate as a waiver of that right. No single or partial exercise of any right will preclude any other or further exercise of that right or the exercise of any other right, and no waiver of any of the provisions of this Agreement will constitute a waiver of any other provision (whether or not similar).

### **9.5 Remedies Cumulative**

Unless otherwise specified, the rights and remedies of a party under this Agreement are cumulative and in addition to and without prejudice to any other rights or remedies available to that party at law, in equity or otherwise, and unless otherwise specified, no single or partial exercise by a party of any right or remedy precludes or otherwise affects the exercise of any other right or remedy to which that party may be entitled.

### **9.6 Public Disclosure**

The Vendor and the Purchaser shall cooperate with the other in releasing information concerning this Agreement and the transactions contemplated herein, and shall furnish to and discuss with the other drafts of all press and other releases prior to publication. No press release or other public announcement concerning the proposed transactions contemplated by this Agreement will be made by any party hereto without the prior consent of the other party, such consent not to be unreasonably withheld, delayed or conditioned; provided that nothing contained herein shall prevent any party hereto at any time from furnishing any information to any Governmental Authority or to the public if so required by applicable law.

### **9.7 Severability**

If any provision of this Agreement or its application to any party or circumstance is determined by a court of competent jurisdiction to be illegal, invalid or unenforceable, it will be ineffective only to the extent of its illegality, invalidity or unenforceability without affecting the validity or the enforceability of the remaining provisions of this Agreement and without affecting its application to other parties or circumstances.

### **9.8 Successors and Assignment**

This Agreement will enure to the benefit of and be binding upon the parties and their respective successors but neither this Agreement nor any of the rights or obligations under this Agreement is assignable or transferable by either the Purchaser or the Vendor without the prior written consent of the other party.

### **9.9 Entire Agreement**

This Agreement constitutes the entire agreement between the parties with respect to the transactions contemplated by this Agreement. There are no representations, warranties, terms, conditions, covenants or other understandings, express or implied, collateral, statutory or otherwise, between the parties, except as expressly stated in this Agreement.

### **9.10 No Contra Proferentem**

Unless otherwise expressly defined in this Agreement, the words used in this Agreement bear their natural meaning. The parties have had equal opportunity to take legal advice and the contra proferentem rule does not apply to the interpretation of this Agreement.

#### 9.11 Governing Law; Attornment

This Agreement will be construed, interpreted and enforced in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. Each party irrevocably attorns and submits to the exclusive jurisdiction of the courts of Ontario.

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#### 9.12 Counterparts and Delivery by Facsimile

This Agreement may be executed in any number of counterparts, each of which will be deemed an original, but all of which together will constitute but one and the same instrument. This Agreement will become effective when duly executed and delivered by each party. Counterpart signature pages to this Agreement may be delivered by electronic delivery (i.e., by email of a PDF signature page) and each such counterpart signature page will constitute an original for all purposes.

*[Remainder of this page intentionally left blank. Signature page follows.]*

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25.

IN AGREEMENT WITH ITS TERMS, the parties have executed this Agreement.

#### HALO COLLECTIVE INC.

Per: /s/ Kiranjit Sidhu  
Name: Kiranjit Sidhu  
Title: Chief Executive Officer

#### AKANDA CORP.

Per: /s/ Tej Virk  
Name: Tej Virk  
Title: Chief Executive Officer

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#### Schedule "A"

#### Vendor Disclosure Schedule

Agreement Paragraph Reference	Disclosure Item
3.1(f)	An endorsement by the Central Bank of Lesotho of the share certificates held by any non-resident subsidiary of Cannahealth in relation to a shareholding in Bophelo Bio Science and Wellness (Pty) Ltd is required.

3.1(i)	None.																																													
3.1(q)	<div>Share Capital</div> <table><tr><th>Corporation</th><th>Pre-Reorganization</th><th>Post-Reorganization</th></tr><tr><td></td><td></td><td></td></tr><tr><td></td><td>Authorized Share Capital</td><td>Authorized Share Capital</td></tr><tr><td></td><td></td><td></td></tr><tr><td>Bophelo</td><td>[*] ordinary shares</td><td>[*] ordinary shares</td></tr><tr><td>Canmart</td><td>[*] ordinary shares</td><td>[*] ordinary shares</td></tr><tr><td>Cannahealth</td><td>[*] ordinary shares</td><td>[*] ordinary shares</td></tr><tr><td>Holdco</td><td>[*] ordinary shares</td><td>[*] ordinary shares</td></tr><tr><td></td><td></td><td></td></tr><tr><td></td><td>Issued Share Capital</td><td>Issued Share Capital</td></tr><tr><td></td><td></td><td></td></tr><tr><td>Bophelo</td><td>[*] shares</td><td>[*] shares</td></tr><tr><td>Canmart</td><td>[*] ordinary shares</td><td>[*] ordinary shares</td></tr><tr><td>Cannahealth</td><td>[*] ordinary shares</td><td>[*] ordinary shares</td></tr><tr><td>Holdco</td><td>[*] ordinary shares</td><td>[*] ordinary shares</td></tr></table>	Corporation	Pre-Reorganization	Post-Reorganization					Authorized Share Capital	Authorized Share Capital				Bophelo	[*] ordinary shares	[*] ordinary shares	Canmart	[*] ordinary shares	[*] ordinary shares	Cannahealth	[*] ordinary shares	[*] ordinary shares	Holdco	[*] ordinary shares	[*] ordinary shares					Issued Share Capital	Issued Share Capital				Bophelo	[*] shares	[*] shares	Canmart	[*] ordinary shares	[*] ordinary shares	Cannahealth	[*] ordinary shares	[*] ordinary shares	Holdco	[*] ordinary shares	[*] ordinary shares
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Cannahealth	[*] ordinary shares	[*] ordinary shares																																												
Holdco	[*] ordinary shares	[*] ordinary shares																																												
	Issued Share Capital	Issued Share Capital																																												
Bophelo	[*] shares	[*] shares																																												
Canmart	[*] ordinary shares	[*] ordinary shares																																												
Cannahealth	[*] ordinary shares	[*] ordinary shares																																												
Holdco	[*] ordinary shares	[*] ordinary shares																																												
3.1(cc)	<div>Regulatory Licenses</div> <p>Bophelo holds an operator’s license issued by the Ministry of Health in the Kingdom of Lesotho in terms of the Drugs of Abuse Act and its Regulations thereto.</p> <p>Canmart holds the following licenses issued by UK regulatory authorities:</p> <ul style="list-style-type: none"><li>▪ Manufacturer’s “Specials” Licence</li><li>▪ Wholesale Distribution Authorisation (Human)</li><li>▪ Controlled Drugs Licence</li></ul>																																													
3.1(hh)	<div>Indebtedness and Liabilities</div> <p>Bophelo is party to a bridge financing arrangement with LM Mojela. Debt under the bridge financing arrangement will be settled through the issuance of 880,000 common shares of Akanda Corp.</p>																																													

3.1(mm)	<p><i>Real Property Leases</i></p> <p><i>Bophelo has entered into a lease agreement with the MMD Trust for the lease of its facilities at T'sakholo in the Kingdom of Lesotho. The lease is for a land area of approximately 200 hectares and for a 20 year period, with an option to renew for another 30-year term. Pursuant to the lease agreement, Bophelo will pay LSL 350,000 per month (approximately USD \$25,000 per month) for the leased area utilized. The MMD Trust is controlled by Louisa Mojela, our Executive Chairman, and Granny Seape, a non-executive director of Bophelo.</i></p> <p><i>Canmart has entered into a lease agreement with DND Investments Limited for the lease of 30,000 square foot warehouse in Somerset, United Kingdom. The lease period commenced on the date that Canmart fulfills the first 100 prescriptions for its clients for medical cannabis products (as certified by Canmart's accountants or auditors) and terminates on 19 September 2024. Canmart has not yet fulfilled the first 100 prescriptions as contemplated in the lease agreement, and as such is not paying any rental fees. Pursuant to the lease agreement, Canmart will pay GBP 21,000 per annum once the lease payment arrangement described above is fulfilled and commences.</i></p>
3.1(nn)	<i>Owned Real Property</i>

	<i>Nil</i>
3.1(qq)	<p><i>List of Deposit Accounts</i></p> <p><i>Bophelo</i></p> <p>Bophelo holds the following accounts:</p> <p>Current Account (number [*]) held with [*] (address – [*]). Authorised signatories are [*] &amp; [*].</p> <p>Business Cheque Account (number [*]) held with [*] (address: [*]). Authorised signatories are [*] &amp; [*].</p> <p><i>Canmart</i></p> <p>Canmart holds the following bank account:</p> <p>Business Account (number [*]). held with [*] (address [*]). Authorised signatories are [*].</p>
3.1(uu)	<p><i>Employees</i></p> <p>Approximately [*] in arrear salary and directors fees are owing to Bophelo employees and directors.</p> <p>No current executive, key employee or group of employees has given notice of termination of employment or otherwise disclosed plans to terminate employment with any Corporation within the next 12 months.</p>

28.

3.1(xx)	<p><i>Contracts with officers, directors, agents and employees</i></p> <p>Canmart is yet to conclude employment agreements with:</p> <ul style="list-style-type: none"> <li>▪ LM Mojela</li> <li>▪ T Scott</li> <li>▪ V Iyer</li> </ul>
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## **Schedule "B"**

### **Purchaser Disclosure Schedule**

Nil.

## **Schedule "C"**

## **Investor Rights Agreement**

Please see attached.

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Request ID: 026453832  
 Demande n°:  
 Transaction ID: 079982715  
 Transaction n°:  
 Category ID: CT  
 Catégorie:

Province of Ontario  
 Province de l'Ontario  
 Ministry of Government Services  
 Ministère des Services gouvernementaux

Date Report Produced: 2021/07/16  
 Document produit le:  
 Time Report Produced: 15:43:52  
 Imprimé à:

**Certificate of Incorporation**  
**Certificat de constitution**

This is to certify that

Ceci certifie que

**AKANDA CORP .**

Ontario Corporation No.

Numéro matricule de la personne morale en Ontario

**002854618**

is a corporation incorporated,  
 under the laws of the Province of Ontario.

est une société constituée aux termes  
 des lois de la province de l'Ontario.

These articles of incorporation  
 are effective on

Les présents statuts constitutifs  
 entrent en vigueur le

**JULY 16 JUILLET, 2021**



Director/Directeur  
 Business Corporations Act/Loi sur les sociétés par actions

Page: 1

**Request ID / Demande n°**

**26453832**

**Ontario Corporation Number**  
**Numéro de la compagnie en Ontario**

**2854618**

**FORM 1**

**FORMULE NUMÉRO 1**

**BUSINESS CORPORATIONS ACT**

/

**LOI SUR LES SOCIÉTÉS PAR ACTIONS**

**ARTICLES OF INCORPORATION**  
**STATUTS CONSTITUTIFS**

1. The name of the corporation is:

**AKANDA CORP.**

*Dénomination sociale de la compagnie:*



2. The address of the registered office is:

*Adresse du siège social:*

**77 KING STREET WEST  
TORONTO-DOMINION CENTRE**

**Suite 400**

(Street & Number, or R.R. Number & if Multi-Office Building give Room No.)  
(Rue et numéro, ou numéro de la R.R. et, s'il s'agit d'édifice à bureau, numéro du bureau)

**TORONTO  
CANADA**

**ONTARIO  
M5K 0A1**

(Name of Municipality or Post Office)  
(Nom de la municipalité ou du bureau de poste)

(Postal Code/ Code postal)

3. Number (or minimum and maximum number) of directors is:  
Minimum 1

*Nombre (ou nombres minimal et maximal)  
d'administrateurs:  
Maximum 10*

4. The first director(s) is/are:

*Premier(s) administrateur(s):*

First name, initials and surname  
*Prénom, initiales et nom de famille*

Resident Canadian  
*Résident Canadien*

Yes or No  
*Oui/Non*

Address for service, giving Street & No.  
or R.R. No., Municipality and Postal Code

*Domicile élu, y compris la rue et le  
numéro, le numéro de la R.R., ou le nom  
de la municipalité et le code postal*

\* **PHILIP  
VAN DEN BERG**

**NO**

**77 KING STREET WEST Suite 400  
TORONTO-DOMINION CENTRE  
TORONTO ONTARIO  
CANADA M5K 0A1**

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**Request ID / Demande n°**

**Ontario Corporation Number  
Numéro de la compagnie en Ontario**

**26453832**

**2854618**

5. Restrictions, if any, on business the corporation may carry on or on powers the corporation may exercise.  
*Limites, s'il y a lieu, imposées aux activités commerciales ou aux pouvoirs de la compagnie.*

None.

6. The classes and any maximum number of shares that the corporation is authorized to issue:  
*Catégories et nombre maximal, s'il y a lieu, d'actions que la compagnie est autorisée à émettre:*

The Corporation is authorized to issue an unlimited number of preferred shares, issuable in series and an unlimited number of Common shares.

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Ontario Corporation Number  
Numéro de la compagnie en Ontario

2854618

7. Rights, privileges, restrictions and conditions (if any) attaching to each class of shares and directors authority with respect to any class of shares which may be issued in series: *Droits, privilèges, restrictions et conditions, s'il y a lieu, rattachés à chaque catégorie d'actions et pouvoirs des administrateurs relatifs à chaque catégorie d'actions que peut être émise en série:*

## A. PREFERRED SHARES

The rights, privileges, restrictions and conditions attaching to the preferred shares, issuable in series, as a class, are as follows:

1. The preferred shares may at any time and from time to time be issued in one or more series, each series to consist of such number of shares as may, before the issue thereof, be determined by resolution of the board of directors of the Corporation.
2. The board of directors of the Corporation shall, subject as hereinafter provided, by resolution duly passed before the issue of the preferred shares of each series, fix the designation, rights, privileges, restrictions and conditions to be attached to the preferred shares of such series.
3. With respect to payment of dividends and priority in the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the preferred shares of each series shall be entitled to preference over the Common shares of the Corporation and over any other shares ranking junior to the preferred shares; and the preferred shares of each series may also be given such other preferences over the Common shares and any other shares ranking junior to the preferred shares as may be determined as to the respective series authorized to be issued.
4. The preferred shares of each series shall rank on a parity with the preferred shares of every other series with respect to priority in payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs.

## B. COMMON SHARES

The rights, privileges, restrictions and conditions attaching to the Common shares, as a class, are as follows:

## 1. Dividends

Subject to the prior rights of the holders of the preferred shares of the Corporation, the board of directors of the Corporation may declare and cause to be paid dividends to the holders of the Common shares from any assets at the time properly applicable to the payment of dividends.

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Ontario Corporation Number  
Numéro de la compagnie en Ontario

- 
7. Rights, privileges, restrictions and conditions (if any) attaching to each class of shares and directors authority with respect to any class of shares which may be issued in series: *Droits, privilèges, restrictions et conditions, s'il y a lieu, rattaches à chaque catégorie d'actions et pouvoirs des administrateurs relatifs à chaque catégorie d'actions que peut être émise en série:*

2. Liquidation, Dissolution or Winding-Up

In the event of the liquidation, dissolution or winding-up of the Corporation or other distribution of assets of the Corporation among shareholders for the purpose of winding-up its affairs, subject to the prior rights of the holders of the preferred shares of the Corporation, the holders of the Common shares shall be entitled to receive the remaining assets of the Corporation.

3. Voting Rights

The holders of the Common shares shall be entitled to receive notice of and to attend any meeting of the shareholders of the Corporation, and shall be entitled to one vote in respect of each Common share held at such meetings, except a meeting of holders of a particular class of shares other than the Common shares who are entitled to vote separately as a class at such meeting.

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**Ontario Corporation Number  
Numéro de la compagnie en Ontario**

**2854618**

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8. The issue, transfer or ownership of shares is/is not restricted and the restrictions (if any) are as follows:  
*L'émission, le transfert ou la propriété d'actions est/n'est pas restreinte. Les restrictions, s'il y a lieu, sont les suivantes:*

Shares of the Corporation may not be transferred unless the restrictions on the transfer of securities of the Corporation contained in section 9 of the articles of the Corporation entitled "Other provisions, if any" are complied with.

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9. Other provisions, (if any, are):  
*Autres dispositions, s'il y a lieu:*

Securities of the Corporation, other than non-convertible debt securities, shall not be transferred without either:

- (a) the approval of the directors of the Corporation, expressed by a resolution passed at a meeting of the directors or by an instrument or instruments in writing signed by a majority of the directors; or

(b) the approval of the holders of at least a majority of the shares of the Corporation entitling the holders thereof to vote in all circumstances (other than a separate class vote of the holders of another class of shares of the Corporation) outstanding at the time, expressed by a resolution passed at a meeting of the holders of those shares or by an instrument or instruments in writing signed by the holders of a majority of those shares.

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10. The names and addresses of the incorporators are

*Nom et adresse des fondateurs*

First name, initials and last name  
or corporate name

*Prénom, initiale et nom de  
famille ou dénomination sociale*

Full address for service or address of registered office or of principal place of business giving street & No. or R.R. No., municipality and postal code *Domicile élu, adresse du siège social au adresse de l'établissement principal, y compris la rue et le numéro, le numéro de la R.R., le nom de la municipalité et le code postal*


\* **PHILIP VAN DEN BERG**

**77 KING STREET WEST Suite 400  
TORONTO-DOMINION CENTRE  
TORONTO ONTARIO  
CANADA M5K 0A1**

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2854618



Ministry of Government  
and Consumer Services

Ontario  
**CERTIFICATE**  
This is to certify that these  
articles are effective on

Ministère des Services  
gouvernementaux et des  
Services aux consommateurs

**CERTIFICAT**  
Ceci certifie que les présents  
statuts entrent en vigueur le

**AUGUST 30 AOUT, 2021**

Barbara Ackitt

17

Director / Directrice  
Business Corporations Act / Loi sur les sociétés par actions

ARTICLES OF AMENDMENT  
STATUTS DE MODIFICATION

Form 3  
Business  
Corporations  
Act

Formule 3  
Loi sur les  
sociétés par  
actions

1. The name of the corporation is: (Set out in BLOCK CAPITAL LETTERS)  
Dénomination sociale actuelle de la société (écrire en LETTRES MAJUSCULES SEULEMENT):

[illegible]

2. The name of the corporation is changed to (if applicable): (Set out in BLOCK CAPITAL LETTERS)  
Nouvelle dénomination sociale de la société (s'il y a lieu) (écrire en LETTRES MAJUSCULES SEULEMENT):

[illegible]

3. Date of incorporation/amalgamation:  
Date de la constitution ou de la fusion :

2021/07/16

(Year, Month, Day)  
(année, mois, jour)

4. Complete only if there is a change in the number of directors or the minimum / maximum number of directors.  
Il faut remplir cette partie seulement si le nombre d'administrateurs ou si le nombre minimal ou maximal d'administrateurs a changé.

Number of directors is/are:  
Nombre d'administrateurs :

minimum and maximum number of directors is/are:  
nombres minimum et maximum d'administrateurs :

Number  
Nombre

minimum and maximum  
minimum et maximum

□

or  
ou

--	--

5. The articles of the corporation are amended as follows:  
Les statuts de la société sont modifiés de la façon suivante :

See page 1A attached.



**SCHEDULE "A"**  
**TO ARTICLES OF AMENDMENT**

The Articles of the Corporation are amended as follows:

1. to remove the restriction on the transfer of shares set out in paragraph 8 of the articles of the Corporation by deleting the following provision in its entirety:

"Shares of the Corporation may not be transferred unless the restrictions on the transfer of securities of the Corporation contained in section 9 of the articles of the Corporation entitled "Other provisions if any" are complied with."

and to substitute therefore the following words:

"No Restrictions."

2. to remove from paragraph 9 of the articles of the Corporation the following provisions in their entirety:

"Securities of the Corporation, other than non-convertible debt securities, shall not be transferred without either:

- (a) the approval of the directors of the Corporation, expressed by a resolution passed at a meeting of the directors or by an instrument or instruments in writing signed by a majority of the directors; or
- (b) the approval of the holders of at least a majority of the shares of the Corporation entitling the holders thereof to vote in all circumstances (other than a separate class vote of the holders of another class of shares of the Corporation) outstanding at the time, expressed by a resolution passed at a meeting of the holders of those shares or by an instrument or instruments in writing signed by the holders of a majority of those shares."

and to substitute therefore the following words:

"None."

NATDOCS\57364938\IV-1



6. The amendment has been duly authorized as required by sections 168 and 170 (as applicable) of the *Business Corporations Act*.  
La modification a été dûment autorisée conformément aux articles 168 et 170 (selon le cas) de la *Loi sur les sociétés par actions*.
7. The resolution authorizing the amendment was approved by the shareholders/directors (as applicable) of the corporation on  
Les actionnaires ou les administrateurs (selon le cas) de la société ont approuvé la résolution autorisant la modification le

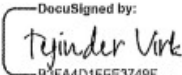
2021/08/30

(Year, Month, Day)  
(année, mois, jour)

These articles are signed in duplicate.  
Les présents statuts sont signés en double exemplaire.

AKANDA CORP.

(Print name of corporation from Article 1 on page 1)  
(Veuillez écrire le nom de la société de l'article un à la page une).

By/  
Par :  DocuSigned by:  
B3FA4D1FEE3749F...

(Signature)  
(Signature)

Director

(Description of Office)  
(Fonction)

**AKANDA CORP.**  
**BY-LAW NO. 1**

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**AKANDA CORP.**  
**(the “Corporation”)**

**BY-LAW NO. 1**

A by-law relating generally to the transaction of the business and affairs of the Corporation.

**ARTICLE 1**  
**INTERPRETATION**

**1.1 Interpretation**

In this by-law:

- (a) “**Act**” means the *Business Corporations Act* (Ontario), R.S.O. 1990, c. B.16, and the regulations made thereunder, each as amended or re-enacted from time to time;
- (b) “**board**” means the board of directors of the Corporation;
- (c) “**by-law**” means any by-law of the Corporation in effect from time to time;
- (d) “**meeting of shareholders**” means an annual or special meeting of shareholders of the Corporation;
- (e) “**STA**” means the *Securities Transfer Act, 2006* (Ontario), S.O. 2006, c. 8, as amended or re-enacted from time to time;
- (f) unless otherwise specified, all words and expressions contained in this by-law and that are defined in the Act have the meanings given to them in the Act;
- (g) any reference to gender includes all genders and words importing the singular number include the plural and vice versa; and

- (h) the inclusion of headings and a table of contents are provided for convenience only and do not affect the construction or interpretation of this by-law.

## **1.2 Unanimous Shareholder Agreement**

If any provision in this by-law (or any other by-law) conflicts with any provision in a unanimous shareholder agreement, the provision in the unanimous shareholder agreement will govern to the extent permitted by the Act.

## **1.3 Conflicts with the Act**

If any provision in this by-law (or any other by-law) contravenes any provision in the Act, the provision in the Act will govern.

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# **ARTICLE 2** **BUSINESS OF THE CORPORATION**

## **2.1 Registered Office**

The Corporation shall at all times have a registered office in Ontario. Unless changed in accordance with the Act, the registered office will be at the location specified in the articles.

## **2.2 Seal**

The Corporation need not have a corporate seal, but any corporate seal adopted for the Corporation must be approved and may be changed by the board.

## **2.3 Financial Year**

The financial year of the Corporation will be as determined by the board from time to time.

## **2.4 Banking Arrangements**

Banking transactions will be made with the bank(s) or other financial institution(s) approved by the board from time to time, and banking transactions will be made on the Corporation's behalf by the director(s), officer(s) or other person(s) designated, directed or authorized by the board from time to time and to the extent so designated, directed or authorized.

## **2.5 Execution of Contracts, Documents and Instruments in Writing by the Corporation**

Contracts, documents or instruments in writing requiring the signature of the Corporation may be signed on behalf of the Corporation by any one officer or director of the Corporation. In addition, the board may from time to time authorize any officer or officers of the Corporation, any director or directors of the Corporation, or any other person or persons, either to sign contracts, documents and instruments in writing generally or to sign specific contracts, documents or instruments in writing and the manner in which those contracts, documents or instruments in writing may or will be signed.

## **2.6 Execution of Documents in Counterparts or by Facsimile Signature**

Except as otherwise required by law:

- (a) any articles, notice, resolution, requisition, statement or other document required or permitted to be executed by more than one person for the purposes of the Act may be executed in several documents of like form each of which is executed by one or more of those persons, and those documents, when duly executed by all persons required or permitted, as the case may be, to do so, will be deemed to constitute one document for the purposes of the Act;

- (b) the Corporation may accept delivery of any executed document, which is required or permitted to be executed by one or more persons for the purposes of the Act, by facsimile or by electronic transmission; and

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- (c) any document required or permitted to be executed by one or more persons for the purposes of the Act may be executed by means of electronic signature, and the Corporation may accept delivery of any document so executed.

## **2.7 Divisions**

The board may from time to time cause the business and operations of the Corporation or any part thereof to be divided into one or more divisions, further divide those divisions into sub-units, or consolidate the business and operations of divisions or sub-units.

## **2.8 Voting Rights in Other Bodies Corporate**

Shares or other securities carrying voting rights of any body corporate or other entity held by the Corporation may be voted at any and all meetings of the holders of those shares or other securities in the manner and by the person(s) approved by the board from time to time. Persons authorized under paragraph 2.5 may also, for and on behalf of the Corporation and without the necessity of a resolution or other action by the board, execute and deliver proxies to vote any of those shares or other securities or arrange for the issue of security certificates or other evidence of the right to vote those shares or other securities.

# **ARTICLE 3** **BORROWING**

## **3.1 Borrowing**

Without limiting the powers of the board as provided in the Act, unless the articles, by-laws or any unanimous shareholder agreement otherwise provide, the board may from time to time on behalf of the Corporation, without authorization of the shareholders:

- (a) borrow money upon the credit of the Corporation;
- (b) issue, reissue, sell or pledge debt obligations of the Corporation;
- (c) give a guarantee on behalf of the Corporation to secure performance of an obligation of any person; and
- (d) mortgage, hypothecate, pledge or otherwise create a security interest in all or any property of the Corporation, owned or subsequently acquired, to secure any obligation of the Corporation.

## **3.2 Delegation of Borrowing Powers**

Unless the articles, by-laws or any unanimous shareholder agreement otherwise provide, the board may by resolution delegate any or all of the powers referred to in paragraph 3.1 to a director, a committee of the board or an officer of the Corporation.

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# **ARTICLE 4** **DIRECTORS**

## **4.1 Powers and Duties of Directors**

Subject to any unanimous shareholder agreement, the directors shall manage or supervise the management of the business and affairs of the Corporation. Every director of the Corporation in exercising his or her powers and discharging his or her duties to the Corporation

shall act honestly and in good faith with a view to the best interests of the Corporation and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Every director of the Corporation shall comply with the Act, the articles, the by-laws and any unanimous shareholder agreement.

#### **4.2 Number of Directors**

If the articles set out a fixed number of directors, the number of directors of the Corporation and the number of directors to be elected at an annual meeting of shareholders must be the number of directors set out in the articles. Where a minimum and maximum number of directors is provided for in the articles, the number of directors of the Corporation and the number of directors to be elected at an annual meeting of the shareholders must be that number as is determined from time to time by special resolution or, if a special resolution empowers the board to determine the number, by resolution of the board. Where no such resolution has been passed, the number of directors of the Corporation must be the number of directors named in the articles. The board must consist of at least one individual, but if the Corporation is an offering corporation, the board must consist of not fewer than three individuals.

#### **4.3 Qualifications**

If the Corporation is an offering corporation, at least one-third of the directors shall not be officers or employees of the Corporation or of any affiliate of the Corporation. No person may be a director if that person (i) is less than eighteen years of age, (ii) has been found under the *Substitute Decisions Act, 1992* (Ontario) or under the *Mental Health Act* (Ontario) to be incapable of managing property or has been found to be incapable by a court in Canada or elsewhere, (iii) is not an individual, or (iv) has the status of bankrupt. Unless the articles otherwise provide, a director is not required to hold shares issued by the Corporation.

#### **4.4 Election and Term**

Subject to the Act, the shareholders of the Corporation shall elect, at the first meeting of shareholders and at each succeeding annual meeting at which an election of directors is required, directors to hold office for a term expiring not later than the close of the third annual meeting of shareholders following the election. A director not elected for an expressly stated term ceases to hold office at the close of the first annual meeting of shareholders following his or her election. A director who ceases to hold office upon the expiry of his or her term but who remains qualified to serve as a director is eligible for re-election. If directors are not elected at a meeting of shareholders at which an election of directors is required, the incumbent directors continue in office until their successors are elected.

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#### **4.5 Ceasing to Hold Office**

A director ceases to hold office at the earliest of (i) his or her death, (ii) his or her removal from office by the shareholders of the Corporation in accordance with paragraph 4.6, (iii) his or her becoming disqualified for election as a director, (iv) his or her resignation, which resignation is effective when his or her written resignation is sent to the Corporation or, if a later time is specified in the resignation, at the later time, (v) the expiry of his or her term, if he or she is elected for an expressly stated term, or (vi) the close of the first annual meeting of shareholders following his or her election, if he or she is not elected for an expressly stated term.

#### **4.6 Removal of Directors**

Subject to the Act, the shareholders of the Corporation may by ordinary resolution at a meeting of shareholders remove any director or directors from office, and the vacancy or vacancies created by the removal of a director may be filled at that meeting, failing which the vacancy or vacancies may be filled by the board in accordance with the Act.

#### **4.7 Vacancies**

Subject to the Act, a quorum of directors may fill a vacancy among the directors, except a vacancy resulting from: (i) an increase in the number of directors otherwise than in accordance with paragraph 4.7.2, or in the maximum number of directors, as the case may be, or (ii) a failure to elect the number of directors required to be elected at any meeting of shareholders.

4.7.1

4.7.2 Where a minimum and maximum number of directors is provided for in the articles, if a special resolution passed under paragraph 4.2 empowers the board to determine the number of directors, the directors may not, between meetings of shareholders, appoint an additional director if, after that appointment, the total number of directors would be greater than one and one-third times the number of directors required to have been elected at the last annual meeting of shareholders.

4.7.3 If there is not a quorum of directors, or if there has been a failure to elect the number of directors required by the articles or paragraph 4.2, the directors then in office shall forthwith call a special meeting of shareholders to fill the vacancy and, if they fail to call a meeting or if there are no directors then in office, the meeting may be called by any shareholder.

4.7.4 A director appointed or elected to fill a vacancy holds office for the unexpired term of the director's predecessor.

#### **4.8 Remuneration of Directors**

Subject to the articles and any unanimous shareholder agreement, the board may fix the remuneration of the directors of the Corporation.

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### **ARTICLE 5** **MEETINGS OF DIRECTORS**

#### **5.1 Transaction of Business**

The powers of the board may be exercised at a meeting at which a quorum is present or by a resolution in writing signed by all the directors entitled to vote on that resolution at a meeting of the board. Where the Corporation has only one director, that director may constitute a meeting.

#### **5.2 Quorum**

Subject to the articles, a majority of the number of directors determined in accordance with paragraph 4.2 constitutes a quorum for the transaction of business at any meeting of the board and, notwithstanding any vacancies on the board, a quorum of directors may exercise all the powers of the board. Where the Corporation has fewer than three directors, all directors must be present at any meeting of the board to constitute a quorum.

#### **5.3 Place of Meetings**

Meetings of the board may be held at any place within or outside Ontario and it is not necessary in any financial year of the Corporation for a majority of the meetings of the board to be held at a place within Canada.

#### **5.4 Participation in Meeting by Electronic Means**

If all the directors of the Corporation present at or participating in the meeting consent, a meeting of the board may be held by means of telephone, electronic or other communication facilities that permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and a director participating in that meeting by those means is deemed to be present at that meeting.

#### **5.5 Calling of Meetings**

Meetings of the board may be called at any time by the Chair of the board (if any), the President (if the President is a director), a Vice-President who is a director, or any two directors.

#### **5.6 Notice of Meetings**



Subject to paragraph 5.7, notice of the time and place of any meeting of the board must be sent to every director not less than 48 hours before the time when the meeting is to be held, but notice of an adjourned meeting need not be given if the time and place of the adjourned meeting is announced at the original meeting. A notice of a meeting of the board need not specify the purpose of or the business to be transacted at the meeting unless the Act requires that purpose or business or the general nature of the business to be specified. Provided a quorum of directors is present, each newly elected board may without notice hold its first meeting immediately following the meeting of shareholders at which that board is elected.

#### **5.7 Waiver of Notice**

A director may in any manner and at any time waive notice of a meeting of the board. Attendance of a director at a meeting of the board is a waiver of notice of the meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

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#### **5.8 Omission of Notice**

The accidental omission to give notice of any meeting of the board or any irregularity in the notice of any meeting or the non-receipt of any notice by any director will not invalidate any resolution passed or any proceeding taken at that meeting.

#### **5.9 Voting at Meetings**

Questions arising at any meeting of the board will be decided by a majority of the votes cast on the question. In case of an equality of votes the chair of the meeting will not be entitled to a second or casting vote.

#### **5.10 Chair and Secretary**

The Chair of the board (if any) will, when present, preside as chair at meetings of the board. If the Chair of the board is absent or unable or unwilling to preside as chair, the Vice-Chair of the board (if any) will, when present, preside as chair for that meeting. If the Vice-Chair of the board is absent or unable or unwilling to preside as chair, the President (if the President is a director) will, when present, preside as chair for that meeting. If none of these officers is present or able or willing to preside as chair, the directors present shall choose one from among them to preside as chair for that meeting. The Secretary of the Corporation (if any) will, when present, act as secretary at meetings of the board. If the Secretary is absent or unable or unwilling to act as secretary, the chair of the meeting shall appoint a person who need not be a director to act as secretary for that meeting.

#### **5.11 Adjournment**

The chair of a meeting of the board may, with the consent of the meeting, adjourn the meeting to a fixed time and place. If there is a quorum at the adjourned meeting, the meeting will be considered duly constituted and the board may deliberate and transact business in accordance with the procedures established at the original meeting. The directors constituting a quorum at the original meeting need not constitute the quorum at the adjourned meeting. If there is no quorum at the adjourned meeting, the meeting will be deemed to have ended at the original meeting at which the chair declared the adjournment.

#### **5.12 Conflicts of Interest**

A director of the Corporation who is a party to, or who is a director or an officer of or has a material interest in any person who is a party to, a material contract or transaction or proposed material contract or transaction with the Corporation shall disclose to the Corporation the nature and extent of that interest at the time and in the manner provided by the Act. No such director shall attend any part of a meeting of the board during which the contract or transaction is discussed or vote on any resolution to approve the contract or transaction except in accordance with the Act. If no quorum exists for the purpose of voting on a resolution to approve a contract or transaction only because a director is not permitted to be present at the meeting, the remaining directors will be deemed to constitute a quorum for the purposes of voting on the resolution.

### **5.13 Written Resolution In Lieu of Meeting**

A resolution in writing, signed by all the directors entitled to vote on that resolution at a meeting of the board, is as valid as if it had been passed at a meeting of the board.

## **ARTICLE 6** **COMMITTEES OF THE BOARD**

### **6.1 Committees of Directors**

Subject to the articles, the board may appoint from their number a managing director or one or more committees of directors, however designated, and delegate to the managing director or those committees any powers of the board except those that pertain to matters that, under the Act, a managing director or committee of the board has no authority to exercise.

### **6.2 Transaction of Business**

The powers of a committee of the board may be exercised at a meeting at which a quorum is present or by a resolution in writing signed by all the directors entitled to vote on that resolution at a meeting of the committee. Meetings of committees of the board may be held at any place within or outside Ontario.

### **6.3 Meetings by Electronic Means**

The provisions of paragraph 5.4 apply to meetings of committees of the board.

### **6.4 Procedures**

Unless otherwise determined by the board, each committee of the board has the power to fix its quorum at not less than a majority of its members, to elect its chair and to regulate its procedure.

## **ARTICLE 7** **OFFICERS**

### **7.1 Designation and Appointment**

Subject to the articles and any unanimous shareholder agreement, the board may designate the offices of the Corporation, appoint officers, specify their duties and, subject to the Act, delegate to them powers to manage the business and affairs of the Corporation. Subject to the articles and any unanimous shareholder agreement, a director may be appointed to any office of the Corporation and two or more offices of the Corporation may be held by the same person.

### **7.2 Powers and Duties of Officers**

Every officer of the Corporation shall:

- (a) perform all powers and duties incident to his or her respective office and such other powers and duties respectively as may from time to time be assigned to him or her by the board;
- (b) in exercising his or her powers and discharging his or her duties to the Corporation, act honestly and in good faith with a view to the best interests of the Corporation and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances; and
- (c) comply with the Act, the articles, the by-laws and any unanimous shareholder agreement.

### **7.3 Term of Office**

An officer ceases to hold office at the earliest of (i) his or her death, (ii) his or her removal from office by the board, (iii) his or her ceasing to be a director if being a director is a necessary qualification of that officer's appointment, (iv) his or her resignation, which resignation is effective when his or her written resignation is sent to the Corporation or, if a later time is specified in that resignation, at the later time, (v) the appointment of his or her successor, or (vi) the close of the first meeting following his or her appointment at which the board annually appoints the officers of the Corporation.

### **7.4 Vacancies**

If the office of any officer of the Corporation becomes vacant for any reason, the board may appoint a person to fill that vacancy.

### **7.5 Remuneration**

Subject to the articles and any unanimous shareholder agreement, the board may fix the remuneration of the officers of the Corporation.

### **7.6 Conflicts of Interest**

An officer of the Corporation who is a party to, or who is a director or an officer of or has a material interest in any person who is a party to, a material contract or transaction or proposed material contract or transaction with the Corporation, shall disclose to the Corporation the nature and extent of that interest at the time and in the manner provided by the Act.

### **7.7 Agents and Attorneys**

Subject to the Act, the Corporation may from time to time appoint agents or attorneys for the Corporation in or outside Canada, with such powers (including the power to sub-delegate) as may be thought fit.

### **7.8 Divisional Officers**

Where the business and operations of the Corporation or any part thereof are divided into one or more divisions or sub-units, the board may designate and appoint divisional officers to those divisions or sub-units and determine their powers and duties.

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## **ARTICLE 8** **PROTECTION OF DIRECTORS AND OFFICERS**

### **8.1 Indemnity**

8.1.1 Subject to the Act, the Corporation shall indemnify a director or officer of the Corporation, a former director or officer of the Corporation or another individual who acts or acted at the Corporation's request as a director or officer, or an individual acting in a similar capacity, of another entity, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by the individual in respect of any civil, criminal, administrative, investigative or other proceeding in which the individual is involved because of that association with the Corporation or other entity.

8.1.2 The Corporation shall not indemnify an individual under paragraph 8.1.1 unless the individual:

- (i) acted honestly and in good faith with a view to the best interests of the Corporation or, as the case may be, to the best interests of the other entity for which the individual acted as a director or officer or in a similar capacity at the Corporation's request; and
- (ii) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, had reasonable grounds for believing that the individual's conduct was lawful.

8.1.3 The Corporation shall also indemnify an individual referred to in paragraph 8.1.1 in such other circumstances as the Act permits or requires. Nothing in this by-law limits the right of any individual entitled to indemnity to claim indemnity apart from the provisions of this by-law.

## **8.2 Insurance**

The Corporation may purchase and maintain insurance for the benefit of an individual referred to in paragraph 8.1.1 against any liability incurred by that individual, (i) in the individual's capacity as a director or officer of the Corporation, or (ii) in the individual's capacity as a director or officer, or a similar capacity, of another entity, if the individual acts or acted in that capacity at the Corporation's request.

## **ARTICLE 9** **MEETINGS OF SHAREHOLDERS**

### **9.1 Annual Meetings**

Subject to the Act, the board shall call an annual meeting of shareholders not later than eighteen months after the Corporation comes into existence and subsequently not later than fifteen months after holding the last preceding annual meeting, for the purpose of placing before the annual meeting the financial statements, reports and any further information required by the Act to be placed before the annual meeting, electing directors, appointing an auditor and transacting any other business that may be properly brought before the meeting.

### **9.2 Special Meetings**

Subject to the Act, the board may at any time call a special meeting of shareholders, and a special meeting of shareholders may be held in conjunction with an annual meeting of shareholders.

### **9.3 Place of Meetings**

Subject to the articles and any unanimous shareholder agreement, a meeting of shareholders will be held at such place in or outside Ontario as the board determines or, in the absence of such a determination, at the place where the registered office of the Corporation is located. A meeting of shareholders held under paragraph 9.6 will be deemed to be held at the place where the registered office of the Corporation is located.

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### **9.4 Quorum**

Subject to the Act and the articles, a quorum at any meeting of shareholders will be two persons present in person and holding or representing by proxy not less than 10% of the votes attached to all shares entitled to be voted at the meeting. If the Corporation has only one shareholder, or only one holder of any class or series of shares, the shareholder present in person or by proxy constitutes a meeting. No business may be transacted at any meeting of shareholders unless a quorum is present at the time of the transaction of the business.

### **9.5 Written Resolution in Lieu of Meeting**

Subject to the Act, a resolution in writing signed by all the shareholders of the Corporation or their attorney authorized in writing entitled to vote on that resolution at a meeting of shareholders is as valid as if it had been passed at a meeting of shareholders.

### **9.6 Meetings Held by Electronic Means**

Subject to the articles, a meeting of shareholders may be held by telephonic or electronic means and a shareholder of the Corporation who, through those means, votes at the meeting or establishes a communications link to the meeting will be deemed for the purposes of the Act to be present at the meeting.

## **9.7 Notice of Meetings**

Subject to paragraph 9.8, notice of the time and place of any meeting of shareholders must be sent to each shareholder of the Corporation entitled to vote at the meeting, to each director and to the auditor of the Corporation as follows: if the Corporation is an offering corporation, not less than twenty-one days or, if the Corporation is not an offering corporation, not less than ten days, but, in either case, not more than fifty days, before the meeting. Notice of a meeting of shareholders at which special business (as defined in the Act) is to be transacted must state, or be accompanied by a statement of, the nature of that business in sufficient detail to permit the shareholder to form a reasoned judgment thereon and the text of any special resolution or by-law to be submitted to the meeting.

## **9.8 Waiver of Notice**

A shareholder of the Corporation and any other person entitled to attend a meeting of shareholders may in any manner and at any time waive notice of a meeting of shareholders, and attendance of any such person at a meeting of shareholders is a waiver of notice of the meeting, except where that person attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

## **9.9 Record Date for Notice**

For the purpose of determining shareholders entitled to receive notice of a meeting of shareholders, the board may fix in advance, as the record date for that determination, a date that is not less than 30 days and not more than 60 days before the date of the meeting or that is within such other period as may be prescribed by the Act.

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## **9.10 List of Shareholders Entitled to Receive Notice**

9.10.1 For every meeting of shareholders, the Corporation shall prepare a list of shareholders entitled to receive notice of the meeting, arranged in alphabetical order and showing the number of shares held by each shareholder.

9.10.2 If a record date is fixed under paragraph 9.9, the shareholders listed will be those whose names are set out in the securities register of the Corporation at the close of business on that record date and the list must be prepared not later than ten days after that record date.

9.10.3 If no record date is fixed, the shareholders listed will be those whose names are set out in the securities register of the Corporation at the close of business on the day immediately preceding the day on which notice of the meeting is given and the list must be prepared on that date. However, where no notice of the meeting is given, the shareholders listed will be those whose names are set out in the securities register of the Corporation on the day on which the meeting is held and the list must be prepared on that date.

9.10.4 The list of shareholders must be made available for examination by any shareholder of the Corporation during usual business hours at the registered office of the Corporation or at the place where its central securities register is maintained and at the meeting of shareholders for which the list was prepared.

## **9.11 Shareholders Entitled to Vote**

A shareholder of the Corporation whose name appears on a list prepared under paragraph 9.10 is entitled to vote the shares shown opposite the shareholder's name at the meeting of shareholders to which the list relates.

## **9.12 Persons Entitled to Attend**

The only persons entitled to attend a meeting of shareholders are those entitled to vote at that meeting, the directors and the auditor of the Corporation and others who, although not entitled to vote, are entitled or required under the Act, the articles or the by-laws to be present at the meeting. Any other person may be admitted only with the consent of the chair of the meeting.

## **9.13 Omission of Notice**

The accidental omission to give notice of any meeting of shareholders or any irregularity in the notice of any meeting or the non-receipt of any notice by any shareholder or director or the auditor of the Corporation will not invalidate any resolution passed or any proceeding taken at that meeting.

#### **9.14 Chair, Secretary and Scrutineers**

- 9.14.1 Subject to the Act, the articles and any unanimous shareholder agreement, the Chair of the board (if any) will, when present, preside as chair at meetings of shareholders. If the Chair of the board is absent or unable or unwilling to preside as chair, the Vice-Chair of the board (if any) will, when present, preside as chair for that meeting. If the Vice-Chair of the board is absent or unable or unwilling to preside as chair, the President will, when present, preside as chair for that meeting. Subject to the Act, the articles and any unanimous shareholder agreement, if none of these officers is present within 15 minutes after the time appointed for holding the meeting, or if none of these officers is able or willing to preside as chair, the persons present and entitled to vote at the meeting shall choose a director present at the meeting to be the chair for that meeting, and if no director is present or if all the directors present decline to take the chair, then the persons present and entitled to vote shall choose one of their number to be the chair for that meeting.

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- 9.14.2 The Secretary of the Corporation (if any) will, when present, act as secretary at meetings of shareholders, but if the Secretary is not present at a meeting, the chair of the meeting shall appoint a person who need not be a shareholder to act as secretary at that meeting.
- 9.14.3 One or more scrutineers, who need not be shareholders of the Corporation, may be appointed by ordinary resolution or by the chair of the meeting.

#### **9.15 Proxies and Representatives**

Every shareholder entitled to vote at a meeting of shareholders may by means of a proxy appoint a proxyholder or one or more alternate proxyholders, who need not be shareholders, as the shareholder's nominee to attend and act at the meeting in the manner, to the extent and with the authority conferred by the proxy. Subject to the Act, a proxy must be signed (i) in writing or by electronic signature by the shareholder or an attorney who is authorized by a document that is signed in writing or by electronic signature or, (ii) if the shareholder is a body corporate, by an officer or attorney of the body corporate duly authorized. If the Corporation is an offering corporation, a proxy appointing a proxyholder ceases to be valid one year from its date. A form of proxy must comply with the regulations under the Act.

#### **9.16 Voting at Meetings**

- 9.16.1 Voting at a meeting of shareholders will be by show of hands, except where a ballot is demanded by a shareholder or proxyholder entitled to vote at the meeting or applicable law requires a ballot to be taken on a particular matter. A shareholder or proxyholder may demand a ballot either before or after any vote by show of hands. A demand for a ballot may be withdrawn.
- 9.16.2 On a show of hands, every person who is present and entitled to vote at the meeting will have one vote. Subject to the Act, if a ballot is taken on a question, every person who is present and entitled to vote at the meeting will, unless the articles otherwise provide, have one vote for each share which that person is entitled to vote at the meeting on the question.
- 9.16.3 If at any meeting a ballot is demanded on the election of a chair or on the question of adjournment, it will be taken immediately without adjournment. If at any meeting a ballot is demanded or required on any other question, including the election of directors, the vote will be taken by ballot in the manner and at the time (at once, later in the meeting or after adjournment) as the chair of the meeting directs. The result of a ballot on a question will be the decision of the shareholders on that question.

- 9.16.4 Unless a ballot is demanded, an entry in the minutes of a meeting of shareholders to the effect that the chair declared a motion to be carried is admissible in evidence as proof of the fact, in the absence of evidence to the contrary, without proof of the number or proportion of the votes recorded in favour of or against the motion.
- 9.16.5 Subject to the Act, the articles and any unanimous shareholder agreement, every question at any meeting of shareholders will be determined by a majority of the votes cast on the question. In case of an equality of votes, either on a show of hands or on a ballot, the chair of the meeting will not be entitled to a second or casting vote.

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## **9.17 Joint Shareholders**

Where two or more persons hold shares jointly, one of those holders present at a meeting of shareholders may in the absence of the others vote the shares, but if two or more of those persons are present, in person or by proxy, they shall vote as one on the shares jointly held by them.

## **9.18 Adjournment**

The chair of a meeting of shareholders may, with the consent of the meeting, adjourn the meeting to a fixed time and place. If a meeting is adjourned for less than 30 days, it is not necessary to give notice of the adjourned meeting other than by announcement at the earliest meeting that is adjourned. Subject to the Act, if a meeting is adjourned by one or more adjournments for an aggregate of 30 days or more, notice of the adjourned meeting must be given as for an original meeting. If a meeting is adjourned and no notice is required, any business that may have been brought before or dealt with at the original meeting in accordance with the notice calling that meeting may be brought before or dealt with at the adjourned meeting. Any adjourned meeting will be duly constituted if held in accordance with the terms of the adjournment and a quorum is present at that meeting. The persons constituting a quorum at the original meeting need not constitute the quorum at the adjourned meeting. If there is no quorum at the adjourned meeting, the original meeting will be deemed to have ended immediately after its adjournment.

## **9.19 One Shareholder**

If the Corporation has only one shareholder, or only one holder of any class or series of shares, the shareholder present in person or by proxy constitutes a meeting.

# **ARTICLE 10** **SECURITIES**

## **10.1 Issuance**

Subject to the Act, the articles and any unanimous shareholder agreement, shares in the capital of the Corporation may be issued at such time and to such persons and for such consideration as the board may determine. No share may be issued until the consideration for the share is fully paid as provided for in the Act.

## **10.2 Commissions**

The board may authorize the Corporation to pay a reasonable commission to any person in consideration of the person's purchasing or agreeing to purchase shares of the Corporation from the Corporation or from any other person, or procuring or agreeing to procure purchasers for any such shares.

## **10.3 Lien on Shares**

The Corporation has a lien on shares registered in the name of a shareholder or the shareholder's legal representative for a debt of that shareholder to the Corporation, but not on any class or series of shares listed and posted for trading on a stock exchange in or outside Canada. Subject to the articles and any unanimous shareholder agreement, the Corporation may enforce the lien by selling the shares affected by it or by any other means permitted by law.

#### **10.4 Securities Register**

The Corporation shall prepare and maintain at its registered office, or at any other place in Ontario designated by the board, a securities register in which it records the securities issued by it in registered form, showing with respect to each class or series of securities the information required by the Act. Branch registers, if any, may be kept at such offices of the Corporation or other places, either within or outside Ontario, designated by the board.

#### **10.5 Register of Transfers**

The Corporation shall cause to be kept, at its registered office or at any other place in Ontario designated by the board, a register of transfers in which all transfers of securities issued by the Corporation in registered form and the date and other particulars of each transfer as required by the Act will be set out. Branch registers of transfers, if any, may be kept at such offices of the Corporation or other places, either within or outside Ontario, designated by the board.

#### **10.6 Registrar and Transfer Agent**

For each class of securities and warrants issued by it, the Corporation may appoint, (i) a trustee, transfer agent or other agent to keep the securities register and the register of transfers and one or more persons or agents to keep branch registers; and (ii) a registrar, trustee or agent to maintain a record of issued security certificates and warrants, and, subject to the Act, one person may be appointed for the purposes of both clauses (i) and (ii) in respect of all securities and warrants of the Corporation or any class or classes thereof.

#### **10.7 Effect of Registration**

Subject to the Act, the Corporation may treat the registered owner of a security as the person exclusively entitled to vote, to receive notices, to receive any interest, dividend or other payments in respect of the security, and otherwise to exercise all the rights and powers of a holder of the security.

#### **10.8 Certificated and Uncertificated Securities**

A security issued by the Corporation may be represented by a security certificate or may be an uncertificated security. Unless otherwise provided by the articles, the board may provide by resolution that any or all classes and series of the Corporation's shares or other securities will be uncertificated securities, but no such resolution will apply to securities represented by a certificate until that certificate is surrendered to the Corporation. Within a reasonable time after the issuance or transfer of an uncertificated security, the Corporation shall send to the registered owner of the uncertificated security a written notice containing the information required to be stated on a share certificate in accordance with the Act. The Corporation may charge a fee, not exceeding the amount prescribed by the Act, for a security certificate issued in respect of a transfer. Security certificates issued by the Corporation will be in such form as the board may from time to time approve and must be signed by at least one of the following persons:

- (a) a director or officer of the Corporation;

- (b) a registrar, transfer agent or branch transfer agent of the Corporation, or an individual on their behalf; and
- (c) a trustee who certifies it in accordance with a trust indenture.

#### **10.9 Replacement of Certificates**

Subject to the Act and the STA, the Corporation shall issue a new security certificate in lieu of a security certificate claimed by its owner to have been lost, destroyed or wrongfully taken, on payment of a fee, not exceeding any amount prescribed by the Act, on such terms as to indemnity, reimbursement of expenses and evidence of loss and of title as the board may from time to time prescribe,



whether generally or in any particular case, and upon satisfaction of any other reasonable requirements determined by the board. However, the Corporation will not be required to issue a new security certificate in lieu of a security certificate that has been lost, apparently destroyed or wrongfully taken if (i) the owner fails to give notice to the Corporation of that fact within a reasonable time after the owner has notice of it; and (ii) the Corporation registers a transfer of the security before receiving a notice of the loss, apparent destruction or wrongful taking of the security certificate.

#### **10.10 Joint Holders of Securities**

If the Corporation issues a security certificate in respect of securities, it will not be required to issue more than one security certificate in respect of securities held jointly by several persons, and delivery to one of several joint holders is sufficient delivery to all. Where a security of the Corporation is issued to several persons as joint holders, upon satisfactory proof of the death of one joint holder, the Corporation may treat the surviving joint holders as owner of the security.

### **ARTICLE 11** **DIVIDENDS**

#### **11.1 Dividends**

Subject to the Act, the articles and any unanimous shareholder agreement, the board may from time to time declare and the Corporation may pay dividends to the shareholders according to their respective rights and interests in the Corporation. Dividends may be paid in money or property or by issuing fully paid shares of the Corporation or options or rights to acquire fully paid shares of the Corporation.

#### **11.2 Record Date for Dividends**

For the purpose of determining shareholders entitled to receive payment of a dividend, the board may fix in advance, as the record date for that determination, a date that is not more than 50 days before the date for the payment of the dividend. If no record date is so fixed, the record date for the determination of shareholders entitled to receive payment of a dividend will be at the close of business on the day on which the resolution relating to that dividend is passed by the board.

#### **11.3 Dividend Cheques**

A dividend payable in cash may be paid by cheque to the order of each registered holder of shares of the class or series in respect of which it has been declared and mailed by prepaid ordinary mail to that registered holder at the holder's recorded address, unless that holder otherwise directs. In the case of joint holders, the cheque will, unless such joint holders otherwise direct, be made payable to the order of all of those joint holders and mailed to them at their recorded address.

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### **ARTICLE 12** **NOTICES**

#### **12.1 Method of Giving Notices**

12.1.1 Any notice or document required by the Act, the articles or the by-laws to be sent to a shareholder or director may be sent by prepaid mail, delivered personally or, subject to paragraph 12.2, sent by electronic means, as follows:

- (i) to a shareholder at the shareholder's latest address as shown in the records of the Corporation or its transfer agent; and
- (ii) to a director at the director's latest address as shown in the records of the Corporation or in the most recent notice filed under the *Corporations Information Act* (Ontario), whichever is the more current.

12.1.2 A notice or document sent by prepaid mail to a shareholder in accordance with clause 12.1.1(i) or to a director in accordance with clause 12.1.1(ii) is deemed to be received by the addressee on the fifth day after mailing.

## **12.2 Sending Notices by Electronic Means**

A notice or document required or permitted to be sent by the Act to a shareholder or director of the Corporation may be sent by electronic means in accordance with the *Electronic Commerce Act, 2000* (Ontario) or as otherwise permitted by law.

## **12.3 Notice to Joint Shareholders**

If two or more persons are registered as joint holders of any share of the Corporation, any notice may be addressed to all of those joint holders, but notice addressed to one of them will be sufficient notice to all of them.

## **12.4 Persons Entitled by Death or Operation of Law**

Subject to the Act, every person who by operation of law, transfer, death of a shareholder or any other means becomes entitled to any securities of the Corporation will be bound by every notice in respect of those securities that, prior to that person's name and address being entered in the records of the Corporation, has been duly given to the registered holder of those securities.

## **12.5 Undelivered Notices**

If any notice or document sent to a shareholder under clause 12.1.1(i) is returned on three consecutive occasions because the shareholder cannot be found, the Corporation is not required to send any further notices or documents to the shareholder until the shareholder informs the Corporation in writing of the shareholder's new address.

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## **12.6 Waiver of Notice**

Where a notice or document is required to be sent, the notice may be waived or the time for the sending of the notice or document may be waived or abridged at any time with the consent in writing of the person entitled thereto, which consent may be sent by electronic means in accordance with the *Electronic Commerce Act, 2000* (Ontario) or as otherwise permitted by law.

# **ARTICLE 13** **ENACTMENT, AMENDMENT AND REPEAL OF BY-LAWS**

## **13.1 Approval and Confirmation**

Unless the articles, by-laws or any unanimous shareholder agreement otherwise provide, the board may, by resolution, make, amend or repeal any by-laws. Where the board so makes, amends or repeals a by-law, the board shall submit the by-law, amendment or repeal to the shareholders at the next meeting of shareholders, and the shareholders may by ordinary resolution confirm, reject or amend that by-law, amendment or repeal.

## **13.2 Effective Date**

Subject to this Article 13, any by-law, amendment or repeal of a by-law is effective from the date of the resolution of the board and remains in force until it is confirmed, confirmed as amended or rejected by the shareholders at the next meeting of shareholders. If a by-law, amendment or repeal is rejected by the shareholders, or if the board does not submit it to the shareholders as required by the Act, the by-law, amendment or repeal ceases to be effective on the date of that rejection or on the date of the meeting of shareholders at which it should have been submitted, as the case may be, and no subsequent resolution of the board to make, amend or repeal a by-law having substantially the same purpose or effect is effective until it is confirmed or confirmed as amended by the shareholders.

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**MADE** by the board on the 16<sup>th</sup> day of July, 2021.

DocuSigned by:

/s/ Philip Van Den Berg

**Name:** Philip van den Berg

**Title:** Director

DocuSigned by:

/s/ Tej Virk

**Name:** Tej Virk

**Title:** Chief Executive Officer

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## INVESTOR RIGHTS AGREEMENT

THIS INVESTOR RIGHTS AGREEMENT (this “**Agreement**”), is made as of November 3, 2021 (the “**Effective Date**”), by and among AKANDA CORP., an Ontario corporation (the “**Company**”), and HALO COLLECTIVE INC., an Ontario corporation, as further identified on Schedule A hereto (the “**Investor**”).

### RECITALS

**WHEREAS**, the Company and Investor have entered into that certain Share Purchase Agreement between Company and Investor dated September 29, 2021 (the “**Share Purchase Agreement**”), which contemplates the sale of all of the shares of Canahealth Limited, a wholly owned subsidiary of Investor, to Company, upon the terms and conditions of the Share Purchase Agreement, resulting in Investor owning 13,129,212 Common Shares.

**WHEREAS**, in connection with the entering into of the Share Purchase Agreement, the Investor and the Company hereby agree that this Agreement shall govern the rights of the Investor, to receive certain information from the Company, to nominate an Investor Director, to exercise Board of Directors observer rights, and shall govern certain other matters as set forth in this Agreement;

**NOW, THEREFORE**, the parties hereby agree as follows:

1. **Definitions.** For purposes of this Agreement:

1.1 “**Affiliate**” means, with respect to any specified Person, any other Person who, directly or indirectly, controls, is controlled by, or is under common control with such Person, including, without limitation, any general partner, managing member, officer, director or trustee of such Person, or any venture capital fund or other investment fund now or hereafter existing that is controlled by one (1) or more general partners, managing members or investment adviser of, or shares the same management company or investment adviser with, such Person.

1.2 “**AGM**” means the Company’s annual general meeting.

1.3 “**Articles of Incorporation**” means the Company’s Articles of Incorporation, as amended and/or restated from time to time.

1.4 “**Board of Directors**” means the board of directors of the Company.

1.5 “**Common Shares**” means the Company’s common shares, no par value.

1.6 “**Damages**” means any loss, damage, claim or liability (joint or several) to which a party hereto may become subject under the Securities Act, the Exchange Act, or other federal or state law, insofar as such loss, damage, claim or liability (or any action in respect thereof) arises out of or is based upon: (i) any untrue statement or alleged untrue statement of a material fact contained in any registration statement of the Company, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto; (ii) an omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading; or (iii) any violation or alleged violation by the indemnifying party (or any of its agents or Affiliates) of the Securities Act, the Exchange Act, any state securities law, or any rule or regulation promulgated under the Securities Act, the Exchange Act, or any state securities law.

## INVESTOR RIGHTS AGREEMENT

1.7 “**Derivative Securities**” means any securities or rights convertible into, or exercisable or exchangeable for (in each case, directly or indirectly), Common Shares, including options and warrants.

1.8 “**Exchange Act**” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

1.9 “**FOIA Party**” means a Person that, in the reasonable determination of the Board of Directors, may be subject to, and thereby required to disclose non-public information furnished by or relating to the Company under, the Freedom of Information Act, 5 U.S.C. 552 (“**FOIA**”), any state public records access law, any state or other jurisdiction’s laws similar in intent or effect to FOIA, or any other similar statutory or regulatory requirement.

1.10 “**Form F-1**” means such form under the Securities Act as in effect on the date hereof or any successor registration form under the Securities Act subsequently adopted by the SEC, as it relates to the Company, a corporation foreign to the United States.

1.11 “**Form F-3**” means such form under the Securities Act as in effect on the date hereof or any registration form under the Securities Act subsequently adopted by the SEC that permits forward incorporation of substantial information by reference to other documents filed by the Company with the SEC, as it relates to the Company, a corporation foreign to the United States.

1.12 “**GAAP**” means generally accepted accounting principles in the United States as in effect from time to time.

1.13 “**Holder**” means Investor.

1.14 “**IFRS**” means the international financial reporting standards, commonly called IFRS, the accounting standard in Canada as in effect from time to time.

1.15 “**Immediate Family Member**” means a child, stepchild, grandchild, parent, stepparent, grandparent, spouse, life partner or similar statutorily-recognized domestic partner, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships of a natural person referred to herein.

1.16 “**Investor Director**” means an individual nominated to the Board of Directors by Investor.

1.17 “**IPO**” means the Company’s first underwritten public offering of its Common Shares under the Securities Act.

1.18 “**New Securities**” means, collectively, equity securities of the Company, whether or not currently authorized, as well as rights, options, or warrants to purchase such equity securities, or securities of any type whatsoever that are, or may become, convertible or exchangeable into or exercisable for such equity securities.

## INVESTOR RIGHTS AGREEMENT

1.19 “**Person**” means any individual, corporation, partnership, trust, limited liability company, association or other entity.

1.20 “**SEC**” means the Securities and Exchange Commission.

1.21 “**SEC Rule 144**” means Rule 144 promulgated by the SEC under the Securities Act.

1.22 “**SEC Rule 145**” means Rule 145 promulgated by the SEC under the Securities Act.

1.23 “**Securities**” means (i) any Common Shares, or any Common Shares issued or issuable (directly or indirectly) upon conversion and/or exercise of any other securities of the Company, acquired by a Holder of even date or after the date hereof, and (ii) any Common Shares issued as (or issuable upon the conversion or exercise of any warrant, right, or other security that is issued as) a dividend or other distribution with respect to, or in exchange for or in replacement of, the shares referenced in clause (i) above; excluding in all cases, however, any Securities sold by a Person in a transaction in which the applicable rights under this Agreement are not assigned pursuant to Section 5.1.

1.24 “**Securities Act**” means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

## 2. Reports: “Lock-up”.

2.1 Reports Under Exchange Act. With a view to making available to the Holders the benefits of SEC Rule 144 and any other rule or regulation of the SEC that may at any time permit a Holder to sell securities of the Company to the public without registration or pursuant to a registration on Form F-3, the Company shall:

(a) make and keep available adequate current public information, as those terms are understood and defined in SEC Rule 144, at all times after the effective date of the registration statement filed by the Company for the IPO;

(b) use commercially reasonable efforts to file with the SEC in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act (at any time after the Company has become subject to such reporting requirements); and

(c) furnish to any Holder, so long as the Holder owns any Securities, forthwith upon request (i) to the extent accurate, a written statement by the Company that it has complied with the reporting requirements of SEC Rule 144 (at any time after ninety (90) days after the effective date of the registration statement filed by the Company for the IPO), the Securities Act, and the Exchange Act (at any time after the Company has become subject to such reporting requirements), or that it qualifies as a registrant whose securities may be resold pursuant to Form F-3 (at any time after the Company so qualifies); (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company; and (iii) such other information as may be reasonably requested in availing any Holder of any rule or regulation of the SEC that permits the selling of any such securities without registration (at any time after the Company has become subject to the reporting requirements under the Exchange Act) or pursuant to Form F-3 (at any time after the Company so qualifies to use such form).

## INVESTOR RIGHTS AGREEMENT

2.2 “Lock-Up” Agreement. The Holders agree hereby not to, and agree to execute and deliver a lock-up agreement with the underwriter(s) of the IPO restricting its right to, (a) offer, pledge, sell, contract to sell, sell any options or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of, directly or indirectly, any securities of the Company, or (b) enter into any swap or other arrangement or any transaction that transfers, in whole or in part, directly or indirectly, to another any of the economic consequences of ownership of such securities during the period of up to 270 days from the date on which the trading of the Securities on the Nasdaq Stock Exchange commences (the **“Lock-Up Trigger Date”**), in each case, excluding transfers pursuant to any carve-outs in the applicable lock-up agreement. The terms of such lock-up agreements shall be negotiated among the Investor, the Company and the underwriters in the IPO and shall include customary carve-outs from the restrictions on transfer set forth therein and shall permit that up to 50% of such securities may be transferred or sold from the 271<sup>st</sup> day through the 365<sup>th</sup> day following the Lock-Up Trigger Date; the remaining 50% of such securities will be entitled to be transferred without such lock-up restrictions beginning on the 366<sup>th</sup> day following the Lock-Up Trigger Date. Any such transfers remain subject to rules of the Securities and Exchange Commission applicable to securities held by Affiliates, provided that the Company agrees to cooperate with Investor to facilitate the transfer of Securities by Investor following the expiration of the lock-up restrictions as set forth herein, including with respect to the removal of restrictive legends from the Securities applicable to Affiliates, if Investor furnishes to the Company an opinion of counsel reasonably satisfactory to the Company that Investor is not an “affiliate” of the Company under the Securities Act. Notwithstanding the foregoing, nothing in this Section 2.2 shall prohibit the sale by the Investor of such number of Common Shares as is required in order for the Investor to comply with its covenants relating to control of the Company, found in that secured convertible debenture, dated the date here of, issued by the Company and acknowledged and agreed to by the Investor, evidencing indebtedness in the principal amount of USD\$6,559,294.

## 3. Information, Board Nominee and Observer Rights.

3.1 Delivery of Financial Statements. Upon written request by Investor, the Company shall deliver the following to Investor:

(a) as soon as practicable, but in any event within ninety (90) days after the end of each fiscal year of the Company (i) a balance sheet as of the end of such year, (ii) statements of income and of cash flows for such year, and a comparison

between (x) the actual amounts as of and for such fiscal year and (y) the comparable amounts for the prior year and as included in the Budget (as defined in [Section 3.1\(d\)](#)) for such year, with an explanation of any material differences between such amounts and a schedule as to the sources and applications of funds for such year, and (iii) a statement of stockholders' equity as of the end of such year;

## INVESTOR RIGHTS AGREEMENT

(b) as soon as practicable, but in any event within forty-five (45) days after the end of each quarter of each fiscal year of the Company, unaudited statements of income and cash flows for such fiscal quarter, and an unaudited balance sheet and a statement of stockholders' equity as of the end of such fiscal quarter, all prepared in accordance with IFRS or GAAP (except that such financial statements may (i) be subject to normal year-end audit adjustments; and (ii) not contain all notes thereto that may be required in accordance with IFRS or GAAP);

(c) as soon as practicable, but in any event within forty-five (45) days after the end of each quarter of each fiscal year of the Company, a statement showing the number of shares of each class and series of capital stock and securities convertible into or exercisable for shares of capital stock outstanding at the end of the period, the Common Shares issuable upon conversion or exercise of any outstanding securities convertible or exercisable for Common Shares and the exchange ratio or exercise price applicable thereto, and the number of shares of issued stock options and stock options not yet issued but reserved for issuance, if any, all in sufficient detail as to permit Investor to calculate its percentage equity ownership in the Company, and certified by the chief financial officer or chief executive officer of the Company as being true, complete, and correct;

(d) as soon as practicable, but in any event thirty (30) days before the end of each fiscal year, a budget and business plan for the next fiscal year, prepared on a monthly basis, including balance sheets, income statements, and statements of cash flow for such months and, promptly after prepared, any other budgets or revised budgets prepared by the Company (such budget and business plan that is approved by the Board of Directors is collectively referred to herein as the “**Budget**”); and

(e) with respect to the financial statements called for in [Section 3.1\(a\)](#) and [Section 3.1\(b\)](#), an instrument executed by the chief financial officer and chief executive officer of the Company certifying that such financial statements were prepared in accordance with IFRS or GAAP consistently applied with prior practice for earlier periods (except as otherwise set forth in [Section 3.1\(b\)](#) or as disclosed otherwise) and fairly present, in all material respects, the financial condition of the Company and its financial performance for the periods specified therein; and

(f) such other information relating to the financial condition, business, prospects, or corporate affairs of the Company as any Investor may from time to time reasonably request; provided, however, that the Company shall not be obligated under this [Section 3.1](#) to provide information (i) that the Company reasonably determines in good faith to be a trade secret or confidential information (unless covered by an enforceable confidentiality agreement, in a form acceptable to the Company); or (ii) the disclosure of which would adversely affect the attorney-client privilege between the Company and its counsel.

If, for any period, the Company has any subsidiary whose accounts are consolidated with those of the Company, then in respect of such period the financial statements delivered pursuant to the foregoing sections shall be the consolidated and consolidating financial statements of the Company and all such consolidated subsidiaries.

## INVESTOR RIGHTS AGREEMENT

Notwithstanding anything else in this [Section 3.1](#) to the contrary, the Company shall have no obligation to provide any information requested pursuant to this [Section 3.1](#) during (i) any period in which the Company has a public filing obligation to provide substantially similar information or (ii) the period starting with the date thirty (30) days before the Company's good-faith estimate of the date of filing of a registration statement if it reasonably concludes it must do so to comply with the SEC rules applicable to such registration statement and related offering; provided that the Company's covenants under this [Section 3.1](#) shall be reinstated at such



time as the Company is no longer actively employing its commercially reasonable efforts to cause such registration statement to become effective.

3.2 Inspection. The Company shall permit Investor, at Investor's expense, to visit and inspect the Company's properties; examine its books of account and records; and discuss the Company's affairs, finances, and accounts with its officers, during normal business hours of the Company as may be reasonably requested by the Investor; provided, however, that the Company shall not be obligated pursuant to this Section 3.2 to provide access to any information that it reasonably and in good faith considers to be a trade secret or confidential information (unless covered by an enforceable confidentiality agreement, in form acceptable to the Company) or the disclosure of which would adversely affect the attorney-client privilege between the Company and its counsel.

3.3 Director Nominee Rights. Upon written notice of Investor, so long as Investor holds at least ten percent (10%) of the shares of Common Shares (subject to appropriate adjustment for any stock splits, stock dividends, combinations, recapitalizations and the like), Investor shall have the right, but not the obligation, to nominate an Investor Director to the Board of Directors of the Company at any election of the Board of Directors of the Company, at an AGM or otherwise, or within sixty (60) days of Investor's notice to fill any vacancy. Any vacancies created by the resignation, removal or death of an Investor Director shall be filled by nomination of Investor, pursuant to the provisions of this Section 3.3.

3.4 Failure to Nominate an Investor Director. In the absence of any new nomination from the Investor as specified in Section 3.3 above, any Investor Director previously nominated by Investor and then serving shall be automatically re-nominated if willing to serve unless such individual has been removed by the Board of Directors, and otherwise such seat shall remain vacant until otherwise filled as provided in Section 3.4.

3.5 No Liability for Election of Nominated Directors. Investor, nor any Affiliate of any the same, shall have any liability as a result of nominating an individual for election as a director for any act or omission by such Investor Director in his or her capacity as a director of the Company, nor shall Investor or any Investor Affiliate have any liability as a result of voting for any such designee in accordance with the provisions of this Agreement.

## INVESTOR RIGHTS AGREEMENT

3.6 Observer Rights. Upon written notice of Investor, so long as Investor holds at least ten percent (10%) of the shares of the then issued and outstanding Common Shares (subject to appropriate adjustment for any stock splits, stock dividends, combinations, recapitalizations and the like) and the Investor Director is not a then-current member of the Board of Directors, the Company shall invite a representative of Investor to attend all meetings of the Board of Directors in a nonvoting observer capacity and, in this respect, shall give such representative copies of all notices, minutes, consents, and other materials that it provides to its directors at the same time and in the same manner as provided to such directors; provided, however, that such representative shall agree to hold in confidence all information so provided; and provided further, that the Company reserves the right to withhold any information and to exclude such representative from any meeting or portion thereof if access to such information or attendance at such meeting could adversely affect the attorney-client privilege between the Company and its counsel or result in disclosure of trade secrets or a conflict of interest, or if such Investor or its representative is a competitor of the Company.

3.7 Termination of Information, Board Nominee and Observer Rights. The covenants set forth in Sections 3.1, 3.2, 4.3 and 4.6 shall terminate upon the date on which the Investor no longer holds any Securities or if the Investor receives information, nominee and observer rights from the acquiring company or other successor to the Company substantially similar to those set forth in Section 4.

3.8 Confidentiality. Investor agrees that it will keep confidential and will not disclose, divulge, or use for any purpose (other than to monitor or make decisions with respect to its investment in the Company) any confidential information obtained from the Company pursuant to the terms of this Agreement (including notice of the Company's intention to file a registration statement), unless such confidential information (a) is known or becomes known to the public in general (other than as a result of a breach of this Section 3.8 by such Investor), (b) is or has been independently developed or conceived by such Investor without use of the Company's confidential information, or (c) is or has been made known or disclosed to such Investor by a third party without a breach of any obligation of confidentiality such third party may have to the Company; provided, however, that an Investor may disclose confidential information (i) to its attorneys, accountants, consultants, and other professionals to the extent reasonably necessary to obtain their services in connection with monitoring its investment in the Company; (ii) to any prospective purchaser of any Securities from such Investor, if



such prospective purchaser agrees to be bound by the provisions of this Section 3.8; (iii) to any existing or prospective Affiliate, partner, member, stockholder, or wholly owned subsidiary of such Investor in the ordinary course of business, provided that such Investor informs such Person that such information is confidential and directs such Person to maintain the confidentiality of such information; or (iv) as may otherwise be required by law, regulation, rule, court order or subpoena, provided that such Investor promptly notifies the Company of such disclosure and takes reasonable steps to minimize the extent of any such required disclosure.

#### 4. Additional Covenants.

4.1 Insurance. The Company shall obtain, within ninety (90) days of the effective date of this Agreement, from financially sound and reputable insurers, Directors and Officers liability insurance and term “key person” insurance, each in an amount and on terms and conditions satisfactory to the Board of Directors, and will use commercially reasonable efforts to cause such insurance policies to be maintained until such time as the Board of Directors determines that such insurance should be discontinued. The key person policy shall name the Company as loss payee, and neither policy shall be cancelable by the Company without prior approval by the Board of Directors.

#### INVESTOR RIGHTS AGREEMENT

4.2 Board Matters. The Company shall reimburse the nonemployee directors for all reasonable out-of-pocket travel expenses incurred (consistent with the Company’s travel policy) in connection with attending meetings of the Board of Directors, if so approved by the Board of Directors. The Company shall cause to be established, as soon as practicable after such request, and will maintain, an audit and compensation committee, each of which shall consist solely of non-management directors. Each non-employee director shall be entitled in such person’s discretion to be a member of all the audit and compensation committees of the Board of Directors.

4.3 Successor Indemnification. If the Company or any of its successors or assignees consolidates with or merges into any other Person and is not the continuing or surviving corporation or entity of such consolidation or merger, then to the extent necessary, proper provision shall be made so that the successors and assignees of the Company assume the obligations of the Company with respect to indemnification of members of the Board of Directors as in effect immediately before such transaction, whether such obligations are contained in the Company’s Bylaws, the Articles of Incorporation, or elsewhere, as the case may be.

4.4 Indemnification Matters. The Company hereby acknowledges that one (1) or more of the Investor Directors nominated to serve on the Board of Directors by one Investor may have certain rights to indemnification, advancement of expenses and/or insurance provided by the Investor (collectively, the “**Investor Indemnitors**”). The Company hereby agrees (a) that it is the indemnitor of first resort (*i.e.*, its obligations to any such Investor Director are primary and any obligation of the Investor Indemnitors to advance expenses or to provide indemnification for the same expenses or liabilities incurred by such Investor Director are secondary), (b) that it shall be required to advance the full amount of expenses incurred by such Investor Director and shall be liable for the full amount of all expenses, judgments, penalties, fines and amounts paid in settlement by or on behalf of any such Investor Director to the extent legally permitted and as required by the Articles of Incorporation or Bylaws of the Company (or any agreement between the Company and such Investor Director), without regard to any rights such Investor Director may have against the Investor Indemnitors, and, (c) that it irrevocably waives, relinquishes and releases the Investor Indemnitors from any and all claims against the Investor Indemnitors for contribution, subrogation or any other recovery of any kind in respect thereof. The Company further agrees that no advancement or payment by the Investor Indemnitors on behalf of any such Investor Director with respect to any claim for which such Investor Director has sought indemnification from the Company shall affect the foregoing and the Investor Indemnitors shall have a right of contribution and/or be subrogated to the extent of such advancement or payment to all of the rights of recovery of such Investor Director against the Company. The Investor Directors and the Investor Indemnitors are intended third-party beneficiaries of this Section 4.4 and shall have the right, power and authority to enforce the provisions of this Section 4.4 as though they were a party to this Agreement.

#### INVESTOR RIGHTS AGREEMENT

4.5 FCPA. The Company covenants that it shall not (and shall not permit any of its subsidiaries or Affiliates or any of its or their respective directors, officers, managers, employees, independent contractors, representatives or agents to) promise, authorize or make any payment to, or otherwise contribute any item of value to, directly or indirectly, to any third party, including any Non-U.S. Official (as such term is defined in the U.S. Foreign Corrupt Practices Act of 1977, as amended (the “FCPA”)), in each case, in violation of the FCPA, the U.K. Bribery Act, or any other applicable anti-bribery or anti-corruption law. The Company further covenants that it shall (and shall cause each of its subsidiaries and Affiliates to) cease all of its or their respective activities, as well as remediate any actions taken by the Company, its subsidiaries or Affiliates, or any of their respective directors, officers, managers, employees, independent contractors, representatives or agents in violation of the FCPA, the U.K. Bribery Act, or any other applicable anti-bribery or anti-corruption law. The Company further covenants that it shall (and shall cause each of its subsidiaries and Affiliates to) maintain systems of internal controls (including, but not limited to, accounting systems, purchasing systems and billing systems) to ensure compliance with the FCPA, the U.K. Bribery Act, or any other applicable anti-bribery or anti-corruption law. Upon request, the Company agrees to provide responsive information and/or certifications concerning its compliance with applicable anti-corruption laws. The Company shall promptly notify each Investor if the Company becomes aware of any enforcement. The Company shall, and shall cause any direct or indirect subsidiary or entity controlled by it, whether now in existence or formed in the future, to comply with the FCPA. The Company shall use its best efforts to cause any direct or indirect subsidiary, whether now in existence or formed in the future, to comply in all material respects with all applicable laws.

4.6 Cybersecurity. The Company shall use commercially reasonable efforts to (a) identify and restrict access (including through physical and/or technical controls) to the Company’s confidential business information and trade secrets and any information about identified or identifiable natural persons maintained by or on behalf of the Company (collectively, “**Protected Data**”) to those individuals who have a need to access it and (b) implement reasonable physical, technical and administrative safeguards (“**Cybersecurity Solutions**”) designed to protect the confidentiality, integrity and availability of its technology and systems (including servers, laptops, desktops, cloud, containers, virtual environments and data centers) and all Protected Data. The Company shall use commercially reasonable efforts to ensure that the Cybersecurity Solutions (x) are up-to-date and include industry-standard protections (e.g., antivirus, endpoint detection and response and threat hunting), (y) to the extent determined necessary by the Company or the Board of Directors, are backed by a breach prevention warranty from the vendor certifying the effectiveness of such solutions, and (z) require the vendors to notify the Company of any security incidents posing a risk to the Company’s information (regardless of whether information was actually compromised). The Company shall evaluate on a periodic basis at least annually whether such safeguards should be updated to maintain a level of security appropriate to the risk posed to Company systems and Protected Data. The Company shall educate its employees about the proper use and storage of Protected Data, including periodic training as determined reasonably necessary by the Company or the Board of Directors.

## INVESTOR RIGHTS AGREEMENT

### 5. Miscellaneous.

5.1 Successors and Assigns. The rights under this Agreement may be assigned (but only with all related obligations) by a Holder to a transferee of Securities for no monetary consideration that (i) is an Affiliate of a Holder; or (ii) is a Holder’s Immediate Family Member or trust for the benefit of an individual Holder or one (1) or more of such Holder’s Immediate Family Members; provided, however, that (x) the Company is, within a reasonable time after such transfer, furnished with written notice of the name and address of such transferee and the Securities with respect to which such rights are being transferred; and (y) such transferee agrees in a written instrument delivered to the Company to be bound by and subject to the terms and conditions of this Agreement, including the provisions of Section 2.2. For the purposes of determining the number of shares of Securities held by a transferee, the holdings of a transferee (1) that is an Affiliate or stockholder of a Holder; (2) who is a Holder’s Immediate Family Member; or (3) that is a trust for the benefit of an individual Holder or such Holder’s Immediate Family Member shall be aggregated together and with those of the transferring Holder; provided further that all transferees who would not qualify individually for assignment of rights shall, as a condition to the applicable transfer, establish a single attorney-in-fact for the purpose of exercising any rights, receiving notices, or taking any action under this Agreement. The terms and conditions of this Agreement inure to the benefit of and are binding upon the respective successors and permitted assignees of the parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and permitted assignees any rights, remedies, obligations or liabilities under or by reason of this Agreement, except as expressly provided herein.

5.2 Governing Law. This Agreement shall be governed by the internal laws of the Province of Ontario, without regard to conflict of law principles that would result in the application of any law other than the laws of the Province of Ontario.

5.3 Counterparts. This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Counterparts may be delivered via electronic mail (including pdf or any electronic signature complying with the U.S. federal ESIGN Act of 2000, e.g., [www.docusign.com](http://www.docusign.com)) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes.

5.4 Titles and Subtitles. The titles and subtitles used in this Agreement are for convenience only and are not to be considered in construing or interpreting this Agreement.

5.5 Notices.

(a) All notices and other communications given or made pursuant to this Agreement shall be in writing and shall be deemed effectively given upon the earlier of actual receipt or (i) personal delivery to the party to be notified; (ii) when sent, if sent by electronic mail during the recipient's normal business hours, and if not sent during normal business hours, then on the recipient's next business day; (iii) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid; or (iv) one (1) business day after the business day of deposit with a nationally recognized overnight courier, freight prepaid, specifying next-day delivery, with written verification of receipt. All communications shall be sent to the Investor at its addresses as set forth on Schedule A, or (as to the Company) to the principal office of the Company and to the attention of the Chief Executive Officer, or in any case to such email address or address as subsequently modified by written notice given in accordance with this Section 5.5. If notice is given to the Company, a copy (which copy shall not constitute notice) shall also be sent to the Company's legal counsel (Greenberg Traurig LLP) and if notice is given to Investor, a copy (which copy shall not constitute notice) shall also be given to Dentons Canada LLP.

## INVESTOR RIGHTS AGREEMENT

5.6 Amendments and Waivers. Any term of this Agreement may be amended, modified or terminated and the observance of any term of this Agreement may be waived (either generally or in a particular instance, and either retroactively or prospectively) only with the written consent of the Company and Investor; provided that any provision hereof may be waived by any waiving party on such party's own behalf, without the consent of any other party. No waivers of or exceptions to any term, condition, or provision of this Agreement, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such term, condition, or provision.

5.7 Severability. In case any one or more of the provisions contained in this Agreement is for any reason held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision of this Agreement, and such invalid, illegal, or unenforceable provision shall be reformed and construed so that it will be valid, legal, and enforceable to the maximum extent permitted by law.

5.8 Aggregation of Stock; Apportionment. All shares of Securities held or acquired by Affiliates shall be aggregated together for the purpose of determining the availability of any rights under this Agreement and such Affiliated Persons may apportion such rights as among themselves in any manner they deem appropriate.

5.9 Entire Agreement. This Agreement (including any Schedules hereto) constitutes the full and entire understanding and agreement among the parties with respect to the subject matter hereof, and any other written or oral agreement relating to the subject matter hereof existing between the parties is expressly canceled.

5.10 Dispute Resolution. The parties hereto irrevocably attorn and submit to the jurisdiction of the courts of the Province of Ontario, sitting in the City of Toronto, with respect to any dispute for the purpose of any suit, action or other proceeding arising out of or based upon this Agreement, (b) agree not to commence any suit, action or other proceeding arising out of or based upon this Agreement except in the courts of the Province of Ontario, sitting in the City of Toronto, and (c) hereby waive, and agree not to assert, by way of motion, as a defense, or otherwise, in any such suit, action or proceeding, any claim that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution, that the suit, action or proceeding is

brought in an inconvenient forum, that the venue of the suit, action or proceeding is improper or that this Agreement or the subject matter hereof may not be enforced in or by such court.

## INVESTOR RIGHTS AGREEMENT

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WAIVER OF JURY TRIAL: EACH PARTY HEREBY WAIVES ITS RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT, THE OTHER TRANSACTION DOCUMENTS, THE SECURITIES OR THE SUBJECT MATTER HEREOF OR THEREOF. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL-ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT AND THAT RELATE TO THE SUBJECT MATTER OF THIS TRANSACTION, INCLUDING, WITHOUT LIMITATION, CONTRACT CLAIMS, TORT CLAIMS (INCLUDING NEGLIGENCE), BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. THIS SECTION HAS BEEN FULLY DISCUSSED BY EACH OF THE PARTIES HERETO AND THESE PROVISIONS WILL NOT BE SUBJECT TO ANY EXCEPTIONS. EACH PARTY HERETO HEREBY FURTHER WARRANTS AND REPRESENTS THAT SUCH PARTY HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL, AND THAT SUCH PARTY KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL.

Each party will bear its own costs in respect of any disputes arising under this Agreement. The prevailing party shall be entitled to reasonable attorney's fees, costs, and necessary disbursements in addition to any other relief to which such party may be entitled. Each of the parties to this Agreement consents to personal jurisdiction for any equitable action sought in any court of the Province of Ontario, sitting in the City of Toronto having subject matter jurisdiction.

5.11 Delays or Omissions. No delay or omission to exercise any right, power, or remedy accruing to any party under this Agreement, upon any breach or default of any other party under this Agreement, shall impair any such right, power, or remedy of such nonbreaching or non-defaulting party, nor shall it be construed to be a waiver of or acquiescence to any such breach or default, or to any similar breach or default thereafter occurring, nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. All remedies, whether under this Agreement or by law or otherwise afforded to any party, shall be cumulative and not alternative.

*[Signature page follows]*

## INVESTOR RIGHTS AGREEMENT

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IN WITNESS WHEREOF, the parties have executed this Investor Rights Agreement as of the date first written above.

### COMPANY:

AKANDA CORP.

By: /s/ Tejinder Virk

Name: Tejinder Virk

Title: Chief Executive Officer

### INVESTOR:

HALO COLLECTIVE INC.

By: /s/ Kiran Sidhu

Name: Kiran Sidhu

Title: Chief Executive Officer

INVESTOR RIGHTS AGREEMENT

## **SCHEDULE A**

### **INVESTOR**

#### **Name and Address**

HALO COLLECTIVE INC.  
Attn: Kiran Sidhu  
504 - 100 Park Royal  
West Vancouver, BC V7T 1A2  
Phone: 1-541-816-5410  
Email: kiran@haloco.com

Copy to:  
DENTONS CANADA LLP  
Attn: Eric Foster  
77 King Street West, Suite 400  
Toronto-Dominion Centre Toronto, ON M5K 0A1  
Phone: 1-416-558-3531  
Email: eric.foster@dentons.com

SCHEDULE A: INVESTOR RIGHTS AGREEMENT

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Certain portions of this exhibit have been redacted in accordance with Item 601(a)(6) of Regulation S-K. This information is not material and disclosure of such information would constitute an unwarranted invasion of personal privacy. “[\*]” indicates that information has been redacted.

**UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE THE DATE THAT IS FOUR (4) MONTHS AND ONE (1) DAY AFTER THE LATER OF: (I) November 3, 2021 AND (II) THE DATE THE ISSUER BECAME A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY.**

**AKANDA CORP.**

**SECURED CONVERTIBLE DEBENTURE**

**CONVERTIBLE DEBENTURE**

**CERTIFICATE NUMBER: CD-2021-10**

**PRINCIPAL AMOUNT: \$6,559,294 (USD)**

**AKANDA CORP.**, a corporation incorporated under the laws of the Province of Ontario (the “**Borrower**”), for value received, hereby acknowledges itself indebted and promises to pay to or to the order of HALO COLLECTIVE INC. (hereinafter referred to as the “**Lender**” or the “**Debentureholder**”), the principal amount of \$6,559,294 (the “**Principal Amount**”) in lawful money of the United States of America in the manner hereinafter provided at the foregoing address of the Lender, or at such other place or places as the Lender may designate by notice in writing to the Borrower, on November 2, 2022, or such other date as the Principal Amount may become due and payable (the “**Maturity Date**”) or upon a Triggering Event (as defined herein), and to pay interest to the Lender on the Principal Amount outstanding from time to time owing hereunder to the date of payment as hereinafter provided, both before and after maturity or demand, default and judgment.

Subject to automatic conversion upon the occurrence of a Triggering Event, the Borrower has the right, from time to time and at any time prior to 5:00 p.m. (Eastern Standard Time) on the Business Day (as defined herein) immediately preceding the Maturity Date at a price, with respect to the Principal Amount, equal to the Conversion Price (as defined herein), subject to adjustment in certain events, together with any accrued and unpaid interest owing thereon to the date of conversion, to convert such amount into Common Shares.

Unless (i) the Borrower exercises the Conversion Rights attached to this Debenture or (ii) a Triggering Event occurs, the Principal Amount owing, or the portion of the Principal Amount which has yet to be converted, together with any accrued and unpaid interest owing thereon and all other amounts now or hereafter payable hereunder (collectively, the “**Obligations**”) shall be due and payable on the Maturity Date in accordance with the terms hereof. This Debenture is issued subject to the terms and conditions appended hereto as Schedule A. The Borrower may satisfy the Obligations hereunder by converting, into Common Shares, all of the Principal Amount outstanding, subject to adjustment in certain events, together with any accrued and unpaid interest owing thereon under this Debenture at the Conversion Price on the Maturity Date.

**IN WITNESS WHEREOF**, the Borrower has caused this Debenture to be executed by a duly authorized officer.

**DATED** for reference this 3rd day of November, 2021.

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**AKANDA CORP.**

Per: /s/ Tejinder Virk

Tej Virk, Chief Executive Officer

Acknowledged and Agreed to by:

**HALO COLLECTIVE INC.**

*(See terms and conditions attached hereto)*

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## Schedule A – Terms and Conditions for Secured Convertible Debenture

### ARTICLE 1 – INTERPRETATION

#### Section 1.1 Definitions

In this Debenture, the following terms shall have the following meanings:

- (1) **“Affiliate”** means, with respect to any specified Person, any other Person who, directly or indirectly, controls, is controlled by, or is under common control with such Person, including, without limitation, any partner, managing member, officer, director or trustee of such Person, or any venture capital fund or investment fund now or hereafter existing that is controlled by one (1) or more general partners, managing members investment adviser of, or shares the same management company or investment adviser with, such Person;
- (2) **“Business Day”** means a day other than a Saturday, Sunday or other day on which commercial banks in Toronto, Ontario are authorized by law to close;
- (3) **“Canadian Securities Laws”** means the *Securities Act* (Ontario) and the securities laws of any other province or territory of Canada, if applicable, and the rules, regulations and policies of any Canadian securities regulatory authority administering such securities laws, as the same shall be in effect from time to time;
- (4) **“Change of Control”** means:
  - (a) any transaction (whether by purchase, Merger or otherwise) whereby a Person or Persons acting jointly or in concert directly or indirectly acquires the right to cast, at a general meeting of shareholders of the Borrower, more than 50% of the votes attached to the issued and outstanding Common Shares that may be ordinarily cast at a general meeting;
  - (b) the Borrower’s amalgamation, consolidation or Merger with or into any other Person, any Merger of another Person into the Borrower, unless the holders of voting securities of the Borrower immediately prior to such amalgamation, consolidation or Merger hold securities representing 50% or more of the voting control or direction in the Borrower or the successor entity upon completion of the amalgamation, consolidation or Merger; or
  - (c) any conveyance, transfer, sale lease or other disposition of all or substantially all of the Borrower’s and the Borrower’s subsidiaries’ assets and properties, taken as a whole, to another arm’s length Person;
- (5) **“Common Shares”** means the common shares in the capital of the Borrower or the common shares of the continuing corporation or other resulting issuer formed as a result of a Merger;
- (6) **“Conversion Price”** means, subject to adjustment in certain events or the requirements of any applicable securities law or Exchange, the Current Market Price at the time of a Triggering Event (currently expected to be \$5.00) or if no Triggering Event occurs then the price of the last private placement of the Borrower where it raises more than \$1,000,000 USD prior to the conversion by the Borrower;
- (7) **“Conversion Right”** means the right attached to this Debenture which permits the Borrower to convert the Principal Amount outstanding under this Debenture, or any portion thereof, into Common Shares in accordance with the provisions of Article 4;
- (8) **“Current Market Price”** has the meaning attributed thereto in Section 4.3(2);
- (9) **“Debenture”** means this secured convertible debenture;



(10) “**Event of Default**” has the meaning attributed thereto in Section 8.1;

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(11) “**Exchange**” means the NYSE, NASDAQ, the Canadian Securities Exchange, the NEO Exchange, the TSX, the TSX Venture Exchange or if the Common Shares are not listed on either of those exchanges, then such other stock exchange on which the Common Shares are listed and where a majority of the trading volume occurs;

(12) “**Free Trading Securities**” means securities that are not subject to any restrictions on trading (other than in respect of resales by control persons or any escrow requirements of an applicable stock exchange);

(13) “**Issue Date**” has the meaning attributed thereto in Section 4.2;

(14) “**Lien**” means, with respect to any Person, any mortgage, lien, pledge, charge, security interest or other encumbrance, or any interest or title of any vendor, lessor, lender or other secured party to or of such Person under any conditional sale or other title retention agreement or capital lease, upon or with respect to any property of such Person;

(15) “**Lock Up Trigger Date**” has the meaning attributed thereto in Section 4.1;

(16) “**Maturity Date**” means November 2, 2022;

(17) “**Merger**” means any transaction (whether by way of consolidation, amalgamation, merger, transfer, sale or lease) whereby all or substantially all of the Borrower’s assets would become the property of any other Person, or, in the case of any such consolidation, amalgamation or merger, of the continuing corporation or other entity resulting therefrom;

(18) “**Non-Control Covenant**” has the meaning attributed thereto in Section 7.2(2);

(19) “**Person**” means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, or a government or agency or political subdivision thereof;

(20) “**Secured Debt**” means, with respect to any Person, any obligation of such Person for borrowed money that is secured in any manner by any Lien on any real or personal property of such Person;

(21) “**Subsidiary**” means any Person, any corporation or other business entity in which such Person or one or more of its Subsidiaries owns, directly or indirectly, sufficient equity or voting interests to enable it or them (as a group) to elect a majority of the directors (or Persons performing similar functions) of such entity, and any partnership or joint venture if more than a 50% interest in the profits or capital thereof is owned by such Person or one or more of its Subsidiaries;

(22) “**Taxes**” means any present or future income and other taxes, levies, rates, royalties, deductions, withholdings, assessments, fees, dues, duties, imposts and other charges of any nature whatsoever, together with any interest and penalties, additions to tax and other additional amounts, levied, assessed or imposed by any governmental authority;

(23) “**Trading Day**” means a day on which the Exchange is open for trading (or if the Common Shares are not then listed on the Exchange, such other recognized stock exchange or quotation system on which the Common Shares may trade or be quoted);

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(24) “**Triggering Event**” means the occurrence of any of the following that may occur during the Triggering Event Period:

- (a) an initial public offering of the Borrower’s securities or the qualification of a non-offering prospectus by the Borrower resulting, in either case, in the Borrower’s securities being listed for trading on a stock exchange and the Borrower becoming a “reporting issuer” (as that term or its equivalent is defined in applicable securities legislation) in any jurisdiction of Canada (or the equivalent in any other jurisdiction including the United States);



- (b) an amalgamation, arrangement, Merger, reverse takeover, reorganization or other similar transaction of the Borrower with or into any other person (provided that the other person is not an affiliate of the Borrower) whereby all of the issued and outstanding Common Shares are sold, transferred or exchanged for securities that are not subject to any restrictions on trading (other than in respect of resales by control persons or any escrow requirements of an applicable stock exchange) (the “**Free Trading Securities**”), or which results in all of the Common Shares (or the securities of a successor issuer) being listed on a stock exchange and not being not subject to any restricted period or hold period under applicable securities laws in Canada or any other jurisdiction (other than in respect of resales by control persons or any escrow requirements of an applicable stock exchange);
- (c) a sale or conveyance of all or substantially all of the property and assets of the Borrower to any arm’s length third party for consideration consisting of Free Trading Securities and the subsequent distribution of all of such consideration to all of the holders of Common Shares, on a pro rata basis;
- (d) the sale or exchange of all or substantially all of shares of the Borrower for Free Trading Securities; or
- (e) any combination of the events or circumstances described in subsections (a), (b), (c) or (d) above, such that all of the Common Shares shall be subject to one or more of (a), (b), (c) or (d) above. However, a Triggering Event conversion may only occur with respect to such number of Common Shares that would result in the Lender owing less than 50% of the issued and outstanding Common Shares; and

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**(25)** “**Triggering Event Period**” means six (6) months from the date hereof.

## **Section 1.2 Headings**

The inclusion of headings in this Debenture is for convenience of reference only and shall not affect the construction or interpretation hereof.

## **Section 1.3 Currency**

Unless otherwise indicated, all amounts in this Debenture are stated and shall be paid in the currency of the United States of America.

## **Section 1.4 Number, Gender and Persons**

Unless the context otherwise requires, words importing the singular in number only shall include the plural and vice versa, words importing the use of gender shall include the masculine, feminine and neuter genders and words importing Persons shall include individuals, corporations, partnerships, associations, trusts, unincorporated organizations, governmental bodies and other legal or business entities.

## **Section 1.5 Severability**

If any provision of this Debenture is determined by a Court of competent jurisdiction to be invalid, illegal or unenforceable in any respect, such determination shall not impair or affect the validity, legality or enforceability of the remaining provisions hereof, and each such provision shall be interpreted in such a manner as to render them valid, legal and enforceable to the greatest extent permitted by applicable law. Each provision of this Debenture is declared to be separate, severable and distinct.

## **Section 1.6 Entire Agreement**

This Debenture, including any schedules attached hereto, constitutes the entire agreement between the Borrower and the Lender relating to the subject matter hereof, and supersedes all prior agreements, representations, warranties, statements, promises, information, arrangements, understandings, conditions or collateral agreements, whether oral or written, express or implied, with respect to the subject matter hereof.

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## ARTICLE 2 – PAYMENT OF PRINCIPAL, INTEREST AND OTHER CONSIDERATIONS

### Section 2.1 Repayment of Principal

Subject to the terms and conditions hereof, the Principal Amount outstanding on this Debenture, together with any accrued and unpaid interest owing thereon shall be repaid by the Borrower to the Lender on the Maturity Date. Subject to applicable regulatory approval, the Borrower shall satisfy its obligation to repay the Principal Amount outstanding under the Debenture upon a Triggering Event during the Triggering Event Period or at the election of Lender subsequent to the Triggering Event Period by issuing fully paid and non-assessable Common Shares at the Conversion Price.

### Section 2.2 Interest Payable

Interest on the Principal Amount outstanding under this Debenture shall be at the rate of 1.00% per annum, calculated on a compounding basis, accrued and paid at the earlier of the Issue Date upon a Triggering Event or the Maturity Date. The Borrower shall satisfy its obligation to repay interest on the Principal Amount by issuing fully paid and non-assessable Common Shares at the applicable Conversion Price.

### Section 2.3 Rank

This Debenture will constitute direct secured obligations of the Borrower. There is no other debt that ranks ahead of this Debenture without the express written consent of the Lender.

## ARTICLE 3 – PURCHASE

### Section 3.1 Purchases for Cancellation

The Borrower will have the right at any time and from time to time to purchase the Debentures and any accrued interest without any prepayment penalty.

## ARTICLE 4 – CONVERSION

### Section 4.1 Conversion Right

(1) Upon and subject to the terms and conditions hereinafter set forth (including, but not limited to, automatic conversion in the event of a Triggering Event as described in Section 4.1(3) below) and subject to the requirements of any applicable securities law or Exchange, the Borrower shall have the right (the “**Conversion Right**”), but not the obligation, at any time, and from time to time, up to and including the Business Day immediately preceding the Maturity Date to notify the Lender that it wishes to exchange or convert, for no additional consideration, all or any part of the Principal Amount of this Debenture (the “**Converted Debenture Amount**”) into Common Shares at the Conversion Price in effect on the Issue Date. If the Borrower is electing to convert all or a portion of the Principal Amount, then the applicable amount of accrued and unpaid interest on the Principal Amount being converted must be paid by the Borrower up to, but excluding, the applicable date of conversion in accordance with Section 2.2. A conversion of principal and interest hereunder into Common Shares may only occur in such amount as to ensure that the Lender does not own more than 50% of the issued and outstanding Common Shares.

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(2) The Conversion Right shall extend only to the maximum number of whole Common Shares into which the Principal Amount of this Debenture or any part thereof may be converted in accordance with this Section 4.1. Fractional interests in Common Shares shall be adjusted in the manner provided in Section 4.4.

(3) Upon the occurrence of a Triggering Event that occurs prior to the end of the Triggering Event Period, the Principal Amount of this Debenture plus unpaid and accrued interest shall be converted into Common Shares at a price equal the Conversion Price

(4) The Lender agrees hereby not to, and agrees to execute and deliver a lock-up agreement restricting its right to, (a) offer, pledge, sell, contract to sell, sell any options or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of, directly or indirectly, any securities of the Borrower, or (b) enter into any

swap or other arrangement or any transaction that transfers, in whole or in part, directly or indirectly, to another any of the economic consequences of ownership of such securities during the period of 270 days from the date on which the trading of the Common Shares on the Nasdaq Stock Exchange commences (the “**Lock-Up Trigger Date**”), in each case, excluding transfers pursuant to any carve-outs in the applicable lock-up agreement. The terms of such lock-up agreement shall be negotiated among the Lender, the Borrower and the Boustead Securities, LLC and shall include customary carve-outs from the restrictions on transfer set forth therein and shall permit that up to 50% of such securities may be transferred or sold from the 271<sup>st</sup> day through the 365<sup>th</sup> day following the Lock-Up Trigger Date; the remaining 50% of such securities will be entitled to be transferred without such lock-up restrictions beginning on the 366<sup>th</sup> day following the Lock-Up Trigger Date. Any such transfers remain subject to rules of the Securities and Exchange Commission applicable to securities of the Borrower held by Affiliates, provided that the Borrower agrees to cooperate with the Lender to facilitate the transfer of such securities by Lender following the expiration of the lock-up restrictions as set forth herein, including with respect to the removal of restrictive legends from such securities applicable to Affiliates, if Lender furnishes to the Borrower an opinion of counsel reasonably satisfactory to the Borrower that Lender is not an “affiliate” of the Borrower under the Securities Act of 1933. Notwithstanding the foregoing, nothing in this Section 4.1(4) shall prohibit the sale or transfer by the Lender of such number of Common Shares held by the Lender as is required in order for the Lender to comply with its covenants set forth in Section 7.2.

## **Section 4.2 Conversion Procedure**

The Conversion Right may be exercised by the Borrower by completing and signing the notice of conversion (the “**Conversion Notice**”) attached hereto as Schedule B, and delivering the Conversion Notice and this Debenture to the Lender. The Conversion Notice shall provide that the Conversion Right is being exercised, shall specify the Converted Debenture Amount and shall set out the date (the “**Issue Date**”) on which Common Shares are to be issued upon the exercise of the Conversion Right (such date to be no earlier than five (5) Business Days and no later than ten (10) Business Days after the day on which the Conversion Notice is issued, subject in each case to applicable securities law, including Canadian Securities Laws or the requirements of any Exchange. The conversion shall be deemed to have been affected immediately prior to the close of business on the Issue Date and the Common Shares issuable upon conversion shall be deemed to be issued as fully paid and non-assessable at such time. Within ten (10) Business Days after the Issue Date, a certificate for the required number of Common Shares shall be issued to the Lender. If less than all of the Principal Amount of this Debenture is the subject of the Conversion Right, then within ten (10) Business Days after the Issue Date, the Borrower shall deliver to the Lender a replacement Debenture in the form hereof in the Principal Amount of the unconverted principal balance hereof, and this Debenture shall be cancelled. If the Conversion Right is being exercised in respect of the entire Principal Amount of this Debenture, this Debenture shall be cancelled. With the Conversion Notice, the Lender shall provide the Borrower with its written calculation of the amount of accrued and unpaid interest on the Principal Amount which is the subject of the Conversion Right pursuant to the Conversion Notice, up to the date of that Conversion Notice and a per diem amount thereon.

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## **Section 4.3 Adjustment of Conversion Price**

The Conversion Price in effect at any date shall be subject to adjustment from time to time as follows:

- (1) If and whenever at any time prior to the Maturity Date, the Borrower shall:
  - (a) subdivide or re-divide the outstanding Common Shares into a greater number of Common Shares;
  - (b) reduce, combine or consolidate the outstanding Common Shares into a smaller number of Common Shares;
  - (c) issue Common Shares (or securities convertible into or exchangeable for Common Shares) to the holders of all or substantially all of the outstanding Common Shares by way of stock dividend; or
  - (d) make a distribution on its outstanding Common Shares payable in Common Shares or securities exchangeable for or convertible into Common Shares,

the Conversion Price in effect on the effective date of such subdivision, redivision, reduction, combination or consolidation or on the record date for such issue of Common Shares (or securities convertible into or exchangeable for Common Shares) by way of a stock dividend or other distribution, as the case may be, shall, in the case of the events referred to in Sections 4.3(1)(a), (c) and (d) above, be decreased in proportion to the increase in the number of outstanding Common Shares resulting from such subdivision, redivision or dividend (including, in the case where securities convertible into or exchangeable for Common Shares are issued, the number of Common

Shares that would have been outstanding had such securities been converted into or exchanged for Common Shares on such effective or record date) or shall, in the case of the events referred to in Section 4.3(1)(b) above, be increased in proportion to the decrease in the number of outstanding Common Shares resulting from such reduction, combination or consolidation on such effective or record date. Such adjustment shall be made successively whenever any event referred to in this Section 4.3(1) shall occur. Any such issue of Common Shares (or securities convertible into or exchangeable for Common Shares) by way of a stock dividend or other distribution shall be deemed to have been made on the record date for the stock dividend or other distribution for the purpose of calculating the number of outstanding Common Shares under Sections 4.3(2) and (3); to the extent that any such securities are not converted into or exchanged for Common Shares prior to the expiration of the conversion or exchange right, the Conversion Price shall be readjusted effective as at the date of such expiration to the Conversion Price which would then be in effect based upon the number of Common Shares actually issued on the exercise of such conversion or exchange right.

(2) If and whenever at any time prior to the Maturity Date, the Borrower shall fix a record date for the issuance of rights, options or warrants to all or substantially all the holders of its outstanding Common Shares entitling them, for a period expiring not more than forty-five (45) days after such date of issue (such period from the record date to the date of expiry being referred to in this Section 4.3(2) as the “**Rights Period**”), to subscribe for or purchase Common Shares (or securities convertible into or exchangeable for Common Shares) (such subscription price per Common Share (inclusive of any cost of acquisition of securities exchangeable for or convertible into Common Shares in addition to any direct cost of Common Shares) being referred to in this Section 4.3(2) as the “**Per Share Cost**”), the Borrower shall give written notice to the Lender with respect thereto (any of such events herein referred to as a “**Rights Offering**”), and the Lender shall have fifteen (15) days after receipt of such notice to elect to convert any or all of the Principal Amount of this Debenture into Common Shares at the then applicable Conversion Price and otherwise on terms and conditions set out in this Debenture. If the Lender elects to convert any or all of the Principal Amount of this Debenture, such conversion shall occur immediately prior to the record date for the issuance of such rights, options or warrants. If the Lender elects not to convert any of the Principal Amount of this Debenture, there shall continue to be an adjustment to the Conversion Price as a result of the issuance of such rights, options or warrants, in the manner hereinafter provided. The Conversion Price will be adjusted effective immediately after the end of the Rights Period to a price determined by multiplying the Conversion Price in effect immediately prior to the end of the Rights Period by a fraction:

(a) the numerator of which is the aggregate of:

- (i) the number of Common Shares outstanding as of the record date for the Rights Offering; and
- (ii) the number determined by dividing the product of the Per Share Cost and:

(A) where the event giving rise to the application of this Section 4.3(2) was the issue of rights, options or warrants to the holders of Common Shares under which such holders are entitled to subscribe for or purchase additional Common Shares, the number of Common Shares so subscribed for or purchased during the Rights Period, or

(B) where the event giving rise to the application of this Section 4.3(2) was the issue of rights, options or warrants to the holders of Common Shares under which such holders are entitled to subscribe for or purchase securities exchangeable for or convertible into Common Shares, the number of Common Shares for which those securities so subscribed for or purchased during the Rights Period could have been exchanged or into which they could have been converted during the Rights Period,

by the Current Market Price (as hereinafter defined) of the Common Shares as of the record date for the Rights Offering; and

(b) the denominator of which is

- (i) in the case described in subparagraph 4.3(2)(a)(ii)(A), the number of Common Shares outstanding, or
- (ii) in the case described in subparagraph 4.3(2)(a)(ii)(B), the number of Common Shares that would be outstanding if all the Common Shares described in subparagraph 4.3(2)(a)(ii)(B) had been issued,

as at the end of the Rights Period.

“**Current Market Price**” of the Common Shares at any date, means the weighted average of the sale prices per Common Share at which the Common Shares have traded on the Exchange or, if the Common Shares are not listed on any stock exchange, then on the over-the-counter market, for any 20 consecutive Trading Days selected by the Borrower commencing not later than 45 Trading Days and ending no later than five (5) Trading Days before such date; provided, however, if such Common Shares are not traded during such 45 day period for at least 20 consecutive Trading Days, the simple average of the following prices established for each of 20 consecutive Trading Days selected by the Borrower commencing not later than 45 Trading Days before such date:

- (a) the average of the bid and ask prices for each day on which there was no trading, and
- (b) the closing price of the Common Shares for each day that there was trading,

or in the event that at any date the Common Shares are not listed on the Exchange or on the over-the-counter market, the current market price shall be as determined by the directors of the Borrower or such firm of independent chartered accountants as may be selected by the directors of the Borrower, acting reasonably, and in good faith in their sole discretion; for these purposes, the weighted average price for any period shall be determined by dividing the aggregate sale prices during such period by the total number of Common Shares sold during such period.

Any Common Shares owned by or held for the account of the Borrower or any subsidiary or affiliate (as defined in the *Securities Act* (Ontario)) of the Borrower will be deemed not to be outstanding for the purpose of any such computation.

If by the terms of the rights, options or warrants referred to in this Section 4.3(2), there is more than one purchase, conversion or exchange price per Common Share, the aggregate price of the total number of additional Common Shares offered for subscription or purchase, or the aggregate conversion or exchange price of the convertible securities so offered, will be calculated for purposes of the adjustment on the basis of

- (c) the lowest purchase, conversion or exchange price per Common Share, as the case may be, if such price is applicable to all Common Shares which are subject to the rights, options or warrants, and
- (d) the average purchase, conversion or exchange price per Common Share, as the case may be, if the applicable price is determined by reference to the number of Common Shares acquired.

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To the extent that any adjustment in the Conversion Price occurs pursuant to this Section 4.3(2) as a result of the fixing by the Borrower of a record date for the distribution of rights, options or warrants referred to in this Section 4.3(2), the Conversion Price will be readjusted immediately after the expiration of any relevant exchange, conversion or exercise right to the Conversion Price which would then be in effect based upon the number of Common Shares actually issued and remaining issuable after such expiration, and will be further readjusted in such manner upon expiration of any further such right.

If the Lender has exercised its Conversion Right in accordance herewith during the Rights Period, the Lender will, in addition to the Common Shares to which it is otherwise entitled upon such exercise, be entitled to that number of additional Common Shares equal to the result obtained when the difference, if any, between the Conversion Price in effect immediately prior to, and the Conversion Price in effect immediately following the end of such Rights Offering pursuant to this Section 4.3(2), is multiplied by the number of Common Shares received upon the exercise of the Conversion Right during such period, and the resulting product is divided by the Conversion Price as adjusted for such

Rights Offering pursuant to this Section 4.3(2); provided that no fractional Common Shares will be issued. Such additional Common Shares will be deemed to have been issued to the Lender immediately following the end of the Rights Period and a certificate for such additional Common Shares will be delivered to the Lender within ten Business Days following the end of the Rights Period.

(3) If and whenever at any time prior to the Maturity Date, the Borrower shall fix a record date for the making of a distribution to all or substantially all the holders of its outstanding Common Shares of (i) shares of any class other than Common Shares (or other than securities convertible into or exchangeable for Common Shares), or (ii) rights, options or warrants (other than rights, options or warrants referred to in Section 4.3(2)), or (iii) evidences of its indebtedness, or (iv) assets (other than dividends paid in the ordinary course) then, in each such case, the Borrower shall give written notice to the Lender with respect thereto, and the Lender shall have fifteen (15) days after receipt of such notice to elect to convert any or all of the Principal Amount of this Debenture into Common Shares at the then applicable Conversion Price and otherwise on terms and conditions set out in this Debenture. If the Lender elects to convert any or all of the Principal

Amount of this Debenture, such conversion shall occur immediately prior to the record date for the making of such distribution. If the Lender elects not to convert any of the Principal Amount of this Debenture, there shall continue to be an adjustment to the Conversion Price as a result of the making of such distribution, (herein referred to as a “**Special Distribution**”) determined in the manner hereafter set out. In this Section 4.3(3) the term “**dividends paid in the ordinary course**” shall include the value of any securities or other property or assets distributed in lieu of cash dividends paid in the ordinary course at the option of shareholders.

The Conversion Price will be adjusted effective immediately after such record date to a price determined by multiplying the Conversion Price in effect on such record date by a fraction:

- (a) the numerator of which is:
  - (i) the product of the number of Common Shares outstanding on such record date and the Current Market Price of the Common Shares on such record date; less
  - (ii) the aggregate fair market value (as determined by action by the directors of the Borrower, acting reasonably) to the holders of the Common Shares of such securities or property or other assets so issued or distributed in the Special Distribution; and
- (b) the denominator of which is the number of Common Shares outstanding on such record date multiplied by the Current Market Price of the Common Shares on such record date.

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Any Common Shares owned by or held for the account of the Borrower or any subsidiary or affiliate (as defined in the *Securities Act (Ontario)*) of the Borrower will be deemed not to be outstanding for the purpose of any such computation.

(4) In the case of any reclassification of, or other change in, the outstanding Common Shares pursuant to a Change of Control, the Lender may elect, prior to the effective date of such Change of Control, to convert any or all of the Principal Amount of this Debenture into Common Shares at the then applicable Conversion Price and otherwise on terms and conditions set out in this Debenture. To exercise such right the Lender must provide a notice in writing to the Borrower no later than seven (7) days prior to the effective date of such Change of Control, failing which the Lender’s right to convert this Debenture as a consequence of such Change of Control shall cease. If the Lender elects to convert any or all of the Principal Amount of this Debenture, such conversion shall occur immediately prior to the effective date of such Change of Control. If the Lender elects not to convert any of the Principal Amount of this Debenture, the Conversion Price in effect after the effective date of such Change of Control shall be increased or decreased, as the case may be, in proportion to any decrease or increase in the number of outstanding Common Shares resulting from such Change of Control so that the Lender, upon exercising the Conversion Right after the effective date of such Change of Control, will be entitled to receive the aggregate number of Common Shares or other securities, if any, which the Lender would have been entitled to receive as a result of such Change of Control if, on the effective date thereof, the Lender had been the registered holder of the number of Common Shares to which the Lender was theretofore entitled upon exercise of the Conversion Right.

(5) In the case of any reclassification of, or other change in, the outstanding Common Shares (other than a change referred to in Section 4.3(1), Section 4.3(2), Section 4.3(3) or 4.3(4) hereof), the Conversion Price shall be adjusted in such manner, if any, and at such time, as the Board of Directors of the Borrower determines to be appropriate on a basis consistent with the intent of this Section 4.3; provided that if at any time a dispute arises with respect to adjustments provided for in this Article 4, such dispute will be conclusively determined by the auditors of the Borrower or if they are unable or unwilling to act, by such other firm of independent chartered accountants as may be selected by action by the directors of the Borrower, acting reasonably, and any such determination will be binding on the Borrower and the Lender. The Borrower will provide such auditors or accountants with access to all necessary records of the Borrower. If and whenever at any time after the date hereof there is a reclassification or redesignation of the Common Shares outstanding at any time or change of the Common Shares into other shares or into other securities (other than as set out in Section 4.3(1), (2), (3) or (4)), or a consolidation, amalgamation or Merger of the Borrower with or into any other corporation or other entity (other than a consolidation, amalgamation or Merger which does not result in any reclassification or redesignation of the outstanding Common Shares or a change of the Common Shares into other shares and other than as set forth in Section 4.3(4)), or a transfer of the undertaking or assets of the Borrower as an entirety or substantially as an entirety to another corporation or other entity (any of such events being called a “**Capital Reorganization**”), the Lender, upon the exercising the Conversion Right, after the effective date of such Capital Reorganization, will be entitled to receive in lieu of the number of Common Shares to which the Lender was theretofore entitled upon such exercise, the aggregate number of shares, other securities or other property, if any, which the Lender would have been entitled to receive as a result of such Capital Reorganization if, on the effective date thereof, the Lender had been the registered holder



of the number of Common Shares to which such Lender was theretofore entitled upon exercise of the Conversion Right. If determined appropriate by action of the directors of the Borrower, appropriate adjustments will be made as a result of any such Capital Reorganization in the application of the provisions set forth in this Section 4.3 with respect to the rights and interests thereafter of the Lender to the end that the provisions set forth in this Section 4.3 will thereafter correspondingly be made applicable as nearly as may reasonably be in relation to any shares, other securities or other property thereafter deliverable upon the exercise of the Conversion Right. Any such adjustment must be made by and set forth in an amendment to this Debenture approved by action by the directors of the Borrower, acting reasonably, and will for all purposes be conclusively deemed to be an appropriate adjustment.

(6) In any case in which this Section 4.3 shall require that an adjustment shall become effective immediately after a record date for an event referred to herein, the Borrower may defer, until the occurrence of such event, issuing to the Lender before the occurrence of such event, the additional Common Shares issuable upon such conversion by reason of the adjustment required by such event before giving effect to such adjustment; provided, however, that the Borrower shall deliver to the Lender an appropriate instrument evidencing the Lender's right to receive such additional Common Shares upon the occurrence of the event requiring such adjustment and the right to receive any distributions made on such additional Common Shares declared in favour of holders of record of Common Shares on and after the Issue Date or such later date as the Lender would, but for the provisions of this Section 4.3(6), have become the holder of such additional Common Shares pursuant to Section 4.3(2).

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(7) The adjustments provided for in this Section 4.3 are cumulative and shall apply to successive subdivisions, redivisions, reductions, combinations, consolidations, distributions, issues or other event resulting in any adjustment under the provisions of this Section, provided that, notwithstanding any other provision of this Section, no adjustment of the Conversion Price shall be required unless such adjustment would require an increase or decrease of at least 1% in the Conversion Price then in effect; provided, however, that any adjustments which by reason of this Section 4.3(7) are not required to be made shall be carried forward and taken into account in any subsequent adjustment.

#### **Section 4.4 No Requirement to Issue Fractional Common Shares**

The Borrower shall not be required to issue fractional Common Shares upon the conversion of the Debenture pursuant to this Article 4. If any fractional interest in a Common Share, would, except for the provisions of this Section 4.4, be deliverable upon the conversion of any amount hereunder, the number of Common Shares to be issued shall be rounded down to the nearest whole Common Share.

#### **Section 4.5 Borrower to Reserve Common Shares**

The Borrower covenants with the Lender that it will at all times reserve and keep available out of its authorized Common Shares, solely for the purpose of issue upon exercise of the Conversion Right, and conditionally allot to the Lender, such number of Common Shares as shall then be issuable upon the conversion of this Debenture.

The Borrower covenants with the Lender that all Common Shares which shall be so issuable shall be duly and validly issued as fully paid and non-assessable.

#### **Section 4.6 Certificate as to Adjustment**

The Borrower shall from time to time, immediately after the occurrence of any event which requires an adjustment or readjustment as provided in Section 4.3, deliver an officer's certificate to the Lender specifying the nature of the event requiring the same and the amount of the adjustment necessitated thereby and setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based. Subject to the dispute resolution procedure in subsection 4.3(5), such certificate shall be binding and determinative of the adjustment to be made, absent manifest error.

#### **Section 4.7 Shareholder of Record**

For all purposes, on the Issue Date or the applicable date specified in Section 4.2 the Lender shall be deemed to have become the holder of record of the Common Shares into which the Principal Amount of this Debenture (or a portion thereof) is converted in accordance with Section 4.2.

#### **Section 4.8 Resale Restrictions, Legending and Disclosure**

By its acceptance hereof the Lender acknowledges that this Debenture and the Common Shares issuable upon conversion hereof will be subject to certain resale restrictions under Canadian Securities Laws or the applicable securities laws of any other jurisdiction, and the Lender agrees to comply with all such restrictions and laws. The Lender further acknowledges and agrees that all Common Share certificates will bear the legend substantially in the form set forth on the face page hereof as well as any legends required by the Exchange, provided that such legend shall not be required on Common Share certificates issued at any time following four months plus one day after the date hereof. The Lender acknowledges that the Borrower will be required to provide to the applicable securities regulatory authorities the identity of the Lender and its principals and the Lender hereby agrees thereto.

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## **ARTICLE 5 – RIGHTS OF DEBENTUREHOLDER**

### **Section 5.1 Distribution on Dissolution, Etc.**

Subject to applicable law and the rights of any holders of any Secured Debt or other indebtedness ranking in priority to the Lender, upon any sale, in one transaction or a series of transactions, of all, or substantially all, of the assets of the Borrower or distribution of the assets of the Borrower upon any dissolution or winding-up or total liquidation of the Borrower, whether in bankruptcy, liquidation, re-organization, insolvency, receivership or other similar proceedings or upon an assignment to or for the benefit of creditors of the Borrower or otherwise any payment or distribution of assets of the Borrower, whether in cash, property or security shall be paid or delivered by the trustee in bankruptcy, receiver, assignee of or for the benefit of creditors or other liquidating agent of the Borrower making such payment or distribution, directly to the holder of the Debentures or their representatives, to the extent necessary, to pay all obligations pursuant to the Debentures in full.

### **Section 5.2 Certificate Regarding Creditors**

Upon any payment or distribution of assets of the Borrower referred to in this Section 5.2, the Debentureholder shall be entitled to rely upon a certificate of the trustee in bankruptcy, receiver, assignee of or for benefit of creditors or other liquidating agent of the Borrower making such payment or distribution, delivered to the Debentureholder, for the purpose of ascertaining the Persons entitled to participate in such distribution, and other indebtedness of the Borrower, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Section 5.2.

### **Section 5.3 Rights of Debentureholder Reserved**

Nothing contained in this Article 5 or elsewhere in this Debenture is intended to or shall impair, as between the Borrower and the Debentureholder, the obligation of the Borrower, which is absolute and unconditional, to pay to the Debentureholder the Principal Amount and interest on the Debenture, as and when the same shall become due and payable in accordance with their terms, nor shall anything herein prevent the Debentureholder from exercising all remedies otherwise permitted by applicable law upon default under this Debenture.

### **Section 5.4 Payment of Debenture Permitted**

Nothing contained in this Debenture shall:

- (a) prevent the Borrower from making payments of the Principal Amount, interest and other amounts to the Debentureholder under this Debenture as herein provided;
- (b) prevent the conversion of this Debenture into Common Shares as herein provided or as otherwise permitted according to law, including in connection with a bankruptcy, reorganization, insolvency, or other arrangement with creditors, of the Borrower; and
- (c) prevent the redemption of this Debenture by the Borrower as herein provided or as otherwise permitted according to law.

### **Section 5.5 Security**



The undersigned acknowledges that the loan evidenced by this Debenture is secured, and the undersigned hereby grants a security interest, to and in favour of the Lender by and in all of the assets of the undersigned, except for any ownership interest or securities of Bophelo Bio Science and Wellness (Pty) Ltd., or the assets owned thereby which shall not be subject to any security interest by the Lender, in favour of the Lender pursuant to a general security agreement (the “**Security**”) dated the date hereof. The undersigned hereby consents and agrees to the loan, this Debenture and the Security.

The undersigned hereby acknowledges, confirms and agrees that the time for attachment has not been postponed and that the undersigned has received valuable consideration for the granting of the Security.

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## ARTICLE 6 – COVENANTS OF THE BORROWER

### Section 6.1 Covenants

The Borrower covenants and agrees, for as long this Debenture remains outstanding, that:

- (1) **Maintain Corporate Existence.** Each of the Borrower and its material Subsidiaries shall maintain its corporate existence, and preserve its rights, powers, licenses and privileges which are necessary or material to the conduct of its business, and not materially change the nature of its business;
- (2) **Compliance with Laws.** Each of the Borrower and its Subsidiaries shall comply in all material respects with all applicable laws, rules, governmental restrictions and regulations;
- (3) **Maintain Books and Records.** The Borrower shall, and shall cause each of its Subsidiaries to, keep adequate and accurate records and books of account in which complete entries will be made reflecting all financial transactions and prepare its financial statements in accordance with generally accepted accounting principles;
- (4) **Payment of Taxes.** Each of the Borrower and its Subsidiaries shall pay and discharge promptly all Taxes assessed or imposed upon it or its property as and when the same become due and payable save and except where it contests in good faith the validity thereof by proper legal proceedings;
- (5) **Payment of Obligations.** The Borrower shall pay all principal, interest and other amounts owing to the Lender hereunder promptly when due;
- (6) **Performance of Covenants.** The Borrower shall promptly perform and satisfy all covenants and obligations to be performed by it under this Debenture;
- (7) **Disposal of Assets.** Neither the Borrower nor its Subsidiaries shall convey, sell, lease, assign, transfer or otherwise dispose of any of their respective material assets, other than in the ordinary course of business and for the purpose of carrying on the same, except for any inter-company reorganization where the Lender has been given 10 Business Days notice thereof and the Borrower has received the consent of the Lender acting reasonably but where security for the obligations hereof remain sufficient to cover any principal and interest outstanding thereon; and
- (8) **Notice of Event of Default.** The Borrower shall promptly, and in any event within three (3) Business Days after the Borrower becoming aware, give notice to the Lender of the existence of any Event of Default.

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## ARTICLE 7 – REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE LENDER

### Section 7.1 Representations and Warranties

The Lender represents and warrants to the Borrower that, as of the date of this Debenture, the Principal Amount is an amount equal to the aggregate principal amount of that indebtedness owed to the Borrower (or any of its direct or indirect, wholly-owned

subsidiaries) by Cannahealth Limited, Bophelo Holdings Ltd., Bophelo Bio Science & Wellness (Pty) Ltd. and Canmart Ltd., as a result of the purchase by the Borrower of all of the issued and outstanding shares in the capital of Cannahealth Limited, as well as funds expended by the Lender to operate the business, including but not limited to salaries, professional fees, capital expenditures, working capital, travel and other costs or the reorganization undertaken thereby in connection with such purchase.

## Section 7.2 Covenants

(1) The Lender agrees that, within ten (10) Business Days of the signing of the Debenture by both the Lender and the Borrower, the Lender shall dispose of so many of the Common Shares that are held by the Lender that are necessary in order for the Lender to hold less than 50% of the issued and outstanding Common Shares. The Lender agrees to provide the Borrower with a written confirmation of the disposal within (3) three Business Days of such a disposal taking place. The Borrower agrees that any delays, on the part of the Borrower, in the issuance of share certificates, or the completion of any other applicable documentation, by the Borrower that are requisite to the disposal of any Common Shares held by the Lender pursuant to the covenants contemplated in this Section 7.2, shall not be taken into account when determining the ten (10) Business Days available to the Lender to complete the disposal.

(2) The Lender covenants and agrees, for as long this Debenture remains outstanding, that it shall not own 50% or more of the issued and outstanding Common Shares and shall not exercise any conversion rights of any convertible securities that would result in the Lender owning 50% or more of the issued and outstanding Common Shares (the “**Non-Control Covenant**”).

(3) In the event that the Lender is in breach of the Non-Control Covenant, the Borrower shall be entitled, at its election, to:

- (a) suspend repayment of the Principal Amount and any accrued interest thereon at the time of breach;
- (b) suspend the charging of interest; and
- (c) extend the Maturity Date by one day for each day that the Lender is in breach of the Non-Control Covenant.

## ARTICLE 8 – EVENTS OF DEFAULT

### Section 8.1 Events of Default

(1) Any of the following shall constitute an Event of Default under this Debenture (each an “**Event of Default**”):

- (a) the Principal Amount owing hereunder shall not be paid when due;
- (b) if the Borrower fails to pay when due any interest or other amount owing by the Borrower to the Lender and such breach or default shall continue for ten (10) Business Days of when it was due;

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- (c) if the Borrower breaches any representation contained herein, fails to make any payment or to observe, perform or comply with any term, covenant, condition or obligation of the Borrower contained herein or is otherwise in default of any of the provisions contained herein (other than referred in subparagraphs (a) and (b) of this Section 8.1) and such default, if capable of being remedied, is not remedied within thirty (30) days after the Borrower receives written notice of such default from the Lender;

- (d) if the Borrower shall generally fail to pay, or admit in writing its inability or unwillingness to pay, debts as they become due or if a decree or order of a court having jurisdiction is entered adjudging the Borrower a bankrupt or insolvent;

- (e) if the Borrower shall apply for, consent to or acquiesce in the appointment of a trustee, receiver, or other custodian for the Borrower or for a substantial part of the property thereof, or make a general assignment for the benefit of creditors;

- (f) if the Borrower shall in the absence of such application, consent or acquiescence, become subject to the appointment of a trustee, receiver, or other custodian for the Borrower or for a substantial part of the property thereof, or have

a distress, execution, attachment, sequestration or other legal process levied or enforced on or against a substantial part of the property of the Borrower; or,

- (g) if the Borrower shall permit or suffer to exist the commencement of any bankruptcy, reorganization, debt arrangement or other case or proceeding under any bankruptcy or insolvency law, or any dissolution, winding up or liquidation proceeding, in respect of the Borrower and, if any such case or proceeding is not commenced by the Borrower, such case or proceeding, if contested by the Borrower is not dismissed within thirty (30) days.

(2) If an Event of Default described in (e), (f) or (g) above shall occur, the entire unpaid principal of and accrued interest on this Debenture shall become immediately due and payable without any declaration or other act on the part of the Lender. Immediately upon the occurrence of any Event of Default described in (e), (f) or (g) above, or upon failure to pay this Debenture on the Maturity Date, the Lender, with or without notice to the Borrower, may proceed to protect, enforce, exercise and pursue any and all rights and remedies available to the Lender under this Debenture, or at law or in equity.

(3) If any other Event of Default shall occur for any reason, whether voluntary or involuntary, and be continuing, the Lender may, by notice to the Borrower, declare all or any portion of the outstanding Principal Amount of this Debenture to be due and payable, whereupon the full unpaid amount of this Debenture shall become immediately due and payable without further notice, demand, presentment, protest or other notice of any kind, all of which are expressly waived by the Borrower.

## ARTICLE 9 – MUTILATION, LOSS, THEFT OR DESTRUCTION OF DEBENTURE CERTIFICATE

In case this Debenture certificate shall become mutilated or be lost, stolen or destroyed, the Borrower, shall issue and deliver, a new replacement debenture certificate upon surrender and cancellation of the mutilated Debenture certificate or, in the case of a lost, stolen or destroyed Debenture certificate, in lieu of and in substitution for the same. In the case of loss, theft or destruction, the applicant for a substituted debenture certificate shall furnish to the Borrower such evidence of the loss, theft or destruction of the Debenture certificate as shall be satisfactory to the Borrower in its discretion and shall also furnish an indemnity and surety bond satisfactory to the Borrower in its discretion. The applicant shall pay all reasonable expenses incidental to the issuance of any substituted debenture certificate.

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## ARTICLE 10 – GENERAL

### Section 10.1 Notice

Any demand, notice, direction or other communication to be made or given hereunder (in each case, “**Communication**”) shall be in writing and shall be made or given by personal delivery, by courier, by facsimile or email transmission, or sent by registered mail, charges prepaid, addressed to the respective parties as follows:

- (a) if to the Borrower:

AKANDA CORP.  
Attention: Tej Virk  
77 King Street West, Suite 400  
Toronto-Dominion Centre  
Toronto, ON M5K 0A1  
Attention: Tej Virk  
E-mail: [\*]

with a copy to:

Aird Berlis LLP  
Brookfield Place, 181 Bay Street, Suite 1800  
Toronto, ON M5J 2T9  
Attention: Sean Mason  
E-mail: smason@airdberlis.com

(b) if to the Lender:

Halo Collective Inc.  
504 - 100 Park Royal  
West Vancouver, BC V7T 1A2  
Attention: Kiranjit Sidhu  
E-mail: kiran@halocanna.com

with a copy to:

Dentons Canada LLP  
77 King Street West, Suite 400  
Toronto-Dominion Centre  
Toronto, ON M5K 0A1  
Attention: Eric Foster  
E-mail: eric.foster@dentons.com

or to such other address or email as any party may from time to time designate in accordance with this Section. Any Communication made by personal delivery or by courier shall be conclusively deemed to have been given and received on the day of actual delivery thereof or if such day is not a Business Day, on the first Business Day thereafter. Any Communication made or given by email on a Business Day before 4:00 p.m. (local time of the recipient) shall be conclusively deemed to have been given and received on such Business Day and otherwise shall be conclusively deemed to have been given and received on the first Business Day following the transmittal thereof. Any Communication that is mailed shall be conclusively deemed to have been given and received on the fifth Business Day following the date of mailing but if, at the time of mailing or within five Business Days thereafter, there is or occurs a labour dispute or other event that might reasonably be expected to disrupt delivery of documents by mail, any Communication shall be delivered or transmitted by any other means provided for in this Section.

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## **Section 10.2 Change of Control of Borrower**

By its acceptance hereof, each of the Borrower and the Lender acknowledges and agrees that in the event a Change of Control or Merger occurs, then all references herein to the Borrower shall extend to and include the entity resulting therefrom or which thereafter will carry on the business of the Borrower.

## **Section 10.3 Amendments**

This Debenture may not be amended or otherwise modified except by an instrument in writing executed by the Borrower and the Lender.

## **Section 10.4 Waivers**

The Lender shall not, by any act, delay, omission or otherwise, be deemed to have expressly or impliedly waived any of its rights, powers and/or remedies unless such waiver shall be in writing and executed by an authorized officer of the Lender. Any such waiver shall be enforceable only to the extent specifically set forth therein. A waiver by the Lender of any right, power and/or remedy on any one occasion shall not be construed as a bar to or waiver of any such right, power and/or remedy which the Lender would otherwise have on any future occasion, whether similar in kind or otherwise.

## **Section 10.5 Registration of Debenture**

The Borrower shall cause to be kept at the head office of the Borrower in the City of Toronto, Ontario a register in which shall be entered the name and latest known address of the Lender and any other holders of Debentures. Such register shall at all reasonable times during regular business hours of the Borrower be open for inspection by the Lender and any such holder. The Borrower shall not be charged with notice of or be bound to see to the performance of any trust, whether express, implied, or constructive, in respect of this Debenture and may act on the direction of the Lender, whether named as trustee or otherwise, as though the Lender were the beneficial owner of this Debenture.

## Section 10.6 No Transfer of Debenture

No transfer of this Debenture shall be permitted.

## Section 10.7 Release and Discharge

If the Lender exercises all conversion rights attached to this Debenture pursuant to Article 4 hereof or if the Borrower pays all of the Obligations in full to the Lender, the Lender shall release this Debenture and the Borrower shall be, and shall be deemed to have, discharged of all its obligations under this Debenture.

## Section 10.8 Successors and Assigns

This Debenture shall enure to the benefit of the Lender and its successors and assigns and shall be binding upon the Borrower and its successors and permitted assigns.

## Section 10.9 Time

Time shall be of the essence of this Debenture.

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## Section 10.10 Governing Law

This Debenture shall be governed by and interpreted in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. The Borrower and, by its acceptance hereof, the Lender each hereby irrevocably submit and attorn to the nonexclusive jurisdiction of the courts of the Province of Ontario in connection with this Debenture.

## Section 10.11 Further Assurances

The Borrower shall forthwith, at its own expense and from time to time, do or file, or cause to be done or filed, all such things and shall execute and deliver all such documents, agreements, opinions, certificates and instruments reasonably requested by the Lender or its counsel as may be necessary or desirable to complete the transactions contemplated by this Debenture and carry out its provisions and intention.

### Schedule B – Conversion Notice

**TO: HALO COLLECTIVE INC. (the “Lender”)**

Pursuant to the Secured Convertible Debenture (the “**Debenture**”) of the Borrower issued to the undersigned on November 3, 2021, the Borrower hereby notifies you that \$\_\_\_\_\_ of the principal amount outstanding and \$\_\_\_\_\_ of interest thereon under the Debenture shall be converted into common shares in the capital of the Borrower at a price per Common Share of \$\_\_\_\_\_.

[Describe the reason for the conversion – if it is a Triggering Event, etc.]

Please confirm the registration instructions for the certificates representing the Common Shares to be issued in the following format within five (5) Business Days hereof:

Name	Address for Delivery	# of Common Shares

(Print name as name is to appear on share certificate)

**DATED this** \_\_\_\_ **day of** \_\_\_\_\_, **20**\_\_\_\_.

**AKANDA CORP.**

By: \_\_\_\_\_  
Name:  
Title:

-B 1-

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### Form of Warrant Agreement

THE REGISTERED HOLDER OF THIS PURCHASE WARRANT AGREES BY HIS, HER OR ITS ACCEPTANCE HEREOF, THAT SUCH HOLDER WILL NOT FOR A PERIOD OF ONE HUNDRED EIGHTY (180) DAYS FOLLOWING THE EFFECTIVE DATE OF THE REGISTRATION STATEMENT (AS DEFINED BELOW): (A) SELL, TRANSFER, ASSIGN, PLEDGE OR HYPOTHECATE THIS PURCHASE WARRANT TO ANYONE OTHER THAN OFFICERS OR PARTNERS OF BOUSTEAD SECURITIES, LLC, EACH OF WHOM SHALL HAVE AGREED TO THE RESTRICTIONS CONTAINED HEREIN, IN ACCORDANCE WITH FINRA CONDUCT RULE 5110(E)(1), OR (B) CAUSE THIS PURCHASE WARRANT OR THE SECURITIES ISSUABLE HEREUNDER TO BE THE SUBJECT OF ANY HEDGING, SHORT SALE, DERIVATIVE, PUT OR CALL TRANSACTION THAT WOULD RESULT IN THE EFFECTIVE ECONOMIC DISPOSITION OF THIS PURCHASE WARRANT OR THE SECURITIES HEREUNDER, EXCEPT AS PROVIDED FOR IN FINRA RULE 5110(E)(2).

THIS PURCHASE WARRANT IS NOT EXERCISABLE PRIOR TO [ \* ], 2022 (THE DATE OF ISSUANCE). VOID AFTER 5:00 P.M., EASTERN TIME, [ \* ], 2027 (THE DATE THAT IS FIVE YEARS FROM THE DATE ON WHICH THE REGISTRATION STATEMENT IS DECLARED EFFECTIVE).

#### COMMON SHARES PURCHASE WARRANT

For the Purchase of [ \* ] Common Shares

Of

AKANDA CORP.

1. Purchase Warrant. THIS CERTIFIES THAT, pursuant to that certain Underwriting Agreement by and between Akanda Corp., a company incorporated in the Province of Ontario (the “**Company**”) and Boustead Securities, LLC (“**Boustead**”), dated [ \* ], 2022 (the “**Underwriting Agreement**”), Boustead (in such capacity with its permitted successors or assigns, the “**Holder**”), as registered owner of this Purchase Warrant, is entitled, upon the terms and subject to the limitations on exercise and the conditions hereinafter set forth, at any time or from time to time from [ \* ], 2022 (the “**Issuance Date**”), and at or before 5:00 p.m., Eastern time, [ \* ], 2027 (the “**Expiration Date**,”) which such date is five (5) years from the effective date of the registration statement on Form F-1 (Registration No. 333-[ \* ]) of the Company (the “**Registration Statement**”), but not thereafter, to subscribe for, purchase and receive, in whole or in part, up to [ \* ] Common Shares of the Company, without par value (the “**Shares**”), subject to adjustment as provided in Section 5 hereof. If the Expiration Date is a day on which banking institutions are authorized by law or executive order to close, then this Purchase Warrant may be exercised on the next succeeding day that is not such a day in accordance with the terms herein. During the period commencing on the date hereof and ending on the Expiration Date, the Company agrees not to take any action that would terminate this Purchase Warrant. This Purchase Warrant is initially exercisable at \$[ \* ] per Share (125% of the price of the Shares sold in the Offering); provided, however, that upon the occurrence of any of the events specified in Section 5 hereof, the rights granted by this Purchase Warrant, including the exercise price per Share and the number of Shares to be received upon such exercise, shall be adjusted as therein specified. The term “**Exercise Price**” shall mean the initial exercise price or the adjusted exercise price, depending on the context. Any term not defined herein shall have the meaning ascribed thereto in the Underwriting Agreement.

2. Exercise.

2.1 Exercise Form. In order to exercise this Purchase Warrant, the exercise form attached hereto as Exhibit A (the “**Exercise Form**”) must be duly executed and completed and delivered to the Company, together with this Purchase Warrant and payment of the Exercise Price for the Shares being purchased payable in cash by wire transfer of immediately available funds to an account designated by the Company or by certified check or official bank check to the order of the Company. If the subscription rights represented hereby shall not be exercised at or before 5:00 p.m., Eastern time, on the Expiration Date, this Purchase Warrant shall become and be void without further force or effect, and all rights represented hereby shall cease and expire.

2.2 Cashless Exercise. In lieu of exercising this Purchase Warrant by payment of cash or check payable to the order of the Company pursuant to Section 2.1 above, Holder may elect to receive the number of Shares equal to the value of this Purchase Warrant (or the portion thereof being exercised), by surrender of this Purchase Warrant to the Company, together with the Exercise Form, in which event the Company shall issue to Holder, Shares in accordance with the following formula:

$$X = \frac{Y(A - B)}{A}$$

Where,

- X = The number of Shares to be issued to Holder;
- Y = The number of Shares for which the Purchase Warrant is being exercised;
- A = The fair market value of one Share; and
- B = The Exercise Price.

For purposes of this Section 2.2, the fair market value means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Shares are then listed or quoted on a Eligible Market, the value shall be deemed to be the highest intra-day or closing price on any trading day on such Eligible Market during the five trading days preceding the exercise, (b) if OTCQB or OTCQX is not an Eligible Market, the value shall be deemed to be the highest intra-day or closing price on any trading day on the OTCQB or OTCQX on which the Common Shares are then quoted during the five trading days preceding the exercise, as applicable, (c) if the Common Shares are not then listed or quoted for trading on OTCQB or OTCQX and if prices for the Common Shares are then reported in the “Pink Sheets” published by OTC Markets Group, Inc. (or a similar organization or agency succeeding to its functions of reporting prices), the “OTC Markets Group”, the value shall be deemed to be the highest intra-day or closing price on any trading day on the Pink Sheets on which the Common Shares are then quoted during the five trading days preceding the exercise, or (d) in all other cases, the fair market value of a Common Share as determined by an independent appraiser selected in good faith by the Holder and reasonably acceptable to the Company.

2.3 Legend. Each certificate for the securities purchased under this Purchase Warrant shall bear a legend as follows unless such securities have been registered under the Securities Act of 1933, as amended (the “**Securities Act**”):

“The securities represented by this certificate have not been registered under the Securities Act of 1933, as amended (the “**Securities Act**”), or applicable state law. Neither the securities nor any interest therein may be offered for sale, sold or otherwise transferred except pursuant to an effective registration statement under the Securities Act, or pursuant to an exemption from registration under the Securities Act and applicable state law which, in the opinion of counsel to the Company, is available.”

### 3. Transfer.

3.1 General Restrictions. The Holder of this Purchase Warrant agrees by his, her or its acceptance hereof, that such Holder (or permitted assignees under FINRA Rule 5110(e)(1)) will not for a period of one hundred eighty (180) days following the date the Registration Statement is declared effective (the “**Effective Date**”) by the Securities and Exchange Commission (the “**Commission**”): (a) sell, transfer, assign, pledge or hypothecate this Purchase Warrant to anyone other than: (i) Boustead or an underwriter, placement agent, or a selected dealer participating in the initial public offering (the “**Offering**”) contemplated by the Underwriting Agreement, or (ii) officers or partners of Boustead or of any such underwriter, placement agent or selected dealer, each of whom in (i) and (ii) shall have agreed to the restrictions contained herein, in accordance with FINRA Conduct Rule 5110(e)(1), or (b) cause this Purchase Warrant or the securities issuable hereunder to be the subject of any hedging, short sale, derivative, put or call transaction that would result in the effective economic disposition of this Purchase Warrant or the securities hereunder, except as provided for in FINRA Rule 5110(e)(2). On and after that date that is one hundred eighty (180) days after the effective date of the Registration Statement, transfers to others may be made subject to compliance with or exemptions from applicable securities laws. In order to make any permitted assignment, the Holder must deliver to the Company the assignment form attached hereto as Exhibit B duly executed and completed, together with this Purchase Warrant and payment of all transfer taxes, if any, payable in connection therewith. The Company shall within five (5) business days transfer this Purchase Warrant on the books of the Company and shall execute and deliver a new Purchase Warrant or Purchase Warrants of like tenor to the appropriate assignee(s) expressly evidencing the right to purchase the aggregate number of Shares purchasable hereunder or such portion of such number as shall be contemplated by any such assignment.



3.2 Restrictions Imposed by the Securities Act. The securities evidenced by this Purchase Warrant shall not be transferred unless and until: (i) if required by law, the Company has received the opinion of counsel for the Company that the securities may be transferred pursuant to an exemption from registration under Securities Act and applicable state securities laws, or (ii) a registration statement or post-effective amendment to the Registration Statement relating to the offer and sale of such securities that includes a current prospectus has been filed and declared effective by the Commission and compliance with applicable state securities law has been established.

#### 4. New Purchase Warrants to be Issued.

4.1 Partial Exercise or Transfer. Subject to the restrictions in Section 3 hereof, this Purchase Warrant may be exercised or assigned in whole or in part. In the event of the exercise or assignment hereof in part only, upon surrender of this Purchase Warrant for cancellation, together with the duly executed exercise or assignment form and funds sufficient to pay any Exercise Price and/or transfer tax if exercised pursuant to Section 2.1 hereof, the Company shall cause to be delivered to the Holder without charge a new Purchase Warrant of like tenor to this Purchase Warrant in the name of the Holder evidencing the right of the Holder to purchase the number of Shares purchasable hereunder as to which this Purchase Warrant has not been exercised or assigned.

4.2 Lost Certificate. Upon receipt by the Company of evidence satisfactory to it of the loss, theft, destruction or mutilation of this Purchase Warrant and of reasonably satisfactory indemnification or the posting of a bond, the Company shall execute and deliver a new Purchase Warrant of like tenor and date. Any such new Purchase Warrant executed and delivered as a result of such loss, theft, mutilation or destruction shall constitute a substitute contractual obligation on the part of the Company.

#### 5. Adjustments.

5.1 Adjustments to Exercise Price and Number of Shares. The Exercise Price and the number of Shares underlying this Purchase Warrant shall be subject to adjustment from time to time as hereinafter set forth:

5.1.1 Share Dividends; Split Ups. If, after the date hereof, and subject to the provisions of Section 5.1.3 below, the number of outstanding Shares is increased by a stock dividend payable in Shares or by a split up of Shares or other similar event, then, on the effective day thereof, the number of Shares purchasable hereunder shall be increased in proportion to such increase in outstanding shares, and the Exercise Price shall be proportionately decreased.

5.1.2 Aggregation of Shares. If, after the date hereof, and subject to the provisions of Section 5.1.3 below, the number of outstanding Shares is decreased by a consolidation, combination or reclassification of Shares or other similar event, then, on the effective date thereof, the number of Shares purchasable hereunder shall be decreased in proportion to such decrease in outstanding shares, and the Exercise Price shall be proportionately increased.

5.1.3 Replacement of Shares upon Reorganization, etc. In case of any reclassification or reorganization of the outstanding Shares other than a change covered by Section 5.1.1 or Section 5.1.2 hereof or that solely affects the par value of such Shares, or in the case of any share reconstruction or amalgamation or merger or consolidation of the Company with or into another corporation (other than a consolidation or share reconstruction or amalgamation or merger in which the Company is the continuing corporation and that does not result in any reclassification or reorganization of the outstanding Shares), or in the case of any sale or conveyance to another corporation or entity of the property of the Company as an entirety or substantially as an entirety in connection with which the Company is dissolved, the Holder of this Purchase Warrant shall have the right thereafter (until the expiration of the right of exercise of this Purchase Warrant) to receive upon the exercise hereof, for the same aggregate Exercise Price payable hereunder immediately prior to such event, the kind and amount of shares of stock or other securities or property (including cash) receivable upon such reclassification, reorganization, share reconstruction or amalgamation or merger, or consolidation, or upon a dissolution following any such sale or transfer, by a Holder of the number of Shares of the Company obtainable upon exercise of this Purchase Warrant immediately prior to such event; and if any reclassification also results in a change in Shares covered by Section 5.1.1 or Section 5.1.2, then such adjustment shall be made pursuant to Section 5.1.1, Section 5.1.2 and this Section 5.1.3. The provisions of this Section 5.1.3 shall similarly apply to successive reclassifications, reorganizations, share reconstructions or amalgamations, mergers or consolidations, sales or other transfers.

5.1.4 Changes in Form of Purchase Warrant. This form of Purchase Warrant need not be changed because of any change pursuant to this Section 5.1, and Purchase Warrants issued after such change may state the same Exercise Price and the same number of Shares as are stated in the Purchase Warrants initially issued pursuant to this Agreement. The acceptance by any Holder of the issuance of new Purchase Warrants reflecting a required or permissive change shall not be deemed to waive any rights to an adjustment occurring after the date hereof or the computation thereof.

5.2 Substitute Purchase Warrant. In case of any consolidation of the Company with, or share reconstruction or amalgamation or merger of the Company with or into, another corporation (other than a consolidation or share reconstruction or amalgamation or merger which does not result in any reclassification or change of the outstanding Shares), the corporation formed by such consolidation or share reconstruction or amalgamation or merger shall execute and deliver to the Holder a supplemental Purchase Warrant providing that the holder of each Purchase Warrant then outstanding or to be outstanding shall have the right thereafter (until the stated expiration of such Purchase Warrant) to receive, upon exercise of such Purchase Warrant, the kind and amount of shares of stock and other securities and property receivable upon such consolidation or share reconstruction or amalgamation or merger, by a holder of the number of Shares of the Company for which such Purchase Warrant might have been exercised immediately prior to such consolidation, share reconstruction or amalgamation or merger, sale or transfer. Such supplemental Purchase Warrant shall provide for adjustments which shall be identical to the adjustments provided for in this Section 5. The above provision of this Section 5 shall similarly apply to successive consolidations or share reconstructions or amalgamations or mergers.

5.3 Elimination of Fractional Interests. The Company shall not be required to issue certificates representing fractions of Shares upon the exercise of the Purchase Warrant, nor shall it be required to issue scrip or pay cash in lieu of any fractional interests, it being the intent of the parties that all fractional interests shall be eliminated by rounding any fraction up or down, as the case may be, to the nearest whole number of Shares or other securities, properties or rights.

6. Reservation and Listing. The Company shall at all times reserve and keep available out of its authorized Shares, solely for the purpose of issuance upon exercise of this Purchase Warrant, such number of Shares or other securities, properties or rights as shall be issuable upon the exercise thereof. The Company covenants and agrees that, upon exercise of this Purchase Warrant and payment of the Exercise Price therefor, in accordance with the terms hereby, all Shares and other securities issuable upon such exercise shall be duly and validly issued, fully paid and non-assessable and not subject to preemptive rights of any shareholder. The Company further covenants and agrees that upon exercise of this Purchase Warrant and payment of the exercise price therefor, all Shares and other securities issuable upon such exercise shall be duly and validly issued, fully paid and non-assessable and not subject to preemptive rights of any shareholder. As long as this Purchase Warrant shall be outstanding, the Company shall use its commercially reasonable efforts to cause all Shares issuable upon exercise of this Purchase Warrant to be listed (subject to official notice of issuance) on all national securities exchanges (or, if applicable, on the OTC Bulletin Board or any successor trading market) on which the Shares issued to the public in the Offering may then be listed and/or quoted.

7. Registration. The issuance of the Warrant and the Warrant Shares has been registered on the Registration Statement. The Company shall file periodic filings with the Commission during the term of this Purchase Warrant as required by the rules and regulations issued by the Commission. To the extent the Company does not maintain an effective registration statement for the Shares, during the term of this Purchase Warrant and for a period of no more than seven (7) years from the commencement of sales of the Offering in accordance with FINRA Rule 5110(g)(8)(D), whenever the Company proposes to register any of its securities under the Securities Act, whether for its own account or for the account of another shareholder (except for the registration of securities (A) to be offered pursuant to an employee benefit plan on Form S-8 or (B) pursuant to a registration made on Form F-4, or any successor forms then in effect) at any time and the registration form to be used may be used for the registration of the Shares, it will so notify in writing the Holder (a "**Piggyback Notice**") as soon as practicable but in no event less than five (5) business days before the anticipated filing date and offer to the Holder the opportunity to register the sale of such number of Shares as such Holder may request in writing within three (3) business days after receipt of such Piggyback Notice (a "**Piggyback Registration**"). Notwithstanding the foregoing, the Company may delay any such notice to the Holder, including until after filing a registration statement, so long as the Holder has the same amount of time to determine whether to participate in an offering as it would have had if such notice had not been so delayed. The Company shall cause such Shares to be included in such registration and shall use commercially reasonable efforts to cause the managing underwriter or underwriters of a proposed underwritten offering to permit the Shares requested to be included in a Piggyback Registration on the same terms and conditions as any similar securities of the Company and to permit the sale or other disposition of such Shares in accordance with the intended method(s) of distribution thereof; provided, however, that if, solely in connection with any primary underwritten public offering for the account of the Company, the managing underwriter(s) thereof shall, in its reasonable discretion, impose a limitation on the number of Common Shares which may be included in the registration statement because, in such underwriter(s)' judgment, marketing or other factors dictate such limitation is necessary to facilitate public distribution, then the Company shall be obligated to include in such registration statement only such limited portion of the Shares with respect to which the Holder requested inclusion hereunder as the underwriter shall reasonably permit. Holder shall enter into an underwriting agreement in customary form with the underwriter or underwriters selected for such Piggyback Registration.

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8. Certain Notice Requirements.

8.1 Holder's Right to Receive Notice. Nothing herein shall be construed as conferring upon the Holders the right to vote or consent or to receive notice as a shareholder for the election of directors or any other matter, or as having any rights whatsoever as a shareholder of the Company. If, however, at any time prior to the expiration of the Purchase Warrants and their exercise, any of the events described in Section 8.2 shall occur, then, in one or more of said events, the Company shall give written notice of such event at least fifteen days prior to the date fixed as a record date or the date of closing the transfer books (the "**Notice Date**") for the determination of the shareholders entitled to such dividend, distribution, conversion or exchange of securities or subscription rights, or entitled to vote on such proposed dissolution, liquidation, winding up or sale. Such notice shall specify such record date or the date of the closing of the transfer books, as the case may be. Notwithstanding the foregoing, the Company shall deliver to each Holder a copy of each notice given to the other shareholders of the Company at the same time and in the same manner that such notice is given to the shareholders.

8.2 Events Requiring Notice. The Company shall be required to give the notice described in this Section 8 upon one or more of the following events: (i) if the Company shall take a record of the holders of its Shares for the purpose of entitling them to receive a dividend or distribution payable otherwise than in cash, or a cash dividend or distribution payable otherwise than out of retained earnings, as indicated by the accounting treatment of such dividend or distribution on the books of the Company, (ii) the Company shall offer to all the holders of its Shares any additional shares of capital stock of the Company or securities convertible into or exchangeable for shares of capital stock of the Company, or any option, right or warrant to subscribe therefor, or (iii) a dissolution, liquidation or winding up of the Company (other than in connection with a consolidation or share reconstruction or amalgamation or merger) or a sale of all or substantially all of its property, assets and business shall be proposed.

8.3 Notice of Change in Exercise Price. The Company shall, promptly after an event requiring a change in the Exercise Price pursuant to Section 5 hereof, send notice to the Holders of such event and change ("**Price Notice**"). The Price Notice shall describe the event causing the change and the method of calculating same and shall be certified as being true and accurate by the Company's Chief Financial Officer.

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8.4 Transmittal of Notices. All notices, requests, consents and other communications under this Purchase Warrant shall be in writing and shall be deemed to have been duly made (1) when hand delivered, (2) when mailed by express mail or private courier service or (3) when the event requiring notice is disclosed in all material respects and filed in a current report on Form 8-K (or similar report of the Company required of foreign private issuers) or in a definitive proxy statement on Schedule 14A prior to the Notice Date: (i) if to the registered Holder of the Purchase Warrant, to the address of such Holder as shown on the books of the Company, or (ii) if to the Company, to following address or to such other address as the Company may designate by notice to the Holders:

If to the Holder:

Boustead Securities, LLC  
6 Venture, Suite 395  
Irvine, CA 92618  
Fax: (815) 301-8099  
Attention: Keith Moore, CEO

*with a copy (which shall not constitute notice) to:*

BEVILACQUA PLLC  
1050 Connecticut Avenue, Suite 500  
Washington, DC 20036  
Fax: (202) 869-0889  
Attn: Louis A. Bevilacqua, Esq.

If to the Company:

Akanda Corp.  
1a, 1b Learoyd Road  
New Romney TN28 8XU, United Kingdom  
Fax: [\*]  
Attention: Tejinder Virk, CEO

*with copies (which shall not constitute notice) to:*

Rimon, P.C.  
423 Washington Street, Suite 600  
San Francisco, California 94111  
Fax: [\*]  
Attn: Mark C. Lee

Eric Foster Dentons Canada LLP  
77 King Street West, Suite 400  
Toronto-Dominion Centre  
Toronto, ON M5K 0A1 Canada  
Fax: [\*]  
Attn: [\*]

9. Miscellaneous.

9.1 Amendments. The Company and Boustead may from time to time supplement or amend this Purchase Warrant without the approval of any of the Holders in order to cure any ambiguity, to correct or supplement any provision contained herein that may be defective or inconsistent with any other provisions herein, or to make any other provisions in regard to matters or questions arising hereunder that the Company and Boustead may deem necessary or desirable and that the Company and Boustead deem shall not adversely affect the interest of the Holders. All other modifications or amendments shall require the written consent of and be signed by the party against whom enforcement of the modification or amendment is sought.

9.2 Headings. The headings contained herein are for the sole purpose of convenience of reference, and shall not in any way limit or affect the meaning or interpretation of any of the terms or provisions of this Purchase Warrant.

9.3 Entire Agreement. This Purchase Warrant (together with the other agreements and documents being delivered pursuant to or in connection with this Purchase Warrant) constitutes the entire agreement of the parties hereto with respect to the subject matter hereof, and supersedes all prior agreements and understandings of the parties, oral and written, with respect to the subject matter hereof.

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9.4 Binding Effect. This Purchase Warrant shall inure solely to the benefit of and shall be binding upon, the Holder and the Company and their permitted assignees, respective successors, legal representatives and assigns, and no other person shall have or be construed to have any legal or equitable right, remedy or claim under or in respect of or by virtue of this Purchase Warrant or any provisions herein contained.

9.5 Governing Law; Submission to Jurisdiction; Trial by Jury. This Purchase Warrant shall be governed by and construed and enforced in accordance with the laws of the State of California, without giving effect to conflict of laws principles thereof. The Company hereby agrees that any action, proceeding or claim against it arising out of, or relating in any way to this Purchase Warrant shall be brought and enforced in the courts located in Los Angeles, California, or in the United States District Court located in Los Angeles, California, and irrevocably submits to such jurisdiction, which jurisdiction shall be exclusive. The Company hereby waives any objection to such exclusive jurisdiction and that such courts represent an inconvenient forum. Any process or summons to be served upon the Company may be served by transmitting a copy thereof by registered or certified mail, return receipt requested, postage prepaid, addressed to it at the address set forth in Section 8 hereof. Such mailing shall be deemed personal service and shall be legal and binding upon the Company in any action, proceeding or claim. The Company and the Holder agree that the prevailing party(ies) in any such action

shall be entitled to recover from the other party(ies) all of its reasonable attorneys' fees and expenses relating to such action or proceeding and/or incurred in connection with the preparation therefor. The Company (on its behalf and, to the extent permitted by applicable law, on behalf of its stockholders and affiliates) and the Holder hereby irrevocably waive, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

9.6 Waiver, etc. The failure of the Company or the Holder to at any time enforce any of the provisions of this Purchase Warrant shall not be deemed or construed to be a waiver of any such provision, nor to in any way affect the validity of this Purchase Warrant or any provision hereof or the right of the Company or any Holder to thereafter enforce each and every provision of this Purchase Warrant. No waiver of any breach, non-compliance or non-fulfillment of any of the provisions of this Purchase Warrant shall be effective unless set forth in a written instrument executed by the party or parties against whom or which enforcement of such waiver is sought; and no waiver of any such breach, non-compliance or non-fulfillment shall be construed or deemed to be a waiver of any other or subsequent breach, non-compliance or non-fulfillment.

9.7 Exchange Agreement. As a condition of the Holder's receipt and acceptance of this Purchase Warrant, Holder agrees that, at any time prior to the complete exercise of this Purchase Warrant by Holder, if the Company and Boustead enter into an agreement ("**Exchange Agreement**") pursuant to which they agree that all outstanding Purchase Warrants will be exchanged for securities or cash or a combination of both, then Holder shall agree to such exchange and become a party to the Exchange Agreement.

9.8 Execution in Counterparts. This Purchase Warrant may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Counterparts may be delivered via facsimile, electronic mail (including pdf or any electronic signature complying with the U.S. federal ESIGN Act of 2000, *e.g.*, [www.docusign.com](http://www.docusign.com)) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes.

[Remainder of page intentionally left blank.]

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IN WITNESS WHEREOF, the Company has caused this Purchase Warrant to be signed by its duly authorized officer as of [\*], 2022.

AKANDA CORP.

By: \_\_\_\_\_

Name: Tejinder Virk

Title: Chief Executive Officer

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## EXHIBIT A

Form to be used to exercise Purchase Warrant:

Date: \_\_\_\_\_, 20\_\_

The undersigned hereby elects irrevocably to exercise the Purchase Warrant for \_\_\_\_\_ Shares of Akanda Corp., a company incorporated in the Province of Ontario (the "**Company**") and hereby makes payment of \$\_\_\_\_\_ (at the rate of \$\_\_\_\_\_ per Share) in payment of the Exercise Price pursuant thereto. Please issue the Shares as to which this Purchase Warrant is exercised in accordance with the instructions given below and, if applicable, a new Purchase Warrant representing the number of Shares for which this Purchase Warrant has not been exercised.

or

The undersigned hereby elects irrevocably to convert its right to purchase \_\_\_\_ Shares under the Purchase Warrant for \_\_\_\_ Shares, as determined in accordance with the following formula:

$$X = \frac{Y(A-B)}{A}$$

Where, X = The number of Shares to be issued to Holder;  
Y = The number of Shares for which the Purchase Warrant is being exercised;  
A = The fair market value (defined in Section 2.2 of the Purchase Warrant) of one Share which is equal to \$\_\_\_\_; and  
B = The Exercise Price which is equal to \$\_\_\_\_ per share

The undersigned agrees and acknowledges that the calculation set forth above is subject to confirmation by the Company and any disagreement with respect to the calculation shall be resolved by the Company in its sole discretion.

Please issue the Shares as to which this Purchase Warrant is exercised in accordance with the instructions given below and, if applicable, a new Purchase Warrant representing the number of Shares for which this Purchase Warrant has not been exercised.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name/Title

### INSTRUCTIONS FOR REGISTRATION OF SECURITIES

Delivery of Warrant Shares. The Company shall deliver to Holder, or its designee or agent as specified below, \_\_\_\_\_ Warrant Shares in accordance with the terms of the Warrant. Delivery shall be made to Holder, or for its benefit, as follows:

\_\_\_ Check here if requesting delivery as a certificate to the following name and to the following address:

Issue to: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_ Check here if requesting delivery by Deposit/Withdrawal at Custodian as follows:

DTC Participant: \_\_\_\_\_

DTC Number: \_\_\_\_\_

Account Number: \_\_\_\_\_

Date: \_\_\_\_\_,

\_\_\_\_\_  
Name of Registered Holder

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Tax ID: \_\_\_\_\_

Electronic Mail : \_\_\_\_\_

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**EXHIBIT B**

Form to be used to assign Purchase Warrant:

(To be executed by the registered Holder to effect a transfer of the within Purchase Warrant):

FOR VALUE RECEIVED, \_\_\_\_\_ does hereby sell, assign and transfer unto the right to purchase shares of Akanda Corp., a company incorporated in the Province of Ontario (the “**Company**”), evidenced by the Purchase Warrant and does hereby authorize the Company to transfer such right on the books of the Company.

Dated: \_\_\_\_\_, 20\_\_

Signature

NOTICE: The signature to this form must correspond with the name as written upon the face of the within Purchase Warrant without alteration or enlargement or any change whatsoever.

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Dentons Canada LLP  
20th Floor, 250 Howe Street  
Vancouver, BC, Canada V6C 3R8

dentons.com

January [XX], 2022

File No.: 587987-1

Akanda Corp.  
77 King Street West, Suite 400  
Toronto, ON M5K 0A1

Dear Sirs/Mesdames:

**Re: Akanda Corp. – Registration Statement on Form F-1**

We have acted as Canadian counsel to Akanda Corp., a corporation organized under the laws of the Province of Ontario, Canada (the "**Corporation**"), in connection with the Corporation's filing of a Registration Statement on Form F-1 (File No. [●]) (the "**Registration Statement**") filed by the Corporation under the *U.S. Securities Act of 1933* (the "**Securities Act**") with the Securities and Exchange Commission (the "**Commission**") relating to the initial public offering (the "**Offering**") by the Corporation of up to 4,000,000 common shares, without par value, of the Corporation (including the up to 600,000 common shares that the underwriters have the option to purchase to cover any over-allotments) (such common shares generally the "**Common Shares**" and the Common Shares being issued pursuant to the Offering specifically, the "**Offered Shares**") pursuant to an underwriting agreement to be entered into on or prior to the closing date of the Offering (the "**Underwriting Agreement**") between the Corporation and Boustead Securities, LLC, as representative, and the other several underwriters to be named therein.

**A. Documents Reviewed and Relied Upon**

As Canadian counsel to the Corporation, we have participated in the preparation of and examined original executed or electronically delivered copies, which have been certified or otherwise identified to our satisfaction, of:

1. the Registration Statement; and
2. resolutions of an officer of the Corporation approving Offering, and authorizing and approving the issuance of the Offered Shares (the "**Authorizing Resolutions**").

We have also made such investigations and examined originals or copies, certified or otherwise identified to our satisfaction, of such certificates of public officials and of such other certificates, documents and records as we considered necessary or relevant for purposes of the opinions expressed below, including:

1. a certificate of status (the "**Certificate of Status**") dated [●], 2022 issued by the Ministry of Government and Consumer Services (Ontario) in respect of the Corporation; and

Rattagan Macchiavello Arocena ► Jiménez de Aréchaga, Viana & Brause ► Lee International ► Kensington Swan ► Bingham Greenebaum ► Cohen & Grigsby ► Sayarh & Menjra ► Larrain Rencoret ► Hamilton Harrison & Mathews ► Mardemootoo Balgobin ► HPRP ► Zain & Co. ► Delany Law ► Dinner Martin ► For more information on the firms that have come together to form Dentons, go to [dentons.com/legacyfirms](https://www.dentons.com/legacyfirms)



2. a certificate of certain officers of the Corporation dated the date hereof, as to certain factual matters and certifying the constating documents of the Corporation and resolutions of the board of directors of the Corporation passed in connection with the Offering (the "**Officer's Certificate**").

As to various questions of fact material to the opinions provided herein, we have relied upon the Officer's Certificate.

## **B. Laws Addressed**

We are qualified to practice law in the Province of Ontario and our opinion herein is restricted to the laws of the Province of Ontario and the federal laws of Canada applicable therein (the "**Applicable Laws**").

## **C. Assumptions**

For the purposes of the opinions expressed herein, we have assumed, without independent investigation, the following:

1. with respect to all documents examined by us, the genuineness of all signatures, the authenticity, completeness and accuracy of all documents submitted to us as originals, the conformity to originals of all documents submitted to us as certified, conformed, telecopied, PDF or photocopied copies of originals and the legal capacity of individuals signing any documents;
2. the completeness, accuracy and currency of the indices and filing systems maintained at the public offices where we have searched or made relevant inquiries and of other documents and certificates supplied by public officials;
3. the Officer's Certificate continues to be accurate on the date hereof;
4. the minute books and corporate records of the Corporation made available to us are the original minute books and records of the Corporation and contain all of the articles and constating documents of the Corporation and any amendments thereto and all of the respective minutes, or copies thereof, of all proceedings of the shareholders and directors;
5. at the time of offer, issuance and sale of any Offered Shares, the Registration Statement will have been declared effective under the Securities Act, and no stop order suspending its effectiveness will have been issued and remain in effect;
6. the Offered Shares will be delivered against payment of valid consideration therefor and in accordance with the terms of the Authorizing Resolutions authorizing such sale and the Underwriting Agreement and as contemplated by the Registration Statement; and
7. that if any obligation under any document is required to be performed in a jurisdiction outside of the Province of Ontario, the performance of that obligation will not be illegal under the laws of that jurisdiction.

## **D. Reliance**

For the purposes of expressing the opinions set forth herein, in connection with certain factual matters pertaining to this opinion, we have relied exclusively and without independent investigation upon the Officer's Certificate.

In giving the opinion expressed in paragraph 1 below as it pertains to the Corporation being an existing corporation under the laws of the Province of Ontario, we have relied solely on the Certificate of Status, which we have assumed continues to be accurate as of the date hereof.

**E. Opinions**

Based upon and relying on the foregoing and the qualifications hereinafter expressed, we are of the opinion that:

1. The Corporation is an existing corporation under the *Business Corporations Act* (Ontario) and has not been dissolved.
2. The Offered Shares have been authorized for issuance and when issued in accordance with the terms of the Underwriting Agreement and the Authorizing Resolutions will be validly issued, fully paid and non-assessable Common Shares in the capital of the Corporation.
3. The statements concerning tax matters set forth in the Registration Statement under the subheading "Certain Material Canadian Federal Income Tax Considerations" under the heading "Certain Tax Considerations" insofar as they purport to describe the provisions of the laws referred to therein represent our opinion with respect to the matters discussed therein subject to the qualifications, assumptions and limitations set out under such heading.

**F. Qualifications**

Whenever our opinion refers to securities of the Corporation, whether issued or to be issued, as being "fully-paid and non-assessable", such phrase means that the holders of such securities will not, after the issuance to them of such securities, be liable to pay further amounts to the Corporation in respect of the issue price payable for such securities, and no opinion is expressed as to the adequacy of any consideration received by the Corporation therefor.

For greater certainty, a specific assumption, limitation or qualification in this opinion is not to be interpreted to restrict the generality of any other assumption, limitation or qualification expressed in general terms in this opinion that includes the subject matter of the specific assumption, limitation or qualification.

We hereby consent to the reference to us under the heading "Legal Matters" and under the subheading "Certain Material Canadian Federal Income Tax Considerations" under the heading "Certain Tax Considerations" in the Registration Statement and to the filing of this opinion as an exhibit to the Registration Statement. In giving this consent, we do not thereby admit that we are included in the category of persons whose consent is required under Section 7 or Section 11 of the Securities Act or the rules and regulations of the Commission promulgated thereunder.



January [XX], 2022  
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The opinions are given as at the date hereof and as of the effective date of the Registration Statement, and we disclaim any obligation or undertaking to advise any person of any change in law or fact that may come to our attention after the effective date of the Registration Statement. Our opinions do not take into account any proposed rules, policies or legislative changes that may come into force following the date hereof.

Very truly yours,

Dentons Canada LLP

**AKANDA CORP.  
2021 EQUITY INCENTIVE PLAN**

**ADOPTED BY THE BOARD OF DIRECTORS: AUGUST 6, 2021**

**1. GENERAL.**

- (a) **Eligible Award Recipients.** Employees, Officers, Directors and Consultants are eligible to receive Awards.
- (b) **Available Awards.** The Plan provides for the grant of the following types of Awards: (i) Stock Options, and (ii) Restricted Share Unit Awards.
- (c) **Purpose.** The Plan, through the grant of Awards, is intended to help the Corporation secure and retain the services of eligible award recipients, provide incentives for such persons to exert maximum efforts for the success of the Corporation and any Affiliate and provide a means by which the eligible recipients may benefit from increases in value of the Common Shares.

**2. ADMINISTRATION.**

- (a) **Administration by the Board.** The Board will administer the Plan. The Board may delegate administration of the Plan to a Committee or Committees, as provided in Section 2(c).
- (b) **Powers of the Board.** The Board will have the power, subject to, and within the limitations of, the express provisions of the Plan:
- (i) To determine (A) who will be granted Awards; (B) when and how each Award will be granted; (C) what type of Award will be granted; (D) the provisions of each Award (which need not be identical), including when a person will be permitted to exercise or otherwise receive cash or Common Shares under the Award; (E) the number of Common Shares subject to, or the cash value of, an Award.
  - (ii) To construe and interpret the Plan and Awards granted under it, and to establish, amend and revoke rules and regulations for administration of the Plan and Awards. The Board, in the exercise of these powers, may correct any defect, omission or inconsistency in the Plan or in any Award Agreement, in a manner and to the extent it will deem necessary or expedient to make the Plan or Award fully effective.
  - (iii) To settle all controversies regarding the Plan and Awards granted under it.
  - (iv) To accelerate, in whole or in part, the time at which an Award may be exercised or vest (or the time at which cash or Common Shares may be issued in settlement thereof).
  - (v) To suspend or terminate the Plan at any time. Except as otherwise provided in the Plan or an Award Agreement, suspension or termination of the Plan will not impair a Participant's rights under the Participant's then-outstanding Award without the Participant's written consent except as provided in subsection (viii) below.

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- (vi) To amend the Plan in any respect the Board deems necessary or advisable, including, without limitation, by adopting amendments relating to Incentive Stock Options and certain nonqualified deferred compensation under Section 409A of the Code and/or bringing the Plan or Awards granted under the Plan into compliance with the requirements for Incentive Stock Options or ensuring that they are exempt from, or compliant with, the requirements for nonqualified deferred compensation under Section 409A of the Code, subject to the limitations, if any, of applicable law. If required by applicable law or listing requirements, and except as provided in Section 9(a) relating to Capitalization Adjustments, the Corporation will seek shareholder approval of any amendment of the Plan that (A) materially increases the number of Common Shares available for issuance under the Plan, (B) materially expands the class of individuals eligible to receive Awards under the Plan, (C) materially increases the benefits accruing to Participants under the Plan, (D) materially reduces the price at which Common Shares may be issued or purchased under the Plan, (E) materially extends the term of

the Plan, or (F) materially expands the types of Awards available for issuance under the Plan. Except as otherwise provided in the Plan or an Award Agreement, no amendment of the Plan will materially impair a Participant's rights under an outstanding Award without the Participant's written consent.

(vii) To submit any amendment to the Plan for shareholder approval, including, but not limited to, amendments to the Plan intended to satisfy the requirements of (A) Section 422 of the Code regarding Incentive Stock Options.

(viii) To approve forms of Award Agreements for use under the Plan and to amend the terms of any one or more Awards, including, but not limited to, amendments to provide terms more favorable to the Participant than previously provided in the Award Agreement, subject to any specified limits in the Plan that are not subject to Board discretion; *provided however*, that a Participant's rights under any Award will not be impaired by any such amendment unless (A) the Corporation requests the consent of the affected Participant, and (B) such Participant consents in writing. Notwithstanding the foregoing, (1) a Participant's rights will not be deemed to have been impaired by any such amendment if the Board, in its sole discretion, determines that the amendment, taken as a whole, does not materially impair the Participant's rights, and (2) subject to the limitations of applicable law, if any, the Board may amend the terms of any one or more Awards without the affected Participant's consent (A) to maintain the qualified status of the Award as an Incentive Stock Option under Section 422 of the Code; (B) to change the terms of an Incentive Stock Option, if such change results in impairment of the Award solely because it impairs the qualified status of the Award as an Incentive Stock Option under Section 422 of the Code; (C) to clarify the manner of exemption from, or to bring the Award into compliance with, Section 409A of the Code; or (D) to comply with other applicable laws or listing requirements.

(ix) Generally, to exercise such powers and to perform such acts as the Board deems necessary or expedient to promote the best interests of the Corporation and that are not in conflict with the provisions of the Plan or Awards.

(x) To adopt such procedures and sub-plans as are necessary or appropriate to permit participation in the Plan by Employees, Officers, Directors or Consultants who are foreign nationals or employed outside the United States (provided that Board approval will not be necessary for immaterial modifications to the Plan or any Award Agreement that are required for compliance with the laws of the relevant foreign jurisdiction).

(xi) To effect, with the consent of any adversely affected Participant, (A) the reduction of the exercise, purchase or strike price of any outstanding Award; (B) the cancellation of any outstanding Award and the grant in substitution therefor of a new (1) Option, (2) Restricted Share Unit Award, and/or (3) Other Award, determined by the Board, in its sole discretion, with any such substituted award (x) covering the same or a different number of Common Shares as the cancelled Award and (y) granted under the Plan or another equity or compensatory plan of the Corporation; or (C) any other action that is treated as a repricing under generally accepted accounting principles.

#### **(c) Delegation to Committee.**

(i) **General.** The Board may delegate some or all of the administration of the Plan to a Committee or Committees. If administration of the Plan is delegated to a Committee, the Committee will have, in connection with the administration of the Plan, the powers theretofore possessed by the Board that have been delegated to the Committee, including the power to delegate to a subcommittee of the Committee any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board will thereafter be to the Committee or subcommittee, as applicable). Any delegation of administrative powers will be reflected in resolutions, not inconsistent with the provisions of the Plan, adopted from time to time by the Board or Committee (as applicable). The Committee may, at any time, abolish the subcommittee and/or revest in the Committee any powers delegated to the subcommittee. The Board may retain the authority to concurrently administer the Plan with the Committee and may, at any time, revest in the Board some or all of the powers previously delegated.

**(d) Delegation to an Officer.** The Board may delegate to one or more Officers the authority to do one or both of the following: (i) designate Employees who are not Officers to be recipients of Options and SARs (and, to the extent permitted by applicable law, other Awards) and, to the extent permitted by applicable law, the terms of such Awards, and (ii) determine the number of Common Shares to be subject to such Awards granted to such Employees; *provided, however*, that the Board resolutions regarding such delegation will specify the total number of Common Shares that may be subject to the Awards granted by such Officer and that such Officer may not grant an Award to himself or herself. Any such Awards will be granted on the form of Award Agreement most recently approved for use by the Committee or the Board, unless otherwise provided in the resolutions approving the delegation authority. The Board may not

delegate authority to an Officer who is acting solely in the capacity of an Officer (and not also as a Director) to determine the Market Value pursuant to Section 14(w)(i)B below.

**(e) Effect of Board's Decision.** All determinations, interpretations and constructions made by the Board in good faith will not be subject to review by any person and will be final, binding and conclusive on all persons.

### **3. SHARES SUBJECT TO THE PLAN.**

**(a) Share Reserve.** Subject to Section 9(a) relating to Capitalization Adjustments and any subsequent amendment to this Plan, the aggregate number of shares reserved for issuance pursuant to Awards granted under this Plan, including any options granted under previous stock option plans outstanding as of the date of this Plan, shall not exceed [20%] of the Corporation's total issued and outstanding Common Shares from time to time. This Plan is considered an "evergreen" plan, since the shares covered by Awards which have been exercised or terminated shall be available for subsequent grants under the Plan and the number of Awards available to grant increases as the number of issued and outstanding Shares increases.

**(b)** To the extent any Awards (or portion(s) thereof) under this Plan are exercised, terminate or are cancelled for any reason prior to exercise in full, any shares subject to such Awards (or portion(s) thereof) shall be added back to the number of shares reserved for issuance under this Plan and will again become available for issuance pursuant to the exercise of Awards granted under this Plan.

**(c)** Any shares issued by the Corporation through the assumption or substitution of outstanding stock options or other equity-based awards from an acquired company shall not reduce the number of Shares available for issuance pursuant to the exercise of Awards granted under this Plan.

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**(d)** For clarity, the Share Reserve in this Section 3(a) is a limitation on the number of Common Shares that may be issued pursuant to the Plan. Accordingly, this Section 3(a) does not limit the granting of SAR Awards or any Other Award not involving, whether by election or otherwise, the issuance of Common Shares to the Participant.

**(e) Reversion of Shares to the Share Reserve.** If an Award or any portion thereof (i) expires or otherwise terminates without all of the shares covered by such Award having been issued or (ii) is settled in cash (*i.e.*, the Participant receives cash rather than stock), such expiration, termination or settlement will not reduce (or otherwise offset) the number of Common Shares that may be available for issuance under the Plan. If any Common Shares issued pursuant to an Award are forfeited back to or repurchased by the Corporation because of the failure to meet a contingency or condition required to vest such shares in the Participant, then the shares that are forfeited or repurchased will revert to and again become available for issuance under the Plan. Any shares reacquired by the Corporation in satisfaction of tax withholding obligations on an Award or as consideration for the exercise or purchase price of an Award will again become available for issuance under the Plan.

**(f) Source of Shares.** The shares issuable under the Plan will be shares of authorized but unissued Common Shares.

### **4. ELIGIBILITY.**

**(a) Eligibility for Specific Awards.** Incentive Stock Options may be granted only to applicable employees of the Corporation or a "parent corporation" or "subsidiary corporation" thereof (as such terms are defined in Sections 424(e) and 424(f) of the Code). Awards other than Incentive Stock Options may be granted to Employees, Officers, Directors and Consultants.

**(b) Ten Percent Shareholders.** A Ten Percent Shareholder will not be granted an Incentive Stock Option unless the exercise price of such Option is at least 110% of the Market Value on the date of grant and the Option is not exercisable after the expiration of five years from the date of grant.

### **5. PROVISIONS RELATING TO OPTIONS AND STOCK APPRECIATION RIGHTS.**

Each Option or SAR will be in such form and will contain such terms and conditions as the Board deems appropriate. All Options will be separately designated Incentive Stock Options or Non-Incentive Stock Options at the time of grant, and, if certificates are issued, a separate certificate or certificates will be issued for Common Shares purchased on exercise of each type of Option. If an Option is not specifically designated as an Incentive Stock Option, or if an Option is designated as an Incentive Stock Option but some portion or

all of the Option fails to qualify as an Incentive Stock Option under the applicable rules, then the Option (or portion thereof) will be a Non-Incentive Stock Option. The provisions of separate Options or SARs need not be identical; *provided, however*, that each Award Agreement will conform to (through incorporation of provisions hereof by reference in the applicable Award Agreement or otherwise) the substance of each of the following provisions:

**(a) Term.** Subject to the provisions of Section 4(b) regarding Ten Percent Shareholders, no Option or SAR will be exercisable after the expiration of 10 years from the date of its grant or such shorter period specified in the Award Agreement.

**(b) Exercise Price.** Subject to the provisions of Section 4(b) regarding Ten Percent Shareholders, the exercise or strike price of each Option or SAR will be not less than 100% of the Market Value of the Common Shares subject to the Option or SAR on the date the Award is granted. Notwithstanding the foregoing, an Option or SAR may be granted with an exercise or strike price lower than 100% of the Market Value of the Common Shares subject to the Award if such Award is granted pursuant to an assumption of or substitution for another option or stock appreciation right pursuant to a Corporate Transaction; provided that such grant is permitted under applicable Securities Laws and Stock Exchange Rules and, to the extent relevant to the Participant, is made in a manner consistent with the provisions of Section 409A of the Code and, if applicable, Section 424(a) of the Code. Each SAR will be denominated in Common Share equivalents.

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**(c) Purchase Price for Options.** The purchase price of Common Shares acquired pursuant to the exercise of an Option may be paid, to the extent permitted by applicable law and as determined by the Board in its sole discretion, by any combination of the methods of payment set forth below. The Board will have the authority to grant Options that do not permit all of the following methods of payment (or otherwise restrict the ability to use certain methods) and to grant Options that require the consent of the Corporation to use a particular method of payment. The permitted methods of payment are as follows:

(i) by cash, certified cheque, bank draft or money order payable to the Corporation;

(ii) if an Option is a Non-Incentive Stock Option, by a “net exercise” arrangement pursuant to which the Corporation will reduce the number of Common Shares issuable upon exercise by the largest whole number of shares with a Market Value that does not exceed the aggregate exercise price; *provided, however*, that the Corporation will accept a cash or other payment from the Participant to the extent of any remaining balance of the aggregate exercise price not satisfied by such reduction in the number of whole shares to be issued. Common Shares will no longer be subject to an Option and will not be exercisable thereafter to the extent that (A) shares issuable upon exercise are used to pay the exercise price pursuant to the “net exercise,” (B) shares are delivered to the Participant as a result of such exercise, and (C) shares are withheld to satisfy tax withholding obligations; or

(iii) in any other form of legal consideration that may be acceptable to the Board and specified in the applicable Award Agreement.

**(d) Exercise and Payment of a SAR.** To exercise any outstanding SAR, the Participant must provide written notice of exercise to the Corporation in compliance with the provisions of the Stock Appreciation Right Agreement evidencing such SAR. The appreciation distribution payable on the exercise of a SAR will be not greater than an amount equal to the excess of (A) the aggregate Market Value (on the date of the exercise of the SAR) of a number of Common Shares equal to the number of Common Share equivalents in which the Participant is vested under such SAR, and with respect to which the Participant is exercising the SAR on such date, over (B) the aggregate strike price of the number of Common Share equivalents with respect to which the Participant is exercising the SAR on such date. The appreciation distribution may be paid in Common Shares, in cash, in any combination of the two or in any other form of consideration, as determined by the Board and contained in the Award Agreement evidencing such SAR.

**(e) Transferability of Options and SARs.** Except as otherwise provided in the applicable Award Agreement or other agreement between the Participant and the Corporation or as otherwise expressly consented to by the Board, Options and SARs shall not be assignable, transferable or negotiable (whether by operation of law or otherwise) and may not be assigned or transferred other than by will or the laws of descent and distribution.

**(f) Vesting Generally.** The total number of Common Shares subject to an Option or SAR may vest and therefore become exercisable in periodic installments that may or may not be equal. The Option or SAR may be subject to such other terms and conditions on the time or times when it may or may not be exercised (which may be based on the satisfaction of performance goals or other criteria) as the Board



may deem appropriate. The vesting provisions of individual Options or SARs may vary. The provisions of this Section 5(f) are subject to any Option or SAR provisions governing the minimum number of Common Shares as to which an Option or SAR may be exercised.

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**(g) Termination of Continuous Service.** Except as otherwise provided in the applicable Award Agreement or other agreement between the Participant and the Corporation, if a Participant's Continuous Service terminates (other than for Cause and other than upon the Participant's death or Disability), the Participant may exercise his or her Option or SAR (to the extent that the Participant was entitled to exercise such Award as of the date of termination of Continuous Service) within the period of time ending on the earlier of (i) the date ninety (90) days following the termination of the Participant's Continuous Service (or such longer or shorter period specified in the applicable Award Agreement, which period will not be less than 30 days if necessary to comply with applicable laws unless such termination is for Cause) and (ii) the expiration of the term of the Option or SAR as set forth in the Award Agreement. If, after termination of Continuous Service, the Participant does not exercise his or her Option or SAR (as applicable) within the applicable time frame, the Option or SAR will terminate.

**(h) Disability of Participant.** Except as otherwise provided in the applicable Award Agreement or other agreement between the Participant and the Corporation, if a Participant's Continuous Service terminates as a result of the Participant's Disability, the Participant may exercise his or her Option or SAR (to the extent that the Participant was entitled to exercise such Option or SAR as of the date of termination of Continuous Service), but only within such period of time ending on the earlier of (i) the date 12 months following such termination of Continuous Service (or such longer or shorter period specified in the Award Agreement, which period will not be less than six months if necessary to comply with applicable laws unless such termination is for Cause), and (ii) the expiration of the term of the Option or SAR as set forth in the Award Agreement. If, after termination of Continuous Service, the Participant does not exercise his or her Option or SAR within the applicable time frame, the Option or SAR (as applicable) will terminate.

**(i) Death of Participant.** Except as otherwise provided in the applicable Award Agreement or other agreement between the Participant and the Corporation, if (i) a Participant's Continuous Service terminates as a result of the Participant's death, or (ii) the Participant dies within the period (if any) specified in the Award Agreement for exercisability after the termination of the Participant's Continuous Service (for a reason other than death), then the Option or SAR may be exercised (to the extent the Participant was entitled to exercise such Option or SAR as of the date of death) by the Participant's estate, by a person who acquired the right to exercise the Option or SAR by bequest or inheritance or by a person designated to exercise the Option or SAR upon the Participant's death, but only within the period ending on the earlier of (i) the date 12 months following the date of death (or such longer or shorter period specified in the Award Agreement, which period will not be less than six months if necessary to comply with applicable laws unless such termination is for Cause), and (ii) the expiration of the term of such Option or SAR as set forth in the Award Agreement. If, after the Participant's death, the Option or SAR is not exercised within the applicable time frame, the Option or SAR (as applicable) will terminate.

**(j) Termination for Cause.** Except as explicitly provided otherwise in a Participant's Award Agreement or other individual written agreement between the Corporation or any Affiliate and the Participant, if a Participant's Continuous Service is terminated for Cause, the Option or SAR will terminate immediately upon such Participant's termination of Continuous Service, and the Participant will be prohibited from exercising his or her Option or SAR from and after the date of such termination of Continuous Service.

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**(k) Non-Exempt Employees.** If an Option or SAR is granted to an Employee who is a non-exempt employee for purposes of the Fair Labor Standards Act of 1938, as amended, the Option or SAR will not be first exercisable for any Common Shares until at least six months following the date of grant of the Option or SAR (although the Award may vest prior to such date). Consistent with the provisions of the Worker Economic Opportunity Act, (i) if such non-exempt Employee dies or suffers a Disability, (ii) upon a Corporate Transaction in which such Option or SAR is not assumed, continued, or substituted, (iii) upon a Change in Control, or (iv) upon the Participant's retirement (as such term may be defined in the Participant's Award Agreement, in another agreement between the Participant and the Corporation, or, if no such definition, in accordance with the Corporation's then current employment policies and guidelines), the vested portion of any Options and SARs may be exercised earlier than six months following the date of grant. The foregoing provision is intended to operate so that any income derived by a non-exempt employee in connection with the exercise or vesting of an Option or SAR will be exempt from his or her regular rate of pay. To the extent permitted and/or required for compliance with the Worker Economic Opportunity Act to ensure that any income derived by a non-exempt employee in connection with the exercise, vesting or issuance of

any shares under any other Award will be exempt from the employee's regular rate of pay, the provisions of this Section will apply to all Awards and are hereby incorporated by reference into such Award Agreements.

**(l) Right of Repurchase.** Subject to the "Repurchase Limitation" and any applicable Securities Laws and Stock Exchange Rules, the Option or SAR may include a provision whereby the Corporation may elect to repurchase all or any part of the vested Common Shares acquired by the Participant pursuant to the exercise of the Option or SAR.

**(m) Right of First Refusal.** Subject to any applicable Securities Laws and Stock Exchange Rules, the Option or SAR may include a provision whereby the Corporation may elect to exercise a right of first refusal following receipt of notice from the Participant of the intent to transfer all or any part of the Common Shares received upon the exercise of the Option. Such right of first refusal will be subject to the "Repurchase Limitation". Except as expressly provided in this Section or in the Award Agreement, such right of first refusal will otherwise comply with any applicable provisions of the bylaws of the Corporation.

## **6. PROVISIONS OF AWARDS OTHER THAN OPTIONS AND SARs.**

**(a) Restricted Share Unit Awards.** Each Restricted Share Unit Award Agreement will be in such form and will contain such terms and conditions as the will Board deem appropriate. The terms and conditions of Restricted Share Unit Award Agreements may change from time to time, and the terms and conditions of separate Restricted Share Unit Award Agreements need not be identical. Each Restricted Share Unit Award Agreement will conform to (through incorporation of the provisions hereof by reference in the Agreement or otherwise) the substance of each of the following provisions:

**(i) Consideration.** At the time of grant of a Restricted Share Unit Award, the Board will determine the consideration, if any, to be paid by the Participant upon delivery of each Common Share subject to the Restricted Share Unit Award. The consideration to be paid (if any) by the Participant for each Common Share subject to a Restricted Share Unit Award may be paid in any form of legal consideration that may be acceptable to the Board, in its sole discretion, and permissible under applicable law.

**(ii) Vesting.** At the time of the grant of a Restricted Share Unit Award, the Board may impose such restrictions on or conditions to the vesting of the Restricted Share Unit Award as it, in its sole discretion, deems appropriate.

**(iii) Payment.** A Restricted Share Unit Award may be settled by the delivery of Common Shares, their cash equivalent, any combination thereof or in any other form of consideration, as determined by the Board and contained in the Restricted Share Unit Award Agreement.

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**(iv) Additional Restrictions.** At the time of the grant of a Restricted Share Unit Award, the Board, as it deems appropriate, may impose such restrictions or conditions that delay the delivery of the Common Shares (or their cash equivalent) subject to a Restricted Share Unit Award to a time after the vesting of such Restricted Share Unit Award.

**(v) Dividend Equivalents.** Dividend equivalents may be credited in respect of Common Shares covered by a Restricted Share Unit Award, as determined by the Board and contained in the Restricted Share Unit Award Agreement. At the sole discretion of the Board, such dividend equivalents may be converted into additional Common Shares covered by the Restricted Share Unit Award in such manner as determined by the Board. Any additional shares covered by the Restricted Share Unit Award credited by reason of such dividend equivalents will be subject to all of the same terms and conditions of the underlying Restricted Share Unit Award Agreement to which they relate.

**(vi) Termination of Participant's Continuous Service.** Except as otherwise provided in the applicable Restricted Share Unit Award Agreement, such portion of the Restricted Share Unit Award that has not vested will be forfeited upon the Participant's termination of Continuous Service.

**(vii) Compliance with Section 409A of the Code.** Notwithstanding anything to the contrary set forth herein, any Restricted Share Unit Award granted under the Plan that is not exempt from the requirements of Section 409A of the Code shall contain such provisions so that such Restricted Share Unit Award will comply with the requirements of Section 409A of the Code. Such restrictions, if any, shall be determined by the Board and contained in the Restricted Share Unit Award Agreement evidencing such Restricted Share Unit Award. For example, such restrictions may include, without limitation, a requirement that any Common Share that is to be issued



in a year following the year in which the Restricted Share Unit Award vests must be issued in accordance with a fixed pre-determined schedule.

**(b) Other Awards.** Other forms of Awards valued in whole or in part by reference to, or otherwise based on, Common Shares, including the appreciation in value thereof may be granted either alone or in addition to Awards provided for under Section 5 and the preceding provisions of this Section 6. Subject to the provisions of the Plan, the Board will have sole and complete authority to determine the persons to whom and the time or times at which such Other Awards will be granted, the number of Common Shares (or the cash equivalent thereof) to be granted pursuant to such Other Awards and all other terms and conditions of such Other Awards.

## **7. COVENANTS OF THE COMPANY.**

**(a) Availability of Shares.** The Corporation will keep available at all times the number of Common Shares reasonably required to satisfy then-outstanding Awards.

**(b) Securities Law Compliance.** The Corporation will seek to obtain from each securities commission or other regulatory body having jurisdiction over the Plan, as necessary, such authority as may be required to grant Awards and to issue and sell Common Shares upon exercise or vesting of the Awards; *provided, however*, that this undertaking will not require the Corporation to register or qualify by prospectus under applicable Securities Laws, the Plan, any Award or any Common Shares issued or issuable pursuant to any such Award. If, after reasonable efforts and at a reasonable cost, the Corporation is unable to obtain from any such regulatory commission or agency the authority that counsel for the Corporation deems necessary or advisable for the lawful issuance and sale of Common Shares under the Plan, the Corporation will be relieved from any liability for failure to issue and sell Common Shares upon exercise or vesting of such Awards unless and until such authority is obtained. A Participant will not be eligible for the grant of an Award or the subsequent issuance of cash or Common Shares pursuant to the Award if such grant or issuance would be in violation of any applicable securities law.

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**(c) No Obligation to Notify or Minimize Taxes.** The Corporation will have no duty or obligation to any Participant to advise such holder as to the tax treatment or time or manner of exercising such Award. Furthermore, the Corporation will have no duty or obligation to warn or otherwise advise such holder of a pending termination or expiration of an Award or a possible period in which the Award may not be exercised. The Corporation has no duty or obligation to minimize the tax consequences of an Award to the holder of such Award.

## **8. MISCELLANEOUS.**

**(a) Use of Proceeds from Sales of Common Shares.** Proceeds from the sale of Common Shares pursuant to Awards will constitute general funds of the Corporation.

**(b) Corporate Action Constituting Grant of Awards.** Corporate action constituting a grant by the Corporation of an Award to any Participant will be deemed completed as of the date of such corporate action, unless otherwise determined by the Board, regardless of when the instrument, certificate, or letter evidencing the Award is communicated to, or actually received or accepted by, the Participant. In the event that the corporate records (e.g., Board consents, resolutions or minutes) documenting the corporate action constituting the grant contain terms (e.g., exercise price, vesting schedule or number of shares) that are inconsistent with those in the Award Agreement or related grant documents as a result of a clerical error in the papering of the Award Agreement or related grant documents, the corporate records will control and the Participant will have no legally binding right to the incorrect term in the Award Agreement or related grant documents.

**(c) Shareholder Rights.** No Participant will be deemed to be the holder of, or to have any of the rights of a holder with respect to, any Common Shares subject to an Award unless and until (i) such Participant has satisfied all requirements for exercise of, or the issuance of Common Shares under, the Award pursuant to its terms, and (ii) the issuance of the Common Shares subject to the Award has been entered into the books and records of the Corporation.

**(d) No Employment or Other Service Rights.** Nothing in the Plan, any Award Agreement or any other instrument executed thereunder or in connection with any Award granted pursuant thereto will confer upon any Participant any right to continue to serve the Corporation or an Affiliate in the capacity in effect at the time the Award was granted or will affect the right of the Corporation or an Affiliate to terminate (i) the employment of an Employee with or without notice and with or without cause, (ii) the service of a Consultant pursuant to the terms of such Consultant's agreement with the Corporation or an Affiliate, or (iii) the service of a Director pursuant to the

bylaws of the Corporation or an Affiliate, and any applicable provisions of the corporate law of the state of foreign jurisdiction in which the Corporation or the Affiliate is domiciled or incorporated, as the case may be.

**(e) Change in Time Commitment.** In the event a Participant's regular level of time commitment in the performance of his or her services for the Corporation and any Affiliates is reduced (for example, and without limitation, if the Participant is an Employee of the Corporation and the Employee has a change in status from a full-time Employee to a part-time Employee or takes an extended leave of absence) after the date of grant of any Award to the Participant, the Board has the right in its sole discretion to (x) make a corresponding reduction in the number of shares or cash amount subject to any portion of such Award that is scheduled to vest or become payable after the date of such change in time commitment, and (y) in lieu of or in combination with such a reduction, extend the vesting or payment schedule applicable to such Award. In the event of any such reduction, the Participant will have no right with respect to any portion of the Award that is so reduced or extended.

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**(f) Incentive Stock Option Limitations.** To the extent that the aggregate Market Value (determined at the time of grant) of Common Shares with respect to which Incentive Stock Options are exercisable for the first time by any Optionholder during any calendar year (under all plans of the Corporation and any Affiliates) exceeds \$100,000 (or such other limit established in the Code) or otherwise does not comply with the rules governing Incentive Stock Options, the Options or portions thereof that exceed such limit (according to the order in which they were granted) or otherwise do not comply with such rules will be treated as Non-Incentive Stock Options, notwithstanding any contrary provision of the applicable Option Agreement(s).

**(g) Investment Assurances.** The Corporation may require a Participant, as a condition of exercising or acquiring Common Shares under any Award, (i) to give written assurances satisfactory to the Corporation as to the Participant's knowledge and experience in financial and business matters and/or to employ a purchaser representative reasonably satisfactory to the Corporation who is knowledgeable and experienced in financial and business matters and that the Participant is capable of evaluating, alone or together with the purchaser representative, the merits and risks of exercising the Award; and (ii) to give written assurances satisfactory to the Corporation stating that the Participant is acquiring Common Shares subject to the Award for the Participant's own account and not with any present intention of selling or otherwise distributing the Common Shares. The foregoing requirements, and any assurances given pursuant to such requirements, will be inoperative if as to any particular requirement, a determination is made by counsel for the Corporation that such requirement need not be met in the circumstances under the then applicable Securities Laws. The Corporation may, upon advice of counsel to the Corporation, place legends on stock certificates issued under the Plan as such counsel deems necessary or appropriate in order to comply with applicable Securities Laws, including, but not limited to, legends restricting the transfer of the Common Shares.

**(h) Withholding Obligations.** Unless prohibited by the terms of an Award Agreement, the Corporation may, in its sole discretion, satisfy any federal, state or local tax withholding obligation relating to an Award by any of the following means or by a combination of such means: (i) causing the Participant to tender a cash payment; (ii) withholding Common Shares from the Common Shares issued or otherwise issuable to the Participant in connection with the Award; *provided, however*, that no Common Shares are withheld with a value exceeding the maximum amount of tax required to be withheld by law (or such lesser amount as may be necessary to avoid classification of the Award as a liability for financial accounting purposes); (iii) withholding cash from an Award settled in cash; (iv) withholding payment from any amounts otherwise payable to the Participant; or (v) by such other method as may be set forth in the Award Agreement.

**(i) Deferrals.** To the extent permitted by applicable law, the Board, in its sole discretion, may determine that the delivery of Common Shares or the payment of cash, upon the exercise, vesting or settlement of all or a portion of any Award may be deferred and may establish programs and procedures for deferral elections to be made by Participants. Deferrals by Participants will be made in accordance with Section 409A of the Code. Consistent with Section 409A of the Code, the Board may provide for distributions while a Participant is still an employee or otherwise providing services to the Corporation. The Board is authorized to make deferrals of Awards and determine when, and in what annual percentages, Participants may receive payments, including lump sum payments, following the Participant's termination of Continuous Service, and implement such other terms and conditions consistent with the provisions of the Plan and in accordance with applicable law.

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**(j) Clawback/Recovery.** All Awards granted under the Plan will be subject to recoupment in accordance with any clawback policy that the Corporation is required to adopt pursuant to the listing standards of any national securities exchange or association on which the Corporation's securities are listed or as is otherwise required by the Dodd-Frank Wall Street Reform and Consumer Protection Act or other applicable law. In addition, the Board may impose such other clawback, recovery or recoupment provisions in an Award Agreement as the Board determines necessary or appropriate, including but not limited to a reacquisition right in respect of previously acquired Common Shares or other cash or property upon the occurrence of Cause. No recovery of compensation under such a clawback policy will be an event giving rise to a right to voluntarily terminate employment upon a "resignation for good reason," or for a "constructive termination" or any similar term under any plan of or agreement with the Corporation.

**(k) Compliance with Section 409A of the Code.** Unless otherwise expressly provided for in an Award Agreement, the Plan and Award Agreements will be interpreted to the greatest extent possible in a manner that makes the Plan and the Awards granted hereunder exempt from Section 409A of the Code, and, to the extent not so exempt, in compliance with Section 409A of the Code. If the Board determines that any Award granted hereunder is not exempt from and is therefore subject to Section 409A of the Code, the Award Agreement evidencing such Award will incorporate the terms and conditions necessary to avoid the consequences specified in Section 409A(a)(1) of the Code, and to the extent an Award Agreement is silent on terms necessary for compliance, such terms are hereby incorporated by reference into the Award Agreement. Notwithstanding anything to the contrary in this Plan (and unless the Award Agreement specifically provides otherwise), if the Common Shares are publicly traded, and if a Participant holding an Award that constitutes "deferred compensation" under Section 409A of the Code is a "specified employee" for purposes of Section 409A of the Code, no distribution or payment of any amount that is due because of a "separation from service" (as defined in Section 409A of the Code without regard to alternative definitions thereunder) will be issued or paid before the date that is six months following the date of such Participant's "separation from service" or, if earlier, the date of the Participant's death, unless such distribution or payment can be made in a manner that complies with Section 409A of the Code, and any amounts so deferred will be paid in a lump-sum on the day after such six month period elapses, with the balance paid thereafter on the original schedule.

**(l) Repurchase Limitation.** The terms of any repurchase right will be specified in the Award Agreement. Subject to any applicable Securities Laws and Stock Exchange Rules, the repurchase price for vested Common Shares will be the Market Value of the Common Shares on the date of repurchase. Subject to any applicable Securities Laws and Stock Exchange Rules, the repurchase price for unvested Common Shares will be the lower of (i) the Market Value of the Common Shares on the date of repurchase or (ii) their original purchase price. However, the Corporation will not exercise its repurchase right until at least six months (or such longer or shorter period of time necessary to avoid classification of the Award as a liability for financial accounting purposes) have elapsed following delivery of Common Shares subject to the Award, unless otherwise specifically provided by the Board.

## **9. ADJUSTMENTS UPON CHANGES IN COMMON SHARES; OTHER CORPORATE EVENTS.**

**(a) Capitalization Adjustments.** In the event of a Capitalization Adjustment, the Board will appropriately and proportionately adjust: (i) the class(es) and maximum number of securities subject to the Plan pursuant to Section 3(a), and (ii) the class(es) and number of securities and price per share subject to outstanding Awards. The Board will make such adjustments, and its determination will be final, binding and conclusive.

**(b) Dissolution or Liquidation.** Except as otherwise provided in the Award Agreement, in the event of a dissolution or liquidation of the Corporation, all outstanding Awards (other than Awards consisting of vested and outstanding Common Shares not subject to a forfeiture condition or the Corporation's right of repurchase) will terminate immediately prior to the completion of such dissolution or liquidation, and the Common Shares subject to the Corporation's repurchase rights or subject to a forfeiture condition may be repurchased or reacquired by the Corporation notwithstanding the fact that the holder of such Award is providing Continuous Service, *provided, however,* that the Board may, in its sole discretion, cause some or all Awards to become fully vested, exercisable and/or no longer subject to repurchase or forfeiture (to the extent such Awards have not previously expired or terminated) before the dissolution or liquidation is completed but contingent on its completion.

**(c) Corporate Transaction.** The following provisions will apply to Awards in the event of a Corporate Transaction unless otherwise provided in the instrument evidencing the Award or any other written agreement between the Corporation or any Affiliate and the Participant or unless otherwise expressly provided by the Board at the time of grant of an Award. In the event of a Corporate Transaction, then, notwithstanding any other provision of the Plan, the Board may take one or more of the following actions with respect to Awards, contingent upon the closing or completion of the Corporate Transaction:

(i) arrange for the surviving corporation or acquiring corporation (or the surviving or acquiring corporation's parent company) to assume or continue the Award or to substitute a similar stock award for the Award (including, but not limited to, an award to acquire the same consideration paid to the shareholders of the Corporation pursuant to the Corporate Transaction);

(ii) arrange for the assignment of any reacquisition or repurchase rights held by the Corporation in respect of Common Shares issued pursuant to the Award to the surviving corporation or acquiring corporation (or the surviving or acquiring corporation's parent company);

(iii) accelerate the vesting, in whole or in part, of the Award (and, if applicable, the time at which the Award may be exercised) to a date prior to the effective time of such Corporate Transaction as the Board determines (or, if the Board does not determine such a date, to the date that is five days prior to the effective date of the Corporate Transaction), with such Award terminating if not exercised (if applicable) at or prior to the effective time of the Corporate Transaction; *provided, however*, that the Board may require Participants to complete and deliver to the Corporation a notice of exercise before the effective date of a Corporate Transaction, which exercise is contingent upon the effectiveness of such Corporate Transaction;

(iv) arrange for the lapse, in whole or in part, of any reacquisition or repurchase rights held by the Corporation with respect to the Award;

(v) cancel or arrange for the cancellation of the Award, to the extent not vested or not exercised prior to the effective time of the Corporate Transaction, in exchange for such cash consideration (including no consideration) as the Board, in its sole discretion, may consider appropriate; and

(vi) make a payment, in such form as may be determined by the Board equal to the excess, if any, of (A) the value of the property the Participant would have received upon the exercise of the Award immediately prior to the effective time of the Corporate Transaction, over (B) any exercise price payable by such holder in connection with such exercise. For clarity, this payment may be zero (\$0) if the value of the property is equal to or less than the exercise price. Payments under this provision may be delayed to the same extent that payment of consideration to the holders of the Corporation's Common Shares in connection with the Corporate Transaction is delayed as a result of escrows, earn outs, holdbacks or any other contingencies.

The Board need not take the same action or actions with respect to all Awards or portions thereof or with respect to all Participants. The Board may take different actions with respect to the vested and unvested portions of an Award.

**(d) Change in Control.** An Award may be subject to additional acceleration of vesting and exercisability upon or after a Change in Control as may be provided in the Award Agreement for such Award or as may be provided in any other written agreement between the Corporation or any Affiliate and the Participant, but in the absence of such provision, no such acceleration will occur.

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## **10. PLAN TERM; EARLIER TERMINATION OR SUSPENSION OF THE PLAN.**

**(a) Plan Term.** The Board may suspend or terminate the Plan at any time. No Incentive Stock Option will be granted after the tenth anniversary of the earlier of (i) the Adoption Date, or (ii) the date the Plan is approved by the shareholders of the Corporation. No Awards may be granted under the Plan while the Plan is suspended or after it is terminated.

**(b) No Impairment of Rights.** Suspension or termination of the Plan will not impair rights and obligations under any Award granted while the Plan is in effect except with the written consent of the affected Participant or as otherwise permitted in the Plan.

## **11. ASSIGNMENT OF RIGHTS.**

Any and all rights under Awards and Award Agreements shall not be assignable, transferable or negotiable (whether by operation of law or otherwise) by the Participant and may not be assigned or transferred other than by transmission by will or the laws of descent and distribution.

## **12. EFFECTIVE DATE OF PLAN.**

This Plan, as amended and restated, will become effective on the Effective Date.

### 13. CHOICE OF LAW.

The laws of the Province of Ontario will govern all questions concerning the construction, validity and interpretation of this Plan, without regard to that province's conflict of laws rules.

### 14. DEFINITIONS.

As used in the Plan, the following definitions will apply to the capitalized terms indicated below:

- (a) “**Adoption Date**” means July \_\_\_, 2021, which is the date the Plan was adopted by the Board.
- (b) “**Affiliate**” means, at the time of determination, any “affiliate” of the Corporation, as such term is defined in the *Business Corporations Act* (Ontario).
- (c) “**Award**” means any right to receive Common Shares granted under the Plan, including an Incentive Stock Option, a Non-Incentive Stock Option, a Restricted Share Unit Award or any Other Award.
- (d) “**Award Agreement**” means a written agreement between the Corporation and a Participant evidencing the terms and conditions of an Award.
- (e) “**Award Agreement**” means a written agreement between the Corporation and a Participant evidencing the terms and conditions of an Award grant. Each Award Agreement will be subject to the terms and conditions of the Plan.
- (f) “**Board**” means the Board of Directors of the Corporation.
- (g) “**Capital Stock**” means each and every class of common stock of the Corporation, regardless of the number of votes per share.

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(h) “**Capitalization Adjustment**” means any change that is made in, or other events that occur with respect to, the Common Shares subject to the Plan or subject to any Award after the Adoption Date without the receipt of consideration by the Corporation through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, large nonrecurring cash dividend, stock split, reverse stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure, or any similar equity restructuring transaction, as that term is used in Statement of Financial Accounting Standards Board Accounting Standards Codification Topic 718 (or any successor thereto). Notwithstanding the foregoing, the conversion of any convertible securities of the Corporation will not be treated as a Capitalization Adjustment.

(i) “**Cause**” will have the meaning ascribed to such term in any written agreement between the Participant and the Corporation defining such term and, in the absence of such agreement, such term means, with respect to a Participant, the occurrence of any of the following events: (i) such Participant’s commission of any felony or any crime involving fraud, dishonesty or moral turpitude under the laws of Canada, the United States or any province or state thereof; (ii) such Participant’s attempted commission of, or participation in, a fraud or act of dishonesty against the Corporation; (iii) such Participant’s intentional, material violation of any contract or agreement between the Participant and the Corporation or of any statutory duty owed to the Corporation; (iv) such Participant’s unauthorized use or disclosure of the Corporation’s confidential information or trade secrets; or (v) such Participant’s gross misconduct. The determination that a termination of the Participant’s Continuous Service is either for Cause or without Cause will be made by the Corporation, in its sole discretion. Any determination by the Corporation that the Continuous Service of a Participant was terminated with or without Cause for the purposes of outstanding Awards held by such Participant will have no effect upon any determination of the rights or obligations of the Corporation or such Participant for any other purpose.

(j) “**Change of Control**” means the occurrence of one or more of the following events:

(i) any change in the holding, direct or indirect, of shares in the capital of the Company as a result of which a person or group of persons acting jointly or in concert, or person associated or affiliated with any such person or group within the meaning of the *Securities Act* (Ontario), becomes the beneficial owner, directly or indirectly, of shares and/or other securities in excess of the number which, directly or following conversion thereof, would entitle the holders thereof to cast more than 50% of the votes attaching to all



shares of the Company which may be cast to elect directors of the Company (the “**Company Voting Securities**”); provided, however, that the event described in this paragraph (ii) shall not be deemed to be a Change of Control by virtue of any of the following acquisitions of Company Voting Securities:

- A. by the Company or any subsidiary;
- B. by any employee benefit plan sponsored or maintained by the Company or any subsidiary;
- C. by any underwriter temporarily holding securities pursuant to an offering of such securities;
- D. pursuant to a Non-Qualifying Transaction (as defined in paragraph (ii)); or
- E. from the Company pursuant to a transaction (other than one described in paragraph (iii)), if a majority of the directors approve a resolution providing expressly that the acquisition pursuant to this clause E shall not constitute a Change of Control under this paragraph (ii);

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(ii) the consummation of a merger, consolidation, share exchange or similar form of corporate transaction involving the Company or any of its subsidiaries (a “**Business Combination**”), unless immediately following such Business Combination:

A. Company Voting Securities that were outstanding immediately prior to the consummation of such Business Combination (or, if applicable, securities into or for which such Company Voting Securities were converted or exchanged pursuant to such Business Combination) represent more than 50% of the combined voting power of the then outstanding securities eligible to vote for the election of directors or trustees (“**voting power**”) of (1) the entity resulting from such Business Combination (the “**Surviving Entity**”), or (2) if applicable, the ultimate parent entity that directly or indirectly has beneficial ownership of 100% of the voting securities eligible to elect directors of the Surviving Entity (the “**Parent Entity**”); or

B. no person (other than any employee benefit plan sponsored or maintained by the Surviving Entity or the Parent Entity) is the beneficial owner, directly or indirectly, of 50% or more of the voting power of the Parent Entity (or, if there is no Parent Entity, the Surviving Entity);

(any Business Combination which satisfies all of the criteria specified in A, B and C above shall be deemed to be a “**Non-Qualifying Transaction**”);

(iii) the approval by the Board or shareholders of the Company of a complete liquidation or dissolution of the Company; or

(iv) a sale or other disposition of all or substantially all of the property or assets of the Company, other than to an affiliate within the meaning of the *Securities Act* (Ontario) or pursuant to a Non-Qualifying Transaction.

(k) “**Code**” means the Internal Revenue Code of 1986, as amended, including any applicable regulations and guidance thereunder.

(l) “**Committee**” means a committee of one or more Directors to whom authority has been delegated by the Board in accordance with Section 2(c).

(m) “**Common Shares**” means the class of Common Shares of the Corporation.

(n) “**Consultant**” means any person, including an advisor, who is engaged by the Corporation or an Affiliate to render consulting or advisory services pursuant to a written consulting agreement, and is compensated for such services. However, service solely as a Director, or payment of a fee for such service, will not cause a Director to be considered a “Consultant” for purposes of the Plan.

(o) “**Continuous Service**” means that the Participant’s service with the Corporation or an Affiliate, whether as an Employee, Officer, Director or Consultant, is not interrupted or terminated. A change in the capacity in which the Participant renders service to the Corporation or an Affiliate as an Employee, Officer, Director or Consultant or a change in the Entity for which the Participant renders such service, provided that there is no interruption or termination of the Participant’s service with the Corporation or an Affiliate, will not terminate a Participant’s Continuous Service; *provided, however*, that if the Entity for which a Participant is rendering services ceases to

qualify as an Affiliate, as determined by the Board in its sole discretion, such Participant's Continuous Service will be considered to have terminated on the date such Entity ceases to qualify as an Affiliate. To the extent permitted by law, the Board or the chief executive officer of the Corporation, in that party's sole discretion, may determine whether Continuous Service will be considered interrupted in the case of (i) any leave of absence approved by the Board or chief executive officer, including sick leave, military leave or any other personal leave, or (ii) transfers between the Corporation, an Affiliate, or their successors. In addition, to the extent required for exemption from or compliance with Section 409A of the Code, the determination of whether there has been a termination of Continuous Service will be made, and such term will be construed, in a manner that is consistent with the definition of "separation from service" as defined under Treasury Regulation Section 1.409A-1(h) (without regard to any alternative definition thereunder).

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**(p) "Corporate Transaction"** means the consummation, in a single transaction or in a series of related transactions, of any one or more of the following events:

(i) a sale or other disposition of all or substantially all, as determined by the Board in its sole discretion, of the consolidated assets of the Corporation and its Subsidiaries;

(ii) a sale or other disposition of more than 50% of the outstanding securities of the Corporation;

(iii) a merger, consolidation or similar transaction following which the Corporation is not the surviving corporation; or

(iv) a merger, consolidation or similar transaction following which the Corporation is the surviving corporation but the Common Shares outstanding immediately preceding the merger, consolidation or similar transaction are converted or exchanged by virtue of the merger, consolidation or similar transaction into other property, whether in the form of securities, cash or otherwise.

**(q) "Corporation"** means Akanda Corp., an Ontario business corporation.

**(r) "Director"** means a member of the Board.

**(s) "Disability"** means, with respect to a Participant, the inability of such Participant to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or that has lasted or can be expected to last for a continuous period of not less than twelve (12) months, and will be determined by the Board on the basis of such medical evidence as the Board deems reasonable under the circumstances.

**(t) "Effective Date"** means the effective date of this Plan, which is the earlier of (i) the date that this Plan is first approved by the Corporation's shareholders, and (ii) the date this Plan is adopted by the Board.

**(u) "Employee"** means any person employed by the Corporation or an Affiliate.

**(v) "Entity"** means a corporation, partnership, limited liability company or other entity.

**(w) "Market Value"** means,

(i) as of the date of grant of an Award, the value of the Common Shares determined as follows:

A. If the Common Shares are listed on the Stock Exchange or traded on any other established market, the Market Value of a Common Share will be, unless otherwise determined by the Board, the greater of the closing market prices of the underlying securities on (a) the trading day prior to the date of grant of the Award; and (b) the date of grant of the stock options, and

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B. In the absence of such markets for the Common Shares, the Market Value will be determined by the Board in good faith and in a manner that complies with Section 409A of the Code or, in the case of Incentive Stock Options, in compliance with Section 422 of the Code; and

(ii) as of any other relevant date, the value of the Common Shares determined as follows:

A. If the Common Shares are listed on the Stock Exchange or traded on any other established market, the Market Value of a Common Share will be, unless otherwise determined by the Board, the closing market price of the underlying securities on the trading day prior to such relevant date, and

B. In the absence of such markets for the Common Shares, the Market Value will be determined by the Board in good faith and in a manner that complies with Section 409A of the Code or, in the case of Incentive Stock Options, in compliance with Section 422 of the Code.

(x) “**Incentive Stock Option**” means an option granted pursuant to Section 5 of the Plan that is intended to be, and that qualifies as, an “incentive stock option” within the meaning of Section 422 of the Code.

(y) “**Insider**” has the meaning given to such term in the Stock Exchange Rules, or if the Common Shares are not listed or posted for trading on the Stock Exchange, the meaning given under Securities Laws.

(z) “**Non-Incentive Stock Option**” means an option granted pursuant to Section 5 of the Plan that does not qualify as an Incentive Stock Option, including an Incentive Stock Option granted to a person not subject to taxation on income under the laws of the United States.

(aa) “**Officer**” means a person who is an officer of the Corporation.

(bb) “**Option**” means an Incentive Stock Option or a Non-Incentive Stock Option to purchase Common Shares granted pursuant to the Plan.

(cc) “**Option Agreement**” means a written agreement between the Corporation and an Optionholder evidencing the terms and conditions of an Option grant. Each Option Agreement will be subject to the terms and conditions of the Plan.

(dd) “**Optionholder**” means a person to whom an Option is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Option.

(ee) “**Other Award**” means an award based in whole or in part by reference to the Common Shares which is granted pursuant to the terms and conditions of Section 6(b).

(ff) “**Other Award Agreement**” means a written agreement between the Corporation and a holder of an Other Award evidencing the terms and conditions of an Other Award grant. Each Other Award Agreement will be subject to the terms and conditions of the Plan.

(gg) “**Own,**” “**Owned,**” “**Owner,**” “**Ownership**” A person or Entity will be deemed to “Own,” to have “Owned,” to be the “Owner” of, or to have acquired “Ownership” of securities if such person or Entity, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares voting power, which includes the power to vote or to direct the voting, with respect to such securities.

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(hh) “**Participant**” means a person to whom an Award is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Award.

(ii) “**Plan**” means this Akanda Corp. 2021 Equity Incentive Plan.

(jj) “**Restricted Share Unit Award**” means a right to receive Common Shares which is granted pursuant to the terms and conditions of Section 11.

(kk) “**Restricted Share Unit Award Agreement**” means a written agreement between the Corporation and a holder of a Restricted Share Unit Award evidencing the terms and conditions of a Restricted Share Unit Award grant. Each Restricted Share Unit Award Agreement will be subject to the terms and conditions of the Plan.



(ll) “**Securities Laws**” means securities legislation, securities regulation and securities rules, as amended, and the policies, notices, instruments and blanket orders in force from time to time that govern or are applicable to the Corporation or to which it is subject;

(mm) “**Stock Appreciation Right**” or “**SAR**” means a right to receive the appreciation on Common Shares that is granted pursuant to the terms and conditions of Section 5.

(nn) “**Stock Appreciation Right Agreement**” means a written agreement between the Corporation and a holder of a Stock Appreciation Right evidencing the terms and conditions of a Stock Appreciation Right grant. Each Stock Appreciation Right Agreement will be subject to the terms and conditions of the Plan.

(oo) “**Stock Exchange**” means the Nasdaq Stock Market.

(pp) “**Stock Exchange Rules**” means the applicable rules and policies of the Stock Exchange, as such rules and policies may be amended, supplemented or replaced from time to time

(qq) “**Subsidiary**” has the meaning given to it under the *Business Corporations Act* (Ontario).

(rr) “**Ten Percent Shareholder**” means a person, who is subject to taxation on income under the laws of the United States, and who Owns (or is deemed to Own pursuant to Section 424(d) of the Code) stock possessing more than 10% of the total combined voting power of all classes of shares of the Corporation or any Affiliate.

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## AGREEMENT OF SUBLEASE

2

### AGREEMENT OF SUBLEASE MEMORANDUM OF AGREEMENT OF SUBLEASE

Concluded by and between

Mophuthi Matsoso Development Trust (Reg No:TD2015/0015)

(Hereinafter referred to as the “Sub-lessor”)

Makhemeng Ts’akholo, Mafetengand

Bophelo Bioscience and Wellness Proprietary Limited (Reg No: 2018/62924)(Hereinafter referred to as the “Sub-lessee”)

Makhemeng Ts’akholo, Mafeteng.

#### WHEREAS

**The Sub-lessor hereby agrees to sublet to Sub-lessee, who** agrees to hire certain properties held by; A Form C

(Certificate of Allocation) in terms of Section 23(1) of Land Act 2010

#### **NOW THEREFORE THE PARTIES AGREE AS FOLLOWS ON THE TERMS AND CONDITIONS OF THEAFORESAID AGREEMENT**

#### **1 INTERPRETATION**

In this agreement -

- 1.1 clause headings are for the purposes of convenience and reference only and shall not be used in the interpretation of this agreement;
- 1.2 unless the context clearly indicates a contrary intention an expression which denotes -
  - 1.2.1 any gender includes the other genders;
  - 1.2.2 a natural person includes an artificial person and *vice versa*;
  - 1.2.3 the singular includes the plural and *vice versa*;
- 1.3 the following expressions shall, unless the context clearly indicates a contrary intention, bear the following meanings and related expressions shall bear corresponding meanings-
  - 1.3.1 “agreement” -this agreement of lease and all annexes hereto;
  - 1.3.2 “buildings” - at any relevant time, the greenhouses, sheds and other building/s on the leased premises and all other improvements of every nature whatever situate on the leased premises;
  - 1.3.3 “commencement date” - notwithstanding the signature date, 1 April 2019;

- 1.3.4 “initial period” - the period commencing on the commencement date and terminating on the 20<sup>th</sup> anniversary thereof;
- 1.3.5 “leased premises” subject to the provisions of clause 4, the 68834 sq msituated on the properties indicated on Annex A;
- 1.3.6 “parties” - collectively the Sub-lessor and the Sub-lessee and any reference to “party” shall be deemed to be reference to either one of them as the context may require;
- 1.3.7 “permitted business” –the activities described in clause 12.1
- 1.3.8 “prime rate” - the rate publicly quoted by The Standard Bank of South Africa Limited, from time to time, as being its prime rate of interest (expressed as a nominal annual compounded monthly in arrear rate), calculated on a 365 day a year basis, irrespective of whether or not the year is a leap year and *prima facie* proved, in the event of there being a dispute in relation thereto, by a certificate signed by any manager of the aforesaid bank (whose appointment, qualification or authority need not be proved);
- 1.3.9 “properties” - collectively the properties described as South = 1345m, East = 954m, North = 4231m, West = 1397m, East-North = 1510m;
- 1.3.10 “signature date” – the last date on which the parties sign this agreement;
- 1.3.11 “Sub-lessee” - Bophelo Bioscience and Wellness Proprietary Limited (registration number 2018/62924), a company incorporated in accordance with the laws of The Kingdom of Lesotho;
- 1.3.12 “Sub-lessor” - Mophuthi Matsoso Development Trust (Reg No: TD2015/0015) established in accordance with the laws of The Kingdom of Lesotho;
- 1.3.13 “termination date”- the date on which this agreement is terminated for any reason whatsoever;
- 1.3.14 “VAT” - Value-added Tax as defined in the Vat Act at the prescribed rate onthe date of supply to which it relates;
- 1.3.15 “VAT Act”-the Value-added Tax Act of 2001;

1.4 where any term is defined within the context of any particular clause, the term so defined, unless it is clear from the clause in question that the term so defined has limited application to the relevant clause, shall bear the meaning ascribed to it in terms of the particular clause for all purposes in terms of this agreement, notwithstanding that the term has not been defined in this interpretation clause;

1.5 should any provision contained in a definition be a substantive provision conferring any right or imposing any obligation on any party, then notwithstanding that it is only contained in this interpretation clause effect shall be given to it as if it were a substantive provision in this agreement;

1.6 when any number of days is prescribed such number shall exclude the first and include the last day unless the last day falls on a day which is not a business day, in which case the last day shall be the next succeeding business day;

1.7 the use of a specific example (whether or not after the word “including” or “such as”) shall not be construed as limiting the meaning of the general wording preceding it and the *eiusdem generis* rule shall not be applied in the interpretation of such general wording or such specific example/s. Accordingly, without limiting the generality of the foregoing,

wherever the words “includes” or “including” are used in this agreement, the words “without limitation” shall be deemed to follow them;

- 1.8 the rule of construction that the contract shall be interpreted against the party responsible for the drafting or preparation of the agreement.
- 1.9 all of the annexes, if any, hereto are deemed to be incorporated herein and shall have the same force and effect as if they were contained in the body of this agreement;
- 1.10 words and/or expressions defined in this agreement shall bear the same meanings when used in the annexes, if any, hereto;
- 1.11 a reference to any statutory body or court shall be construed as a reference to that statutory body or court as at the signature date and as substituted from time to time thereafter by successor statutory bodies or courts, as the case may be;
- 1.12 the expiration or termination of this agreement shall not affect such of its provisions as expressly provide that they shall continue to apply after such expiration or termination or which of necessity must continue to apply after such expiration or termination;
- 1.13 a reference to -
- 1.13.1 “business day” shall be construed as being any day other than a Saturday, Sunday or public holiday in Lesotho;
- 1.13.2 day/s, month/s or year/s shall be construed as day/s, month/s or year/s in the Gregorian calendar;
- 1.13.3 any written agreement shall be a reference to that agreement as amended, substituted or replaced from time to time in accordance with its terms;
- 1.14 no provision of this agreement shall, unless otherwise stipulated, constitute a stipulation for the benefit of any person (*stipulation alteri*) who is not a party to this agreement.

## **2 INTRODUCTION**

It is recorded that the parties agree that the Sub-lessee shall let from the Sub-lessor the leased premises, upon the terms and conditions set out in this agreement.

## **3 SUB-LEASE**

The Sub-lessor hereby lets the leased premises to the Sub-lessee on the terms and conditions set out in this agreement.

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## **4 EXTENSION OF LEASED PREMISES**

- 4.1 The Sub-lessee shall have the right to increase the area of the leased premises, at anytime and on one occasion or on more than one occasion, by notice in writing to the Sub-lessor so as to include any portion of the properties depicted on annex B as part of the leased premises, provided that the maximum increase in extent of the leased premises shall not pursuant to the exercise of the aforesaid right/s exceed an additional 192 hectares.
- 4.2 Should the Sub-lessee exercise its rights in terms of clause 4.1 the extended area to be comprised in the leased premises shall be at the discretion of the Sub-lessee but shall be selected from the area shown in annex B and the leased premises shall be extended with effect from the last day of the month in which such right is exercised by the Sub-lessee in terms of clause 4.1.

4.3 After the area of the leased premises has been extended by an additional 194 hectares pursuant to the exercise by the Sub-lessee of the rights granted to it in terms of clause 4.1, the Sub-lessee shall have the right to further increase the area of the leased premises, at any time and on one occasion or on more than one occasion, by notice in writing to the Sub-lessor so as to include any portion of the properties depicted on annex C as part of the leased premises, provided that the maximum increase in extent of the leased premises shall not pursuant to the exercise of the aforesaid right/s exceed an additional 1 000 hectares.

4.4 Should the Sub-lessee exercise its rights in terms of clause 4.3 the extended area to be comprised in the leased premises shall be at the discretion of the Sub-lessee but shall be selected from the area shown in annex C and the leased premises shall be extended with effect from the last day of the month in which such right is exercised by the Sub-lessee in terms of clause 4.3.

4.5 The Sub-lessor undertakes to ensure that the Sub-lessee, its employees, contractors, agents and invitees are at all times given free and unrestricted access to all parts of the leased premises including the right to traverse the other parts of the properties if necessary to gain access to any portion of the leased premises.

## 5 REGISTRATION OF SUBLEASE

The Sub-lessor undertakes to procure that-

5.1 it obtains the requisite consent in terms of section 36 of the Land Act 2010 for the Sub-lessor to sublet the leased premises to the Sub-lessee; and

5.2 after obtaining the consent referred to in clause 5.1 that the lease is registered (as soon as possible after the aforesaid consent is obtained but in any event within 3 month from the date thereof) in terms of the Deeds Registry Act of 1969. Refer to Annex A.

## 6 DURATION

6.1 This agreement shall commence on the commencement date and shall terminate on the 20<sup>th</sup> anniversary of the commencement date subject to such other rights as are vested in the parties in terms of this agreement or in terms of law.

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6.2 The Sub-lessee shall have an option ("the first option") to renew this lease for a period of 30 years ("the first option period") from the termination of the initial period.

6.3 The Sub-lessee shall be entitled to exercise the first option by written notice to the Sub-lessor, not less than 60 days prior to the termination of the initial period, failing which, the first option shall lapse.

6.4 The first option shall be on the same terms as set out in this lease applicable to the initial period.

6.5 The Sub-lessee shall have an option ("the second option") to renew this lease for a period of 30 years ("the second option period") from the termination of the first option period.

6.6 The Sub-lessee shall be entitled to exercise the second option by written notice to the Sub-lessor, not less than 60 days prior to the termination of the first option period, failing which, the second option shall lapse.

6.7 The second option shall be on the same terms as set out in this lease applicable to the initial period.

## 7 RENTAL

7.1 The monthly rental payable by the Sub-lessee to the Sub-lessor in respect of the hire of the leased premises for the period commencing on the commencement date and terminating on the termination date shall be 350,000 Malotis per month.

- 7.2 The monthly rental referred to in clause 7.1 shall escalate on each anniversary of the commencement date (including during any option period if the relevant option is exercised) at the rate of 10% on a compound basis.

## **8 PAYMENT**

- 8.1 The Sub-lessee shall pay the basic monthly rental to the Sub-lessor in Maloti free of any deduction and/or set-off whatever and free of bank charges and/or commission no later than the 7<sup>th</sup> of every following month

- 8.2 Unless expressly notified in writing to the Sub-lessee to the contrary, all amounts payable to the Sub-lessor in terms of this agreement shall be paid by means of electronic transfer of funds into the Sub-lessor's banking account referred to below -

Account holder	Mophuthi Matsoso Development Trust
Bank	Nedbank Lesotho
Branch	Mafeteng
Branch code	- [*]
Account number	[*]
Reference	Bophelo Rent

or such other banking account in Lesotho as the Sub-lessor may from time to time, in writing, direct.

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- 8.3 Any rent falling due for payment by the Sub-lessee under this agreement which is not paid on its due date for payment, shall bear interest at the prime rate, calculated from the due date for payment thereof.

- 8.4 All amounts payable by the Sub-lessee to the Sub-lessor in terms of this agreement are expressed to be exclusive of VAT on the basis that the Sub-lessee shall pay the Sub-lessor VAT thereon at the applicable rate as determined in accordance with the provisions of the Vat Act from time to time.

## **9 DELIVERY OF KEYS AND REMOTES**

The Sub-lessee shall deliver all keys to the buildings to the Sub-lessor not later than 16:30 on the termination date. The Sub-lessee shall be responsible for all costs incurred by the Sub-lessor in obtaining new keys should the Sub-lessee fail to deliver the keys as aforesaid.

## **10 ELECTRICITY, WATER, GAS AND OTHER OUTGOINGS**

- 10.1 The Sub-lessee shall with effect from the commencement date be liable for and pay forthwith on demand to the Sub-lessor all costs for water, electricity, gas, sanitary fees, refuse removal fees, and any other services consumed by the Sub-lessee at the leased premises.

- 10.2 Should the leased premises, or part of the leased premises, be served by specific sub-meters in respect of electricity, water and/or gas, then the Sub-lessee shall pay to the Sub-lessor, the cost of all electricity, water and/or gas used in and/or on the leased premises as metered by such sub-meters.

- 10.3 Should no separate sub meter be installed in respect of any of the services contemplated in terms of clause 10.1 or should a common sub meter exist for more than the leased premises, such service charges shall be calculated by the Sub-lessor on a pro rata basis based on the percentage which the hectares comprised in the leased premises bears to the hectares comprised in the property/ies served by the common sub meter or in respect of which the charges are levied, as the case may be.

## **11 RATES AND TAXES**

- 11.1 The Sub-lessee shall be liable for and shall pay to the Sub-lessor all rates and taxes, including assessment rates, business or city improvement district fees, park levies and municipal fees and charges, levied by any competent local authority in respect of the leased premises in respect of any period during this agreement.
- 11.2 Should any of the rates, taxes, fees and/or charges contemplated in clause 11.1 be levied in respect of any area greater than just the leased premises, then the portion payable by the Sub-lessee shall be calculated on a pro rata basis based on the percentage which the hectares comprised in the leased premises bears to the hectares comprised in the property/ies in respect of which such amounts are levied.

## **12 PURPOSE FOR WHICH LEASED PREMISES ARE**

- 12.1 The leased premises are let to the Sub-lessee for the purposes of (i) planting, growing, cultivating, farming and manufacturing cannabis and all associated and ancillary activities; (ii) use as offices; and (iii) the provision of administration services. The lessee shall not use the leased premises for any other purpose whatsoever without the prior written consent of the Sub-lessor, which consent shall not be unreasonably withheld or delayed.

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- 12.2 The Sub-lessee undertakes to make timeous application for any licences and any renewals thereof necessary for the conduct of the permitted business in the leased premises and to proceed with any such applications without delay.

## **13 MAINTENANCE**

- 13.1 The Sub-lessee shall -
- 13.1.1 at its own cost, keep and maintain in a clean, good order and condition the buildings and replace or repair same, as the case may be, which, without derogating from the generality hereof, shall include all fixtures and fittings, electrical installations, plumbing, geysers and sanitary works, appliances, fire fighting equipment, air-conditioners, doors, roller shutter doors, door handles, locks, keys, entrances, doors, glass and windows in or serving the leased premises and on termination of this agreement shall deliver the buildings to the Sub-lessor in the same good order and condition as existed at the commencement date, fair wear and tear excepted;
- 13.1.2 prevent any blockage of sewerage or water pipes or septic tanks or drains in or used in connection with the leased premises and shall remove at its cost any obstruction or blockage in any sewer or water pipe or septic tanks or drains serving the leased premises and, where necessary, repair the sewer pipe or drain concerned.
- 13.2 Should the Sub-lessee fail or refuse to maintain or repair the buildings as provided for in terms of this agreement and remain in default for a period of 30 days after receipt of a written notice calling on the Sub-lessee to rectify such default, then the Sub-lessor shall be entitled, without prejudice to its other rights in law or in terms of this agreement, to effect the necessary maintenance or repairs and to claim the costs so incurred from the Sub-lessee.
- 13.3 The Sub-lessee shall notify the Sub-lessor in writing within 30 business days after the signature date of any patent defects in the buildings, particularly in respect of taps, toilets, electrical plug points, lighting, locks, keys, doors, glass and windows. The Sub-lessor undertakes to remedy such defects within a period of 14 days after receipt of the written notice from the Sub-lessee, or such longer period as may be required in the circumstances.

## **14 CONTRAVENTION OF LAWS**

- 14.1 The Sub-lessee shall not contravene or permit the contravention of any law, by-law or statutory regulation or the conditions of any licence relating to or affecting the occupation of the leased premises or the carrying on of the Sub-lessee's permitted business therein, which may expose the Sub-lessor to any claim, action or prosecution.
- 14.2 The Sub-lessee shall not contravene any of the conditions of title as set out in the title deed of the properties on which the leased premises are situated and under which the Sub-lessor holds title, nor any laws which the Sub-lessor is required to observe, by reason of its ownership of the leased premises.

- 14.3 Should the Sub-lessee contravene any law and the Sub-lessor be penalised in any way as a result thereof, the Sub-lessor shall be entitled to recover any loss or damage either incurred or to be incurred in the future, from the Sub-lessee.

## **15 ALTERATIONS, ADDITIONS, FIXTURES AND FITTINGS**

- 15.1 The Sub-lessor shall not be under any obligation or liability to make any applications in respect of, do any work or make any alterations or repairs to the buildings in order to comply with the requirements of any local authority or other applicable laws and regulations.

- 15.2 The Sub-lessee shall be entitled to -

- 15.2.1 effect or cause to allow to be effected to the leased premises and/or to any buildings, any alterations or additions or improvements or renovations (collectively “the improvements”), whether external, internal, structural, non-structural or of any other nature whatsoever, without the prior consent of the Sub-lessor; and/or

- 15.2.2 erect any other buildings or structures of any nature whatever on the leased premises, without the prior consent of the Sub-lessor.

- 15.3 The Sub-lessee shall be entitled to exercise its rights in terms of clause 15.2 provided that the -

- 15.3.1 plans and specifications for the works shall be prepared by an architect approved by the Sub-lessor and submitted to the Sub-lessor for approval, which approval shall not be unreasonably withheld or delayed;

- 15.3.2 work shall be carried out by a contractor(s) reasonably approved by the Sub-lessor under the supervision of the Sub-lessor’s architect and/or other professional consultant(s) nominated by the Sub-lessor for such purpose;

- 15.3.3 reasonable professional fees and charges of the Sub-lessor’s architect, quantity surveyor, consulting engineer and/or other professional consultant(s) shall be borne by the Sub-lessee.

- 15.4 Upon the termination of this agreement for any reason whatever the Sub-lessee shall have no claim of whatever nature against the Sub-lessor for the value and/or cost of any improvements effected to the leased premises and/or the buildings, whether or not such improvements were effected at the cost of the Sub-lessee, and the Sub-lessor shall be deemed to have become the owner of such improvements upon the installation thereof.

- 15.5 The Sub-lessee shall be entitled from time to time without the Sub-lessor’s consent, to erect on the buildings such fixtures and fittings as may be required or necessary for the carrying on of the permitted business therein, provided that should this agreement be terminated for any reason whatever -

- 15.5.1 all such fixtures and fittings erected by the Sub-lessee in the buildings shall, only if the Sub-lessee elects, be removed by the Sub-lessee upon the termination of this agreement, failing which such fixtures and fittings shall become the Sub-lessor’s property;

- 15.5.2 any damage caused to the buildings as a result of any removal by the Sub-lessee of fixtures and fittings, in respect of which the Sub-lessee has elected to remove, shall be made good at the Sub-lessee’s expense;

- 15.5.3 the Sub-lessee shall not be entitled to any compensation from the Sub-lessor for any improvements made.

## **16 SUB-LESSEE’S GENERAL OBLIGATIONS AND RESTRICTIONS**

The Sub-lessee shall be-



- 16.1 liable to repair and/or replace, at its cost, all damage of whatever nature caused to the buildings;
- 16.2 entitled to modify the electrical installations of the buildings on the basis that the Sub-lessee shall be liable for all costs of such modification/s;
- 16.3 responsible for ensuring the safety, safe use and maintenance of the electrical installations in the buildings.

## 17 SUBLETTING

The Sub-lessee shall not-

- 17.1 cede, assign, transfer, alienate, hypothecate or otherwise dispose of any rights and/or obligations under this agreement; and/or
- 17.2 sub-let the leased premises or any part thereof; and/or
- 17.3 give up occupation or possession of the leased premises or any part thereof, to any person;

without the Sub-lessor's prior written consent, which consent shall not be unreasonably withheld or delayed.

## 18 RIGHT OF FIRST REFUSAL

- 18.1 The Sub-lessor hereby agrees that should it wish to sell any of the properties and/or any portion thereof and/or any right in and to any such properties held by the Sub-lessor (collectively "the sale property"), the Sub-lessor shall be obliged to first offer the sale property for sale to the Sub-lessee upon the following terms and conditions -

- 18.1.1 the offer shall be made in writing to the Sub-lessee and shall contain the price which the Sub-lessor requires for the sale property and all other terms and conditions upon which the Sub-lessor is prepared to sell the sale property ("the offer");

- 18.1.2 the Sub-lessee shall be afforded 30 days from receipt of the offer to accept the offer by furnishing the Sub-lessor with a written acceptance to that effect. Should the Sub-lessee accept the offer as aforesaid, the Sub-lessee shall be obliged to furnish the Sub-lessor, within 45 days of such written acceptance,

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- with a guarantee/s issued by a registered bank or financial institution, which guarantee/s shall secure payment of the purchase price of the sale property and shall be in such form as may be reasonably approved by the Sub-lessor and be expressed to be payable free of exchange by electronic transfer in favour of the Sub-lessor or the Sub-lessor's nominee on the date of transfer of the sale property to the Sub-lessee;
- 18.1.3 should the Sub-lessee refuse or fail to accept the offer timeously, the Sub-lessor shall be entitled forthwith upon the date of expiry of the offer period or the date of such refusal, whichever is the earlier, to sell the sale property to any bona fide third party, provided that such sale shall be at a price not less than and on terms and conditions no less onerous than the price and terms and conditions contained in the offer to the Sub-lessee.
- 18.2 The Sub-lessee hereby acknowledges and agrees that the Sub-lessee's right of first refusal as set out in shall automatically terminate and cease to be of any force or effect should this agreement be cancelled for any reason whatever.
- 18.3 The Sub-lessor agrees that it shall only be entitled to sell the sale property to another party as envisaged in terms of clause 18.1.3, if such purchaser agrees in writing, in favour of the Sub-lessee, to be bound by the provisions of this agreement.

## 19 WARRANTIES

- |        |  |
|--------|--|
| 19.1   | The Sub-lessor gives the Sub-lessee the warranties in ("the warranties") on the basis that this agreement is entered into by the Sub-lessee relying on the warranties, each of which is deemed to be a material warranty inducing the Sub-lessee to enter into this agreement. |
| 19.2   | Each warranty shall be a separate warranty and shall in no way be limited to or restricted by reference to or by inference from the terms of any other warranty.   |
| 19.3   | The Sub-lessor warrants to the Sub-lessee that -   |
| 19.3.1 | it has the lawful right to occupy the properties;  |
| 19.3.2 | it is not precluded in any way from entering into this agreement and giving the Sub-lessee the rights granted to the Sub-lessee in terms of this agreement;  |
| 19.3.3 | no other person has the right to occupy the properties;  |
| 19.3.4 | no person has any pre-emptive right, right of first refusal, option or other right of any nature whatever to buy any of the properties; and  |
| 19.3.5 | the properties are unencumbered.   |
| 19.4   | It is agreed that, the Sub-lessee shall be entitled, without prejudice to its other rights in law or in terms hereof, to cancel this agreement as a consequence of any breach by the Sub-lessor of any of the warranties.  |

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## 20 BREACH

Save as otherwise provided herein should the -

- 20.1 Sub-lessee commit a breach of any provision of this agreement and fail to remedy such breach within 14 days after receiving written notice from the Sub-lessor requiring the Sub-lessee to remedy such breach, then the Sub-lessor shall be entitled, without prejudice to the Sub-lessor's other rights in law, to cancel this agreement, or to claim immediate specific performance of all of the Sub-lessee's obligations then due for performance, in either event without prejudice to the Sub-lessor's right to claim damages; or
- 20.2 Sub-lessor commit a breach of any provision of this agreement and fail to remedy such breach within 14 days after receiving written notice from the Sub-lessee requiring the Sub-lessor to remedy such breach, then the Sub-lessee shall be entitled, without prejudice to its other rights in law, to cancel this agreement or to claim immediate specific performance of all of the Sub-lessor's obligations then due for performance, in either event without prejudice to the Sub-lessee's right to claim damages.

## 21 DOMICILIA AND NOTICES

- |        |  |  |
|--------|--|--|
| 21.1   | The parties choose domicilium citandi et executandi for all purposes of the giving of any notice, the payment of any sum, the serving of any process and for any other purpose arising from this agreement, as follows - |  |
| 21.1.1 | Sub-<br>lessor<br>email  | Ts'akholo, Makhemeng, Mafeteng<br><br>makhemeng@makhemeng.co.za<br><br>Bophelo Bioscience and Wellness (Pty) Ltd |

email

- 21.2 Each of the parties shall be entitled from time to time, by written notice to the others, to vary its domicile to any other physical address within Lesotho.
- 21.3 Any notice given and any payment made by any party to any other which is delivered by hand during the normal business hours of the addressee at the addressee's domicile for the time being shall be presumed to have been received by the addressee at the time of delivery.
- 21.4 Notwithstanding anything to the contrary contained in this clause written notice or other communication actually received by a party shall be adequate written notice or communication to it notwithstanding that the notice was not sent or delivered to its chosen address or electronic mail address.

## 22 APPLICABLE LAW

This agreement (including its validity, existence and implementation, the interpretation and application of its provisions, the respective rights and obligations of the parties in terms of and arising out of the conclusion, and termination of the provisions of this agreement), shall be interpreted and governed in all respects by the laws of The Kingdom of Lesotho.

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## 23 JURISDICTION

Save as otherwise provided herein, the parties hereby consent to the non-exclusive jurisdiction of the Courts of The Kingdom Lesotho Commercial Division in respect of any action or legal proceedings which may arise out of or in connection with this agreement, its interpretation, validity or termination.

## 24 ARBITRATION

- 24.1 Save for those provisions in this agreement which provide for their own remedies and for the purposes of this a "dispute" shall mean any dispute which arises between the parties in connection with -
- 24.1.1 the formation or existence;
  - 24.1.2 the implementation;
  - 24.1.3 the interpretation or application of the provisions;
  - 24.1.4 the parties' respective rights and obligations in terms of or arising out of the conclusion, breach or termination;
  - 24.1.5 the validity, enforceability, rectification, termination or cancellation, whether in whole or in part;
  - 24.1.6 any documents furnished by the parties pursuant to the provisions,
- of this agreement or which relates in any way to any matter affecting the interests of the parties in terms of this agreement. The parties agree that any dispute shall, unless resolved amongst the parties to the dispute, be referred to and be determined by arbitration.
- 24.2 The parties hereby consent to the arbitration being dealt with in terms of the laws of The Kingdom of Lesotho.
- 24.3 Any party to this agreement may demand that a dispute be determined in terms of this clause 24 by written notice given to the other parties.

- 24.4 This clause 24 shall not preclude any party from obtaining interim relief by way of motion proceedings (including on an urgent basis) from a court of law pending the decision of the arbitrator.
- 24.5 Only the parties and their representatives (including legal representatives) shall be entitled to attend the arbitration hearing.
- 24.6 The parties agree to keep the arbitration including the subject-matter of the arbitration and the evidence heard during the arbitration confidential and not to disclose it to anyone except for purposes of a court order to be made in terms of clause 24.4.
- 24.7 The award of the arbitrator shall be final and binding on the parties to the dispute and may be made an order of the court at the instance of any of the parties to the dispute.

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14

- The parties agree that as between them the arbitral award shall be final and binding and have the effect of a court order.
- 24.8 Any arbitral award shall not be subject to a right of appeal.
- 24.9 The provisions of this clause -
- 24.9.1 constitute an irrevocable consent by the parties to any proceedings in terms hereof and no party shall be entitled to withdraw therefrom or claim at any such proceedings that it is not bound by such provisions; and
- 24.9.2 are severable from the rest of this agreement and shall remain in effect despite the termination of or invalidity for any reason of this agreement.
- 24.10 The parties agree that the written demand by any party in terms of that the dispute be submitted to arbitration, shall be deemed to be a legal process for the purpose of interruption of extinctive prescription in terms of the Prescription Act of Lesotho

## **25 COSTS**

Each party shall pay its own costs and charges in connection with and incidental to the negotiation, drafting and execution of this agreement.

## **26 GENERAL**

- 26.1 This document constitutes the sole record of the agreement between the parties in relation to the subject matter hereof.
- 26.2 Neither party shall be bound by any representation, warranty, promise or the like not recorded herein.
- 26.3 No addition to, variation, or agreed cancellation of this agreement shall be of any force or effect unless recorded in a written document and signed by or on behalf of the parties.
- 26.4 No indulgence which either party ("the grantor") may grant to the other ("the grantee") shall constitute a waiver of any of the rights of the grantor, who shall not thereby be precluded from exercising any rights against the grantee which may have arisen in the past or which might arise in the future.
- 26.5 The parties shall at all times act in good faith towards each other and shall not bring any of the other parties into disrepute.
- 26.6 Each of the parties undertakes at all times to do all such things, perform all such acts and take all such steps and to procure the doing of all such things, within his/her power and control, as may be open to and is necessary for and incidental to the putting into effect or maintenance of the terms, conditions and import of this agreement.

THUS DONE AND SIGNED AT MAKHEMENG, TSAKHOLO ON THIS

20

AS WITNESSES

1/s/ [ILLEGIBLE]

/s/ [ILLEGIBLE]

2/s/ [ILLEGIBLE]

SUB- LESSOR

THUS DONE AND SIGNED AT MASERU ON THIS

day of

2018

AS WITNESSES

1/s/ [ILLEGIBLE]

/s/ [ILLEGIBLE]

2/s/ [ILLEGIBLE]

SUB-LESSEE

ANNEX A

AS PER BELOW REGISTERED SUB LEASE

04412-10001

07-03-2019



**LEASE**

under

**The Land Act**

**2010**



Land Administration Authority  
P.O. Box 11856  
MASERU 100  
Lesotho

---



**Lease Number: 04412-10001**

**LEASE**  
(In terms of The Land Act 2010)

**TO WHOM IT MAY CONCERN**

**THAT: MOPHUTHI MATSOSO DEVELOPMENT TRUST – REGISTERED UNDER  
DEEDS REGISTRY ACT 1967  
OF: SEA POINT  
MASERU**

Hereinafter referred to as the **Lessee**, has been granted, accepts and holds title in land known as:

Plot Number: **04412-10001**

Situated at: **METSI MAHOLO MAFETENG DISTRICT**

Approximate area: **68834** Square metres more or less

As shown on plan number **04412** as held by the Chief Surveyor.

Under a Lease issued by the **Land Administration Authority** pursuant to the Land Administration Authority Act 2010 and the Land Act 2010, on behalf of and with the authority of:

**HIS MAJESTY THE KING**

Subject to the statutory conditions as prescribed in the Land Regulations and any and all of the following terms and special conditions and general provisions:

**1. Ground rent:**

1.01 Annual ground rent shall mean **M16 520.16** per year or such other amount as may be reassessed.

**2. Duration:**

2.01 This lease shall come into operation on the **20 February 2019** and shall expire at the end of a **sixty (60) Year** term on **19 February 2079**

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Land Administration Authority

Page 1 of 4

PO Box 11856, Maseru 100, Lesotho

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**3. Special conditions:**

3.1 The permitted use in respect of which this lease is granted or issued is: **COMMERCIAL**

3.2 Other special conditions:

**4. General provisions**

4.1 That this title is inheritable subject to the provisions of Section 35 of the Act and any other law which may be applicable.

4.2 That this lease shall only be terminated by:  
(i) the expiry of its period; or  
(ii) the surrender thereof under the provisions of Section 35; or  
(iii) its determination pursuant to the provisions of the Act.

4.3 The Act shall mean the Land Act 2010 and all regulations made there under.

4.04 This lease shall be governed by revisions of the Act and all Acts and Regulations now or hereafter applicable to the land.

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Thus done, granted and executed on this **20 February 2019** at Maseru.

/s/ [ILLEGIBLE]

Director General  
Land Administration Authority

/s/ [ILLEGIBLE]

Lessee (signature)

/s/ [ILLEGIBLE]

Witness (signature)

Name: Papali Tsunyane

Where the lessee is legal entity the capacity of the signatory is: representative in exercise of the powers conferred on him/her by a Power of Attorney No - / resolution of the Board of Directors of the Lessee / - dated the 20<sup>th</sup> day of February 2019 a certified copy of which is attached hereto.

Seal affixed in the presence of the witness.

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Lease number: **04412-10001**

Registration number: **04412-10001**

Registration date: **07-03-2019**

Registration fee: **M 100.00**

Stamp duty: **M 360.00**

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Land Administration Authority

Page 3 of 4

PO Box 11856, Maseru 100, Lesotho

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Land Regulations 2011

Regulation 10

### **Statutory conditions**

1. Unless the Minister directs otherwise the Lessee shall fence the boundaries of the land within 6 (six) months of the date of the grant and the Lessee shall maintain the fence to the satisfaction of the Director General.  
  
Unless special written authority is given by the Commissioner of Lands, the Lessee shall commence development of the land within
2. 5 years of the date of the granting of a lease. This shall also apply to further development of the land held under a lease during the term of the lease.
3. Within a period of the time to be fixed by the planning authority, the Lessee shall provide at his own expense main drainage or main sewerage connections from the building erected on the land as the planning authority may require.  
  
In the event of any main building erected on the land being dismantled, destroyed, demolished or removed, the Lessee shall replace
4. the building within a period specified by the planning authority and sub-regulations (2) and (3) of the Land Regulations 2011 shall apply where applicable.
5. The Lessee shall use the land comprised in the lease only for the purpose specified in the lease or in any variation made to the original lease.
6. The Lessee shall permit entry on land at any reasonable period of the day by any duly empowered employee, officer or agent of the:  
  
(i) Land Administration Authority;  
(ii) Government of Lesotho; or  
(iii) any statutory corporation or parastatal organisation established to provide and maintain public utility services.  
  
Save with the written authority of the planning authority, no electrical power or telephone pole or line or water, drainage or sewer
7. pipe being upon or passing through, over or under the land and no replacement thereof, shall be moved or in any way be interfered with and reasonable access thereto shall be preserved to allow for inspection, maintenance, repair, renewal and replacement.  
  
Full right and liberty reserved unto the Government of Lesotho freely to exercise or have, or unto the Minister to grant to a statutory
8. corporation or parastatal organisation, the right freely to exercise or have a public servitude over the land for the purpose of providing and maintaining public utility services and more particularly for the purpose of erecting telephone or electric power poles, installing electric or telephone wires and cables, laying down drains, sewers or water pipes and maintaining the same.  
  
The interior and exterior of any building erected on the land and all building additions thereto and all other buildings at any time
9. erected or standing on the land and walls, drains and other appurtenances, shall be kept by the Lessee in good repair and tenantable condition to the satisfaction of the planning authority.  
  
No act, matter or thing, whatever, shall be done or permitted to be done upon the land or any part of such land which may cause or
10. lead to pollution of the environment or result in the creation of any hazard to the health of other persons, or become a nuisance or annoyance to or damage or in any way interfere with the peace and comfort of adjoining Lessees or the occupiers of adjoining or other land in the neighbourhood.
11. The Lessee shall not subdivide the land or part with the possession of any part thereof without the written prior approval of the planning authority.



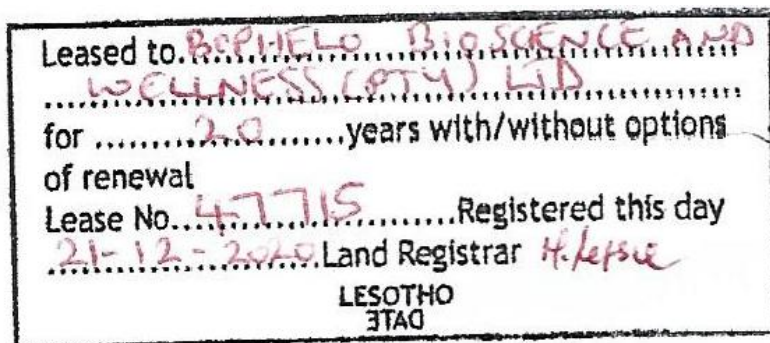
A Lessee shall, unless exempted under Section 77(1) or qualifies under Section 77(5), pay a prescribed annual ground rent in advance not later than the 31st day of March in each year provided that on execution of the lease, the Lessee shall pay any ground rent due for the period ending the 31st day of March which shall be calculated as follows:

- (i) where the lease begins to subsist on any day in the month of April in any calendar year, one whole year's rent;
- (ii) in any other case, one whole year's rent less one-twelfth thereof for each complete month of that rental year that has elapsed prior to the date of the grant.

Annual ground rent reserved in the lease shall be subject to revision every three (3) years of the term of the lease and consequent upon any revision, the amount shall be fair and reasonable having regard to general values and no account shall be taken of any improvements made by the Lessee to or on the land subsequent to the date of such revision.

Upon application by the Lessee made not later than 6 (six) months before expiry of the term of the lease the Lessee shall be entitled to the grant of a new lease of the land on terms set by the Director General provided the land or part thereof is not required for any public purpose.

Upon application by the Lessee made not later than 6 (six) months before expiry of the term of the lease the Lessee shall be entitled to the grant of a new lease of the land on terms set by the Director General provided the land or part thereof is not required for any public purpose.



**DATED: 29 September 2020**

**LOUISA MADIAKO MOJELA**  
**("the Lender")**

**AND**

**BOPHELO BIO SCIENCE & WELLNESS PTY LTD**  
**("the Borrower")**

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**LOAN AGREEMENT**

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1

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This loan agreement dated the 28<sup>th</sup> September 2020 is made between the following parties:

1. **Louisa Madiako Mojela**, an individual of legal age, holder of a South African Passport bearing the number M00181072 and residing at 2 & 3 West Road, South Estate, Farringdon street, Morningside, West Road South, Morningside 2146, South Africa (Lender) and
2. **Bophelo Bio Science and Wellness Pty Ltd**, a company incorporated and registered in the Kingdom of Lesotho with registration number 62924 whose registered office is at Ts'Akholo, Mafeteng 900, Lesotho (Borrower).

**Background**

The Lender has agreed to provide the Borrower with a short term facility in an aggregate amount of upto ZAR 2,000,000 (two million rands) which shall be provided either in one lumpsum amount or in parts in accordance with the terms of this agreement.

Now it is agreed as follows:

**1. Definitions & Interpretations**

- 1.1 The definitions and rules of interpretation in this clause apply in this agreement.

Business day	a day (other than Saturday or a Sunday) on which financial institutions are open for general business in South Africa and the Kingdom of Lesotho;
Loan	means the principal amount of the loan made or to be made by the lender to the borrower under this agreement or the principal amount outstanding for the time being of that loan;
Total Facility amount	means the maximum principal amount of the facility referred to in clause 2;
ZAR	means the lawful currency of South Africa.

- 1.2 Clauses, schedules and paragraph headings shall not affect the interpretation of this agreement.  
 A reference to this agreement (or any provision of it) or any other document shall be construed as a reference to this agreement, that provision or that document as it is in force for the time being and as amended, varied or supplemented from time to time in accordance with its terms or with the agreement of the relevant parties.
- 1.3

- 1.4 A reference to a person shall include a reference to an individual, firm, company, corporation, unincorporated body of persons, or any state or any agency of any person.

- A reference to a statute, statutory provision or subordinate legislation is a reference to it as it is in force for the time being,
- 1.5 taking into account of any amendment, extension or re-enactment and includes any former statute, statutory provision or subordinate legislation which it amends or re-enacts.
- 1.6 A reference to writing or written includes fax and email.
- 1.7 Unless the context otherwise requires, a reference to one gender shall include a reference to the other genders.
- 1.8 Unless the context otherwise requires, words in the singular include the plural and, in the plural, include the singular.
- 1.9 A reference to an amendment includes a novation, re-enactment, supplement or variation (and amended shall be construed accordingly).
- 1.10 A reference to the Borrower and the Lender shall include their respective successors, permitted transferees and permitted assigns.
- 1.11 A reference to continuing in relation to an Event of Default means an Event of Default which has not been remedied or waived.

## **2. The Facility**

The Lender grants to the Borrower a ZAR short term loan facility of a total principal amount not exceeding ZAR 2,000,000.00 (two million rands only) on the terms, and subject to the conditions, of this Agreement.

## **3. Drawing**

Subject to clause 7, the Borrower may utilise the Loan in a single amount on any Business Day during the term of the Loan or may utilize it in parts as and when faced with a cash crunch. To do this, the Borrower should provide the Lender with at least one (1) Business Day's prior notice of the date on which the Borrower intends to draw down the Loan, specifying the amount of the Loan, the Business Day on which it is to be made and the bank account to which payment is to be made. The amount of the Loan shall not exceed the Total Facility Amount.

## **4. Repayment**

The Borrower shall repay the loan in full within 30 days of the payment being received by the borrower including the interest for the period of the loan.

## **5. Interest**

The Lender shall charge interest at the prevailing bank interest rate in South Africa.

## **6. Entire Agreement**

Except as otherwise provided for in this Agreement, this Agreement constitutes the entire understanding of the rights and obligations of the Lender and the Borrower with respect to the subject matter hereof. This Agreement may not be modified or amended except by a written agreement signed by the parties.

## **7. Notices**

All notices required or permitted by this Agreement shall be in writing and delivered by hand or sent by prepaid post to:

Lender: Louisa Madiako Mojela  
Address: 2 & 3 West Road South Estate, Farringdon Street, Morningside, West Road, South Morning Side 2146, South Africa

Borrower: Bophelo Bio Science and Wellness Pty Ltd  
Address: Khoabane Mojela, Ha Mojela, Ts'Akholo, Mafeteng, Lesotho 900

or at such other address of which the addressee may from time to time have notified the addressor. A notice shall be deemed to have been sent and received on the day, if it is delivered by hand, or, if it is sent by prepaid post, at the expiration of 72 hours after the same was posted, or on the day on which transmission is confirmed, if sent by facsimile transmission. If such day is not a Business Day or if the notice is received after ordinary office hours (time of place of receipt), the notice shall be deemed to have been sent and received on the next Business Day. In proving service by post of any such notice it shall be sufficient to prove that the envelope containing the same was properly addressed stamped and posted.

## **8. Remedies, Waivers, Amendments & Consents**

- 8.1 Any amendment to this Agreement shall be in writing and signed by, or on behalf of, each party.
- 8.2 No waiver of any provision of this Agreement shall be binding unless it is in writing.  
No indulgence or forbearance by a party shall constitute a waiver of such party's right to insist on performance in full and in a
- 8.3 timely manner of all covenants in this Agreement. Waiver of any provision shall not be deemed to waive the same provision thereafter, or any other provision of this Agreement at any time.

## **9. Severance**

If any provision of this Agreement is invalid or unenforceable, such provision shall be severed and the remainder of this Agreement shall be unaffected thereby and shall continue to be valid and enforceable to the fullest extent permitted by law.

## **10. Assignment & Transfer**

Neither party may assign or transfer any of its rights or obligations under this Agreement without the prior written agreement of the other party.

## **11. Counterparts**

This Agreement may be executed in any number of counterparts, each of which is an original and which, together, have the same effect as if each party had signed the same document.

## **12. Governing Law and Jurisdiction**

This agreement and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by and construed in accordance with the laws of South Africa and is irrevocably agreed by the parties to this agreement.

This agreement has been entered into on the date stated at the beginning of it.

Executed by Louisa Madiako Mojela

/s/ [ILLEGIBLE]

Executed by

/s/ [ILLEGIBLE]

Director

On behalf of Bophelo Bio Science and Wellness Pty Ltd



Certain portions of this exhibit have been redacted in accordance with Item 601(a)(6) of Regulation S-K. This information is not material and disclosure of such information would constitute an unwarranted invasion of personal privacy. “[\*]” indicates that information has been redacted.

## AKANDA CORP.

### UP TO \$10,000,000 (or 4,000,000 SHARES) of COMMON SHARES

#### **Investor Package dated as of August 26, 2021**

This Investor Package (the “Investor Package”) contains the documents listed below in connection with an offering by Akanda Corp., a Province of Ontario, Canada corporation (“we” or the “Company”), of up to \$10,000,000, or 4,000,000 shares of the Company’s common shares (the “Shares”). The offering of the Shares is known as the “Offering.”

The Shares under this Offering will only be offered and sold to “accredited investors” (“Accredited Investors”), as that term is defined in Rule 501(a) of Regulation D promulgated by the Securities and Exchange Commission (the “SEC”) under the Securities Act of 1933, as amended (the “Securities Act”) or, as defined under applicable Canadian laws, pursuant to Section 4(a)(2) of the Securities Act, Rule 506(b) of Regulation D promulgated thereunder, Regulation S promulgated thereunder and applicable foreign or state laws. The price of the Shares has been determined by us and such price does not necessarily bear any relation to the book value or other recognized criteria of value of the Company.

The Offering will commence on the date of this Investor Package and continue until the earlier of the sale of all 4,000,000 Shares or September 30, 2021, unless extended by the Company in its sole discretion.

The Company was only recently incorporated, has not commenced commercial operations and has no assets other than cash. The Company expects to acquire all the issued and outstanding equity interests of Canmart Limited, Bophelo Bio Science and Wellness (Pty) Ltd., Bophelo Holdings Limited and Canahealth Limited from Halo Collective Inc. immediately prior to the closing of this Offering. See “The Proposed Acquisition” in the Business Summary of the Company on Exhibit B for more detailed information. The closing of the Offering will be subject to the completion of this acquisition.

Under our engagement letter with Boustead, originally entered into on June 17, 2021 (the “Engagement Letter”), Boustead has been engaged as our exclusive financial advisor for an initial 12 month term, which may be extended pursuant to the Engagement Letter, in connection with the Company’s intention to pursue corporate finance activities including private placements. The Shares are being offered in this Offering by Boustead Securities, LLC (“Boustead”) which will be paid a commission of 7% of the gross proceeds from the sale of Common Shares sold in the Offering and an additional non-accountable expense allowance of 1% of the gross proceeds from the sale of Common Shares in the Offering.

This Investor Package consists of (a) Subscription Agreement to be executed by the Company and each subscriber to the Shares, and an Investor Representation and Suitability Questionnaire to be completed by each subscriber to the Shares<sup>1</sup>, (b) Exhibit A – Terms of the Offering, (c) Exhibit B – Business Summary of the Company, (d) Exhibit C – Risk Factors to be considered by potential subscribers to the Shares, (e) Exhibit D – Company Investor Presentation, (f) Exhibit E – a Lock-Up Agreement to be executed by each subscriber to the Shares (collectively, the “Offering Documents”).

<sup>1</sup> Investors other than Canadian Investors shall complete the “Investor Representation and Suitability Questionnaire (for non-Canadian Subscribers)”. Canadian investors shall complete the “Investor Representation and Suitability Questionnaire (for Canadian Subscribers)”.

#### **SUBSCRIPTION PROCEDURE (FOR NON-CANADIAN SUBSCRIBERS):**

To subscribe to purchase the Shares, an investor must pay the applicable subscription price and email a duly executed Subscription Agreement and a completed and duly executed Investor Representation and Suitability Questionnaire to [offerings@boustead1828.com](mailto:offerings@boustead1828.com).

Alternatively, investors may mail or deliver a duly executed Subscription Agreement and a completed and duly executed Investor Representation and Suitability Questionnaire to:

Sutter Securities Clearing, LLC  
6 Venture, Suite 395  
Irvine, CA 92618

For: Akanda Corp.

The subscription price may be paid by wire transfer as follows:

Bank Name: [\*]  
Bank Address: [\*]  
SWIFT Code: [\*]  
Routing #: [\*]

Account Name: [\*]  
Account #: [\*]  
REF / Notes: Akanda Corp. – [Investor Name]

Subscription Agreement and Investor Representation and Suitability Questionnaire

Exhibit A - Term Sheet

Exhibit B - Business Summary

Exhibit C - Risk Factors

Exhibit D - Akanda Corp. Investor Presentation

Exhibit E - Lockup Agreement

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#### **SUBSCRIPTION PROCEDURE (FOR CANADIAN SUBSCRIBERS):**

(Attached under separate cover)

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#### **IMPORTANT INVESTOR NOTICES**

NO OFFERING LITERATURE OR ADVERTISEMENT IN ANY FORM MAY BE RELIED UPON IN THE OFFERING OF THE SHARES EXCEPT FOR THIS INVESTOR PACKAGE AND ANY EXHIBITS AND SUPPLEMENTS HERETO, AND NO PERSON HAS BEEN AUTHORIZED TO MAKE ANY REPRESENTATIONS EXCEPT THOSE CONTAINED HEREIN.

THIS INVESTOR PACKAGE IS CONFIDENTIAL AND THE CONTENTS HEREOF MAY NOT BE REPRODUCED, DISTRIBUTED OR DIVULGED BY OR TO ANY PERSONS OTHER THAN THE RECIPIENT OR ITS REPRESENTATIVE, ACCOUNTANT OR LEGAL COUNSEL, WITHOUT THE PRIOR WRITTEN CONSENT OF THE COMPANY. EACH PERSON WHO ACCEPTS DELIVERY OF THIS INVESTOR PACKAGE, ACKNOWLEDGES AND AGREES TO THE FOREGOING RESTRICTIONS.

THIS INVESTOR PACKAGE DOES NOT PURPORT TO BE ALL-INCLUSIVE OR TO CONTAIN ALL OF THE INFORMATION THAT YOU MAY DESIRE IN EVALUATING THE COMPANY, OR AN INVESTMENT IN THE OFFERING. THIS INVESTOR PACKAGE DOES NOT CONTAIN ALL OF THE INFORMATION THAT WOULD NORMALLY APPEAR IN A PROSPECTUS FOR AN OFFERING REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR CANADIAN SECURITIES LAWS. YOU MUST CONDUCT AND RELY ON YOUR OWN EVALUATION OF THE COMPANY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED, IN DECIDING WHETHER TO INVEST IN THE OFFERING.

THIS INVESTOR PACKAGE DOES NOT CONSTITUTE AN OFFER OR SOLICITATION OF AN OFFER TO ANY PERSON OR IN ANY JURISDICTION WHERE SUCH OFFER OR SOLICITATION IS UNLAWFUL OR NOT AUTHORIZED. EACH PERSON WHO ACCEPTS DELIVERY OF THIS INVESTOR PACKAGE AGREES TO DELETE OR OTHERWISE DESTROY IT AND ALL RELATED DOCUMENTS IF SUCH PERSON DOES NOT PURCHASE ANY OF THE SECURITIES DESCRIBED HEREIN.

NEITHER THE DELIVERY OF THIS INVESTOR PACKAGE AT ANY TIME NOR ANY SALE OF SECURITIES HEREUNDER SHALL IMPLY THAT INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO ITS DATE. THE COMPANY WILL EXTEND TO EACH PROSPECTIVE INVESTOR (AND TO ITS REPRESENTATIVE, ACCOUNTANT OR LEGAL COUNSEL, IF ANY) THE OPPORTUNITY, PRIOR TO ITS PURCHASE OF SECURITIES, TO ASK QUESTIONS OF AND RECEIVE ANSWERS FROM THE COMPANY CONCERNING THE OFFERING AND TO OBTAIN ADDITIONAL INFORMATION, TO THE EXTENT THE COMPANY POSSESSES THE SAME OR CAN ACQUIRE IT WITHOUT UNREASONABLE EFFORT OR EXPENSE, IN ORDER TO VERIFY THE ACCURACY OF THE INFORMATION SET FORTH HEREIN. ALL SUCH ADDITIONAL INFORMATION SHALL ONLY BE PROVIDED

IN WRITING AND IDENTIFIED AS SUCH BY THE COMPANY THROUGH ITS DULY AUTHORIZED OFFICERS AND/OR DIRECTORS ALONE; NO ORAL INFORMATION OR INFORMATION PROVIDED BY ANY BROKER OR THIRD PARTY MAY BE RELIED UPON.

NO REPRESENTATIONS, WARRANTIES OR ASSURANCES OF ANY KIND ARE MADE OR SHOULD BE INFERRED WITH RESPECT TO THE ECONOMIC RETURN, IF ANY, THAT MAY ACCRUE TO AN INVESTOR IN THE COMPANY. THIS INVESTOR PACKAGE CONTAINS FORWARD-LOOKING STATEMENTS REGARDING THE COMPANY'S PERFORMANCE, STRATEGY, PLANS, OBJECTIVES, EXPECTATIONS, BELIEFS AND INTENTIONS. THE OUTCOME OF THE EVENTS DESCRIBED IN THESE FORWARD-LOOKING STATEMENTS IS SUBJECT TO SUBSTANTIAL RISKS, AND ACTUAL RESULTS COULD DIFFER MATERIALLY.

THE OFFERING PRICE OF THE SECURITIES HAS BEEN DETERMINED ARBITRARILY. THE PRICE OF THE SECURITIES DOES NOT NECESSARILY BEAR ANY RELATIONSHIP TO THE ASSETS, EARNINGS OR BOOK VALUE OF THE COMPANY, OR TO POTENTIAL ASSETS, EARNINGS, OR BOOK VALUE OF THE COMPANY. THE PRICE OF COMMON SHARES MAY BE IMPACTED BY A LACK OF LIQUIDITY OR AVAILABILITY OF COMMON SHARES FOR PUBLIC SALE AND ALSO WILL NOT NECESSARILY BEAR ANY RELATIONSHIP TO THE ASSETS, EARNINGS, BOOK VALUE OR POTENTIAL PROSPECTS OF THE COMPANY OR APPLICABLE QUOTED OR TRADING PRICES THAT MAY EXIST FOLLOWING REGISTRATION OR THE LAPSE OF RESTRICTIONS ON THE SECURITIES SOLD PURSUANT TO THE OFFERING OR OTHER RESTRICTIONS. SUCH PRICES SHOULD NOT BE CONSIDERED ACCURATE INDICATORS OF FUTURE QUOTED OR TRADING PRICES THAT MAY SUBSEQUENTLY EXIST FOLLOWING THE OFFERING.

THIS OFFERING IS MADE AS A PRIVATE PLACEMENT PURSUANT TO APPLICABLE CANADIAN SECURITIES LAWS, SECTION 4(A)(2) OF THE SECURITIES ACT AND RULE 506(B) OF REGULATION D PROMULGATED THEREUNDER, AND ONLY TO PARTIES THAT ARE "ACCREDITED INVESTORS" AS DEFINED UNDER CANADIAN SECURITIES LAWS AND IN RULE 501(A) OF REGULATION D UNDER THE SECURITIES ACT, AS APPLICABLE. OUTSIDE THE UNITED STATES AND CANADA, THIS OFFERING IS ALSO MADE PURSUANT TO REGULATION S UNDER THE SECURITIES ACT ONLY TO PARTIES THAT ARE NOT "U.S. PERSONS" AS DEFINED IN SUCH REGULATION, AND PURSUANT TO EXEMPTIONS FROM APPLICABLE SECURITIES LAWS OF OTHER COUNTRIES (THE "FOREIGN SECURITIES LAWS").

THIS OFFERING IS MADE IN RELIANCE UPON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND FOREIGN SECURITIES LAWS AS DESCRIBED ABOVE. THE COMPANY WILL NOT BE OBLIGATED TO REGISTER THE SHARES UNDER THE SECURITIES ACT OR ANY FOREIGN SECURITIES LAWS IN THE FUTURE. ALL THE SHARES, WHETHER ACQUIRED WITHIN THE UNITED STATES OR OUTSIDE THE UNITED STATES, WILL BE "RESTRICTED SECURITIES" WITHIN THE MEANING OF RULE 144 UNDER THE SECURITIES ACT AND, THEREFORE, MAY NOT BE TRANSFERRED BY A HOLDER THEREOF WITHIN THE UNITED STATES OR TO A "U.S. PERSON" UNLESS SUCH TRANSFER IS MADE PURSUANT TO REGISTRATION UNDER THE SECURITIES ACT, PURSUANT TO AN EXEMPTION THEREFROM, OR IN A TRANSACTION OUTSIDE THE UNITED STATES PURSUANT TO THE RESALE PROVISIONS OF REGULATION S. MOREOVER, THE SHARES WILL BE SUBJECT TO LOCK-UP RESTRICTIONS SET FORTH IN THE OFFERING DOCUMENTS. HEDGING TRANSACTIONS INVOLVING THE SHARES MAY NOT BE CONDUCTED UNLESS IN COMPLIANCE WITH THE SECURITIES ACT. YOU MAY BE REQUIRED TO BEAR INDEFINITELY THE FINANCIAL RISKS OF ANY INVESTMENT YOU MAKE IN THE SHARES.

THIS OFFERING IS MADE ON A PRIVATE PLACEMENT BASIS IN CANADA AND THERE ARE RESTRICTIONS WITH RESPECT TO TRADING IN, AND THE RESTRICTED PERIOD OR STATUTORY HOLD PERIOD APPLICABLE TO THE SECURITIES IMPOSED BY CANADIAN SECURITIES LEGISLATION AND REGULATIONS OF, AND THE INSTRUMENTS, POLICIES, RULES, ORDERS, CODES, NOTICES AND INTERPRETATION NOTES OF THE CANADIAN SECURITIES REGULATORY AUTHORITIES IN EACH OF THE PROVINCES AND TERRITORIES OF CANADA, AS APPLICABLE.

THE COMPANY MAY REJECT ANY SUBSCRIPTION, IN WHOLE OR IN PART, IN ANY ORDER AND FOR ANY OR NO REASON, IN OUR SOLE DISCRETION. IN THE EVENT THAT THIS OFFERING IS OVER-SUBSCRIBED, THE COMPANY MAY REDUCE (OR REJECT) THE SUBSCRIPTIONS BASED ON EACH INVESTOR'S PRO RATA PARTICIPATION IN THIS OFFERING OR IN ANY OTHER MANNER THAT THE COMPANY TOGETHER WITH THE PLACEMENT AGENT MAY DETERMINE, OR THE COMPANY MAY INCREASE THE SIZE OF THE OFFERING.

THE SECURITIES OFFERED HEREBY HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SEC, ANY STATE SECURITIES COMMISSION OR ANY OTHER REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ACCURACY OR ADEQUACY OF THIS INVESTOR PACKAGE. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

PROSPECTIVE INVESTORS SHOULD NOT CONSTRUE THE CONTENTS OF THIS INVESTOR PACKAGE AS INVESTMENT, LEGAL, BUSINESS, OR TAX ADVICE. EACH INVESTOR SHOULD CONTACT HIS, HER OR ITS OWN ADVISORS REGARDING THE APPROPRIATENESS OF THIS INVESTMENT AND THE TAX CONSEQUENCES THEREOF, WHICH MAY DIFFER DEPENDING ON



THIS INVESTOR PACKAGE WAS PREPARED BY REPRESENTATIVES OF THE COMPANY. BOUSTEAD SECURITIES LLC, AND ITS OFFICERS, DIRECTORS, PARTNERS, SHAREHOLDERS, MANAGERS, MEMBERS AND EMPLOYEES, ACTING AS PLACEMENT AGENT, EXPRESSLY DISCLAIM ANY REPRESENTATION OR WARRANTY REGARDING INVOLVEMENT IN OR RESPONSIBILITY FOR ANY INFORMATION OR FORWARD-LOOKING STATEMENTS CONTAINED IN THIS MEMORANDUM. BOUSTEAD IS ACTING AS PLACEMENT AGENT FOR THE COMPANY, AND, IN THAT CAPACITY, IS NOT ACTING AS INVESTMENT ADVISOR TO PROSPECTIVE INVESTORS IN CONNECTION WITH THE SECURITIES BEING OFFERED IN THIS MEMORANDUM. PROSPECTIVE INVESTORS MUST MAKE THEIR OWN INVESTMENT DECISIONS. IN MAKING THOSE DECISIONS, PROSPECTIVE INVESTORS SHOULD BE AWARE THAT BOUSTEAD WILL RECEIVE A PLACEMENT FEE AND OTHER COMPENSATION AS DESCRIBED ELSEWHERE IN THIS INVESTOR PACKAGE.

### **CONFIDENTIALITY**

By accepting delivery of this Investor Package, you acknowledge and agree that all of the information contained herein is of a confidential nature and that this Investor Package has been furnished to you for the sole purpose of enabling you to consider and evaluate an investment in the Shares. You agree that you will treat such information in a confidential manner, will not use such information for any purpose other than evaluating an investment in the Shares, and will not, directly or indirectly, disclose or permit your agents, representatives or affiliates to disclose any of such information without the prior written consent of the Company.

You also agree to make your agents, affiliates and representatives aware of the confidential nature of the information contained herein and the terms of this paragraph including your agreement to not disclose such information and to be responsible for any disclosure or other improper use of such information by such agents, affiliates or representatives. Likewise, without the prior written consent of the Company, you agree that you will not, directly or indirectly, make any statements, public announcements, or other release or provision of information in any form to any trade publication, to the press or to any other person or entity whose primary business is or includes the publication or dissemination of information related to the subject matter of this Investor Package. If you decide not to pursue further investigation or evaluation of the Company or to not participate in the Offering, you agree to promptly delete or otherwise destroy this Investor Package and any accompanying documentation (and all copies thereof).

**THE SECURITIES TO BE ISSUED PURSUANT TO THIS AGREEMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED ("SECURITIES ACT"), OR ANY OTHER APPLICABLE STATE SECURITIES LAWS AND MAY NOT BE OFFERED OR SOLD UNLESS REGISTERED THEREUNDER OR UNLESS AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE.**

**THE SECURITIES TO BE ISSUED PURSUANT TO THIS AGREEMENT HAVE NOT BEEN QUALIFIED BY A PROSPECTUS IN CANADA AND THERE ARE RESTRICTIONS WITH RESPECT TO TRADING IN, AND THE RESTRICTED PERIOD OR STATUTORY HOLD PERIOD APPLICABLE TO THE SECURITIES IMPOSED BY CANADIAN SECURITIES LEGISLATION AND REGULATIONS OF, AND THE INSTRUMENTS, POLICIES, RULES, ORDERS, CODES, NOTICES AND INTERPRETATION NOTES OF THE CANADIAN SECURITIES REGULATORY AUTHORITIES IN EACH OF THE PROVINCES AND TERRITORIES OF CANADA, AS APPLICABLE.**

### **SUBSCRIPTION AGREEMENT**

Akanda Corp.  
77 King Street West, Suite 400  
Toronto-Dominion Centre  
Toronto, Ontario M5K 0A1  
Ladies and Gentlemen:

**Subscription.** I (sometimes referred to herein as the "Investor" or "Subscriber") hereby subscribe for and agree to purchase the Securities (as defined below) for the purchase price (the "Purchase Price") set forth on the signature page hereto of Akanda Corp., a Province of Ontario, Canada corporation (the "Company"), on the terms and conditions described herein and in Exhibits A, B, C, D and E hereto (collectively, the "Offering Documents"). Terms not defined herein are as defined in the Offering Documents. The Company seeks to raise a minimum of \$5,000,000 or, 2,000,000 shares (the "Minimum Offering Amount") and maximum of \$10,000,000 or 4,000,000 shares (the "Maximum Offering").

Amount”) in this Offering. The minimum amount of investment required from any one subscriber to participate in this Offering is \$50,000 or 20,000 shares, subject to the Company’s discretion to access a smaller amount. All references to \$ means United States dollars.

**1. Description of Securities; Description of Company and Risk Factors; Lock-Up.**

- a. Description of Securities. The Company is offering (the “Offering”) to the Investor common shares of the Company (“Shares” or “Securities”) at a purchase price of \$2.50 per share. For a more detailed description of the Securities see the Term Sheet attached as Exhibit A.
- b. Risks Related to the Investment in the Securities. Investing in the Securities involves a high degree of risk. Before investing, Investors should carefully consider the description of our business and the risks related to our business, as set forth in Exhibits B and C and the investor deck set forth in Exhibit D, together with the other information contained in Offering Documents.
- c. Lock-Up. In connection with this Offering, the Investor agrees to enter into the Lock-up Agreement attached as Exhibit E (the “Lock-up Agreement”) and be subject to the transfer restrictions set forth therein.

**2. Purchase.**

- a. I hereby agree to tender to Sutter Securities Clearing, LLC (the “Escrow Agent”), by certified check or wire transfer of immediately available funds (to the bank account and related wire instructions set forth on page 2 of this Investor Package) made payable to “Akanda Corp.” for such number of Shares indicated on the signature page hereto, an executed copy of this Subscription Agreement, an executed copy of my Investor Representation and Suitability Questionnaire<sup>2</sup> (“Investor Questionnaire”) attached hereto and an executed copy of the Lock-up Agreement. Funds will be held in escrow, as set forth in more detail below (the “Escrow Account”), pending the Initial Closing.

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- b. This Offering will continue until the earlier of (a) the sale of 4,000,000 Shares for \$10,000,000 of gross proceeds of the Maximum Offering Amount or (b) September 30, 2021, subject to extension or early termination by mutual agreement of the Company and the Placement Agent (either, the “Termination Date”). Upon the earlier of a Closing (defined below) on my subscription or completion of the Offering, I will be notified promptly by the Company as to whether my subscription has been accepted by the Company.

**3. Acceptance or Rejection of Subscription.**

- a. I understand and agree that the Company reserves the right to reject this subscription for the Securities, in whole or in part, for any reason and at any time prior to the Closing (defined below) of my subscription.
- b. In the event the Company rejects this subscription, my subscription payment will be promptly returned to me without interest or deduction and this Subscription Agreement shall be of no force or effect. In the event my subscription is accepted and the Offering is completed, the subscription funds submitted by me shall be released to the Company.

**4. Closing.** The closing (“Closing”) of this Offering may occur at any time and from time to time on or before the Termination Date. The Company must achieve the Minimum Offering Amount and complete the proposed Acquisition described under “The Proposed Acquisition” in the Business Summary of the Company on Exhibit B (the “Acquisition”) prior to conducting an initial Closing (the “Initial Closing”). Upon receipt of the Minimum Offering Amount, an Initial Closing will be held and all funds will be released from the Escrow Account and paid to the Company, less professional fees and compensation paid to the Placement Agent and syndicate members. Thereafter additional Closings will be held as funds are received up to the earlier to occur of receipt of the \$10,000,000 Maximum Offering Amount or the Termination Date. Pending receipt of the Minimum Offering Amount, all subscriptions will be placed in escrow with the Escrow Agent. If, for any reason, the Minimum Offering Amount of subscriptions are not received by the Termination Date, all escrowed funds will be returned to subscribers, without interest or deduction. The Securities subscribed for herein shall not be deemed issued to or owned by me until one copy of this Subscription Agreement has been executed by me and countersigned by the Company and the Closing with respect to such Securities has occurred.

**5. Disclosure.** The Shares under this Offering will only be offered and sold to “accredited investors”, as that term is defined in Rule 501(a) of Regulation D promulgated by the Securities and Exchange Commission (the “SEC”) under the Securities Act of 1933, as amended (the “Securities Act”), or as defined under applicable Canadian law, and pursuant to Section 4(a)(2) of the Securities Act, Rule 506(b) of Regulation D promulgated thereunder, Regulation S promulgated thereunder and applicable foreign or state laws. The Securities are being sold without registration under the Securities Act or qualification by a prospectus under Canadian Securities Laws (as defined below). I acknowledge receipt of the Offering Documents and represent that I have carefully reviewed and understand the Offering Documents, including all exhibits

attached hereto. I have received all information and materials regarding the Company that I have requested. I fully understand that each of the Company and the subsidiaries it contemplates acquiring under the Acquisition has a limited financial and operating history and that the Securities are speculative investments which involve a high degree of risk, including the potential loss of my entire investment. I fully understand the nature of the risks involved in purchasing the Securities and I am qualified to make such investment based on my knowledge of and experience in investing in securities of this type. I have carefully considered the potential risks relating to the Company and purchase of its Securities and have, in particular, reviewed each of the risks set forth in the Offering Documents including the those discussed on Exhibit C. Both my advisors and I have had the opportunity to ask questions of and receive answers from representatives of the Company or persons acting on its behalf concerning the Company and the terms and conditions of a proposed investment in the Company and my advisors and I have also had the opportunity to obtain additional information necessary to verify the accuracy of information furnished about the Company. Accordingly, I have independently evaluated the risks of purchasing the Securities.

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<sup>2</sup> Investors other than Canadian Investors shall complete the “Investor Representation and Suitability Questionnaire (for non-Canadian Subscribers)”. Canadian investors shall complete the “Investor Representation and Suitability Questionnaire (for Canadian Subscribers)”.

6. **Investor Representations and Warranties.** I acknowledge, represent and warrant to, and agree with, the Company as follows:

- a. I am aware that my investment involves a high degree of risk as disclosed in the Offering Documents and have read carefully the Offering Documents, and I understand that by signing this Subscription Agreement I am agreeing to be bound by all of the terms and conditions of the Offering Documents.
- b. I acknowledge and am aware that there is no assurance as to the future performance of the Company.
- c. I acknowledge that there may be certain adverse tax consequences to me in connection with my purchase of Securities, and the Company has advised me to seek the advice of experts in such areas prior to making this investment.
- d. I am purchasing the Securities for my own account for investment purposes only and not with a view to or for sale in connection with the distribution of the Securities, nor with any present intention of selling or otherwise disposing of all or any part of the foregoing securities. I agree that I must bear the entire economic risk of my investment for an indefinite period of time because, among other reasons, the Securities have not been registered under the Securities Act or under the securities laws of any state and, therefore, cannot be resold, pledged, assigned or otherwise disposed of unless they are subsequently registered under the Securities Act and under applicable securities laws of certain states or an exemption from such registration is available. I hereby authorize the Company to place a restrictive legend on the Securities that are issued to me.
- e. I recognize that the Securities, as an investment, involve a high degree of risk including, but not limited to, the risk of economic losses from operations of the Company and the total loss of my investment. I believe that the investment in the Securities is suitable for me based upon my investment objectives and financial needs, and I have adequate means for providing for my current financial needs and contingencies and have no need for liquidity with respect to my investment in the Company.
- f. I have been given access to full and complete information regarding the Company and have utilized such access to my satisfaction for the purpose of obtaining information in addition to, or verifying information included in, the Offering Documents, and I have either met with or been given reasonable opportunity to meet with officers of the Company for the purpose of asking questions of, and receiving answers from, such officers concerning the terms and conditions of the offering of the Securities and the business and operations of the Company and to obtain any additional information, to the extent reasonably available.
- g. I have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in the Securities and have obtained, in my judgment, sufficient information from the Company to evaluate the merits and risks of an investment in the Company. I have not utilized any person as my purchaser representative as defined in Regulation D under the Securities Act in connection with evaluating such merits and risks.
- h. I have relied solely upon my own investigation in making a decision to invest in the Company.

- i. I have received no representation or warranty from the Company or any of its officers, directors, employees or agents in respect of my investment in the Company and I have received no information (written or otherwise) from them relating to the Company or its business other than as set forth in the Offering Documents. I am not participating in the offer as a result of or subsequent to: (i) any advertisement, article, notice or other communication published in any newspaper, magazine or similar media or broadcast over television or radio or (ii) any seminar or meeting whose attendees have been invited by any general solicitation or general advertising.
- j. I have had full opportunity to ask questions and to receive satisfactory answers concerning the offering and other matters pertaining to my investment and all such questions have been answered to my full satisfaction.
- k. I have been provided an opportunity to obtain any additional information concerning the offering and the Company and all other information to the extent the Company possesses such information or can acquire it without unreasonable effort or expense.
- l. I am an “accredited investor” as defined in Section 2(15) of the Securities Act and in Rule 501(a) promulgated thereunder or under applicable Canadian law and have attached the applicable completed Investor Questionnaire to indicate my “accredited investor” status. I can bear the entire economic risk of the investment in the Securities for an indefinite period of time and I am knowledgeable about and experienced in making investments in the equity securities of non-publicly traded companies, including early stage companies. I am not acting as an underwriter or a conduit for sale to the public or to others of unregistered securities, directly or indirectly, on behalf of the Company or any person with respect to such securities.
- m. I understand that (1) the Securities have not been registered under the Securities Act, or the securities laws of certain states, in reliance on specific exemptions from registration, (2) no securities administrator of any state or the federal government has recommended or endorsed this offering or made any finding or determination relating to the fairness of an investment in the Company, and (3) the Company is relying on my representations and agreements for the purpose of determining whether this transaction meets the requirements of certain exemptions from registration afforded by the Securities Act and certain state securities laws.
- n. I understand that the sale of the Securities by the Company to me is conditional upon such sale being exempt from the requirements as to the filing of a prospectus and as to the preparation of an offering memorandum or similar document prescribed in any statute, regulation, instrument, rule or policy applicable to the sale of the Securities in any jurisdiction where the Securities are offered or upon the issue of such orders, consents or approvals as may be required to permit such sale without the requirement of filing a prospectus or delivering an offering memorandum or similar document.
- o. I understand that since neither the offer nor sale of the Securities has been registered under the Securities Act or the securities laws of any state, the Securities may not be sold, assigned, pledged or otherwise disposed of unless they are so registered or an exemption from such registration is available.
- p. I have had the opportunity to seek independent advice from my professional advisors relating to the suitability of an investment in the Company in view of my overall financial needs and with respect to the legal and tax implications of such investment.
- q. If the Investor is a corporation, company, trust, employee benefit plan, individual retirement account, Keogh Plan, or other tax-exempt entity, it is authorized and qualified to become an Investor in the Company and the person signing this Subscription Agreement on behalf of such entity has been duly authorized by such entity to do so.

- r. To the extent the undersigned Subscriber is not a “U.S. Person,” as such term is defined in Rule 902(k) of Regulation S, the undersigned has initialed the following representation (please initial below if applicable) and made the following representations below:

\_\_\_\_\_ The undersigned Subscriber is not a “U.S. Person,” as such term is defined in Rule 902(k) of Regulation S.<sup>3</sup>

- i. The undersigned is not acquiring the Securities for the account or benefit of a U.S. Person.
- ii. If the undersigned is a legal entity, it has not been formed specifically for the purpose of investing in the Company.

- The undersigned hereby represents that he, she or it has satisfied and fully observed the laws of the jurisdiction in which he, she or it is located or domiciled, in connection with the acquisition of the Securities, including (i) the legal requirements of the undersigned's jurisdiction for the acquisition of the Securities, (ii) any foreign exchange restrictions applicable to such acquisition, (iii) any governmental or other consents that may need to be obtained, and (iv) the income tax and other tax consequences, if any, which may be relevant to the holding, redemption, sale, or transfer of the Securities; and further, the undersigned agrees to continue to comply with such laws as long as he, she or it shall hold the Securities.
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<sup>3</sup> Regulation S provides in part as follows:

1. "U.S. person" means: (i) any natural person resident in the United States; (ii) any partnership or corporation organized or incorporated under the laws of the United States; (iii) any estate of which any executor or administrator is a U.S. person; (iv) any trust of which any trustee is a U.S. person; (v) any agency or branch of a foreign entity located in the United States; (vi) any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. person; (vii) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organized, incorporated, or (if an individual) resident in the United States; and (viii) any partnership or corporation if: (A) organized or incorporated under the laws of any foreign jurisdiction; and (B) formed by a U.S. person principally for the purpose of investing in securities not registered under the Securities Act of 1933, as amended, unless it is organized or incorporated, and owned, by accredited investors (as defined in Rule 501(a)) who are not natural persons, estates or trusts.

2. The following are not "U.S. persons": (i) any discretionary account or similar account (other than an estate or trust) held for the benefit or account of a non-U.S. person by a dealer or other professional fiduciary organized, incorporated, or (if an individual) resident in the United States; (ii) any estate of which any professional fiduciary acting as executor or administrator is a U.S. person if: (A) an executor or administrator of the estate who is not a U.S. person has sole or shared investment discretion with respect to the assets of the estate; and (B) the estate is governed by foreign law; (iii) any trust of which any professional fiduciary acting as trustee is a U.S. person, if a trustee who is not a U.S. person has sole or shared investment discretion with respect to the trust assets, and no beneficiary of the trust (and no settlor if the trust is revocable) is a U.S. person; (iv) an employee benefit plan established and administered in accordance with the law of a country other than the United States and customary practices and documentation of such country; (v) any agency or branch of a U.S. person located outside the United States if: (A) the agency or branch operates for valid business reasons; and (B) the agency or branch is engaged in the business of insurance or banking and is subject to substantive insurance or banking regulation, respectively, in the jurisdiction where located; and (vi) the International Monetary Fund, the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the United Nations, and their agencies, affiliates and pension plans, and any other similar international organizations, their agencies, affiliates and pension plans.

- iv. To the knowledge of the undersigned, without having made any independent investigation, neither the Company nor any person acting for the Company, has conducted any "directed selling efforts" in the United States as the term "directed selling efforts" is defined in Rule 902 of Regulation S, which, in general, means any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the marketing in the United States for any of the Securities being offered. Such activity includes, without limitation, the mailing of printed material to investors residing in the United States, the holding of promotional seminars in the United States, and the placement of advertisements with radio or television stations broadcasting in the United States or in publications with a general circulation in the United States, which discuss the offering of the Securities. To the knowledge of the undersigned, the Securities were not offered to the undersigned through, and the undersigned is not aware of, any form of general solicitation or general advertising, including without limitation, (i) any advertisement, article, notice or other communication published in any newspaper, magazine or similar media or broadcast over television or radio, and (ii) any seminar or meeting whose attendees have been invited by any general solicitation or general advertising.

- v. The undersigned will offer, sell or otherwise transfer the Securities, only (A) pursuant to a registration statement that has been declared effective under the Securities Act, (B) pursuant to offers and sales that occur outside the United States within the meaning of Regulation S in a transaction meeting the requirements of Rule 904 (or other applicable Rule) under the Securities Act, or (C) pursuant to another available exemption from the registration requirements of the Securities Act, subject to the Company's right prior to any offer, sale or transfer pursuant to clauses (B) or (C) to require the delivery of an opinion of counsel, certificates or other information reasonably satisfactory to the Company for the purpose of determining the availability of an exemption.

- vi. The undersigned will not engage in hedging transactions involving the Securities unless such transactions are in compliance with the Securities Act.

The undersigned represents and warrants that the undersigned is not a citizen of the United States and is not, and has no present intention of becoming, a resident of the United States (defined as being any natural person physically present within the United States for at least 183 days in a 12-month consecutive

- vii. period or any entity who maintained an office in the United States at any time during a 12-month consecutive period). The undersigned understands that the Company may rely upon the representations and warranty of this paragraph as a basis for an exemption from registration of the Securities under the Securities Act of 1933, as amended, and the provisions of relevant state securities laws.

- s. I, or others for whom I am contracting hereunder, am aware that the Company is not now a “reporting issuer” under Canadian Securities Laws and there is no guarantee that it will become a reporting issuer in the future and have been independently advised as to or am aware of the restrictions with respect to trading in, and the restricted period or statutory hold period applicable to the Securities imposed by securities legislation in Canada and the regulations of, and the instruments, policies, rules, orders, codes, notices and interpretation notes of the Canadian securities regulatory authorities in each of the provinces and territories of Canada, as applicable (collectively the “Canadian Securities Laws”), that a suitable legend or legends will be placed on the certificates representing the Securities to reflect the applicable restricted period and hold period to which the Securities are subject, and I, or others for whom I am contracting hereunder, are solely responsible (and the Company is in no way responsible) for compliance with applicable resale restrictions.

- t. I acknowledge and agree that the certificates representing the Securities may bear the following legend:

“UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE THE DATE THAT IS 4 MONTHS AND A DAY AFTER THE LATER OF (i) [DATE OF DISTRIBUTION], AND (ii) THE DATE THE ISSUER BECAME A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY.”

- u. I, or others for whom I am contracting hereunder, am basing my investment decision solely on the Offering Documents and other publicly available information concerning the Company and not on any other information concerning the Company.

- v. I, or others for whom I am contracting hereunder, acknowledge that the Company is a private company and does not have any of its securities listed on a stock exchange, and there is no assurance that its securities will ever become publicly listed and that there is currently no market for the Securities and no market may ever develop.

- w. I, or others for whom I am contracting hereunder, acknowledge that as a consequence of the sale being exempt from the prospectus requirements of Canadian Securities Laws: (A) certain protections, rights and remedies provided by Canadian Securities Laws, including statutory rights of rescission and certain statutory remedies against an issuer, underwriters, auditors, directors and officers that are available to investors who acquire securities offered by a prospectus, will not be available to me, or, if applicable, others for whom I am contracting hereunder; (B) the common law may not provide investors with an adequate remedy in the event that they suffer investment losses in connection with securities acquired in a private placement; (C) I, or, if applicable, others for whom I am contracting hereunder, may not receive information that would otherwise be required to be given under Canadian Securities Laws; and (D) the Company is relieved from certain obligations that would otherwise apply under Canadian Securities Laws.

- x. I, or others for whom I am contracting hereunder, represent and warrant that no person has made any written or oral representation: (A) that any person will resell or repurchase any of the Securities; (B) that any person will refund the purchase price for the Securities; or (C) as to the future price or value of the Securities.

- y. I, or others for whom I am contracting hereunder, acknowledge that there is no government or other insurance covering the Securities.



- I, or others for whom I am contracting hereunder, represent and warrant that the funds representing the aggregate purchase price in respect of the Securities which will be advanced by me or on my behalf to the Company hereunder will not represent proceeds of crime for the purposes of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada)* (for the purposes of this paragraph the “PCMLTFA”) and I acknowledge that the Company may in the future be required by law to disclose my name and other information relating to this Agreement and the subscription hereunder, on a confidential basis, pursuant to the PCMLTFA. (a) None of the subscription funds provided by me: (i) have been or will be derived directly or indirectly from or related to any activity that is deemed criminal under the laws of Canada, the United States of America, or any other jurisdiction; or (ii) are being tendered on behalf of a person or entity who has not been identified to me; and (b) I will promptly notify the Company if I discover that any of such representations cease to be true, and to provide the Company with appropriate information in connection therewith.
- z. I, and, if applicable, others for whom I am contracting hereunder, acknowledge that we have not received, nor have we requested nor had any need to receive, or been provided with a prospectus, offering memorandum (within the meaning of Canadian Securities Laws) or any document purporting to describe the business and affairs of the Company which has been prepared for review by prospective purchasers to assist in making an investment decision in respect of the Securities, other than the Offering Documents and that my decision, or, if applicable, the decision of others for whom I am contracting hereunder, to enter into this Agreement and to purchase the Securities from the Company is based entirely upon the Offering Documents and not upon any other verbal or written representation as to fact or otherwise made by or on behalf of the Company.
- aa. I agree not to sell the Securities except in accordance with any applicable Canadian resale restrictions.
- bb. If required by applicable securities laws or stock exchange rules, I will execute, deliver and file or assist the Company in obtaining and filing such reports, undertakings and other documents relating to the purchase of the Securities as may be required by applicable securities law, any securities commission, stock exchange or other regulatory authority.
- cc. I acknowledge that I have consented to and requested that all documents evidencing or relating in any way to the sale of the Securities be drawn up in the English language only. *Le souscripteur reconnaît par les présentes avoir consenti et exigé que tous les documents faisant foi ou se rapportant de quelque manière à la vente des bons de unités soient rédigés en anglais seulement.*
- dd. The information contained in my Investor Questionnaire, as well as any information which I have furnished to the Company with respect to my financial position and business experience, is correct and complete as of the date of this Subscription Agreement and, if there should be any material change in such information prior to the Closing of the offering, I will furnish such revised or corrected information to the Company. I hereby acknowledge and am aware that except for any rescission rights that may be provided under applicable laws, I am not entitled to cancel, terminate or revoke this subscription and any agreements made in connection herewith shall survive my death or disability.
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7. **Placement Agent.** The Company has engaged Boustead Securities LLC, a broker-dealer licensed with FINRA (the “Placement Agent”), as placement agent for the Offering on a reasonable best efforts basis. The Company anticipates that the Placement Agent and its sub-agents or syndicate members will be paid at each Closing from the proceeds in the Escrow Account, fees including and not to exceed: a cash commission of seven percent (7%) of the gross Purchase Price paid by subscribers in the Offering; and a non-accountable expense allowance of one percent (1%) of the gross Purchase Price paid by subscribers in the Offering. Any sub-agent or syndicate member of the Placement Agent that introduces investors to the Offering will be entitled to share in the cash fees attributable to those investors as described above, pursuant to the terms of an executed sub-agent, finder or selected dealer agreement). The Company will also pay certain expenses of the Placement Agent.

8. **Representations and Warranties of the Company.** The Company hereby represents and warrants to the Subscriber, as of the date hereof and on each Closing Date, (it being understood that these representations and warranties are given as of immediately following the closing of the Acquisition such that they are made with respect to the Company and each of the entities acquired directly and indirectly through the Acquisition), the following:

- a. **Organization and Qualification.** The Company and each of its subsidiaries is a corporation or other business entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation, and has the requisite corporate power to own its properties and to carry on its business as now being conducted. The Company and each of its subsidiaries is duly qualified as a foreign corporation to do business and is in good standing in every jurisdiction in which the nature of the business conducted by it makes such qualification necessary, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the assets, business, financial condition, results of operations or future prospects of the Company and its subsidiaries taken as a whole (a “Material Adverse Effect”).

b. Authorization, Enforcement, Compliance with Other Instruments. (i) The Company has the requisite corporate power and authority to enter into and perform its obligations under this Agreement, and each of the other agreements and documents that are exhibits hereto or thereto or are contemplated hereby or thereby or necessary or desirable to effect the transactions contemplated hereby or thereby (the “Transaction Documents”) and to issue the Securities in accordance with the terms hereof, (ii) the execution and delivery by the Company of each of the Transaction Documents and the consummation by it of the transactions contemplated hereby and thereby, including, without limitation, the issuance of the Securities have been, or will be at the time of execution of such Transaction Document, duly authorized by the Company’s Board of Directors, and no further consent or authorization is, or will be at the time of execution of such Transaction Document, required by the Company, its respective Board of Directors or its shareholders, (iii) each of the Transaction Documents will be duly executed and delivered by the Company, (iv) the Transaction Documents when executed and delivered by the Company and each other party thereto will constitute the valid and binding obligations of the Company enforceable against the Company in accordance with their terms, except as such enforceability may be limited by general principles of equity or applicable bankruptcy, insolvency, reorganization, moratorium, liquidation or similar laws relating to, or affecting generally, the enforcement of creditors’ rights and remedies.

c. Capitalization. The authorized capital stock of the Company consists of an unlimited number of common shares and preferred shares. Immediately prior to the Initial Closing, the Company will have no more than 20,137,740 common shares outstanding on a “fully diluted” basis, and no preferred shares issued and outstanding. Such “fully diluted” shares outstanding will not include the Company’s right at any time, upon the approval of its Board of Directors or the compensation committee thereof, to award stock options and/or restricted share unit awards to qualified participants pursuant to the terms of the Company’s Employee Stock Option Plan. All of the outstanding shares of capital stock or other equity interests of each of the Company’s subsidiaries have been or will be, as of the Initial Closing, duly authorized, validly issued and are fully paid and nonassessable. (i) No shares of capital stock or other equity interests of the Company or any of its subsidiaries will be subject to preemptive rights or any other similar rights or any liens or encumbrances suffered or permitted by the Company; (ii) there will be no agreements or arrangements under which the Company or any of its subsidiaries is obligated to register the sale of any of their securities under the Securities Act, and (iii) there are no securities or instruments of the Company or any of its subsidiaries containing anti-dilution or similar provisions, including the right to adjust the exercise, exchange or reset price under such securities, that will be triggered by the issuance of the Securities as described in this Agreement. Upon request, the Company will make available to the Subscriber true and correct copies of the Company’s articles of incorporation, and as in effect on the date hereof (the “Articles of Incorporation”), and the Company’s by-laws, as in effect on the date hereof (the “By-laws”), and the terms of all securities exercisable for common shares and the material rights of the holders thereof in respect thereto other than stock options issued to officers, directors, employees and consultants.

d. Subsidiaries. Upon the completion of the contemplated Acquisition and prior to the Initial Closing, the Company will own, directly or indirectly, 100% of Canmart Limited, Bophelo Bio Science and Wellness (Pty) Ltd., Bophelo Holdings Limited and Cannahealth Limited. The Company will have no other direct or indirect subsidiaries as of each Closing.

e. Issuance of Securities. The Securities are duly authorized and, upon issuance in accordance with the terms hereof, shall be duly issued, fully paid and nonassessable, and are free and clear of all taxes, liens and charges with respect to the issue thereof.

f. No Conflicts. The execution, delivery and performance of each of the Transaction Documents by the Company, and the consummation by the Company of the transactions contemplated hereby and thereby will not (i) result in a violation of the Articles of Incorporation or the By-laws (or equivalent constitutive document) of the Company or any of its subsidiaries or (ii) violate or conflict with, or result in a breach of any provision of, or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture or instrument to which the Company or any subsidiary is a party, except for those which would not reasonably be expected to have a Material Adverse Effect, or (iii) result in a violation of any law, rule, regulation, order, judgment or decree (including U.S. federal and state securities laws and regulations) applicable to the Company or any subsidiary or by which any property or asset of the Company or any subsidiary is bound or affected except for those which could not reasonably be expected to have a Material Adverse Effect. Except those which could not reasonably be expected to have a Material Adverse Effect, neither the Company nor any subsidiary is in violation of any term of or in default under its constitutive documents. Except those which could not reasonably be expected to have a Material Adverse Effect, neither the Company nor any subsidiary is in violation of any term of or in default under any material contract, agreement, mortgage, indebtedness, indenture, instrument, judgment, decree or order or any statute, rule or regulation applicable to the Company or any subsidiary. The business of the Company and its subsidiaries is not being conducted, and shall not be conducted in violation of any law, ordinance, or regulation of any governmental entity, except for any violation which could not



reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect. Except as specifically contemplated by this Agreement and as required under the Securities Act, Canadian Securities Laws and any applicable state or foreign securities laws, neither the Company nor any of its subsidiaries is required to obtain any consent, authorization or order of, or make any filing or registration with, any court or governmental agency in order for it to execute, deliver or perform any of its obligations under or contemplated by this Agreement or the other Transaction Documents in accordance with the terms hereof or thereof. Neither the execution and delivery by the Company of the Transaction Documents, nor the consummation by the Company of the transactions contemplated hereby or thereby, will require any notice, consent or waiver under any contract or instrument to which the Company or any subsidiary is a party or by which the Company or any subsidiary is bound or to which any of their assets is subject, except for any notice, consent or waiver the absence of which would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect and would not adversely affect the consummation of the transactions contemplated hereby or thereby. All consents, authorizations, orders, filings and registrations which the Company or any of its subsidiaries is required to obtain pursuant to the preceding two sentences have been or will be obtained or effected on or prior to the Closing.

g. Absence of Litigation. There is no action, suit, claim, inquiry, notice of violation, proceeding (including any partial proceeding such as a deposition) or investigation before or by any court, public board, governmental or administrative agency, self-regulatory organization, arbitrator, regulatory authority, stock market, stock exchange or trading facility (an “Action”) now pending or, to the knowledge of the Company, threatened, against or affecting the Company or any of its subsidiaries, wherein an unfavorable decision, ruling or finding would (i) adversely affect the validity or enforceability of, or the authority or ability of the Company to perform its obligations under this Agreement or any of the other Transaction Documents, or (ii) have a Material Adverse Effect.

h. Acknowledgment Regarding Subscriber’s Purchase of the Securities. The Company acknowledges and agrees that each Subscriber is acting solely in the capacity of an arm’s length purchaser with respect to the Transaction Documents and the transactions contemplated hereby and thereby. The Company further acknowledges that each Subscriber is not acting as a financial advisor or fiduciary of the Company (or in any similar capacity) with respect to the Transaction Documents and the transactions contemplated hereby and thereby and any advice given by such Subscriber or any of their respective representatives or agents in connection with the Transaction Documents and the transactions contemplated hereby and thereby is merely incidental to such Subscriber’s purchase of the Securities.

i. No General Solicitation. Neither the Company, nor any of its “affiliates” (as defined in Rule 144 under the Securities Act), nor, to the knowledge of the Company, any person acting on its or their behalf, has engaged in any form of general solicitation or general advertising (within the meaning of Regulation D) in connection with the offer or sale of the Securities.

j. No Integrated Offering. Neither the Company, nor any of its affiliates, nor to the knowledge of the Company, any person acting on its or their behalf has, directly or indirectly, made any offers or sales of any security or solicited any offers to buy any security, under circumstances that would require registration of the Securities under the Securities Act or cause this offering of the Securities to be integrated with prior offerings by the Company for purposes of the Securities Act.

k. Employee Relations. Neither the Company nor any subsidiary is involved in any labor dispute nor, to the knowledge of the Company, is any such dispute threatened. Neither the Company nor any subsidiary is party to any collective bargaining agreement. The Company’s and/or its subsidiaries’ employees are not members of any union, and the Company believes that its and its subsidiaries’ relationship with their respective employees is good.

l. Permits. The Company and its subsidiaries have all authorizations, approvals, clearances, licenses, permits, certificates or exemptions (including manufacturing approvals and authorizations, pricing and reimbursement approvals, labeling approvals, registration notifications or their foreign equivalent) issued by any regulatory authority or governmental agency (collectively, “Permits”) required to conduct their respective businesses as currently conducted and as will be conducted immediately following the Acquisition, except to the extent that the failure to have such Permits would not have a Material Adverse Effect. The Company or its subsidiaries have fulfilled and performed in all material respects their obligations under each Permit, and, as of the date hereof, to the knowledge of the Company, no event has occurred or condition or state of facts exists which would constitute a breach or default or would cause revocation or termination of any such Permit except to the extent that such breach, default, revocation or termination would not have a Material Adverse Effect.

m. Title. Each of the Company and its subsidiaries has good and marketable title to all of its real and personal property and assets, free and clear of any material restriction, mortgage, deed of trust, pledge, lien, security interest or other charge, claim or encumbrance which would have a Material Adverse Effect. With respect to properties and assets it leases, each of the Company and its subsidiaries is in material compliance with such leases and holds a valid leasehold interest free of any liens, claims or encumbrances which would have a Material Adverse Effect.

- n. **Rights of First Refusal.** The Company is not obligated to offer the securities offered hereunder on a right of first refusal basis or otherwise to any third parties including, but not limited to, current or former shareholders of the Company, underwriters, brokers, agents or other third parties.
- o. **Reliance.** The Company acknowledges that the Subscriber is relying on the representations and warranties made by the Company hereunder and that such representations and warranties are a material inducement to the Subscriber purchasing the Securities. The Company further acknowledges that without such representations and warranties of the Company made hereunder, the Subscriber would not enter into this Agreement.
- p. **Brokers' Fees.** The Company does not have any liability or obligation to pay any fees or commissions to any broker, finder or agent with respect to the transactions contemplated by this Agreement, except for the payment of fees to the Placement Agent as described above.
- q. **Off-Balance Sheet Arrangements.** There is no transaction, arrangement, or other relationship between the Company or any subsidiary and an unconsolidated or other off-balance sheet entity that is required to be disclosed by the Company in its financial statements and is not so disclosed or that otherwise would have a Material Adverse Effect.
- r. **Investment Company.** The Company is not required to be registered as, and is not an affiliate of, and immediately following the Closing will not be required to register as, an "investment company" within the meaning of the Investment Company Act of 1940, as amended.
- s. **Reliance.** The Company acknowledges that the Purchaser is relying on the representations and warranties made by the Company hereunder and that such representations and warranties are a material inducement to the Purchaser purchasing the Shares. The Company further acknowledges that without such representations and warranties of the Company made hereunder, the Purchaser would not enter into this Agreement.

## 9. **Indemnification.**

- a. **Investor Indemnification.** I hereby agree to indemnify and hold harmless the Company and its officers, directors, shareholders, employees, agents, advisors and counsel, and Boustead Securities, LLC and its officers, directors, shareholders, employees, agents, advisors and counsel, against any and all losses, claims, demands, liabilities and expenses (including reasonable legal or other expenses, including reasonable attorneys' fees) incurred by each such person in connection with defending or investigating any such claims or liabilities, whether or not resulting in any liability to such person, to which any such indemnified party may become subject under the Securities Act, under any other statute, at common law or otherwise, insofar as such losses, claims, demands, liabilities and expenses (a) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact made by me and contained in this Subscription Agreement or my Investor Questionnaire, or (b) arise out of or are based upon any breach by me of any representation, warranty, or agreement made by me contained herein or therein.
- b. **Company Indemnification.** The Company agrees to indemnify and hold harmless each Subscriber, the Placement Agent and their respective affiliates and their respective directors, officers, employees and agents from and against any and all losses, claims, damages, liabilities and expenses (including without limitation reasonable attorney fees and disbursements and other expenses incurred in connection with investigating, preparing or defending any action, claim or proceeding, pending or threatened and the costs of enforcement thereof) (collectively, "Losses") to which such person may become subject as a result of any breach of representation, warranty, covenant or agreement made by or to be performed on the part of the Company under the Offering Documents, and will reimburse any such person for all such amounts as they are incurred by such person.

10. **Transfer Restrictions.** None of the Shares have been registered under the Securities Act. As such, any Shares purchased pursuant to this Subscription Agreement constitute "restricted securities" under the Securities Act. Such Shares may not be sold or otherwise transferred unless they are registered under the Securities Act and applicable foreign or state laws or unless exemptions from registration are available under such laws. Any certificates evidencing the Shares will bear a legend restricting the distribution, resale, transfer, pledge, hypothecation or other disposition of such securities unless and until such securities are registered under the Securities Act or an opinion of counsel acceptable to the Company is received concluding that registration is not required under the Securities Act. The Company is also not a reporting issuer in any jurisdiction of Canada and the Shares are not currently listed on any stock exchange. Accordingly, pursuant to Canadian

securities laws, the Shares will be subject to a statutory hold period in Canada expiring on the date which is four months and a day after the later of (i) the issuance date, and (ii) the date that the Company becomes a reporting issuer in any province or territory of Canada.

**11. Collection of Personal Information.** I, on my own behalf and, if applicable, on behalf of each beneficial purchaser for whom I am contracting hereunder, acknowledge and consent to the fact that the Company is collecting our personal information (as that term is defined under applicable privacy legislation, including, without limitation, the *Personal Information Protection and Electronic Documents Act* (Canada) and any other applicable similar, replacement or supplemental provincial or federal legislation or laws in effect from time to time), and, if applicable, that of each beneficial purchaser for whom I am contracting hereunder, for the purpose of completing this Agreement and the transaction contemplated herein. I, on my own behalf, and, if applicable, on behalf of each beneficial purchaser for whom I am contracting hereunder, acknowledge and consent to the Company retaining such personal information for as long as permitted or required by law or business practices. I, on my own behalf, and, if applicable, on behalf of each beneficial purchaser for whom I am contracting hereunder, further acknowledge and consent to the fact that the Company may be required by Canadian Securities Laws, the rules and policies of any stock exchange or the rules of the Investment Industry Regulatory Organization of Canada or otherwise by applicable law to provide regulatory authorities with any personal information provided under this Agreement. I represent and warrant, as applicable, that I have the authority to provide the consents and acknowledgements set out in this paragraph on behalf of each beneficial purchaser for whom I am contracting hereunder. In addition to the foregoing, I agree and acknowledge that the Company may use and disclose my personal information, or that of each beneficial purchaser for whom I am contracting hereunder, as follows:

- for internal use with respect to managing the relationships between and contractual obligations of the Company and me or any beneficial purchaser for whom I am contracting hereunder;
- for use and disclosure for income tax related purposes, including without limitation, where required by law, disclosure to Canada Revenue Agency;
- for disclosure to stock exchanges, securities regulatory authorities and other regulatory bodies with jurisdiction with respect to reports of trades and similar regulatory filings;
- for disclosure to a governmental or other authority to which the disclosure is required by court order or subpoena compelling such disclosure and where there is no reasonable alternative to such disclosure;
- for disclosure to professional advisers of the Corporation in connection with the performance of their professional services;
- for disclosure to any person where such disclosure is necessary for legitimate business reasons and is made with my prior written consent;
- for disclosure to a court determining the rights of the parties under this Agreement; or
- for use and disclosure as otherwise required or permitted by law.

The information provided by me in this Agreement identifying my name, address, and telephone number, the number of Securities being purchased hereunder, the aggregate purchase price and the closing date, will be disclosed to the securities regulatory authority or regulator in each of the provinces and territories of Canada in which Securities are distributed by the Company, and such information is being collected by such securities regulatory authorities and regulators under the authority granted to each of them under securities legislation. This information is being collected for the purposes of the administration and enforcement of the securities legislation of such selling jurisdictions. I hereby authorize the indirect collection of such information by such securities regulatory authorities and regulators. In the event I have any questions with respect to the indirect collection of such information by such securities regulatory authorities and regulators, I should contact the applicable securities regulatory authority or regulator using the contact information set out below:

- British Columbia Securities Commission, P.O. Box 10142, Pacific Centre, 701 West Georgia Street, Vancouver, British Columbia V7Y 1L2, Inquiries: (604) 899-6854, Toll free in Canada: 1-800-373-6393, Facsimile: (604) 899-6581, Email: [inquiries@bcsc.bc.ca](mailto:inquiries@bcsc.bc.ca);
- Alberta Securities Commission, Suite 600, 250 – 5th Street, SW Calgary, Alberta T2P 0R4, Telephone: (403) 297-6454, Toll free in Canada: 1-877-355-0585, Facsimile: (403) 297-2082;
- Financial and Consumer Affairs Authority of Saskatchewan, Suite 601 - 1919 Saskatchewan Drive, Regina, Saskatchewan S4P 4H2, Telephone: (306) 787-5879, Facsimile: (306) 787-5899;
- The Manitoba Securities Commission, 500 – 400 St. Mary Avenue, Winnipeg, Manitoba R3C 4K5, Telephone: (204) 945-2548, Toll free in Manitoba 1-800-655-5244, Facsimile: (204) 945-0330;
- Ontario Securities Commission, 20 Queen Street West, 22nd Floor Toronto, Ontario M5H 3S8, Telephone: (416) 593- 8314, Toll free in Canada: 1-877-785-1555, Facsimile: (416) 593-8122, Email: [exemptmarketfilings@osc.gov.on.ca](mailto:exemptmarketfilings@osc.gov.on.ca), Public official contact regarding indirect collection of information: Inquiries Officer;
- Autorité des marchés financiers, 800, Square Victoria, 22e étage, C.P. 246, Tour de la Bourse, Montréal, Québec H4Z 1G3, Telephone: (514) 395-0337 or 1-877-525-0337, Facsimile: (514) 873-6155 (For filing purposes only), Facsimile: (514) 864-6381 (For privacy requests only), Email: [financementdessocietes@lautorite.qc.ca](mailto:financementdessocietes@lautorite.qc.ca) (For corporate finance issuers); [fonds\\_dinvestissement@lautorite.qc.ca](mailto:fonds_dinvestissement@lautorite.qc.ca) (For investment fund issuers);
- Financial and Consumer Services Commission (New Brunswick), 85 Charlotte Street, Suite 300 Saint John, New Brunswick E2L 2J2, Telephone: (506) 658-3060, Toll free in Canada: 1-866-933-2222, Facsimile: (506) 658-3059, Email: [info@fcnb.ca](mailto:info@fcnb.ca)

- Nova Scotia Securities Commission, Suite 400, 5251 Duke Street, Duke Tower, P.O. Box 458 Halifax, Nova Scotia B3J 2P8, Telephone: (902) 424-7768, Facsimile: (902) 424-4625;
- Prince Edward Island Securities Office, 95 Rochford Street, 4th Floor Shaw Building, P.O. Box 2000 Charlottetown, Prince Edward Island C1A 7N8, Telephone: (902) 368-4569, Facsimile: (902) 368-5283;
- Government of Newfoundland and Labrador, Financial Services Regulation Division, P.O. Box 8700, Confederation Building 2nd Floor, West Block, Prince Philip Drive, St. John's, Newfoundland and Labrador A1B 4J6, Attention: Director of Securities, Telephone: (709) 729-4189, Facsimile: (709) 729-6187;
- Government of Yukon, Department of Community Services Law Centre, 3rd Floor, 2130 Second Avenue, Whitehorse, Yukon Y1A 5H6, Telephone: (867) 667-5314, Facsimile: (867) 393-6251;
- Government of the Northwest Territories, Office of the Superintendent of Securities, P.O. Box 1320 Yellowknife, Northwest Territories X1A 2L9 Attention: Deputy Superintendent, Legal & Enforcement, Telephone: (867) 920-8984, Facsimile: (867) 873-0243; and
- Government of Nunavut, Department of Justice, Legal Registries Division, P.O. Box 1000, Station 570, 1st Floor, Brown Building, Iqaluit, Nunavut X0A 0H0, Telephone: (867) 975-6590, Facsimile: (867) 975-6594.

**12. Severability.** In the event any parts of this Subscription Agreement are found to be void, the remaining provisions of this Subscription Agreement shall nevertheless be binding with the same effect as though the void parts were deleted.

**13. No Third-Party Beneficiaries Other than Placement Agent.** Except for the Placement Agent, who is an intended third-party beneficiary of this Agreement, including the representations and warranties and indemnities made in this Agreement, this Agreement is intended for the benefit of the parties hereto and their respective successors and permitted assigns and is not for the benefit of, nor may any provision hereof be enforced by, any other person

**14. Choice of Law and Jurisdiction.** This Subscription Agreement shall be governed by the laws of the Province of Ontario, Canada. Any action arising out of this Subscription Agreement shall be brought exclusively in a court of competent jurisdiction in the Province of Ontario, and the parties hereby irrevocably attorn to the courts of such Province.

**15. Counterparts.** This Subscription Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. The execution of this Subscription Agreement may be by actual or facsimile signature.

**16. Assignability.** Neither this Subscription Agreement nor any right, remedy, obligation or liability arising hereunder or by reason hereof shall be assignable by the undersigned without the prior written consent of the Company. This Subscription Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective permitted successors and assigns.

**17. Notices and Addresses.** All notices, offers, acceptance and any other acts under this Subscription Agreement (except payment) shall be in writing, and shall be sufficiently given if delivered to the addresses in person, by Federal Express or similar receipted delivery, or by email delivery, as follows:

Investor:

At the address designated on the signature page of this Subscription Agreement.

The Company:

Akanda Corp.  
77 King Street West, Suite 400  
Toronto-Dominion Centre  
Toronto, Ontario M5K 0A1  
Attn: Trevor Scott  
Email: [trevor@akandacorp.com](mailto:trevor@akandacorp.com)

With a copy to:

Greenberg Traurig, P.A.  
1201 K Street, Suite 1100  
Sacramento, CA 95814  
Attn: Mark Lee, Esq.  
Email: [leema@gtlaw.com](mailto:leema@gtlaw.com)

Dentons Canada LLP

77 King Street West, Suite 400  
Toronto-Dominion Centre  
Toronto, ON M5K 0A1 Canada  
Attn: Eric Foster  
Email: [eric.foster@dentons.com](mailto:eric.foster@dentons.com)

or to such other address as any of them, by notice to the others may designate from time to time. The transmission confirmation receipt from the sender's email service provider shall be conclusive evidence of successful email delivery. Time shall be counted to, or from, as the case may be, the delivery in person or by mailing.

**18. Entire Agreement.** This Subscription Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior oral and written agreements between the parties hereto with respect to the subject matter hereof. This Subscription Agreement may not be changed, waived, discharged, or terminated orally but, rather, only by a statement in writing signed by the party or parties against which enforcement or the change, waiver, discharge or termination is sought.

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**19. Section Headings.** Section headings herein have been inserted for reference only and shall not be deemed to limit or otherwise affect, in any matter, or be deemed to interpret in whole or in part, any of the terms or provisions of this Subscription Agreement.

**20. Survival of Representations, Warranties and Agreements.** The representations, warranties and agreements contained herein shall survive the delivery of, and the payment for, the Securities.

**21. Acceptance of Subscription.** The Company may accept this Subscription Agreement at any time for all or any portion of the Securities subscribed for by executing a copy hereof as provided and notifying me within a reasonable time thereafter.

#### **United States Disclaimers**

**RESIDENTS OF ALL STATES:** THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION AND ARE BEING OFFERED AND SOLD IN RELIANCE ON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF SAID ACT AND SUCH LAWS. THE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER SAID ACT AND SUCH LAWS PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. THE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ACCURACY OR ADEQUACY OF THE OFFERING DOCUMENTS. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

**FOR FLORIDA RESIDENTS:** THE SECURITIES OFFERED HEREBY WILL BE SOLD, AND ACQUIRED, IN A TRANSACTION EXEMPT UNDER SECTION 517.061(11) OF THE FLORIDA SECURITIES AND INVESTOR PROTECTION ACT. THE SECURITIES HAVE NOT BEEN REGISTERED UNDER SAID ACT IN THE STATE OF FLORIDA. PURSUANT TO SECTION 517.061(11) OF THE FLORIDA SECURITIES AND INVESTOR PROTECTION ACT, WHEN SALES ARE MADE TO FIVE (5) OR MORE PERSONS (EXCLUDING ACCREDITED INVESTORS) IN THE STATE OF FLORIDA, ANY SALE IN THE STATE OF FLORIDA MADE PURSUANT TO SECTION 517.061(11) OF SUCH ACT IS VOIDABLE BY THE PURCHASER IN SUCH SALE (WITHOUT INCURRING ANY LIABILITY TO THE COMPANY OR TO ANY OTHER PERSON OR ENTITY) EITHER WITHIN THREE (3) DAYS AFTER THE FIRST TENDER OF CONSIDERATION IS MADE BY SUCH PURCHASER TO THE ISSUER, AN AGENT OF THE ISSUER, OR AN ESCROW AGENT OR WITHIN THREE (3) DAYS AFTER THE AVAILABILITY OF THAT PRIVILEGE IS COMMUNICATED TO SUCH PURCHASER, WHICHEVER OCCURS LATER. TO VOID HIS OR HER PURCHASE, THE PURCHASER NEED ONLY SEND A LETTER OR TELEGRAM TO THE COMPANY AT THE ADDRESS INDICATED HEREIN. ANY SUCH LETTER OR TELEGRAM SHOULD BE SENT AND POSTMARKED PRIOR TO THE END OF THE AFOREMENTIONED THREE (3) DAY PERIOD. IT IS PRUDENT TO SEND ANY SUCH LETTER BY CERTIFIED MAIL, RETURN RECEIPT REQUESTED, TO ASSURE THAT IT IS RECEIVED AND ALSO TO HAVE EVIDENCE OF THE TIME THAT IT WAS MAILED. SHOULD A PURCHASER MAKE THIS REQUEST ORALLY, THAT PURCHASER MUST ASK FOR WRITTEN CONFIRMATION THAT THE REQUEST HAS BEEN RECEIVED. IF NOTICE IS NOT RECEIVED WITHIN THE TIME LIMIT SPECIFIED HEREIN, THE FOREGOING RIGHT TO VOID THE PURCHASE SHALL BE NULL AND VOID.

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## Canadian Disclaimers

The Offering Documents may constitute an offering memorandum under Canadian Securities Laws. Securities legislation in certain of the provinces of Canada provides purchasers with rights of rescission or damages, or both, where an offering memorandum or any amendment to it contains a misrepresentation. A “misrepresentation” is an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make any statement not misleading or false in the light of the circumstances in which it was made.

These remedies must be commenced by the purchaser within the time limits prescribed and are subject to the defences contained in the applicable securities legislation. Each purchaser should refer to the provisions of the applicable securities laws for the particulars of these rights or consult with a legal advisor.

The following rights will only apply to a purchaser of securities of the Company in the event that the Offering Documents are deemed to be an offering memorandum pursuant to applicable securities legislation in certain provinces of Canada and are in addition to and without derogation from any other right or remedy which purchasers may have at law and are intended to correspond to the provisions of the relevant Canadian Securities Laws and are subject to the defences contained therein. The following summaries are subject to the express provisions of the applicable securities statutes and instruments in the below-referenced provinces and the regulations, rules and policy statements thereunder and reference is made thereto for the complete text of such provisions.

FOR ONTARIO RESIDENTS: UNDER ONTARIO SECURITIES LEGISLATION, CERTAIN PURCHASERS WHO PURCHASE SECURITIES OFFERED BY AN OFFERING MEMORANDUM DURING THE PERIOD OF DISTRIBUTION WILL HAVE A STATUTORY RIGHT OF ACTION FOR DAMAGES, OR WHILE STILL THE OWNER OF THE SECURITIES, FOR RESCISSION AGAINST THE ISSUER OR ANY SELLING SECURITY HOLDER IF THE OFFERING MEMORANDUM CONTAINS A MISREPRESENTATION WITHOUT REGARD TO WHETHER THE PURCHASERS RELIED ON THE MISREPRESENTATION. THE RIGHT OF ACTION FOR DAMAGES IS EXERCISABLE NOT LATER THAN THE EARLIER OF 180 DAYS FROM THE DATE THE PURCHASER FIRST HAD KNOWLEDGE OF THE FACTS GIVING RISE TO THE CAUSE OF ACTION AND THREE YEARS FROM THE DATE ON WHICH PAYMENT IS MADE FOR THE SECURITIES. THE RIGHT OF ACTION FOR RESCISSION IS EXERCISABLE NOT LATER THAN 180 DAYS FROM THE DATE ON WHICH PAYMENT IS MADE FOR THE SECURITIES. IF A PURCHASER ELECTS TO EXERCISE THE RIGHT OF ACTION FOR RESCISSION, THE PURCHASER WILL HAVE NO RIGHT OF ACTION FOR DAMAGES AGAINST THE ISSUER OR ANY SELLING SECURITY HOLDER. IN NO CASE WILL THE AMOUNT RECOVERABLE IN ANY ACTION EXCEED THE PRICE AT WHICH THE SECURITIES WERE OFFERED TO THE PURCHASER AND IF THE PURCHASER IS SHOWN TO HAVE PURCHASED THE SECURITIES WITH KNOWLEDGE OF THE MISREPRESENTATION, THE ISSUER AND ANY SELLING SECURITY HOLDER WILL HAVE NO LIABILITY. IN THE CASE OF AN ACTION FOR DAMAGES, THE ISSUER AND ANY SELLING SECURITY HOLDER WILL NOT BE LIABLE FOR ALL OR ANY PORTION OF THE DAMAGES THAT ARE PROVEN TO NOT REPRESENT THE DEPRECIATION IN VALUE OF THE SECURITIES AS A RESULT OF THE MISREPRESENTATION RELIED UPON. THESE RIGHTS ARE NOT AVAILABLE FOR A PURCHASER THAT IS (A) A CANADIAN FINANCIAL INSTITUTION OR A SCHEDULE III BANK (EACH AS DEFINED IN NATIONAL INSTRUMENT 45-106 – PROSPECTUS EXEMPTIONS), (B) THE BUSINESS DEVELOPMENT BANK OF CANADA INCORPORATED UNDER THE BUSINESS DEVELOPMENT BANK OF CANADA ACT (CANADA), OR (C) A SUBSIDIARY OF ANY PERSON REFERRED TO IN PARAGRAPHS (A) AND (B), IF THE PERSON OWNS ALL OF THE VOTING SECURITIES OF THE SUBSIDIARY, EXCEPT THE VOTING SECURITIES REQUIRED BY LAW TO BE OWNED BY DIRECTORS OF THAT SUBSIDIARY. THESE RIGHTS ARE IN ADDITION TO, AND WITHOUT DEROGATION FROM, ANY OTHER RIGHTS OR REMEDIES AVAILABLE AT LAW TO AN ONTARIO PURCHASER. THE FOREGOING IS A SUMMARY OF THE RIGHTS AVAILABLE TO AN ONTARIO PURCHASER. NOT ALL DEFENCES UPON WHICH AN ISSUER, SELLING SECURITY HOLDER OR OTHERS MAY RELY ARE DESCRIBED HEREIN. ONTARIO PURCHASERS SHOULD REFER TO THE COMPLETE TEXT OF THE RELEVANT STATUTORY PROVISIONS.

FOR ALBERTA AND BRITISH COLUMBIA RESIDENTS: BY PURCHASING SECURITIES OF THE COMPANY, PURCHASERS IN ALBERTA AND BRITISH COLUMBIA ARE NOT ENTITLED TO THE STATUTORY RIGHTS DESCRIBED ABOVE. IN CONSIDERATION OF THEIR PURCHASE OF SECURITIES IN THE COMPANY AND UPON ACCEPTING A PURCHASE CONFIRMATION IN RESPECT THEREOF, THESE PURCHASERS ARE HEREBY GRANTED BY THE COMPANY, A CONTRACTUAL RIGHT OF ACTION FOR DAMAGES OR RESCISSION THAT IS SUBSTANTIALLY THE SAME AS THE STATUTORY RIGHT OF ACTION PROVIDED TO RESIDENTS OF ONTARIO WHO PURCHASE SECURITIES.

FOR SASKATCHEWAN RESIDENTS: UNDER SASKATCHEWAN SECURITIES LEGISLATION, CERTAIN PURCHASERS WHO PURCHASE SECURITIES OFFERED BY AN OFFERING MEMORANDUM DURING THE PERIOD OF DISTRIBUTION WILL HAVE A STATUTORY RIGHT OF ACTION FOR DAMAGES AGAINST THE ISSUER, EVERY DIRECTOR AND PROMOTER OF THE ISSUER OR ANY SELLING SECURITY HOLDER AS OF THE DATE OF THE OFFERING MEMORANDUM, EVERY PERSON OR COMPANY WHOSE CONSENT HAS BEEN FILED UNDER THE OFFERING MEMORANDUM, EVERY PERSON OR COMPANY THAT SIGNED

THE OFFERING MEMORANDUM OR THE AMENDMENT TO THE OFFERING MEMORANDUM AND EVERY PERSON OR COMPANY WHO SELLS THE SECURITIES ON BEHALF OF THE ISSUER OR SELLING SECURITY HOLDER UNDER THE OFFERING MEMORANDUM, OR WHILE STILL THE OWNER OF THE SECURITIES, FOR RESCISSION AGAINST THE ISSUER OR SELLING SECURITY HOLDER IF THE OFFERING MEMORANDUM CONTAINS A MISREPRESENTATION WITHOUT REGARD TO WHETHER THE PURCHASERS RELIED ON THE MISREPRESENTATION. THE RIGHT OF ACTION FOR DAMAGES IS EXERCISABLE NOT LATER THAN THE EARLIER OF ONE YEAR FROM THE DATE THE PURCHASER FIRST HAD KNOWLEDGE OF THE FACTS GIVING RISE TO THE CAUSE OF ACTION AND SIX YEARS FROM THE DATE ON WHICH PAYMENT IS MADE FOR THE SECURITIES. THE RIGHT OF ACTION FOR RESCISSION IS EXERCISABLE NOT LATER THAN 180 DAYS FROM THE DATE ON WHICH PAYMENT IS MADE FOR THE SECURITIES. IF A PURCHASER ELECTS TO EXERCISE THE RIGHT OF ACTION FOR RESCISSION, THE PURCHASER WILL HAVE NO RIGHT OF ACTION FOR DAMAGES AGAINST THE ISSUER OR THE OTHERS LISTED ABOVE. IN NO CASE WILL THE AMOUNT RECOVERABLE IN ANY ACTION EXCEED THE PRICE AT WHICH THE SECURITIES WERE OFFERED TO THE PURCHASER AND IF THE PURCHASER IS SHOWN TO HAVE PURCHASED THE SECURITIES WITH KNOWLEDGE OF THE MISREPRESENTATION, THE ISSUER AND THE OTHERS LISTED ABOVE WILL HAVE NO LIABILITY. IN THE CASE OF AN ACTION FOR DAMAGES, THE ISSUER AND THE OTHERS LISTED ABOVE WILL NOT BE LIABLE FOR ALL OR ANY PORTION OF THE DAMAGES THAT ARE PROVEN TO NOT REPRESENT THE DEPRECIATION IN VALUE OF THE SECURITIES AS A RESULT OF THE MISREPRESENTATION RELIED UPON.

OTHER DEFENCES IN SASKATCHEWAN LEGISLATION INCLUDE THAT NO PERSON OR COMPANY, OTHER THAN THE ISSUER, WILL BE LIABLE IF THE PERSON OR COMPANY PROVES THAT (A) THE OFFERING MEMORANDUM OR ANY AMENDMENT TO IT WAS SENT OR DELIVERED WITHOUT THE PERSON'S OR COMPANY'S KNOWLEDGE OR CONSENT AND THAT, ON BECOMING AWARE OF IT BEING SENT OR DELIVERED, THAT PERSON OR COMPANY IMMEDIATELY GAVE REASONABLE GENERAL NOTICE THAT IT WAS SO SENT OR DELIVERED, OR (B) WITH RESPECT TO ANY PART OF THE OFFERING MEMORANDUM OR ANY AMENDMENT TO IT PURPORTING TO BE MADE ON THE AUTHORITY OF AN EXPERT, OR PURPORTING TO BE A COPY OF, OR AN EXTRACT FROM, A REPORT, AN OPINION OR A STATEMENT OF AN EXPERT, THAT PERSON OR COMPANY HAD NO REASONABLE GROUNDS TO BELIEVE AND DID NOT BELIEVE THAT THERE HAD BEEN A MISREPRESENTATION, THE PART OF THE OFFERING MEMORANDUM OR ANY AMENDMENT TO IT DID NOT FAIRLY REPRESENT THE REPORT, OPINION OR STATEMENT OF THE EXPERT.

NO PERSON OR COMPANY, OTHER THAN THE ISSUER, IS LIABLE FOR ANY PART OF THE OFFERING MEMORANDUM OR THE AMENDMENT TO THE OFFERING MEMORANDUM NOT PURPORTING TO BE MADE ON THE AUTHORITY OF AN EXPERT AND NOT PURPORTING TO BE A COPY OF OR AN EXTRACT FROM A REPORT, OPINION OR STATEMENT OF AN EXPERT, UNLESS THE PERSON OR COMPANY (A) FAILED TO CONDUCT A REASONABLE INVESTIGATION SUFFICIENT TO PROVIDE REASONABLE GROUNDS FOR A BELIEF THAT THERE HAD BEEN NO MISREPRESENTATION, OR (B) BELIEVED THERE HAD BEEN A MISREPRESENTATION.

SIMILAR RIGHTS OF ACTION FOR DAMAGES AND RESCISSION ARE PROVIDED IN SASKATCHEWAN LEGISLATION IN RESPECT OF A MISREPRESENTATION IN ADVERTISING AND SALES LITERATURE DISSEMINATED IN CONNECTION WITH AN OFFERING OF SECURITIES.

SASKATCHEWAN LEGISLATION ALSO PROVIDES THAT WHERE AN INDIVIDUAL MAKES A VERBAL STATEMENT TO A PROSPECTIVE PURCHASER THAT CONTAINS A MISREPRESENTATION RELATING TO THE SECURITY PURCHASED AND THE VERBAL STATEMENT IS MADE EITHER BEFORE OR CONTEMPORANEOUSLY WITH THE PURCHASE OF THE SECURITY, THE PURCHASER HAS, WITHOUT REGARD TO WHETHER THE PURCHASER RELIED ON THE MISREPRESENTATION, A RIGHT OF ACTION FOR DAMAGES AGAINST THE INDIVIDUAL WHO MADE THE VERBAL STATEMENT.

IN ADDITION, SASKATCHEWAN LEGISLATION PROVIDES A PURCHASER WITH THE RIGHT TO VOID THE PURCHASE AGREEMENT AND TO RECOVER ALL MONEY AND OTHER CONSIDERATION PAID BY THE PURCHASER FOR THE SECURITIES IF THE SECURITIES ARE SOLD BY A VENDOR WHO IS TRADING IN SASKATCHEWAN IN CONTRAVENTION OF SASKATCHEWAN SECURITIES LEGISLATION, REGULATIONS OR A DECISION OF THE FINANCIAL AND CONSUMER AFFAIRS AUTHORITY OF SASKATCHEWAN.

THE SASKATCHEWAN LEGISLATION ALSO PROVIDES A RIGHT OF ACTION FOR RESCISSION OR DAMAGES TO A PURCHASER OF SECURITIES TO WHOM AN OFFERING MEMORANDUM OR ANY AMENDMENT TO IT WAS NOT SENT OR DELIVERED PRIOR TO OR AT THE SAME TIME AS THE PURCHASER ENTERS INTO AN AGREEMENT TO PURCHASE THE SECURITIES, AS REQUIRED BY THE SASKATCHEWAN LEGISLATION.

A PURCHASER WHO RECEIVES AN AMENDED OFFERING MEMORANDUM HAS THE RIGHT TO WITHDRAW FROM THE AGREEMENT TO PURCHASE THE SECURITIES BY DELIVERING A NOTICE TO THE ISSUER OR SELLING SECURITY HOLDER WITHIN TWO BUSINESS DAYS OF RECEIVING THE AMENDED OFFERING MEMORANDUM.

THESE RIGHTS ARE IN ADDITION TO, AND WITHOUT DEROGATION FROM, ANY OTHER RIGHTS OR REMEDIES AVAILABLE AT LAW TO A SASKATCHEWAN PURCHASER. THE FOREGOING IS A SUMMARY OF THE RIGHTS AVAILABLE TO A SASKATCHEWAN PURCHASER. NOT ALL DEFENCES UPON WHICH AN ISSUER OR OTHERS MAY RELY ARE DESCRIBED HEREIN. SASKATCHEWAN PURCHASERS SHOULD REFER TO THE COMPLETE TEXT OF THE RELEVANT STATUTORY PROVISIONS.

FOR MANITOBA RESIDENTS: IF AN OFFERING MEMORANDUM OR ANY AMENDMENT THERETO, SENT OR DELIVERED TO A PURCHASER CONTAINS A MISREPRESENTATION, THE PURCHASER WHO PURCHASES THE SECURITY IS DEEMED TO HAVE RELIED ON THE MISREPRESENTATION IF IT WAS A MISREPRESENTATION AT THE TIME OF THE PURCHASE AND HAS A STATUTORY RIGHT OF ACTION FOR DAMAGES AGAINST THE ISSUER, EVERY DIRECTOR OF THE ISSUER AT THE DATE OF THE OFFERING MEMORANDUM, AND EVERY PERSON OR COMPANY WHO SIGNED THE OFFERING MEMORANDUM. ALTERNATIVELY, THE PURCHASER MAY ELECT TO EXERCISE A STATUTORY RIGHT OF RESCISSION AGAINST THE ISSUER, IN WHICH CASE THE PURCHASER WILL HAVE NO RIGHT OF ACTION FOR DAMAGES AGAINST ANY OF THE AFOREMENTIONED PERSONS.

UNLESS OTHERWISE PROVIDED UNDER APPLICABLE SECURITIES LEGISLATION, NO ACTION SHALL BE COMMENCED TO ENFORCE ANY OF THE FOREGOING RIGHTS MORE THAN: (A) IN THE CASE OF AN ACTION FOR RESCISSION, 180 DAYS FROM THE DATE OF THE TRANSACTION THAT GAVE RISE TO THE CAUSE OF ACTION, OR (B) IN THE CASE OF AN ACTION FOR DAMAGES, THE EARLIER OF (I) 180 DAYS AFTER THE PURCHASER FIRST HAD KNOWLEDGE OF THE FACTS GIVING RISE TO THE CAUSE OF ACTION, OR (II) TWO YEARS AFTER THE DATE OF THE TRANSACTION THAT GAVE RISE TO THE CAUSE OF ACTION.

A PURCHASER TO WHOM THE OFFERING MEMORANDUM IS REQUIRED TO BE SENT MAY RESCIND THE CONTRACT TO PURCHASE THE SECURITIES BY SENDING A WRITTEN NOTICE OF RESCISSION TO THE ISSUER NOT LATER THAN MIDNIGHT ON THE SECOND DAY, EXCLUDING SATURDAYS, SUNDAY AND HOLIDAYS, AFTER THE PURCHASER SIGNS THE AGREEMENT TO PURCHASE THE SECURITIES.

SECURITIES LEGISLATION IN MANITOBA PROVIDES A NUMBER OF LIMITATIONS AND DEFENCES TO SUCH ACTIONS, INCLUDING:

- A) IN AN ACTION FOR RESCISSION OR DAMAGES, NO PERSON OR COMPANY WILL BE LIABLE IF IT PROVES THAT THE PURCHASER PURCHASED THE SECURITIES WITH KNOWLEDGE OF THE MISREPRESENTATION;
- B) IN AN ACTION FOR DAMAGES, NO PERSON OR COMPANY WILL BE LIABLE FOR ALL OR ANY PORTION OF THE DAMAGES THAT IT PROVES DO NOT REPRESENT THE DEPRECIATION IN VALUE OF THE SECURITIES AS A RESULT OF THE MISREPRESENTATION RELIED UPON; AND
- C) IN NO CASE WILL THE AMOUNT RECOVERABLE UNDER THE RIGHT OF ACTION DESCRIBED ABOVE EXCEED THE PRICE AT WHICH THE SECURITIES WERE OFFERED UNDER THE OFFERING MEMORANDUM.

FOR NEW BRUNSWICK RESIDENTS: UNDER NEW BRUNSWICK SECURITIES LEGISLATION, CERTAIN PURCHASERS WHO PURCHASE SECURITIES OFFERED BY AN OFFERING MEMORANDUM DURING THE PERIOD OF DISTRIBUTION WILL HAVE A STATUTORY RIGHT OF ACTION FOR DAMAGES, OR WHILE STILL THE OWNER OF THE SECURITIES, FOR RESCISSION AGAINST THE ISSUER AND ANY SELLING SECURITY HOLDER IN THE EVENT THAT THE OFFERING MEMORANDUM, OR A DOCUMENT INCORPORATED BY REFERENCE IN OR DEEMED INCORPORATED INTO THE OFFERING MEMORANDUM, CONTAINS A MISREPRESENTATION WITHOUT REGARD TO WHETHER THE PURCHASERS RELIED ON THE MISREPRESENTATION. THE RIGHT OF ACTION FOR DAMAGES IS EXERCISABLE NOT LATER THAN THE EARLIER OF ONE YEAR FROM THE DATE THE PURCHASER FIRST HAD KNOWLEDGE OF THE FACTS GIVING RISE TO THE CAUSE OF ACTION AND SIX YEARS FROM THE DATE ON WHICH PAYMENT IS MADE FOR THE SECURITIES. THE RIGHT OF ACTION FOR RESCISSION IS EXERCISABLE NOT LATER THAN 180 DAYS FROM THE DATE ON WHICH PAYMENT IS MADE FOR THE SECURITIES. IF A PURCHASER ELECTS TO EXERCISE THE RIGHT OF ACTION FOR RESCISSION, THE PURCHASER WILL HAVE NO RIGHT OF ACTION FOR DAMAGES AGAINST THE ISSUER OR ANY SELLING SECURITY HOLDER. IN NO CASE WILL THE AMOUNT RECOVERABLE IN ANY ACTION EXCEED THE PRICE AT WHICH THE SECURITIES WERE OFFERED TO THE PURCHASER AND IF THE PURCHASER IS SHOWN TO HAVE PURCHASED THE SECURITIES WITH KNOWLEDGE OF THE MISREPRESENTATION, THE ISSUER AND ANY SELLING SECURITY HOLDER WILL HAVE NO LIABILITY. IN THE CASE OF AN ACTION FOR DAMAGES, THE ISSUER AND ANY SELLING SECURITY HOLDER WILL NOT BE LIABLE FOR ALL OR ANY PORTION OF THE DAMAGES THAT ARE PROVEN TO NOT REPRESENT THE DEPRECIATION IN VALUE OF THE SECURITIES AS A RESULT OF THE MISREPRESENTATION RELIED UPON.



THESE RIGHTS ARE IN ADDITION TO, AND WITHOUT DEROGATION FROM, ANY OTHER RIGHTS OR REMEDIES AVAILABLE AT LAW TO A NEW BRUNSWICK PURCHASER. THE FOREGOING IS A SUMMARY OF THE RIGHTS AVAILABLE TO A NEW BRUNSWICK PURCHASER. NOT ALL DEFENCES UPON WHICH AN ISSUER, SELLING SECURITY HOLDER OR OTHERS MAY RELY ARE DESCRIBED HEREIN. NEW BRUNSWICK PURCHASERS SHOULD REFER TO THE COMPLETE TEXT OF THE RELEVANT STATUTORY PROVISIONS.

FOR NOVA SCOTIA RESIDENTS: UNDER NOVA SCOTIA SECURITIES LEGISLATION, CERTAIN PURCHASERS WHO PURCHASE SECURITIES OFFERED BY AN OFFERING MEMORANDUM DURING THE PERIOD OF DISTRIBUTION WILL HAVE A STATUTORY RIGHT OF ACTION FOR DAMAGES AGAINST THE ISSUER OR OTHER SELLER AND THE DIRECTORS OF THE ISSUER AS OF THE DATE THE OFFERING MEMORANDUM, OR WHILE STILL THE OWNER OF THE SECURITIES, FOR RESCISSION AGAINST THE ISSUER OR OTHER SELLER IF THE OFFERING MEMORANDUM, OR A DOCUMENT INCORPORATED BY REFERENCE IN OR DEEMED INCORPORATED INTO THE OFFERING MEMORANDUM, CONTAINS A MISREPRESENTATION WITHOUT REGARD TO WHETHER THE PURCHASERS RELIED ON THE MISREPRESENTATION. THE RIGHT OF ACTION FOR DAMAGES OR RESCISSION IS EXERCISABLE NOT LATER THAN 120 DAYS FROM THE DATE ON WHICH PAYMENT IS MADE FOR THE SECURITIES OR AFTER THE DATE ON WHICH THE INITIAL PAYMENT FOR THE SECURITIES WAS MADE WHERE PAYMENTS SUBSEQUENT TO THE INITIAL PAYMENT ARE MADE PURSUANT TO A CONTRACTUAL COMMITMENT ASSUMED PRIOR TO, OR CONCURRENTLY WITH, THE INITIAL PAYMENT. IF A PURCHASER ELECTS TO EXERCISE THE RIGHT OF ACTION FOR RESCISSION, THE PURCHASER WILL HAVE NO RIGHT OF ACTION FOR DAMAGES AGAINST THE ISSUER OR OTHER SELLER OR THE DIRECTORS OF THE ISSUER. IN NO CASE WILL THE AMOUNT RECOVERABLE IN ANY ACTION EXCEED THE PRICE AT WHICH THE SECURITIES WERE OFFERED TO THE PURCHASER AND IF THE PURCHASER IS SHOWN TO HAVE PURCHASED THE SECURITIES WITH KNOWLEDGE OF THE MISREPRESENTATION, THE ISSUER OR OTHER SELLER AND THE DIRECTORS OF THE ISSUER WILL HAVE NO LIABILITY. IN THE CASE OF AN ACTION FOR DAMAGES, THE ISSUER OR OTHER SELLER AND THE DIRECTORS OF THE ISSUER WILL NOT BE LIABLE FOR ALL OR ANY PORTION OF THE DAMAGES THAT ARE PROVEN TO NOT REPRESENT THE DEPRECIATION IN VALUE OF THE SECURITIES AS A RESULT OF THE MISREPRESENTATION RELIED UPON.

IN ADDITION, A PERSON OR COMPANY, OTHER THAN THE ISSUER, IS NOT LIABLE WITH RESPECT TO ANY PART OF THE OFFERING MEMORANDUM OR ANY AMENDMENT TO THE OFFERING MEMORANDUM NOT PURPORTING (A) TO BE MADE ON THE AUTHORITY OF AN EXPERT OR (B) TO BE A COPY OF, OR AN EXTRACT FROM, A REPORT, OPINION OR STATEMENT OF AN EXPERT, UNLESS THE PERSON OR COMPANY (I) FAILED TO CONDUCT A REASONABLE INVESTIGATION TO PROVIDE REASONABLE GROUNDS FOR A BELIEF THAT THERE HAD BEEN NO MISREPRESENTATION OR (II) BELIEVED THAT THERE HAD BEEN A MISREPRESENTATION.

A PERSON OR COMPANY, OTHER THAN THE ISSUER, WILL NOT BE LIABLE IF THAT PERSON OR COMPANY PROVES THAT (A) THE OFFERING MEMORANDUM OR ANY AMENDMENT TO THE OFFERING MEMORANDUM WAS SENT OR DELIVERED TO THE PURCHASER WITHOUT THE PERSON'S OR COMPANY'S KNOWLEDGE OR CONSENT AND THAT, ON BECOMING AWARE OF ITS DELIVERY, THE PERSON OR COMPANY GAVE REASONABLE GENERAL NOTICE THAT IT WAS DELIVERED WITHOUT THE PERSON'S OR COMPANY'S KNOWLEDGE OR CONSENT, (B) AFTER DELIVERY OF THE OFFERING MEMORANDUM OR ANY AMENDMENT TO THE OFFERING MEMORANDUM AND BEFORE THE PURCHASE OF THE SECURITIES BY THE PURCHASER, ON BECOMING AWARE OF ANY MISREPRESENTATION IN THE OFFERING MEMORANDUM OR ANY AMENDMENT TO THE OFFERING MEMORANDUM, THE PERSON OR COMPANY WITHDREW THE PERSON'S OR COMPANY'S CONSENT TO THE OFFERING MEMORANDUM OR ANY AMENDMENT TO THE OFFERING MEMORANDUM, AND GAVE REASONABLE GENERAL NOTICE OF THE WITHDRAWAL AND THE REASON FOR IT, OR (C) WITH RESPECT TO ANY PART OF THE OFFERING MEMORANDUM OR ANY AMENDMENT TO THE OFFERING MEMORANDUM PURPORTING (I) TO BE MADE ON THE AUTHORITY OF AN EXPERT, OR (II) TO BE A COPY OF, OR AN EXTRACT FROM, A REPORT, AN OPINION OR A STATEMENT OF AN EXPERT, THE PERSON OR COMPANY HAD NO REASONABLE GROUNDS TO BELIEVE AND DID NOT BELIEVE THAT (A) THERE HAD BEEN A MISREPRESENTATION, OR (B) THE RELEVANT PART OF THE OFFERING MEMORANDUM OR ANY AMENDMENT TO THE OFFERING MEMORANDUM DID NOT FAIRLY REPRESENT THE REPORT, OPINION OR STATEMENT OF THE EXPERT, OR WAS NOT A FAIR COPY OF, OR AN EXTRACT FROM, THE REPORT, OPINION OR STATEMENT OF THE EXPERT.

THESE RIGHTS ARE IN ADDITION TO, AND WITHOUT DEROGATION FROM, ANY OTHER RIGHTS OR REMEDIES AVAILABLE AT LAW TO A NOVA SCOTIA PURCHASER. THE FOREGOING IS A SUMMARY OF THE RIGHTS AVAILABLE TO A NOVA SCOTIA PURCHASER. NOT ALL DEFENCES UPON WHICH AN ISSUER OR OTHER SELLER OR OTHERS MAY RELY ARE DESCRIBED HEREIN. NOVA SCOTIA PURCHASERS SHOULD REFER TO THE COMPLETE TEXT OF THE RELEVANT STATUTORY PROVISIONS.

FOR PRINCE EDWARD ISLAND RESIDENTS: IF AN OFFERING MEMORANDUM, TOGETHER WITH ANY AMENDMENT THERETO, IS DELIVERED TO A PURCHASER AND THE OFFERING MEMORANDUM, OR ANY AMENDMENT THERETO, CONTAINS A MISREPRESENTATION, A PURCHASER HAS, WITHOUT REGARD TO WHETHER THE PURCHASER RELIED ON THE MISREPRESENTATION, A STATUTORY RIGHT OF ACTION FOR DAMAGES AGAINST (A) THE ISSUER, (B) SUBJECT TO CERTAIN ADDITIONAL DEFENCES, AGAINST EVERY DIRECTOR OF THE ISSUER AT THE DATE OF THE OFFERING MEMORANDUM AND (C) EVERY PERSON OR COMPANY WHO SIGNED THE OFFERING MEMORANDUM, BUT MAY ELECT TO EXERCISE THE RIGHT OF RESCISSION AGAINST THE ISSUER (IN WHICH CASE THE PURCHASER SHALL HAVE NO RIGHT OF ACTION FOR DAMAGES AGAINST THE AFOREMENTIONED PERSONS OR COMPANY).

NO ACTION SHALL BE COMMENCED TO ENFORCE THE RIGHT OF ACTION DISCUSSED ABOVE MORE THAN: (A) IN THE CASE OF AN ACTION FOR RESCISSION, 180 DAYS AFTER THE DATE OF THE TRANSACTION THAT GAVE RISE TO THE CAUSE OF ACTION; OR (B) IN THE CASE OF ANY ACTION FOR DAMAGES, THE EARLIER OF: (I) 180 DAYS AFTER THE PURCHASER FIRST HAD KNOWLEDGE OF THE FACTS GIVING RISE TO THE CAUSE OF ACTION; OR (II) THREE YEARS AFTER THE DATE OF THE TRANSACTION THAT GAVE RISE TO THE CAUSE OF ACTION.

SECURITIES LEGISLATION IN PRINCE EDWARD ISLAND PROVIDES A NUMBER OF LIMITATIONS AND DEFENCES TO SUCH ACTIONS, INCLUDING:

A) NO PERSON OR COMPANY WILL BE LIABLE IF IT PROVES THAT THE PURCHASER PURCHASED THE SECURITIES WITH KNOWLEDGE OF THE MISREPRESENTATION;

B) IN AN ACTION FOR DAMAGES, THE DEFENDANT IS NOT LIABLE FOR ALL OR ANY PORTION OF THE DAMAGES THAT IT PROVES DOES NOT REPRESENT THE DEPRECIATION IN VALUE OF THE SECURITIES AS A RESULT OF THE MISREPRESENTATION RELIED UPON; AND

C) IN NO CASE SHALL THE AMOUNT RECOVERABLE UNDER THE RIGHT OF ACTION DESCRIBED HEREIN EXCEED THE PRICE AT WHICH THE SECURITIES WERE OFFERED UNDER THE OFFERING MEMORANDUM, OR ANY AMENDMENT THERETO.

FOR NEWFOUNDLAND AND LABRADOR RESIDENTS: IF AN OFFERING MEMORANDUM, TOGETHER WITH ANY AMENDMENT THERETO, CONTAINS A MISREPRESENTATION, A PURCHASER HAS, WITHOUT REGARD TO WHETHER THE PURCHASER RELIED ON THE MISREPRESENTATION, A STATUTORY RIGHT OF ACTION FOR DAMAGES AGAINST (A) THE ISSUER, (B) SUBJECT TO CERTAIN ADDITIONAL DEFENCES, AGAINST EVERY DIRECTOR OF THE ISSUER AT THE DATE OF THE OFFERING MEMORANDUM AND (C) EVERY PERSON WHO SIGNED THE OFFERING MEMORANDUM, BUT MAY ELECT TO EXERCISE THE RIGHT OF RESCISSION AGAINST THE ISSUER (IN WHICH CASE THE PURCHASER SHALL HAVE NO RIGHT OF ACTION FOR DAMAGES AGAINST THE AFOREMENTIONED PERSONS).

NO ACTION SHALL BE COMMENCED TO ENFORCE THE RIGHT OF ACTION DISCUSSED ABOVE MORE THAN: (A) IN THE CASE OF AN ACTION FOR RESCISSION, 180 DAYS AFTER THE DATE OF THE TRANSACTION THAT GAVE RISE TO THE CAUSE OF ACTION; OR (B) IN THE CASE OF ANY ACTION FOR DAMAGES, THE EARLIER OF: (I) 180 DAYS AFTER THE PURCHASER FIRST HAD KNOWLEDGE OF THE FACTS GIVING RISE TO THE CAUSE OF ACTION; OR (II) THREE YEARS AFTER THE DATE OF THE TRANSACTION THAT GAVE RISE TO THE CAUSE OF ACTION. SECURITIES LEGISLATION IN NEWFOUNDLAND AND LABRADOR PROVIDES A NUMBER OF LIMITATIONS AND DEFENCES TO SUCH ACTIONS, INCLUDING:

A) NO PERSON WILL BE LIABLE IF IT PROVES THAT THE PURCHASER PURCHASED THE SECURITIES WITH KNOWLEDGE OF THE MISREPRESENTATION;

B) IN AN ACTION FOR DAMAGES, THE DEFENDANT IS NOT LIABLE FOR ALL OR ANY PORTION OF THE DAMAGES THAT IT PROVES DOES NOT REPRESENT THE DEPRECIATION IN VALUE OF THE SECURITIES AS A RESULT OF THE MISREPRESENTATION RELIED UPON; AND

C) IN NO CASE SHALL THE AMOUNT RECOVERABLE UNDER THE RIGHT OF ACTION DESCRIBED HEREIN EXCEED THE PRICE AT WHICH THE SECURITIES WERE OFFERED UNDER THE OFFERING MEMORANDUM, OR ANY AMENDMENT THERETO.

**THE AGGREGATE AMOUNT SUBSCRIBED FOR HEREBY IS:**

\_\_\_\_\_ shares for a total purchase price of \$ \_\_\_\_\_

Manner in Which Title is to be Held. (check one)

- |   |   |
|---|---|
| <input type="checkbox"/> Individual Ownership   | <input type="checkbox"/> Community Property |
| <input type="checkbox"/> Joint Tenant with Right of Survivorship (both parties must sign) |   |
| <input type="checkbox"/> Partnership  | <input type="checkbox"/> Tenants in common  |
| <input type="checkbox"/> Corporation Trust  | <input type="checkbox"/> IRA or Keogh       |
| <input type="checkbox"/> Other (please indicate)  |   |

**INDIVIDUAL INVESTORS**

\_\_\_\_\_  
\_\_\_\_\_

Signature (Individual)

\_\_\_\_\_  
\_\_\_\_\_

Signature (Joint)  
(all record holders must sign)

\_\_\_\_\_  
Name(s) Typed or Printed

\_\_\_\_\_  
Address to Which Correspondence  
Should be Directed

\_\_\_\_\_  
City, Country, State and Zip Code/Postal Code

Tel: \_\_\_\_\_

Email: \_\_\_\_\_

\_\_\_\_\_  
Tax Identification or  
Social Security Number

**ENTITY INVESTORS**

Name of entity, if any

By: \_\_\_\_\_

\*Signature

Its: \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_  
Name Typed or Printed

\_\_\_\_\_  
Address to Which Correspondence  
Should be Directed

\_\_\_\_\_  
City, Country, State and Zip Code/Postal Code

Tel: \_\_\_\_\_

Email: \_\_\_\_\_

\_\_\_\_\_  
Tax Identification or  
Social Security Number

State whether the Subscriber is an Insider<sup>2</sup> of the Corporation:  
Yes ☐ No ☐

Number and kind of securities of the Company held, directly or indirectly, if any:  
\_\_\_\_\_  
\_\_\_\_\_

State whether the Subscriber is a Registrant<sup>1</sup>:  
Yes ☐ No ☐

- (1) **“Registrant”** means a dealer, adviser, investment fund management, ultimate designated person or chief compliance officer as those terms are used pursuant to the Canadian Securities Laws, or a person registered or otherwise required to be registered under Canadian Securities Laws

- (2) **“Insider”** means (i) a director or officer of the Company (or a subsidiary of the Company), (ii) any person who beneficially owns, directly or indirectly, voting securities of the Company or who exercises control or direction over, directly or indirectly, voting securities of the Company or a combination of both carrying more than 10% of the voting rights attached to all voting securities of the Company for the time being outstanding, or (iii) a director or officer of an Insider of the Company.

\* If Securities are being subscribed for by any entity, the Certificate of Signatory on the next page must also be completed

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The foregoing subscription is accepted and the Company hereby agrees to be bound by its terms on \_\_\_\_ day of \_\_\_\_\_, 2021.

**Akanda Corp.**

Dated:

By: \_\_\_\_\_

Name: Tejinder Virk

Its: Chief Executive Officer

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## CERTIFICATE OF SIGNATORY

(To be completed if Securities are being subscribed for by an entity)

I, \_\_\_\_\_, the \_\_\_\_\_  
(name of signatory) (title)

of \_\_\_\_\_ ("Entity"), a \_\_\_\_\_  
(name of entity) (type of entity)

Organized under the laws of \_\_\_\_\_, hereby certify that I am empowered and duly authorized by the Entity to execute the Subscription Agreement and to purchase the Securities, and certify further that the Subscription Agreement has been duly and validly executed on behalf of the Entity and constitutes a legal and binding obligation of the Entity.

IN WITNESS WHEREOF, I have set my hand this \_\_\_\_ day of \_\_\_\_\_, 2021.

\_\_\_\_\_  
(Signature)

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## INSTRUCTIONS FOR COMPLETION OF INVESTOR REPRESENTATION AND SUITABILITY QUESTIONNAIRE (FOR NON-CANADIAN SUBSCRIBERS)

Item I: Name and address information must be provided. Securities will be issued in the name(s) set forth in this Item and delivered to the address set forth in this Item. If two people are subscribing jointly, both people must provide their names and social security numbers. A telephone number must also be provided.

Item II: If the securities are to be held in a different name than the investor and sent to a different address (i.e., an IRA or other account held at a brokerage firm), this Item must be completed. If the securities are to be issued and delivered directly to the entity listed in Item I, this Item need not be completed.

Item III: This Item needs to be read by the investor, but nothing needs to be written here. The Securities are suitable for investment only by prospective investors who are "Accredited Investors."

Item IV: A. Only complete this Item by checking the appropriate line if you are an individual investor.

B. Only complete this Item if you are an entity investor.

C. Only complete this Item if you are a trust investor.

Item V: This Item needs to be read by the investor, but nothing needs to be written here.

Item VI: The USA Freedom Act requires us to collect information on the sources of funds. Please complete section 1, add the documents requested in section 2 only if funds did not come from an approved country (U.S. is approved), and complete section 3.

Item VII: You must thoroughly complete the Suitability Questionnaire, in order for the Company and the Managing Dealer to make a determination whether this is a suitable investment for you.

Item VIII: You and must sign and date here.

### INSTRUCTIONS FOR PAYMENT

Review and complete the Investor Representation & Suitability Questionnaire and deliver it to the email or address below along with payment for your investment.

Email: [offerings@boustead1828.com](mailto:offerings@boustead1828.com)  
Subject: Akanda Corp. – [Investor Name]

Address: Boustead Securities, LLC  
6 Venture, Suite 395  
Irvine, CA 92618

### WIRE INSTRUCTIONS

Bank Name: [\*]  
Bank Address: [\*]  
SWIFT Code: [\*]  
Routing #: [\*]

Account Name: [\*]  
Account #: [\*]  
REF / Notes: Akanda Corp. – [Investor Name]

If you need assistance, please contact:

Email: [offerings@boustead1828.com](mailto:offerings@boustead1828.com)  
Phone: (949)-502-4408

## INVESTOR REPRESENTATION & SUITABILITY QUESTIONNAIRE (For Non-Canadian Subscribers)

Please read all instructions of this Investor Representation and Suitability Questionnaire (this “Questionnaire”) carefully before filling out this Questionnaire. This is a legally binding document. If you need assistance, please call 949-502-4408 or by email at [offerings@boustead1828.com](mailto:offerings@boustead1828.com).

### I. ACCOUNT REGISTRATION

- |   |  |   |
|---|--|---|
| <input type="checkbox"/> Individual Account | <input type="checkbox"/> Trust                         | <input type="checkbox"/> Corporation, Partnership, LLC, |
| <input type="checkbox"/> Joint Registration | <input type="checkbox"/> Individual Retirement Account | Pension or Profit-Sharing Plan.                         |
| * If no box below is checked, we            |  | Association, or other Entity                            |
|   |  | (IRA)   |

will issue the securities as  
JTWROS.

- ☐ Joint Tenants with  
Rights of Survivorship \*
- ☐ Tenants in Common
- ☐ Tenants in Entirety
- ☐ Community Property

PLEASE PUT A CHECK NEXT TO EACH SOCIAL SECURITY NUMBER OR TAX ID NUMBER THAT IS RESPONSIBLE FOR TAXES. WE WILL REPORT THIS NUMBER TO THE IRS.

Name of INVESTOR (Individual, Entity, Custodian, Trust or Beneficiary)		Date of Birth	<input type="checkbox"/> Soc. Sec. / Tax ID #
Name of SIGNER (Signer for Entity, Trust, Name of IRA Participant)		Date of Birth	<input type="checkbox"/> Soc. Sec. / Tax ID #
Name of JOINT INVESTOR or CO- TRUSTEE (if applicable)		Date of Birth	<input type="checkbox"/> Soc. Sec. / Tax ID #
Marital Status (please check one): <input type="checkbox"/> Single <input type="checkbox"/> Married <input type="checkbox"/> Other			
\$ _____ Total Investment Amount			
<b>HOME ADDRESS</b>		<input type="checkbox"/> USE THIS ADDRESS FOR MAILING	
Street Address		Apt / Suite / Unit #	
City	State	Zip	
Home Phone	Fax	Email	
<b>BUSINESS ADDRESS</b>		<input type="checkbox"/> USE THIS ADDRESS FOR MAILING	
Street Address		Apt / Suite / Unit #	
City	State	Zip	
Business Phone	Fax	Email	

## II. ALTERNATIVE DISTRIBUTION INFORMATION

To direct distributions to a party other than the registered owner, complete the information below. **YOU MUST COMPLETE THIS ITEM IF THIS IS AN IRA INVESTMENT.**

Name of Firm (Bank or Brokerage): \_\_\_\_\_

Account Name: \_\_\_\_\_ Account #: \_\_\_\_\_

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Address: \_\_\_\_\_

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### III. INVESTOR REPRESENTATIONS & AUTHORIZATIONS

You as an individual or you on behalf of the subscribing entity are being asked to complete this Investor Representation and Suitability Questionnaire so a determination can be made as to whether or not you are qualified to purchase securities under applicable federal and state securities laws. **Your answers to the questions contained herein must be true and correct in all respects, and a false representation by you may constitute a violation of law for which a claim for damages may be made against you.**

Your answers will be kept strictly confidential; however, by signing this Questionnaire, you will be authorizing release of this Questionnaire to make certain that the offer and sale of the securities will not result in a violation of the Securities Act of 1933, as amended (the “Act”) or of the securities laws of any state.

This Questionnaire does not constitute an offer to sell or a solicitation of an offer to buy securities or any other security. All questions must be answered. If the appropriate answer is “None” or “Not Applicable,” please state so. Please print or type your answers to all questions and attach additional sheets if necessary to complete your answers to any item. Please initial any correction.

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#### INDIVIDUAL SUBSCRIBERS:

If the securities subscribed for are to be owned by more than one person, you and the other co-subscriber must each complete separate Questionnaires (except if the co-subscriber is your spouse or spousal equivalent) and sign the Signature Page annexed hereto. If your spouse or spousal equivalent is a co-subscriber, you must indicate their name and social security number.

#### CORPORATIONS, PARTNERSHIPS, PENSION PLANS AND TRUSTS:

The information requested herein relates to the subscribing entity and not to you personally (unless otherwise determined in the Item IV. Accredited Investor Status).

### IV. ACCREDITED INVESTOR STATUS

**TO BE AN ACCREDITED INVESTOR, YOU MUST MEET ONE OF THE FOLLOWING TESTS, PLEASE CHECK THE APPROPRIATE SPACES BELOW.**

#### A. INDIVIDUAL ACCOUNTS:

I certify that I am an “accredited investor” because:

(a) \_\_\_\_\_ I had an individual income of more than \$200,000 in each of the two most recent calendar years, and I reasonably expect to have an individual income in excess of \$200,000 in the current calendar year; or my spouse or spousal equivalent and I had joint income in excess of \$300,000 in each of the two most recent calendar years, and we reasonably expect to have a joint income in excess of \$300,000 in the current calendar year (*please complete “Item V. Income Statement”*); **or**

(b) I have an individual net worth, or my spouse or spousal equivalent and I have a joint net worth, in excess of \$1,000,000 (excluding my (our) primary residence); **or**

(c) I hold in good standing the FINRA Series 7, Series 65, or Series 82 licenses, and/or other such certain professional certifications, designations or credentials or other credentials issued by an accredited educational institution, which the SEC may designate from time to time by order; **or**

(d) I am a knowledgeable employee of the fund. (*This should only be answered with respect to investments in a private fund*); **or**

(e) I am a director, executive officer, or general partner of the issuer of the securities being offered or sold, or any director, executive officer, or general partner of a general partner of that issuer.

For purposes of this Questionnaire “individual income” means “adjusted gross income” as reported for Federal income tax purposes, exclusive of any income attributable to a spouse or spousal equivalent or to property owned by a spouse or spousal equivalent, and increased by the following amounts:

(i) the amount of any interest income received which is tax-exempt under Section 103 of the Internal Revenue Code of 1986, as amended, (the “Code”); (ii) the amount of losses claimed as a limited partner in a limited partnership (as reported on Schedule E of form 1040); (iii) any deduction claimed for depletion under Section 611 et seq. of the Code; and (iv) any amount by which income from long-term capital gains has been reduced in arriving at adjusted gross income pursuant to the provisions of Sections 1202 of the Code as it was in effect prior to enactment of the Tax Reform Act of 1986.

For purposes of this Questionnaire, “joint income” means “adjusted gross income” as reported for federal income tax purposes, including any income attributable to a spouse or spousal equivalent or to property owned by a spouse or spousal equivalent and increased by the following amounts:

(i) the amount of any interest income received which is tax-exempt under Section 103 of the Code; (ii) the amount of losses claimed as a limited partner in a limited partnership (as reported on Schedule E of Form 1040); (iii) any deduction claimed for depletion under Section 611 et seq. of the Code; and (iv) any amount by which income from long-term capital gains has been reduced in arriving at adjusted gross income pursuant to the provisions of Section 1202 of the Code as it was in effect prior to enactment of the Tax Reform Act of 1986.

For the purposes of this Questionnaire, “net worth” means (except as otherwise specifically defined) the excess of total assets at fair market value over total liabilities, excluding your primary residence and the related amount of indebtedness secured by the primary residence up to its fair market value; *provided, however*, that indebtedness secured by the primary residence should be considered a liability and deducted from net worth to the extent that (i) the amount of such indebtedness outstanding at the time of completion of this Questionnaire exceeds the amount outstanding 60 calendar days before such time, other than as a result of the acquisition of the primary residence; and (ii) the amount of the indebtedness exceeds the estimated fair market value of the primary residence at the time of completion of this Questionnaire.

For the purposes of this Questionnaire, “spousal equivalent” means a cohabitant occupying a relationship generally equivalent to that of a spouse or spousal equivalent.

**B. CORPORATIONS, PARTNERSHIPS, LIMITED LIABILITY COMPANIES, EMPLOYEE BENEFIT PLANS, OR OTHER ENTITIES** (Please provide a copy of the Corporate Resolution authorizing this investment, Partnership Agreement, Limited Liability Company Operating Agreement, Employee Benefit Plan, or other entity documentation as applicable.)

Has the subscribing entity been formed for the specific purpose of investing in the securities? ☐ Yes ☐ No

If your answer to the question above is “No,” CHECK whichever of the following statements (a-e) is applicable to the subscribing entity. If your answer to the question above is “Yes,” the subscribing entity must be able to certify to statement (c) below in order to qualify as an “accredited investor.”

The undersigned certifies that:

(a) \_\_\_ the undersigned entity is an “accredited investor,” because it is an employee benefit plan within the meaning of Title I of the Employee Retirement Income Security Act of 1974 (“ERISA”), provided that the investment decision is made by a plan fiduciary, as defined in Section 3(21) of ERISA, and the plan fiduciary is a bank, savings and loan association, insurance company or registered investment adviser; **or**

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(b) \_\_\_ the undersigned entity is an “accredited investor,” because it is an employee benefit plan within the meaning of ERISA, Title I that has total assets in excess of \$5,000,000; **or**

(c) \_\_\_ Any private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940, as amended; **or**

(d) \_\_\_ the undersigned entity is an “accredited investor because it is an entity whose shareholders, partners, beneficiaries or equity owners are all accredited investors (If you are checking this option, please submit a list of all owners; EACH owner of the entity must complete Item IV and, complete Item V, if applicable, and Item VI. Make copies of this Item IV, Item VI (and V if applicable) to do this and note each owner’s name on each copy); I am one of its equity owners; and I meet at least one of the conditions described below (Please also CHECK the appropriate space below):

☐ I had an individual income of more than \$200,000 in each of the two most recent calendar years, and I reasonably expect to have an individual income in excess of \$200,000 in the current calendar year; or my spouse or spousal equivalent and I had joint income in



excess of \$300,000 in each of the two most recent calendar years, and we reasonably expect to have a joint income in excess of \$300,000 in the current calendar year *(please complete "Item V. Income Statement")*; **or**

☐ I have an individual net worth, or my spouse or spousal equivalent and I have a joint net worth, in excess of \$1,000,000 (excluding my (our) primary residence); **or**

☐ I hold in good standing the FINRA Series 7, Series 65, or Series 82 licenses, and/or other such certain professional certifications, designations or credentials or other credentials issued by an accredited educational institution, which the SEC may designate from time to time by order; **or**

☐ I am a knowledgeable employee of the fund; **or**

☐ I am a director, executive officer, or general partner of the issuer of the securities being offered or sold, or any director, executive officer, or general partner of a general partner of that issuer.

(e) \_\_\_ the undersigned entity is an "accredited investor," because it is a self-directed employee benefit plan; I solely make its investment decisions; and I meet at least one of the conditions described below **(Please also CHECK the appropriate space below)**:

☐ I had an individual income of more than \$200,000 in each of the two most recent calendar years, and I reasonably expect to have an individual income in excess of \$200,000 in the current calendar year; or my spouse or spousal equivalent and I had joint income in excess of \$300,000 in each of the two most recent calendar years, and we reasonably expect to have a joint income in excess of \$300,000 in the current calendar year *(please complete "Item V. Income Statement")*; **or**

☐ I have an individual net worth, or my spouse or spousal equivalent and I have a joint net worth, in excess of \$1,000,000 (excluding my (our) primary residence); **or**

☐ I hold in good standing the FINRA Series 7, Series 65, or Series 82 licenses, and/or other such certain professional certifications, designations or credentials or other credentials issued by an accredited educational institution, which the SEC may designate from time to time by order; **or**

☐ I am a knowledgeable employee of the fund; **or**

☐ I am a director, executive officer, or general partner of the issuer of the securities being offered or sold, or any director, executive officer, or general partner of a general partner of that issuer. **or**

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(f) \_\_\_ the undersigned entity is an "accredited investor," because it is an organization described in section 501(c)3 of the Internal Revenue Code, corporation, Massachusetts or similar business trust, or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$5,000,000; **or**

(g) \_\_\_ the undersigned entity is an "accredited investor," because it is a limited liability company, SEC or state -registered Investment Adviser, Exempt Reporting Adviser, or a rural business investment company (RBIC) with \$5,000,000 in assets; **or**

(h) \_\_\_ the undersigned entity is an "accredited investor," because it is an Indian tribe, governmental body, fund, or any entity organized under the laws of foreign countries, that own "investments," as defined in Rule 2a51-1(b) under the Investment Company Act, in excess of \$5,000,000 and that was not formed for the specific purpose of investing in the securities offered; **or**

(i) \_\_\_ the undersigned entity is an "accredited investor," because it is a family office with at least \$5,000,000 in assets under management and their "family clients," as each term is defined under the Investment Advisers Act.

**C. TRUST ACCOUNTS** (Please provide a complete copy of the Trust document.)

Has the subscribing entity been formed for the specific purpose of investing in the securities? ☐ Yes ☐ No

If your answer to the question above is "No," CHECK whichever of the following statements (a-c) is applicable to the subscribing entity. If your answer to the question above is "Yes," the subscribing entity must be able to certify to the statement (c) below in order to qualify as an "accredited investor."

The undersigned trustee certifies that the trust is an "accredited investor" because:

- (a) \_\_\_\_ the trust has total assets in excess of \$5,000,000 and the investment decision has been made by a “sophisticated person,” as described in Rule 506(b)(ii) promulgated under the Act; **or**
- (b) \_\_\_\_ the trustee making the investment decision on its behalf is a bank (as defined in Section 3(a)(2) of the Act), a saving and loan association or other institution as defined in Section 3(a)(5)(A) of the Act, acting in its fiduciary capacity; **or**
- (c) \_\_\_\_ the grantor(s) of the trust may revoke the trust at any time and regain title to the trust assets and has (have) retained sole investment control over the assets of the trust and the (each) grantor(s) meets at least one of the conditions described below. **Each grantor must also INITIAL the appropriate space below.**

☐ I had an individual income of more than \$200,000 in each of the two most recent calendar years, and I reasonably expect to have an individual income in excess of \$200,000 in the current calendar year; or my spouse or spousal equivalent and I had joint income in excess of \$300,000 in each of the two most recent calendar years, and we reasonably expect to have a joint income in excess of \$300,000 in the current calendar year (*please complete “Item V. Income Statement”*); **or**

☐ I have an individual net worth, or my spouse or spousal equivalent and I have a joint net worth, in excess of \$1,000,000 (excluding my (our) primary residence); **or**

☐ I hold in good standing the FINRA Series 7, Series 65, or Series 82 licenses, and/or other such certain professional certifications, designations or credentials or other credentials issued by an accredited educational institution, which the SEC may designate from time to time by order; **or**

☐ I am a knowledgeable employee of the fund; **or**

☐ I am a director, executive officer, or general partner of the issuer of the securities being offered or sold, or any director, executive officer, or general partner of a general partner of that issuer.

## V. CERTIFICATIONS

I understand that investment in the securities is an illiquid investment. In particular, I recognize that I must bear the economic risk of investment in the securities for an indefinite period of time since the securities have not been registered under the Act and therefore cannot be sold unless either they are subsequently registered under the Act or an exemption from such registration is available and a favorable opinion of counsel for the Company to that effect is obtained if requested by the Company. I consent to the affixing by the Company of such legends on certificates representing the securities as any applicable federal or state securities law may require from time to time.

I represent and warrant to the Company that: (i) all information provided in this Questionnaire is complete, true and correct; (ii) I and my investment managers, if any, have carefully reviewed and understand the risks of, and other considerations relating to, a purchase of these securities, including, but not limited to, the risks set forth in the risk factor disclosure document and other Offering Materials provided to me; (iii) I and my investment managers, if any, have been afforded the opportunity to obtain all information necessary to verify the accuracy of any representations or information in the transaction documents for this offering and other information provided to the undersigned and have had all inquiries to the Company answered, and have been furnished all requested materials relating to the Company and the offering and sale of the securities; (iv) I have such knowledge and experience in financial and investment matters, either alone or with my investment managers, that I am capable of evaluating the merits and risks of this investment; (v) neither I nor my investment managers, if any, have been furnished any offering literature by the Company or any of its affiliates, associates or agents other than the transaction documents, the term sheet, the Business Summary, the Risk Factor Disclosure Document, and the investor presentation provided to the undersigned by the Company related to this investment (collectively, the “Offering Materials”) relating to this investment, and the documents referenced therein; and (vi) I am acquiring the securities for which I am subscribing for my own account, as principal, for investment and not with a view to the resale or distribution of all or any part of the securities. By my completion of this Questionnaire and execution of other transaction documents, I confirm and agree that I have reviewed and understand the provisions of each such transaction document and, should my subscription be accepted by the Company, agree to be bound thereby.

The undersigned, if a corporation, partnership, trust or other form of business entity: (i) is authorized and otherwise duly qualified to purchase and hold the securities; (ii) has obtained such additional tax and other advice that it has deemed necessary; (iii) has its principal place of business at its address set forth in this Questionnaire; and (iv) has not been formed for the specific purpose of acquiring the securities (although this may not necessarily disqualify the subscriber as a purchaser). The persons completing this Questionnaire and executing all other documents related to the offering, represent that they are duly authorized to complete or execute all such documents on behalf of the entity. (If the undersigned is one of the aforementioned entities, it agrees to supply any additional written information that may be required.

All of the information which I have furnished to the Company, and which is set forth in this Questionnaire is correct and complete as of the date of this Questionnaire. If any material change in this information should occur prior to my subscription being accepted, I will immediately furnish the revised or corrected information. I further agree to be bound by all of the terms and conditions of the Offering Materials. I am the only person with a direct or indirect interest in the securities subscribed for hereby.

I agree to indemnify and hold harmless the Company and its Officers, Directors, employees, affiliates, and agents as well as the brokerage firm through which I am subscribing (if any) and all of its officers, directors, employees, affiliates, and agents from and against all damages, losses, costs and expenses (including reasonable attorneys' fees) they may incur by reason of the failure of the undersigned to fulfill any of the terms or conditions set forth in the transaction documents. This subscription is not transferable or assignable by me without the written consent of the Company. If more than one person is completing this Questionnaire, the obligations of each shall be joint and several, and the representations contained in this Questionnaire shall be deemed to be made by, and be binding upon, each of these persons and his or her heirs, executors, administrators, successors, and assigns. This subscription, upon acceptance by the Company, shall be binding upon my heirs, executors, administrators, successors, and assigns.

This Questionnaire and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed, and interpreted in accordance with the laws of the State of California, without giving effect to principles of conflicts of law.

Under penalties of perjury, by signing below I certify that (i) my taxpayer identification number shown in this Questionnaire is correct; and (ii) I am not subject to backup withholding because: (a) I have not been notified that I am subject to backup withholding as a result of a failure to report all interest and dividends; or (b) the Internal Revenue Service has notified me that I am no longer subject to backup withholding. (If you have been notified that you are subject to backup withholding and the Internal Revenue Service has not advised you that backup withholding has been terminated, strike out item (ii)).

## VI. INFORMATION REQUIRED BY FEDERAL LAW

The USA Freedom Act requires us to obtain the following information from you to detect and prevent misuse of the world financial system.

1. In the space provided below, please provide details of where monies were transferred from to the Company in relation to your subscription for the securities.

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Country	Name of Bank / Financial Institution	Name of Account Holder	Account Number

If the country from which the monies were transferred appears in the Approved Country List below, please skip to section 3. If the country does not appear, please go to section 2.

Argentina	Australia	Austria	Belgium	Brazil
Canada	Denmark	Finland	France	Germany
Greece	Gulf Cooperation Council	Hong Kong	*Iceland	Ireland
Italy	Japan	The Netherlands (including the Netherlands Antilles and Aruba)	Luxembourg	Mexico
New Zealand	Norway	Portugal	*Russian Federation	Singapore
South Africa	Spain	Sweden	Switzerland	Turkey
United Kingdom	United States			

\*Vision Financial Markets will require enhanced due diligence as applicable.

2. If subscription monies were transferred to the Company from any country other than on the "Approved Country List" (see above), please provide the following documentation to the Company (all copies should be in English and certified as being "true and correct copies of the original" by a notary public of the jurisdiction of which you are resident).

### (a) For Individuals:

- (i) evidence of name, signature, date of birth and photographic identification;
- (ii) evidence of permanent address; and
- (iii) where possible, a reference from a bank with whom the individual maintains a current relationship and has maintained such relationship for at least two years.

### (b) For Companies:

- (i) a copy of its certificate of incorporation and any change of name certificate;
- (ii) a certificate of good standing;
- (iii) a register or other acceptable list of directors and officers;
- (iv) a properly authorized mandate of the company to subscribe in the form, for example, of a certified resolution which includes naming authorized signatories;
- (v) a description of the nature of the business of the company;
- (vi) identification, as described above for individuals, for at least two directors and authorized signatories;
- (vii) a register of members or list of shareholders holding a controlling interest; and
- (viii) identification, as described above, for individuals who are beneficial owners of corporate shareholders which hold 10% or more of the capital share of the company.

**(c) For Partnerships and Unincorporated Businesses:**

- (i) a copy of any certificate of registration and a certificate of good standing, if registered;
- (ii) identification, as described above, for individuals and, where relevant, companies constituting a majority of the partners, owners or managers and authorized signatories;
- (iii) a copy of the mandate from the partnership or business authorizing the subscription in the form, for example, of a certified resolution which includes naming authorized signatories; and
- (iv) a copy of constitutional documents (formation and partnership agreements).

**(d) For Trusts:**

- (i) identification, as described above, for individuals or companies (as the case may be) in respect of the trustees;
- (ii) identification, as described above for individuals, of beneficiaries, any person on whose instructions or in accordance with those wishes the trustee/nominee is prepared or accustomed to act and the settlor of the trust; and
- (iii) evidence of the nature of the duties or capacity of the trustee.

3. The Company is also required to verify the source of funds. To this end, summarize the underlying source of the funds remitted to us (for example, where subscription monies were the profits of business (and if so, please specify type of business), investment income, savings, etc.).

**Source of Funds:** \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

**VII. SUITABILITY QUESTIONNAIRE**

**This is a speculative investment (Each responding individual must complete his/her own Suitability Questionnaire)**

**Name of Individual Investor OR Name of Person Answering Questions on behalf of an Entity/Trust/IRA Investor:**

\_\_\_\_\_

**A. Please provide the below Identification information:**

ID Number: \_\_\_\_\_  
 Place of Issuance: \_\_\_\_\_  
 Issue Date: \_\_\_\_\_  
 Expiration Date: \_\_\_\_\_

Are you a U.S. Citizen? ☐ Yes ☐ No

Please provide a copy of the photo page of your government-issued identification.

**B. Please provide your present employment status. If currently retired or unemployed, please provide your last/most recent employment history:**

Current Employment Status      Latest Role/Occupation      Latest Employer Name

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C. Please provide the following information concerning your financial experience:

C-1. Risk Tolerance (select one):

- ☐ Speculative – You are willing to accept substantial risk. May endure extensive volatility and very limited or no liquidity. You value the potential for maximizing long-term returns over principal preservation.
- ☐ Aggressive – You are willing to accept considerable risk. You may endure high volatility and limited or very limited liquidity. You value long-term appreciation over principal preservation.
- ☐ Moderate – You are willing to accept limited risk. You may endure some volatility and illiquidity. You value enhancing returns and principal preservation equally. You are willing to risk losing a substantial amount of your investment.
- ☐ Conservative – You are willing to accept low risk for greater stability and liquidity. You value minimizing risk and maximizing principal preservation.

C-2. What is your primary investment objective? (select one):

- ☐ Investment speculation
- ☐ Steadily accumulate wealth over the long term
- ☐ Partially fund my retirement
- ☐ Other

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C-3. What are your time horizon and liquidity needs?

(a) Time Horizon (select one):

- ☐ 10 years or more
- ☐ 5 –10 years
- ☐ 2 – 5 years
- ☐ Under 2 years

(b) Liquidity Needs (select one):

- ☐ Low
- ☐ Medium
- ☐ High

C-4. How much investment experience do you have? (select one):

- ☐ Extensive
- ☐ Substantial
- ☐ Moderate
- ☐ Limited
- ☐ None

C-5. Please state the approximate number and total dollar amount of your prior investments in restricted securities (e.g., private placements):

No. of Investments: \_\_\_\_\_ Total Amount: \_\_\_\_\_

C-6. Please indicate your Annual Income and Net Worth:

(a) Annual Income

- ☐ Under \$25,000
- ☐ \$25,000 – \$50,000
- ☐ \$50,000 – \$75,000
- ☐ \$75,000 – \$100,000
- ☐ \$100,000 – \$200,000
- ☐ \$200,000 – \$300,000
- ☐ \$300,000 – \$500,000
- ☐ \$500,000 – \$1,200,000
- ☐ Over \$1,200,000

(b) Net Worth

- ☐ Under \$25,000
- ☐ \$25,000 – \$50,000
- ☐ \$50,000 – \$75,000
- ☐ \$75,000 – \$100,000
- ☐ \$100,000 – \$150,000
- ☐ \$150,000 – \$200,000
- ☐ \$200,000 – \$250,000
- ☐ \$250,000 – \$500,000
- ☐ \$500,000 – \$1,000,000
- ☐ \$1,000,000 – \$5,000,000
- ☐ Over \$5,000,000

(c) Liquid Net Worth

- ☐ Under \$25,000
- ☐ \$25,000 – \$50,000
- ☐ \$50,000 – \$75,000
- ☐ \$75,000 – \$100,000
- ☐ \$100,000 – \$150,000
- ☐ \$150,000 – \$200,000
- ☐ \$200,000 – \$250,000
- ☐ \$250,000 – \$500,000
- ☐ \$500,000 – \$1,000,000
- ☐ \$1,000,000 – \$5,000,000
- ☐ Over \$5,000,000

**C-7.** Please provide in the space below any additional information which would indicate that you have sufficient knowledge and experience in financial and business matters so that you are capable of evaluating the merits and risks of investing in restricted securities of private or thinly traded enterprise.

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**D.** Please provide the following information concerning your industry and other affiliations.

**D-1.** Are you, your spouse or spousal equivalent, or any other immediate family members, including parents, in-laws, and siblings that are dependents, an officer, director or greater than ten percent (10%) shareholder of the Company offering securities?

☐ Yes ☐ No

**D-2.** Are you, your spouse or spousal equivalent, or any other immediate family members, including parents, in-laws, and siblings that are dependents, employed by or associated with the securities industry (for example, investment advisor, sole proprietor, partner, officer, director, branch manager or broker at a broker-dealer firm or municipal securities dealer) or a financial regulatory agency, such as FINRA or the New York Stock Exchange?

☐ Yes ☐ No

If yes, please provide the name and contact information for such firm.

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**D-3.** Are you a senior military, governmental or political official in a non-US country?

☐ Yes ☐ No

If yes, please provide the name of the country.

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**E.** Did anyone at Boustead Securities, LLC recommend the investment to you?

☐ Yes ☐ No

If yes, please provide the name of the individual.

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**F. Trusted Contact.** If you are over 65 years old, please provide the name and contact phone number of a trusted contact:

Name	Relationship	Contact Number
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## VIII. SIGNATURES

**This Questionnaire contains various statements and representations by subscribers and should be carefully reviewed in its entirety before executing this signature page. I hereby certify that I have reviewed and am familiar with the instructions of this Questionnaire.**

(check if applicable) I hereby certify that I previously invested in the Company and that, unless otherwise indicated in this ☐ Questionnaire, the information I provided in the Questionnaire dated for my previous investment continues to be true and correct and is incorporated by reference into this Questionnaire.

Dated: \_\_\_\_\_

Print name of individual subscriber, custodian, corporation, trust: \_\_\_\_\_

Signature of individual subscriber, authorized person, Trustee: \_\_\_\_\_

Print name of co-subscriber, authorized person, co-trustee if required by trust instrument: \_\_\_\_\_

Signature of co-subscriber, authorized person, co-trustee if required by trust instrument: \_\_\_\_\_

**Investment Authorization.** The undersigned corporation, partnership, limited liability company, benefit plan, or IRA has all requisite authority to acquire the securities hereby subscribed for and to complete the Questionnaire, and further, the undersigned officer, partner, manager, or fiduciary of the subscribing entity has been duly authorized by all requisite action on the part of such entity to execute these documents on its behalf. Such authorization has not been revoked and is still in full force and effect.

Check Box: ☐ Yes ☐ No ☐ Not Applicable

**CAPACITY CLAIMED BY SIGNER:** (select one)

☐ Individual(s)  
☐ Partner(s)  
☐ **Corporate Officer:** \_\_\_\_\_

Title

☐ Attorney-In-Fact  
☐ Trustee(s)  
☐ **Other:** \_\_\_\_\_

Title

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**INSTRUCTIONS FOR COMPLETION OF  
INVESTOR REPRESENTATION  
AND SUITABILITY QUESTIONNAIRE**

**(FOR CANADIAN SUBSCRIBERS)**

**(Attached under separate cover)**

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**INVESTOR REPRESENTATION & SUITABILITY QUESTIONNAIRE**  
**(For Canadian Subscribers)**

**TO BE COMPLETED BY ACCREDITED INVESTORS RESIDENT IN OR SUBJECT TO THE LAWS OF A JURISDICTION OF CANADA**

*The categories listed herein contain certain specifically defined terms, some of which are defined below the following list of categories. If you are unsure as to the meanings of any term, or are unsure as to the applicability of any category below, please contact your broker and/or legal advisor before completing this certificate.*

**TO: AKANDA CORP.** (the "Company")

In connection with the purchase of the Securities by the undersigned subscriber, on its own behalf and on behalf of each disclosed principal for whom the subscriber is acting (together referred to as the "**Subscriber**" for the purposes of this Investor Representation & Suitability Questionnaire), the Subscriber hereby represents, warrants, covenants and certifies to the Company (and acknowledges that the Company and its counsel are relying thereon) that:

- (a) the Subscriber is resident in or otherwise subject to the securities laws of one of the jurisdictions of Canada;
- (b) the Subscriber is purchasing the Securities as principal for its own account and not for the benefit of any other person (unless the Subscriber is an accredited investor pursuant to paragraphs (p) and (q) below);
- (c) the Subscriber is (and will be at the closing time) an "accredited investor" within the meaning of National Instrument 45-106 – Prospectus Exemptions or, in Ontario, section 73.3 of the Securities Act (Ontario), on the basis that the Subscriber fits within the category of an "accredited investor" reproduced below beside which the undersigned has indicated the undersigned belongs to such category;
- (d) the Subscriber was not created and is not used solely to purchase or hold securities as an accredited investor as described in paragraph (m) of the definition of "accredited investor" below; and
- (e) upon execution of this Investor Representation & Suitability Questionnaire by the Subscriber, this Investor Representation & Suitability Questionnaire and, if applicable, Appendix 1 to Investor Representation & Suitability Questionnaire, will be incorporated into and form a part of the Agreement.

Terms used herein and not otherwise defined find their meaning in the accompanying Agreement.

**(CHECK THE BOX OF THE APPLICABLE CATEGORY OF ACCREDITED INVESTOR ON THE FOLLOWING PAGE AND PROVIDE ANY OTHER INFORMATION REQUIRED AS NOTED BELOW SUCH CATEGORY)**

THE COMPANY MAY FOLLOW UP WITH THE SUBSCRIBER AT THE TELEPHONE NUMBER PROVIDED IN ORDER TO VERIFY THEIR ACCREDITED INVESTOR STATUS BY OBTAINING FURTHER INFORMATION IN ORDER SATISFY THE COMPANY'S OBLIGATIONS UNDER APPLICABLE SECURITIES LAWS.

**Accredited Investor** means:

<input type="checkbox"/>	(a) a Canadian financial institution, or a Schedule III bank;
<input type="checkbox"/>	(b) the Business Development Bank of Canada incorporated under the <i>Business Development Bank of Canada Act</i> (Canada);
<input type="checkbox"/>	(c) a subsidiary of any person referred to in paragraphs (a) or (b), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary;

<input type="checkbox"/>	(d) a person registered under the securities legislation of a jurisdiction of Canada as an adviser or dealer;  <b>Jurisdiction(s) registered</b> _____  <b>Category/ies of registration:</b> _____
<input type="checkbox"/>	(e) an individual registered under the securities legislation of a jurisdiction of Canada as a representative of a person referred to in paragraph (d);
<input type="checkbox"/>	(e.1) an individual formerly registered under the securities legislation of a jurisdiction of Canada, other than an individual formerly registered solely as a representative of a limited market dealer under one or both of the <i>Securities Act</i> (Ontario) or the <i>Securities Act</i> (Newfoundland and Labrador);  <b>Person with whom Subscriber is or was registered:</b> _____  <b>Jurisdiction(s) registered:</b> _____  <b>Category/ies of registration:</b> _____
<input type="checkbox"/>	(f) the Government of Canada or a jurisdiction of Canada, or any crown corporation, agency or wholly owned entity of the Government of Canada or a jurisdiction of Canada;
<input type="checkbox"/>	(g) a municipality, public board or commission in Canada and a metropolitan community, school board, the Comité de gestion de la taxe scolaire de l'île de Montréal or an intermunicipal management board in Québec;



<input type="checkbox"/>	(h) any national, federal, state, provincial, territorial or municipal government of or in any foreign jurisdiction, or any agency of that government;
<input type="checkbox"/>	<p>(i) a pension fund that is regulated by either the Office of the Superintendent of Financial Institutions (Canada) or a pension commission or similar regulatory authority of a jurisdiction of Canada;</p> <p><b>Jurisdiction(s) registered:</b> _____</p> <p><b>Registration number(s):</b> _____</p>
<input type="checkbox"/>	<p>(j) an individual who, either alone or with a spouse, beneficially owns, directly or indirectly, financial assets having an aggregate realizable value that before taxes, but net of any related liabilities, exceeds \$1,000,000;</p> <p><b>A subscriber under this category must complete <u>Appendix 1</u> to this Investor Representation &amp; Suitability Questionnaire – Form 45-106F9 Risk Acknowledgement Form for Certain Accredited Investors</b></p>
<input type="checkbox"/>	(j.1) an individual who beneficially owns financial assets having an aggregate realizable value that, before taxes but net of any related liabilities, exceeds \$5,000,000;
<input type="checkbox"/>	<p>(k) an individual whose net income before taxes exceeded \$200,000 in each of the two most recent calendar years or whose net income before taxes combined with that of a spouse exceeded \$300,000 in each of the two most recent calendar years and who, in either case, reasonably expects to exceed that net income level in the current calendar year;</p> <p><b>A subscriber under this category must complete <u>Appendix 1</u> to this Investor Representation &amp; Suitability Questionnaire – Form 45-106F9 Risk Acknowledgement Form for Certain Accredited Investors</b></p>
<input type="checkbox"/>	<p>(l) an individual who, either alone or with a spouse, has net assets of at least \$5,000,000;</p> <p><b>A subscriber under this category must complete <u>Appendix 1</u> to this Investor Representation &amp; Suitability Questionnaire – Form 45-106F9 Risk Acknowledgement Form for Certain Accredited Investors</b></p>

<input type="checkbox"/>	<p>(m) a person, other than an individual or investment fund, that has net assets of at least \$5,000,000 as shown on its most recently prepared financial statements;</p> <p><b>Type of entity:</b> _____</p> <p><b>Jurisdiction and date of formation:</b> _____</p>
<input type="checkbox"/>	<p>(m) (n) an investment fund that distributes or has distributed its securities only to</p> <p>(i) a person that is or was an accredited investor at the time of the distribution;</p> <p>(ii) a person that acquires or acquired securities in the circumstances referred to in sections 2.10 [<i>Minimum amount investment</i>] and 2.19 [<i>Additional investment in investment funds</i>] of NI 45-106, or</p> <p>(iii) a person described in subparagraph (i) or (ii) that acquires or acquired securities under section 2.18 [<i>Investment fund reinvestment</i>] of NI 45-106;</p>
<input type="checkbox"/>	(o) an investment fund that distributes or has distributed securities under a prospectus in a jurisdiction of Canada for which the regulator or, in Québec, the securities regulatory authority, has issued a receipt;
<input type="checkbox"/>	<p>(p) a trust company or trust corporation registered or authorized to carry on business under the <i>Trust and Loan Companies Act</i> (Canada) or (subject to paragraph (p.1)) under comparable legislation in a jurisdiction of Canada or a foreign jurisdiction, acting on behalf of a fully managed account managed by the trust company or trust corporation, as the case may be;</p> <p><b>Jurisdiction(s) registered:</b> _____</p>

	<b>Registration number(s):</b> _____
<input type="checkbox"/>	<p>(p.1) a trust company or trust corporation registered under the laws of Prince Edward Island and not registered under the <i>Trust and Loan Companies Act</i> (Canada) or under comparable legislation in another jurisdiction of Canada, acting on behalf of a fully managed account managed by the trust company or trust corporation, as the case may be;</p> <p><b>Registration number(s):</b> _____</p>
<input type="checkbox"/>	<p>(q) a person acting on behalf of a fully managed account managed by that person, if that person is registered or authorized to carry on business as an adviser or the equivalent under the securities legislation of a jurisdiction of Canada or a foreign jurisdiction;</p> <p><b>Jurisdiction(s) registered or authorized:</b> _____</p> <p><b>Category/ies of registration:</b> _____</p>
<input type="checkbox"/>	<p>(r) a registered charity under the <i>Income Tax Act</i> (Canada) that, in regard to the trade, has obtained advice from an eligibility adviser or an adviser registered under the securities legislation of the jurisdiction of the registered charity to give advice on the securities being traded;</p> <p><b>Registration number(s) of subscriber:</b> _____</p> <p><b>Name of eligibility adviser or registered adviser:</b> _____</p> <p><b>Jurisdiction(s) registered:</b> _____</p> <p><b>Category/ies of registration:</b> _____</p>
<input type="checkbox"/>	<p>(s) an entity organized in a foreign jurisdiction that is analogous to any of the entities referred to in paragraphs (a) to (d) or paragraph (i) in for and function;</p> <p><b>Jurisdiction organized:</b> _____</p> <p><b>Type of entity:</b> _____</p>

<input type="checkbox"/>	<p>(t) a person in respect of which all of the owners of interests, direct, indirect or beneficial, except the voting securities required by law to be owned by directors, are persons that are accredited investors;</p> <p><b>Each owner must complete and submit its own copy of this Accredited Investor Status Certificate;</b></p> <p><b>Name(s) of owner(s):</b> _____</p> <p><b>Category/ies of accredited investor:</b> _____</p>
<input type="checkbox"/>	<p>(u) an investment fund that is advised by a person registered as an adviser or a person that is exempt from registration as an adviser;</p> <p><b>Name of adviser:</b> _____</p> <p><b>Jurisdiction(s) registered:</b> _____</p> <p><b>Category/ies of registration (if applicable):</b> _____</p> <p><b>Basis of exemption (if applicable):</b> _____</p>
<input type="checkbox"/>	<p>(v) a person that is recognized or designated by the securities regulatory authority or, except in Ontario and Québec, the regulator as an accredited investor; or</p>

	<b>Jurisdiction(s) recognized or designated:</b> _____
<input type="checkbox"/>	<p>(w) a trust established by an accredited investor for the benefit of the accredited investor's family members of which a majority of the trustees are accredited investors and all of the beneficiaries are the accredited investor's spouse, a former spouse of the accredited investor or a parent, grandparent, brother, sister, child or grandchild of that accredited investor, of that accredited investor's spouse or of that accredited investor's former spouse.</p> <p><b>Name(s) of settlor:</b> _____</p> <p><b>Name(s) of trustees:</b> _____</p> <p><b>Categories of accredited investor:</b> _____</p> <p><b>Categories of beneficiaries:</b> _____</p>

For the purposes hereof, the following definitions are included for convenience:

**"Canadian financial institution"** means: (i) an association governed by the Cooperative Credit Associations Act (Canada) or a central cooperative credit society for which an order has been made under section 473(1) of that Act; or (ii) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services cooperative, or league that, in each case, is authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction of Canada;

**"entity"** means a company, syndicate, partnership, trust or unincorporated organization;

**"financial assets"** means cash, securities, or any a contract of insurance, a deposit or an evidence of a deposit that is not a security for the purposes of securities legislation;

**"founder"** means, in respect of the Company, a person who: (i) acting alone, in conjunction, or in concert with one or more persons, directly or indirectly, takes the initiative in founding, organizing or substantially reorganizing the business of the Company; and (ii) at the time of the trade is actively involved in the business of the Company;

**"fully managed account"** means an account of a client for which a person makes the investment decisions if that person has full discretion to trade in securities for the account without requiring the client's express consent to a transaction;

**"investment fund"** means a mutual fund or a non-redeemable investment fund;

**"mutual fund"** means an issuer whose primary purpose is to invest money provided by its security holders and whose securities entitle the holder to receive on demand, or within a specified period after demand, an amount computed by reference to the value of a proportionate interest in the whole or in part of the net assets, including a separate fund or trust account, of the issuer;

**"non-redeemable investment fund"** means an issuer,

- (i) whose primary purpose is to invest money provided by its securityholders,
- (ii) that does not invest:
  - (A) for the purpose of exercising or seeking to exercise control of an issuer, other than an issuer that is a mutual fund or a non-redeemable investment fund; or
  - (B) for the purpose of being actively involved in the management of any issuer in which it invests, other than an issuer that is a mutual fund or a non-redeemable investment fund; and
- (iii) that is not a mutual fund;

**"related liabilities"** means liabilities incurred or assumed for the purpose of financing the acquisition or ownership of financial assets and liabilities that are secured by financial assets;

*"Schedule III bank" means an authorized foreign bank named in Schedule III of the Bank Act (Canada);*

*"spouse" means an individual who: (i) is married to another individual and is not living separate and apart within the meaning of the Divorce Act (Canada), from the other individual; (ii) is living with another individual in a marriage-like relationship, including a marriage-like relationship between individuals of the same gender; or (iii) in Alberta, is an individual referred to in subparagraph (i) or (ii), or is an adult interdependent partner within the meaning of the Adult Interdependent Relationships Act (Alberta); and*

*"subsidiary" means an issuer that is controlled directly or indirectly by another issuer and includes a subsidiary of that subsidiary.*

**Affiliate:** An issuer is considered to be an **affiliate** of another issuer if one is a subsidiary of the other, or if both are subsidiaries of the same issuer, or if each of them is controlled by the same issuer.

**Control:** A person (first person) is considered to **control** another person (second person) if: (i) the first person, directly or indirectly, beneficially owns or exercises control or direction over securities of the second person carrying votes which, if exercised, would entitle the first person to elect a majority of the directors of the second person, unless that first person holds the voting securities only to secure an obligation; (ii) the second person is a partnership, other than a limited partnership, and the first person holds more than 50% of the interests of the partnership; or (iii) the second person is a limited partnership and the general partner of the limited partnership is the first person.

**Beneficial Ownership:** The following is an excerpt from Companion Policy 45-106CP which provides guidance as to the meaning of **beneficial ownership of financial assets**:

Paragraphs (j) and (j.1) of the "accredited investor" definition refer to the beneficial ownership of financial assets. As a general matter, it should not be difficult to determine whether financial assets are beneficially owned by an individual, an individual's spouse, or both, in any particular instance. However, in the case where financial assets are held in a trust or in another type of investment vehicle for the benefit of an individual there may be questions as to whether the individual beneficially owns the financial assets. The following factors are indicative of beneficial ownership of financial assets:

- (a) physical or constructive possession of evidence of ownership of the financial asset;
- (b) entitlement to receipt of any income generated by the financial asset;
- (c) risk of loss of the value of the financial asset; and
- (d) the ability to dispose of the financial asset or otherwise deal with it as the individual sees fit.

For example, securities held in a self-directed RRSP, for the sole benefit of an individual, are beneficially owned by that individual. In general, financial assets in a spousal RRSP would also be included for the purposes of the \$1,000,000 financial asset test in paragraph (j) because it takes into account financial assets owned beneficially by a spouse. However, financial assets in a spousal RRSP would not be included for purposes of the \$5,000,000 financial asset test in paragraph (j.1). Financial assets held in a group RRSP under which the individual does not have the ability to acquire the financial assets and deal with them directly would not meet the beneficial ownership requirements in either paragraph (j) or paragraph (j.1).

*[The rest of this page is intentionally left blank.]*

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### SIGNATURE PAGE TO INVESTOR REPRESENTATION & SUITABILITY QUESTIONNAIRE (FOR CANADIAN SUBSCRIBERS)

The foregoing representations contained in this Investor Representation & Suitability Questionnaire are true and accurate as of the date of this certificate and will be true and accurate as of the closing time of the Offering. If any such representation ceases to be true and accurate prior to the closing time of the Offering, the undersigned will give immediate written notice of such fact to the Company prior to such closing time.

Dated: \_\_\_\_\_

Signed: \_\_\_\_\_

\_\_\_\_\_  
Witness (If Subscriber is an Individual)

\_\_\_\_\_  
Print the name of Subscriber

Print Name of Witness

If Subscriber is a corporation, print name and title of Authorized  
Signing Officer

**APPENDIX 1 TO INVESTOR REPRESENTATION & SUITABILITY QUESTIONNAIRE**

**RISK ACKNOWLEDGEMENT FORM (FORM 45-106F9) FOR CERTAIN ACCREDITED INVESTORS**

*This form must be completed by "accredited investors" who have checked boxes (j), (k) or (l) of Exhibit B, and by any other accredited investors that the Company directs to complete this form.*

**WARNING!**

**This investment is risky. Do not invest unless you can afford to lose all the money you pay for this investment**

**Section 1 – TO BE COMPLETED BY THE ISSUER OR SELLING SECURITY HOLDER**

**1. About your investment**

Type of Securities: Common Shares

Issuer: Akanda Corp. (the "**Issuer**")

Purchased from: The Issuer

**Sections 2 to 4 – TO BE COMPLETED BY THE PURCHASER**

**2. Risk acknowledgement**

This investment is risky. Initial that you understand that:

**Your Initials**

**Risk of loss** – You could lose your entire investment of \$ \_\_\_\_\_ [*Insert total dollar amount of the Investment*]

**Liquidity risk** – You may not be able to sell your investments quickly – or at all.

**Lack of information** – You may receive little or no information about your investment.

**Lack of advice** – You will not receive advice from the salesperson about whether this investment is suitable for you unless the salesperson is registered. The salesperson is the person who meets with, or provides information to, you about making this investment. To check whether the salesperson is registered, go to [www.aretheyregistered.ca](http://www.aretheyregistered.ca).

**3. Accredited investor status**

You must meet at least one of the following criteria to be able to make this investment. **Initial the statement that applies to you. (You may initial more than one statement.)** The person identified in section 6 is responsible for ensuring that you meet the definition of accredited investor. That person, or the salesperson identified in section 5, can help you if you have questions about whether you meet these criteria.

**Your Initials**

• Your net income before taxes was more than \$200,000 in each of the 2 most recent calendar years, and you expect it to be more than \$200,000 in the current calendar year. (You can find your net income before taxes on your personal income tax return.)

• Your net income before taxes combined with your spouse's was more than \$300,000 in each of the 2 most recent calendar years, and you expect your combined net income before taxes to be more than \$300,000 in the current calendar year.

• Either alone or with your spouse, you own more than \$1 million in cash and securities, after subtracting any debt related to the cash and securities.

<ul style="list-style-type: none"> <li>• Either alone or with your spouse, you have net assets worth more than \$5 million. (Your net assets are your total assets (including real estate) minus your total debt.)</li> </ul>	
<b>4. Your name and signature</b>	
By signing this form, you confirm that you have read this form and you understand the risks of making this investment as identified in this form.	
First and Last Name (please print):	
Signature:	
Date:	
<b>Section 5 – TO BE COMPLETED BY THE SALESPERSON</b>	
<b>5. Salesperson information</b>	
[Instruction: The salesperson is the person who meets with, or provides information to, the purchaser with respect to making this investment. That could include a representative of the issuer or selling security holder, a registrant or a person who is exempt from the registration requirement.]	
First and Last Name of Salesperson (please print): Tej Virk	
Telephone:	Email: tej@akandacorp.com
Name of Firm (if registered): N/A	
<b>Section 6 – TO BE COMPLETED BY THE ISSUER OR SELLING SECURITY HOLDER</b>	
<b>6. For more information about this investment</b>	
<b>For more information about this investment / the Issuer:</b>  Akanda Corp. 77 King Street West, Suite 400 Toronto, ON M5K 0A1  Attention: Chief Executive Officer Email: tej@akandacorp.com  <b>For more information about prospectus exemptions, contact your local securities regulator. You can find contact information at <a href="http://www.securities-administrators.ca">www.securities-administrators.ca</a>.</b>	

**Form instructions:**

1. The information in sections 1, 5 and 6 must be completed before the purchaser completes and signs the form.  
  
The purchaser must sign this form. Each of the purchaser and the issuer or selling security holder must receive a copy of this form signed by the purchaser. The issuer or selling security holder is required to keep a copy of this form for 8 years after the distribution.

## AKANDA CORP.

## TERM SHEET SUMMARY

August 26, 2021

*This Term Sheet Summary (the “Term Sheet”) summarizes the terms on which you and other qualified accredited investors (the “Investors”) are invited to make an investment (the “Investment”) in Akanda Corp. (“we,” “us,” “our” or the “Company”). This Term Sheet is merely a summary of the terms and provisions of the Subscription Agreement (the “Subscription Agreement”), the form of which has been provided to you. Accordingly, this Term Sheet is qualified in its entirety by reference, and is subject in all instances, to the terms and provisions of the Subscription Agreement. You are advised to carefully review the terms and provisions of the Subscription Agreement, as well as the risk factors attached thereto, before making a decision concerning the Investment.*

<b>Issuer:</b>	Akanda Corp., a Province of Ontario, Canada corporation (“Akanda” or the “Company”).
<b>Business:</b>	The Company is a cannabis cultivation, manufacturing, and distribution company with proposed operations in the Kingdom of Lesotho and the United Kingdom. For more information about the Company and its current and intended operations, see the Business Summary attached as <u>Exhibit B</u> to the Subscription Agreement and the investor deck attached as <u>Exhibit D</u> to the Subscription Agreement.
<b>Placement Agent:</b>	Boustead Securities, LLC (the “Placement Agent”), a California-based investment bank and Broker/Dealer regulated by the U.S. Financial Industry Regulatory Association and a Member of the Securities Investor Protection Corporation and other licensed brokers who may become part of the selling syndicate.
<b>Securities Being Offered:</b>	Subject to the terms of this Term Sheet, the Company is offering (the “Offering”) in the aggregate a minimum of USD\$5,000,000 or 2,000,000 common shares (the “Minimum Amount”) and up to a maximum of USD\$10,000,000 (the “Maximum Amount”) or 4,000,000 common shares (the “Shares”) of the Company, at a purchase price of USD\$2.50 per Share (subject to adjustment).
<b>Minimum Investment:</b>	USD\$50,000. The Company may accept investments for less than the minimum investment amount in its sole discretion.
<b>Offering Size:</b>	Minimum Amount: USD\$5,000,000 or 2,000,000 Shares Maximum Amount: USD\$10,000,000 or 4,000,000 Shares
<b>Plan of Offering:</b>	The Shares are being offered through the Placement Agent and selling syndicate on a “best efforts, all or none” basis as to the Minimum Amount and, thereafter, the remaining Shares will be offered on a “best efforts” basis. The Offering will continue until September 30, 2021 (the “Expiration Date”), subject to extension or termination of the Offering prior to the Expiration Date by the Company and the Placement Agent.  The Placement Agent and selling syndicate will receive a success fee not to exceed seven percent (7%) of the gross purchase price of the Shares sold at each closing, payable in cash. In addition, the Placement Agent and selling syndicate will receive a non-accountable expense allowance of one percent (1%) of the gross purchase price of Shares sold.
<b>Payment and Escrow; Offering Period:</b>	The purchase price for the Shares is payable in U.S. dollars upon delivery of the completed Subscription Agreement and Investor Questionnaire. All subscription funds will be held in a non-interest-bearing escrow account, for the benefit of the investors, in the Company’s name with the Placement Agent’s affiliate Sutter Securities Clearing, LLC, or with such other escrow agent as may be appointed by the

Affiliates of the Placement Agent and the Company (including their respective officers, directors, employees and affiliates) may purchase Shares in this Offering. Any of such purchases may be used to satisfy the Minimum Amount.



Placement Agent and the Company. In the event that the Company does not receive and accept subscriptions for at least the Minimum Amount on or before September 30, 2021, subject to extension, in the discretion of the Placement Agent and the Company, the Company will refund all subscription funds, without interest thereon, and will return to each investor the subscription documents completed by each such investor. If the Company rejects a subscription, either in whole or in part (which decision is in the sole discretion of the Company), the rejected subscription funds, or the rejected portion thereof, will be returned promptly to such investor without interest thereon. After the closing of the Minimum Amount and until the Company has offered in an aggregate the Maximum Amount of Shares in the offering, subsequent closings may occur at any date mutually agreed by the Company and the Placement Agent but no later than September 30, 2021, subject to extension, in the discretion of the Placement Agent and the Company.

**Eligible Investors:**

The Shares which are offered by this Term Sheet will be sold to an unlimited number of “accredited investors” in the United States and Canada, including qualified institutional buyers as such term is defined in Rule 501(a) of Regulation D as promulgated under the Securities Act of 1933, as amended (the “Securities Act”). The Shares may also be offered and sold to purchasers outside the United States or Canada in accordance with the rules of Regulation S promulgated under the Securities Act, applicable Canadian securities laws and/or such other rules and regulations, as may be applicable under the circumstances. Investors will be required to make certain representations with respect to their status and business experience and to represent, among other things, that they have received a copy of this Term Sheet, that they understand the terms and risks of this Offering, and that they are capable of withstanding a loss of their entire investment in the Shares.

**Authorized and Issued Capital of the Company:**

The authorized capital of the Company consists of an unlimited number of common shares and preferred shares, of which no more than 20,137,740 common shares will be outstanding on a “fully diluted” basis immediately prior to the initial closing of this Offering (“Fully-Diluted Shares Outstanding”). Fully-Diluted Shares Outstanding does not include the Company’s right at any time, upon the approval of its Compensation Committee, to award stock options and / or restricted share unit awards underlying the issuance of up to 20% of issued and outstanding shares to employees under the terms of the Company’s Employee Stock Option Plan (“ESOP”). The shares underlying the initial award of stock options and / or restricted share unit awards shall not exceed 10% of the fully-diluted shares outstanding prior to the Company’s planned initial public offering (“IPO”).

**Description of Shares:**

The holders of common shares are entitled to one vote for each such share and shall be entitled to notice of any shareholders’ meeting. The Shares are not redeemable at the option of the holder and not convertible into shares of any other class.

**Lock-Up:**

In connection with this Offering, the Investor agrees to the following lock-up agreement with respect to the purchased Shares:

- i. From and after the date hereof and until the 180th day after the date the Company’s Common Shares are first listed for trading on a national securities exchange (such first trading day, the “Lock-Up Trigger Date”), the Investor agrees not to sell, transfer or otherwise dispose of the Shares.
- ii. Between the 181st and 270th day after the Lock-Up Trigger Date, the Investor agrees not to sell, transfer or otherwise dispose of more than one-third of the Shares purchased pursuant to the Subscription Agreement, subject to a maximum sale on any trading day of 3% of the daily volume.
- iii. Between the 271st and 365th day after the Lock-Up Trigger Date, the Investor agrees not to sell, transfer or otherwise dispose of more than one-third of the Shares purchased pursuant to the Subscription Agreement, subject to a maximum sale on any trading day of 3% of the daily volume.
- iv. After the 365th day after the Lock-Up Trigger Date, the Investor will be entitled to sell the remaining Shares purchased hereunder without restriction.



Notwithstanding the above, commencing 90 days after the Lock-Up Trigger Date, if the Company's common share price is at least 50% higher than the IPO price per share and trades at least 100,000 shares daily, both for ten (10) consecutive trading days, the Investor may sell one-third of its shares subject to a maximum sale on any trading day of 3% of the daily volume; and if the Company's common share price is at least 100% higher than the IPO price per share and trades at least 100,000 shares daily, both for ten (10) consecutive trading days, the Investor may sell up to an additional one-third of its shares subject to a maximum sale on any trading day of 3% of the daily volume; and if the Company common share price is at least 150% higher than the IPO price per share and trades at least 100,000 shares daily, both for ten (10) consecutive trading days, the Investor may sell an additional one-third constituting a maximum total of all of its shares subject to a maximum sale on any trading day of 3% of the daily volume. For purpose of this term, the "IPO price" shall mean the price the Company's common shares are first sold to the public pursuant to an underwritten registered offering resulting in a listing of its common shares on the NASDAQ Stock Market or another national stock exchange.

**Use of Proceeds:**

The Company intends to use the net proceeds from the Offering to: expand its existing operations, fund working capital requirements and potential acquisitions, and fund the cost of the IPO.

**Representations and Warranties:**

The Company will make the representations and warranties contained in the Subscription Agreement.

**Covenants:**

The Subscription Agreement contains certain affirmative and negative covenants of the Company which are customary in a transaction of this nature.

**Conditions Precedent:**

The Company will have taken such corporate and shareholder actions as are necessary to approve the definitive agreements and any other transactions contemplated thereby.

**Governing Law:**

Province of Ontario, Canada.

**Private Placement:**

The Shares offered hereby are not being registered under the Securities Act in reliance upon the exemption from registration provided by Section 4(a)(2) thereof and Rule 506(b) of Regulation D promulgated thereunder, and pursuant to certain state securities laws. The Company is also offering the Shares in "offshore transactions" to non-U.S. persons made in compliance with the provisions of Regulation S promulgated under the Securities Act. Accordingly, the sale, transfer or other disposition of any of our securities, which are purchased pursuant hereto, may be restricted by applicable federal securities laws and/or the securities laws of one or more non-U.S. countries (depending on the residency of the Investor) and by the provisions of the Subscription Agreement executed by such Investor. See also "Lock-Up" above.

**Restrictions on Transferability:**

None of the Shares have been registered under the Securities Act. As such, they constitute "restricted securities" under the Securities Act. Such Shares may not be sold or otherwise transferred unless they are registered under the Securities Act and applicable foreign or state laws or unless exemptions from registration are available under such laws. Any certificates evidencing the Shares will bear a legend restricting the distribution, resale, transfer, pledge, hypothecation or other disposition of such securities unless and until such securities are registered under the Securities Act or an opinion of counsel acceptable to the Company is received concluding that registration is not required under the Securities Act.

The Company is also not a reporting issuer in any jurisdiction of Canada and the Shares are not currently listed on any stock exchange. Accordingly, pursuant to Canadian securities laws, the Shares will be subject to a statutory hold period in Canada expiring on the date which is four months and a day after the later of (i) the issuance date, and (ii) the date that the Company becomes a reporting issuer in any province or territory of Canada.

**Documentation:**

*The Shares being offered hereby involve a high degree of risk and should be considered only by persons who can afford the loss of their entire investment.* See the Risk Factors attached as Appendix B to the Subscription Agreement.

**Confidentiality:**

You are requested to keep the Offering and the terms thereof, including but not limited to the provisions of this Term Sheet, in the strictest of confidence. Neither this Term Sheet nor any other information

regarding the Offering should be disclosed by you other than to your advisors who need to know such information for purposes of evaluating an investment.

**Contact:**

**Boustead Securities, LLC**  
**6 Venture, Suite 395**  
**Irvine, California 92618 USA**  
[offerings@boustead1828.com](mailto:offerings@boustead1828.com)

**Exhibit B**

*THIS IS A PRIVATE OFFERING OF SECURITIES OF AKANDA CORP. THAT IS BEING MADE PURSUANT TO RULE 506(B) OF REGULATION D AND REGULATION S UNDER THE SECURITIES ACT OF 1933, AS AMENDED AND WITHIN THE UNITED STATES, IS BEING OFFERED ONLY TO ACCREDITED INVESTORS AS DEFINED IN RULE 501 UNDER THE ACT. PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.*

**NEITHER THIS BUSINESS SUMMARY NOR THE ACCOMPANYING INVESTOR PRESENTATION MAY BE SHOWN OR GIVEN TO ANY PERSON OTHER THAN THE PERSON TO WHOM IT WAS DIRECTLY PROVIDED BY THE COMPANY AND MAY NOT BE PRINTED, REPRODUCED OR DISSEMINATED IN ANY MANNER WHATSOEVER. FAILURE TO COMPLY WITH THIS DIRECTIVE CAN RESULT IN A VIOLATION OF APPLICABLE LAWS, INCLUDING THE U.S. SECURITIES ACT OF 1933, AS AMENDED, AND/OR ANY APPLICABLE FOREIGN LAWS. ANY FURTHER DISTRIBUTION OR REPRODUCTION OF THESE MATERIALS, IN WHOLE OR IN PART, OR THE DIVULGENCE OF ANY OF THE CONTENTS BY AN INVESTOR IS UNAUTHORIZED AND STRICTLY PROHIBITED.**

**CAUTIONARY STATEMENT CONCERNING FORWARD LOOKING STATEMENTS**

*This document contains forward-looking statements. In addition, from time to time, we or our representatives may make forward-looking statements orally or in writing. We base these forward-looking statements on our expectations and projections about future events, which we derive from the information currently available to us. Such forward-looking statements relate to future events or our future performance, including: our financial performance and projections; our growth in revenue and earnings; and our business prospects and opportunities. You can identify forward-looking statements by those that are not historical in nature, particularly those that use terminology such as “may,” “should,” “expects,” “anticipates,” “contemplates,” “estimates,” “believes,” “plans,” “projected,” “predicts,” “potential,” or “hopes” or the negative of these or similar terms. In evaluating these forward-looking statements, you should consider various factors, including: regulatory or political change such as changes in applicable laws and regulations, the ability to obtain and maintain required licenses, the complex and evolving regulatory environment for the cannabis industry, changes in public perception of the cannabis industry, the Company having a limited operating history and negative cash flow from operations, operational risks, the impact of the COVID-19 pandemic, the effect of capital market conditions and other factors on capital availability and general economic, market and business conditions. These and other factors may cause our actual results to differ materially from any forward-looking statement. Forward-looking statements are only predictions. The forward-looking events discussed in this document and other statements made from time to time by us or our representatives, may not occur, and actual events and results may differ materially and are subject to risks, uncertainties and assumptions about us, including but not limited to assumptions that legal, licensing and regulatory regimes globally in the industry in which the Company operates will become increasingly favorable, that after the Acquisition the Company will experience financial growth and profitability, and that intended expansion of its business and operations and negotiations with strategic third parties to access additional markets will be successful. We are not obligated to publicly update or revise any forward-looking statement, whether as a result of uncertainties and assumptions, the forward-looking events discussed in this document and other statements made from time to time by us or our representatives might not occur.*

**BUSINESS SUMMARY**

*Unless otherwise indicated or the context requires otherwise, the words “we,” “us,” “our,” the “Company,” “our Company,” or “Akanda” refer to Akanda Corp., a Province of Ontario, Canada corporation.*

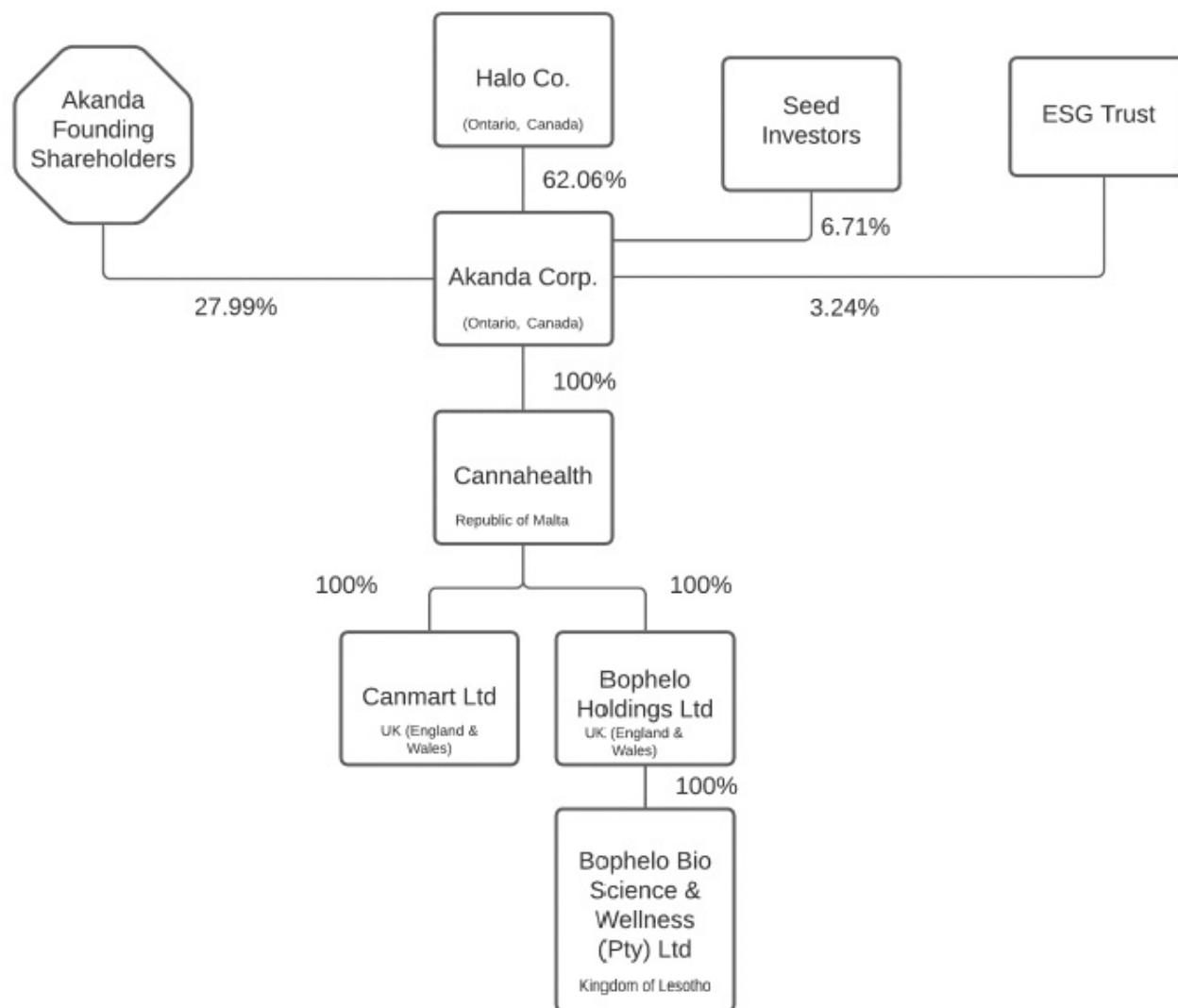
**The Company**

We are a cannabis cultivation, manufacturing and distribution company. We are an early stage, emerging growth company incorporated in the Province of Ontario, Canada and headquartered in London, the United Kingdom.

### The Proposed Acquisition

During July 2021, Halo Collective Inc. (“Halo”), a publicly-traded, vertically integrated multinational cannabis company (NEO: HALO) (OTCQX: HCANF) (Germany: A9KN), resolved to reorganize its non-U.S. operations to consolidate them under Akanda whose mission is to provide high-quality and ethically sourced medical cannabis products to patients worldwide. In connection with this contemplated reorganization, Akanda intends to acquire all the issued and outstanding equity interests of Cannahealth Limited, a Republic of Malta company (“Cannahealth”), from Halo (the “Acquisition”). Immediately prior to the closing of the Acquisition, Cannahealth will own all the issued and outstanding equity interests of Canmart Limited, an England and Wales company (“Canmart”) and Bophelo Holdings Limited, an England and Wales company, which will own all the issued and outstanding equity interests of Bophelo Bio Science and Wellness (Pty) Ltd., a Kingdom of Lesotho company (“Bophelo”). As a result of this Acquisition, we will operate and control all of Canmart and Bophelo’s respective businesses and affairs. As consideration for this Acquisition, we will issue Common Shares to Halo, which is expected to own approximately 62.06% of all our outstanding Common Shares at the closing of this Acquisition. The Acquisition is expected to close immediately prior to the closing of the Offering.

The following diagram summarizes our legal entity structure at the closing of the proposed Acquisition above and prior to the closing of the Offering.



We have not commenced commercial operations and currently have no assets other than cash. Upon the completion of the Acquisition, we will operate and control all of Canmart and Bophelo's respective businesses and affairs, and continue to expand their local operations and develop sales channels of our medicinal-grade cannabis products and cannabis based medical and wellness products in international markets and in particular, in Africa and Europe.

### *Bophelo*

Bophelo's business focuses on the cultivation of cannabis, the production of medical cannabis products including dried flower, oils, and other concentrates and the supply of such medical cannabis products to wholesalers in international markets. Its operations are based in the Kingdom of Lesotho in the Mafeteng Region of Southern Africa. Bophelo is the holder of one of a limited number of operational licenses issued in Lesotho for the production and export of medicinal cannabis products. On July 27, 2018, the Ministry of Health in Lesotho issued a prohibited drug operator license to Bophelo. This license allows the following activities in respect of cannabis and cannabis resin: cultivate, manufacture, supply, hold, import, export and transit. This license will remain effective for 8 years, with an option for further renewal.

Bophelo commenced operations including establishing sites and first phase construction and starting site preparation activities in 2018. As of August 2021, Bophelo has completed a few harvests and obtained its Good Agricultural and Collection Practices ("GACP") certification. Furthermore, manufacturing plans are on track to build out an on-site extraction facility at Bophelo of approximately 80 square meters (800 square feet). This extraction room and the accompanying lab will be built to EU GMP specifications, which is expected to allow for export of oils and concentrates worldwide where allowed.

In January 2020, Bophelo entered into a strategic alliance and seed purchase agreement with OG DNA Genetics Inc. ("DNA Genetics"), which provides Bophelo with exclusive rights to develop new and existing DNA Genetics' strains of medical cannabis in Lesotho for worldwide exportation. The initial period of the strategic alliance is five years, with successive five-year renewal options in place. In addition, Bophelo and DNA Genetics entered into an exclusive seed purchase agreement. This seed purchase agreement will enable Bophelo to commence imports to Lesotho of cannabis seeds for cultivation from DNA Genetics.

On August 7, 2020, Bophelo entered into a C\$30,000,000 offtake agreement with Medcan Ltd. for the sale of bulk cannabis biomass, primarily into the European market. The contract specifies initial deliveries of up to 10,000 kilograms. The term of the agreement is for a period commencing on August 3, 2020, and ended on the earlier of: (i) the date on which Medcan has purchased the full specified volume biomass from Bophelo; or (ii) the seventh anniversary of the effective date.

### *Canmart*

Canmart is a licensed importer and distributor of cannabis-based products for medicinal use ("CBPMs") in the United Kingdom. Canmart holds one of a limited number of Controlled Drug Licenses issued by the Home Office to possess and supply CBPMs in the United Kingdom. This license is due to expire on February 3, 2022 and needs to be reapplied for on a yearly basis. Canmart is required to apply for an import license issued by the Home Office for every specific shipment of CBPMs and Canmart has successfully been granted such import licenses. Canmart holds both a Manufacturer's Specials License for importation of CBPMs and a Wholesale Distribution Authorization from the Medicines and Healthcare Products Regulatory Agency. In addition, Canmart operates a licensed 25,000 square foot third-party logistics warehouse in the southeast of England.

Canmart commenced importing and distributing CBPMs in 2020. Under the current controlled drugs regulatory regime, Canmart is only able to supply to dispensing pharmacists, clinics and other wholesale distributors. However, Canmart's intention is to establish direct sales channels to patients through Canmart owned and operated clinics and pharmacies. Canmart's strategy is to grow the medical cannabis market by identifying patients with specific conditions and needs and providing easy to access education and consultations to patients about medical benefits of CBPMs based on observational clinical studies from international studies. We believe this direct sales model will enable Canmart to expand its market share effectively and efficiently.

### *Our Opportunity, Competitive Strengths and Growth Strategies*

We are targeting what we believe to be the lucrative international medical cannabis market, which is estimated to be worth approximately \$47 billion by 2027, according to Emergen Research. There has been a growing demand for medical cannabis around the world as a result of the increased legalization of cannabis for medical purposes as well as the rise in cannabis-related medical research activities.

We believe that upon the completion of the Acquisition, the following competitive strengths will contribute to our success and differentiate us from our competitors:

- ***Lesotho Cultivation Advantage.*** Through Bophelo's cultivation operations, we have the ability to cultivate high yielding strains of cannabis for medical purposes at a comparatively low cost. Conditions at Bophelo's site of operations near T'sakholo in the Mafeteng

District of Lesotho are conducive for the cultivation of medical-grade cannabis including favorable environmental conditions, abundant supply of semi-skilled and unskilled labor, world-class road and air infrastructure network and favorable tax treatments.

**Significant Potential to Scale Up Production.** Bophelo is one of the largest licensed landholders engaging in cannabis cultivation in Lesotho. Bophelo is cultivating cannabis over a 5 hectare area under greenhouse or indoor conditions, with conditional government approval to expand our cultivation footprint up to 200 hectares once it has fully utilized the first 5 hectares of our licensed cultivation area, which gives us the potential ability to significantly scale up production. Bophelo has leased a 200-hectare land package in an emerging Special Economic Zone in Lesotho which is intended to be dedicated to the cannabis cultivation and related operations.

**Possession of Licenses.** Canmart possesses a collection of regulatory licenses, of which only a limited number have been issued, for the import and distribution of medical cannabis to patients in the United Kingdom. Bophelo is the holder of one of a limited number of operational licenses issued in Lesotho for the import, cultivation, production and export of medicinal cannabis products.

**Pursuit for ESG Goals and Strong Partnership with Local Communities.** We focus on environmental, social and governance (“ESG”) initiatives and aim to empower women and vulnerable persons. To this end, Bophelo has partnered and we will continue to partner with Mophuthi Matsoso Development Trust, a Lesotho non-profit organization, to provide for the construction of a learning center, a place of worship, feeding programs and other public good initiatives for the local community of T’sakholo. We believe a commitment to ESG initiatives and building a strong partnership with the local African community will promote goodwill towards our local operations and brands and benefit our long-term business growth.

**Experienced Management Team.** Our management is experienced and has an extensive knowledge of the international cannabis industry as well as local conditions in Lesotho and the United Kingdom.

Our goal after the Acquisition is completed is to become a market leader in the cultivation, processing and supply of ethically sourced, medicinal-grade cannabis products and cannabis based medical and wellness products for international markets. Our primary strategies to achieve our goals include:

**Expanding our production capacity.** In the near term, our primary strategy is to expand our production capacity as quickly as possible at Bophelo. We plan to take advantage of the favorable cultivation conditions in Lesotho to achieve economies of scale in our production of premium quality cannabis products.

**Expanding our geographic footprint.** Our current focus is on selling third-party CBPMs in the United Kingdom in the short term, with plan to expand sales of such products in the United Kingdom and sales of cannabis products produced by Bophelo to international markets, subject to regulatory conditions in such countries.

**Pursuing accretive acquisitions.** We believe that our deal-making capabilities and experience will allow us to successfully identify, consummate and integrate acquisitions.

**Ethical sourcing.** We are committed to ESG performance in our operations, with a particular focus on empowering women and vulnerable persons in local communities. We believe our ESG commitments and practices will enable us to build strong partnerships with the communities in which we operate, enhance the reputation of our brands and benefit our long-term growth.

### **Our Management Team**

**Louisa Mojela** serves as Executive Chairman and director of Akanda and is one of Southern Africa’s most influential and successful business leaders. Ms. Mojela is the Group CEO of Wiphold (Women Investment Portfolio Holdings), one of the largest African-based ESG funds to empower black African women, which she co-founded in 1994. She has led capital raises and held directorships at companies such as Sasol Mining (a subsidiary of Sasol Holdings listed on the New York Exchange), Distell, Ixia Coal, South African Airways, Ericsson SA, Adcorp, and Sun International (SJ: SUI), amongst others. In addition to her business dealings, Ms. Mojela is focused on various social development initiatives in Lesotho in line with the Sustainable Development Goals of the Government of Lesotho. She has received numerous accolades for her leadership. Among these, in 2000 she was selected as one of 40 women for the “Leading Women Entrepreneur of the World”; in 2015 she was named one of three “Business Women of the Year – Southern Africa” at the All Africa Business Leaders Awards in partnership with CNBC Africa; and in 2016, she won the European Business Assembly’s “Best Manager of the Year” award at an event held in Switzerland.

**Tej Virk**, an accomplished cannabis and corporate finance and banking industry executive, serves as Akanda’s founding Chief Executive Officer and director. He joins Akanda from Khiron Life Sciences (TSX-V: KHRN) (OTC: KHRNF) (“Khiron”), where he was President and Managing Director, Europe, establishing Khiron’s medical and consumer packaged goods business in the region. Prior to Khiron, Mr. Virk was Managing Director, Europe, for Canopy Growth Corporation (NASDAQ: CGC) (TSE: WEED) (“Canopy”), where he was responsible for driving the multinational expansion of Canopy’s European operations. Working with top research doctors in the UK, Spain, and Germany, he has overseen the

launch of multiple medical cannabis products in Europe, including flower for inhalation and oils. Mr. Virk has extensive cannabis sector M&A experience and has transacted on numerous IPOs and follow-on capital raises for global cannabis companies, including Canopy and Tilray (NASDAQ: TLRY). At the beginning of his career, Virk spent 15 years in investment banking and capital markets at BMO Financial Group (NYSE: BMO).

**Charles Kie** will serve as the Lead Independent Director of Akanda. As the Co-Founder and CEO of New African Capital Partners and former Managing Director and CEO of Ecobank Nigeria, Mr. Kie brings a wealth of financial and operational expertise to the Akanda. Mr. Kie also currently serves as a non-executive board member at Empower Families for Innovative Philanthropy (ERFIP) – Edmond de Rothschild Foundations – Switzerland.

**Philip van den Berg** serves as director of Akanda and brings an extensive 30-year career in finance, principally in the equities divisions at Goldman Sachs and Deutsche Morgan Grenfell in London, as well as on the buy-side as co-founder of both Olympus Capital Management, one of the first European hedge funds and Taler Asset Management, a wealth management company based in Gibraltar. Since 2014, Mr. van den Berg has been an active investor in various start-up companies in Europe and the U.S. where he has held positions as director and CFO of several public companies. Mr. van den Berg is currently a director and Chief Financial Officer of Halo. He has implemented corporate governance and administrative systems, has been involved in a number of capital market transactions, oversaw a public listing, and has been involved in mergers and acquisitions.

**Trevor Scott** serves as Akanda's Chief Financial Officer and Corporate Secretary. Trevor has, since 2009, held several positions as director and CFO of a number of public, stock exchange listed companies and has significant experience in the international cannabis industry. Trevor was involved in the formation of Bophelo in 2018 and has served as its CFO since its inception. Trevor is a chartered accountant by profession, and has experience with regards to fundraising, accounting, investor relations, internal controls and mergers and acquisition related matters.

### **Corporate Structure**

Akanda was incorporated on July 16, 2021 in the Province of Ontario, Canada under the *Business Corporations Act* (Ontario) and is headquartered in London, the United Kingdom.

### **RISK FACTORS**

*An investment in the Shares involves a high degree of risk. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business, financial condition and operating results. If any of the following risks, or any other risks not described below, actually occur, it is likely that business, financial condition and operating results could be seriously harmed. As a result you could lose part or all of your investment.*

#### **Risks Related to our Business and Industry**

***We are an early-stage company with limited operating history and may never become profitable.***

The Company was only recently incorporated, has not commenced commercial operations and has no assets other than cash. Each of Bophelo and Canmart has a very limited operating history and has generated minimal revenue. Upon the completion of the Acquisition, we will remain an early-stage company and will have limited financial resources and minimal operating cash flow. If we cannot successfully develop, manufacture and distribute our products, or if we experience difficulties in the development process, such as capacity constraints, quality control problems or other disruptions, we may not be able to develop or offer market-ready commercial products at acceptable costs, which would adversely affect our ability to effectively enter the market or expand our market share. A failure by us to achieve a low-cost structure through economies of scale or improvements in cultivation, manufacturing or distribution processes would have a material adverse effect on our commercialization plans and our business, prospects, results of operations and financial condition.

We will require adequate proceeds generated from this Offering and additional funding to maintain and expand our operations and develop our sales and distribution channels. There can be no assurance that additional funding will be available to us for the development of our business, which will require the commitment of substantial resources. Accordingly, you should consider our prospects in light of the costs, uncertainties, delays and difficulties frequently encountered by companies in the early stages of development. Potential investors should carefully consider the



risks and uncertainties that an early stage company with a very limited operating history will face. In particular, potential investors should consider that we may be unable to:

- successfully implement or execute our business plan, or that our business plan is sound;
- effectively pursue business opportunities, including potential acquisitions;
- adjust to changing conditions or keep pace with increased demand;
- attract and retain an experienced management team; or
- raise sufficient funds in the capital markets to effectuate our business plan, including expanding production capacity, licensing and approvals.

***Our financial situation creates doubt as to whether we will continue as a going concern.***

Each of Akanda, Bophelo and Canmart has generated no revenue or, only minimal revenue, since inception, and after the completion of the Acquisition, we expect to incur a net loss for the fiscal year ending December 31, 2021 and thereafter, primarily as a result of increased operating expenses to execute our business plan and growth strategy. There can be no assurances that we will be able to achieve a level of revenues adequate to generate sufficient cash flow from operations or obtain funding from this Offering or additional financing through private placements, public offerings and/or bank financing necessary to support our working capital requirements. To the extent that funds generated from any private placements, public offerings and/or bank financing are insufficient, we will have to raise additional working capital. No assurance can be given that additional financing will be available, or if available, will be on acceptable terms. These conditions raise substantial doubt about our ability to continue as a going concern. If adequate working capital is not available, we may be forced to discontinue operations, which would cause investors to lose their entire investment.

***The closing of the Acquisition will be subject to the satisfaction or waiver of certain closing conditions, and there is a risk that the closing will not occur timely if those conditions are not satisfied or waived.***

We plan to enter into a share purchase agreement (the “Purchase Agreement”) with Halo to acquire all the issued and outstanding equity interests in Cannahealth. Pursuant to the Purchase Agreement, as consideration for the Acquisition, we will issue 13,129,212 Common Shares at the closing, which is expected to occur immediately prior to the closing of this Offering. The closing of the Acquisition will be subject to the satisfaction or waiver of certain closing conditions, including: (i) the accuracy of the representations and warranties of the parties set forth in the Purchase Agreement as of the closing; (ii) the performance by the parties of all covenants and obligations set forth in the agreement which are required to be performed or complied with at or prior to the closing; (iii) the receipt of all necessary third party consents, waivers and releases required to be obtained in connection with the Acquisition; and (iv) Halo’s completion of certain reorganization transactions to consolidate Bophelo and Canmart’s equity ownership interests under Cannahealth as shown in the diagram on Exhibit B “Business Summary”. Accordingly, if either we or Halo is unable to meet all closing conditions, as required by the Purchase Agreement, we may not be able to close the Acquisition and acquire Bophelo and Canmart.

The Company cannot be certain when or if the conditions for the Acquisition will be satisfied or, if permissible under applicable law, waived, or if or when the Acquisition will be completed. Any failure to complete the Acquisition could negatively impact the Company’s ongoing business, financial condition and results of operations.

***Future acquisitions and strategic investments could be difficult to integrate, divert the attention of key management personnel, disrupt our business, dilute shareholder value, and harm our results of operations and financial condition.***

We expect to complete the Acquisition by acquiring Bophelo and Canmart from Halo prior to the closing of the Offering and we may in the future seek to acquire or invest in, businesses, products, or technologies that we believe could complement our operations or expand our breadth, enhance our capabilities, or otherwise offer growth opportunities. While our growth strategy includes broadening our product offerings, implementing an aggressive marketing plan and employing product diversification, there can be no assurance that our systems, procedures and controls will be adequate to support our operations as they expand. We cannot assure you that our personnel, systems, procedures or controls will be adequate to support our operations in the future or that we will be able to successfully implement appropriate measures consistent with our growth strategy. As part of our planned growth and diversified product offerings, we may have to implement new operational and financial systems, procedures and controls to expand, train and manage our employee base, and maintain close coordination among our staff. We cannot guarantee that we will be able to do so, or that if we are able to do so, we will be able to effectively integrate them into our existing staff and systems. Additionally, the integration of our acquisitions and pursuit of potential future acquisitions may divert the attention of management and cause us to incur various expenses in identifying, investigating, and pursuing suitable acquisitions, whether or not they are consummated. Any acquisition, investment or business relationship may result in unforeseen operating difficulties and expenditures. In addition, we have limited experience in acquiring other businesses. Specifically, we may not successfully evaluate or utilize the acquired products, assets or personnel, or accurately forecast the financial impact of an acquisition transaction, including accounting charges. Moreover, the anticipated benefits of any acquisition, investment, or business relationship may not be realized, or we may be exposed to unknown risks or liabilities associated with our acquisitions.

We may not be able to find and identify desirable acquisition targets or we may not be successful in entering into an agreement with any one target. Acquisitions could also result in dilutive issuances of equity securities or the incurrence of debt, which could harm our results of operations. In addition, if an acquired business fails to meet our expectations, our business, results of operations, and financial condition may suffer. In some cases, minority shareholders may exist in certain of our non-wholly-owned acquisitions (for businesses we do not purchase as an 100% owned subsidiary) and may retain minority shareholder rights which could make a future change of control or necessary corporate approvals for actions more difficult to achieve and/or more costly.

We may also make strategic investments in early-stage companies developing products or technologies that we believe could complement our business or expand our breadth, enhance our technical capabilities, or otherwise offer growth opportunities. These investments may be in early-stage private companies for restricted stock. Such investments are generally illiquid and may never generate value. Further, the companies in which we invest may not succeed, and our investments could lose their value.

***Demand for cannabis and its derivative products could be adversely affected and significantly influenced by scientific research or findings, regulatory proceedings, litigation, or media attention.***

The legal cannabis industry in the United Kingdom, the Kingdom of Lesotho and in many other potential international markets for us is at an early stage of its development. Consumer perceptions regarding legality, morality, consumption, safety, efficacy and quality of medicinal cannabis are mixed and evolving and can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medicinal cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the medicinal cannabis 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 favorable than, or that question, earlier research reports, findings or publicity, could have a material adverse effect on the demand for medicinal cannabis and on our business, results of operations, financial condition and cash flows. Public opinion and support for medicinal cannabis use has traditionally been inconsistent and varies from jurisdiction to jurisdiction. Our ability to gain and increase market acceptance of our business may require substantial expenditures on investor relations, strategic relationships and marketing initiatives. There can be no assurance that such initiatives will be successful, and their failure to materialize into significant demand may have an adverse effect on our financial condition.

***Our success will depend, in part, on our ability to continue to enhance our product offerings to respond to technological and regulatory changes and emerging industry standards and practices.***

Rapidly changing markets, technology, emerging industry and regulatory standards and frequent introduction of new products characterize our business. The process of cultivating and processing our cannabis products to meet applicable standards and successfully marketing such products and obtaining necessary licenses requires significant continuing costs, marketing efforts, third-party commitments and regulatory approvals. We may not be successful in timely expanding our production capacity, or obtaining any required regulatory approvals or licenses, which, together with any capital expenditures made in our operations, may have a material adverse effect on our business, financial condition and operating results.

***We are subject to the inherent risk of exposure to product liability claims.***

As a cultivator and distributor of products designed to be ingested by humans, we face an inherent risk of exposure to product liability claims, regulatory action and litigation if our products are alleged to have caused bodily harm or injury. In addition, the sale of our products involves the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Adverse reactions resulting from human consumption of our products alone or in combination with other medications or substances could occur. We may be subject to various product liability claims, including, among others, that our products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning health risks, possible side effects or interactions with other substances. Product liability claims or regulatory actions against us could result in increased costs, could adversely affect our reputation with our clients and consumers generally, and could have a material adverse effect on our results of operations and financial condition. There can be no assurances that we 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 our products.

***We are subject to the inherent risks involved with 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 labelling disclosure. If any of our products are recalled due to an alleged product defect or for any other reason, we could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection therewith. 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 our products are subject to recall, our reputation could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for our products and could have a material adverse effect on our results of operations and financial condition. Additionally, product recalls may lead to increased scrutiny of our operations by regulatory agencies, requiring further management attention, potential loss of applicable licenses, and increased legal fees and other expenses.

***Research regarding the medical benefits, viability, safety, efficacy, use and social acceptance of cannabis or isolated cannabinoids (such as cannabidiol and tetrahydrocannabinol) remains in early stages.***

There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids (such as cannabidiol and tetrahydrocannabinol). Although we believe that the articles, reports and studies support our beliefs regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding, and perceptions relating to, cannabis. Given these risks, uncertainties and assumptions, investors should not place undue reliance on such articles and reports. Future research studies and clinical trials may draw opposing conclusions to those stated herein or reach negative conclusions related to medical cannabis, which could have a material adverse effect on the demand for our products and could result in a material adverse effect on our business, financial condition and results of operations or prospects.

***We may not be able to maintain effective quality control systems.***

We may not be able to maintain an effective quality control system. The effectiveness of our quality control system and our ability to obtain or maintain EU GMP and GACP certifications with respect to our manufacturing, processing and testing facilities depend on a number of factors, including the design of our quality control procedures, training programs, and the ability to ensure that our employees adhere to our policies and procedures. We also may depend on third party service providers to manufacture, process or test our products, that are subject to EU GMP and GACP requirements.

We expect that regulatory agencies will periodically inspect our and our service providers' facilities to evaluate compliance with applicable EU GMP and GACP requirements. Failure to comply with these requirements may subject us or our service providers to possible regulatory enforcement actions. Any failure or deterioration of our or our service providers' quality control systems, including loss of EU GMP and GACP certifications, may have a material adverse effect on our business, results of operations and financial condition.

***The cannabis and cannabinoid industries face strong opposition.***

Many political and social organizations oppose hemp and cannabis and their legalization, and many people, even those who support legalization, oppose the sale of hemp, cannabis and their derivatives in their geographies. Our business will need support from local governments, industry participants, consumers and residents to be successful. Additionally, there are large, well-funded businesses and industry groups that may have a strong opposition to the cannabis industry. For example, the pharmaceutical and alcohol industries have traditionally opposed cannabis legalization. Any efforts by these or other industries opposed to cannabis to halt or impede the cannabis industry could have detrimental effects on our business.

***We are subject to the risks inherent in an agricultural business.***

Upon the completion of the Acquisition, our business will involve the growing of cannabis, which is an agricultural product. The occurrence of severe adverse weather conditions, especially droughts, fires, storms or floods is unpredictable and may have a potentially devastating impact on agricultural production and may otherwise adversely affect the supply of cannabis. Adverse weather conditions may be exacerbated by the effects of climate change and may result in the introduction and increased frequency of pests and diseases. The effects of severe adverse weather conditions may reduce our yields or require us to increase our level of investment to maintain yields. Additionally, higher than average temperatures and rainfall can contribute to an increased presence of insects and pests, which could negatively affect cannabis crops. Future droughts could reduce the yield and quality of our cannabis production, which could materially and adversely affect our business, financial condition and results of operations.

The occurrence and effects of plant disease, insects and pests can be unpredictable and devastating to agricultural production, potentially rendering all or a substantial portion of the affected harvests unsuitable for sale. Even when only a portion of the production is damaged, our results of operations could be adversely affected because all or a substantial portion of the production costs may have been incurred. Although some plant diseases are treatable, the cost of treatment can be high and such events could adversely affect our operating results and financial condition. Furthermore, if we fail to control a given plant disease and the production is threatened, we may be unable to adequately supply our

customers, which could adversely affect our business, financial condition and results of operations. There can be no assurance that natural elements will not have a material adverse effect on production.

***Our business will be reliant upon third party suppliers, service providers and distributors.***

As our business grows, we will need a supply chain for certain material portions of the production and distribution process of our products. Our suppliers, service providers and distributors may elect, at any time, to breach or otherwise cease to participate in supply, service or distribution agreements, or other relationships, on which our operations rely. Loss of our suppliers, service providers or distributors would have a material adverse effect on our business and operational results.

Bophelo currently depends on OG DNA Genetics Inc. for the supply of quality cannabis seeds. Upon the completion of the Acquisition, if for any reason the supply of cannabis seeds is ceased or delayed, we would have to seek alternate suppliers and obtain all necessary authorization for the new seeds. If replacement seeds cannot be obtained at comparable prices, or at all, or if the necessary authorizations are not obtained, our business, financial condition and results of operations would be materially and adversely affected. Our operations could be materially and adversely affected if the supply of cannabis seeds is ceased or delayed and we do not find replacement suppliers and obtain all necessary authorizations.

Part of our strategy is to enter into and maintain arrangements with third parties related to the development, testing, marketing, manufacturing, distribution and commercialization of our products. Our revenues are dependent on the successful efforts of these third parties, including the efforts of our distribution partners. Entering into strategic relationships can be a complex process and the interests of our distribution partners may not be or remain aligned with our interests. Some of our current and future distribution partners may decide to compete with us, refuse or be unable to fulfill or honor their contractual obligations to us, or change their plans to reduce their commitment to, or even abandon, their relationships with us. There can be no assurance that our distribution partners will market our products successfully or that any such third-party collaboration will be on favorable terms.

Our profit margins and the timely delivery of our products are dependent upon the ability of our outside suppliers and manufacturers to supply us with products in a timely and cost-efficient manner. Our ability to develop our business and enter new markets and sustain satisfactory levels of sales in each market depends upon the ability of its outside suppliers and manufacturers to produce the ingredients and products and to comply with all applicable regulations. The failure of our primary suppliers or manufacturers to supply ingredients or produce its products could adversely affect our business operations.

***There is no assurance that our sales and promotional activities will be successful.***

Our future growth and profitability will depend on the effectiveness and efficiency of sales and promotional expenditures, including our ability to (i) create greater awareness of our products, (ii) determine the appropriate creative message and media mix for future marketing expenditures and (iii) effectively manage sales and promotional costs in order to maintain acceptable operating margins. Upon completion of the Acquisition, we plan to continue to develop the direct sale model of Canmart, which may require us to establish our own clinics and pharmacies. There can be no assurance that our sales and promotional expenditures will result in revenues in the future or will generate awareness of our products and services. In addition, no assurance can be given that we will be able to manage our sales and promotional expenditures on a cost-effective basis.

We believe that maintaining and promoting our brand is critical to expanding our customer base. Maintaining and promoting our brand will depend largely on our ability to continue to provide quality, reliable and innovative products, which we may not do successfully. We may introduce new products or services that our customers do not like, which may negatively affect our brand and reputation. Maintaining and enhancing our brand may require us to make substantial investments, and these investments may not achieve the desired goals. If we fail to successfully promote and maintain our brand or if we incur excessive expenses in this effort, our business and financial results from operations could be materially adversely affected.

***We may be unable to sustain its pricing model.***

Significant price fluctuations or shortages in the cost of materials may increase our cost of goods sold and cause its results of operations and financial condition to suffer. If we are unable to secure materials at a reasonable price, we may have to alter or discontinue selling some of our products or attempt to pass along the cost to its customers, any of which could adversely affect our results of operations and financial condition.

Additionally, increasing costs of labor, freight and energy could increase our and our suppliers' cost of goods. If our suppliers are affected by increases in their costs of labor, freight and energy, they may attempt to pass these cost increases on to us. If we pay such increases, we may not be able to offset them through increases in its pricing, which could adversely affect our results of operations and financial condition.

***We may be unable to effectively manage future growth.***

We may be subject to growth-related risks, including capacity constraints and pressure on our internal systems and controls. Our ability to manage growth effectively will require us to continue to implement and improve our operational and financial systems and to expand, train and manage our employee base. Rapid growth of our business may significantly strain our management, operations and technical resources. If we are successful in obtaining large orders for its products, we will be required to deliver large volumes of products to our customers on a timely basis and at a reasonable cost. We may not obtain large-scale orders for our products and if we do, we may not be able to satisfy large-scale production requirements on a timely and cost-effective basis. Our inability to deal with this growth may have a material adverse effect on our business, financial condition, results of operations and prospects.

***We are subject to significant competition by new and existing competitors in the cannabis industry.***

The industry in which we operate is subject to intense and increasing competition. Many of our competitors have greater resources that may enable them to compete more effectively than us in the cannabis industry, or they have a longer operating history and greater capital resources and facilities, which may enable them to compete more effectively in this market. We expect to face additional competition from existing licensees and new market entrants who are granted licenses in the jurisdictions in which we expect to operate, including the United Kingdom and the Kingdom of Lesotho, and other jurisdictions in which we intend to expand our operations. If a significant number of new licenses are granted in the near term, we may experience increased competition for market share and may experience downward pricing pressure on our products as new entrants increase production. Such competition may cause us to encounter difficulties in generating revenues and market share, and in positioning our products in the market. If we are unable to successfully compete with existing companies and new entrants to the market, our lack of competitive advantage will have a negative effect on our business and financial condition.

***The legalization of adult-use, recreational cannabis may reduce sales of medical cannabis.***

Legalization of the sale to adults of recreational, non-medical cannabis in any country may increase competition in the medical cannabis market. We currently do not plan to sell recreational, non-medical cannabis products. We may not be able to achieve our business plan in a highly competitive market where recreational, adult-use cannabis is legal, or the market may experience a drop in the price of cannabis and cannabis products over time, decreasing our profit margins.

***We are dependent upon our management and key employees, and the loss of any member of our management team or any key employee could have a material adverse effect on our operations.***

Our success is dependent upon the ability, expertise, judgment, discretion and good faith of our senior management and key employees, including, without limitation, Louisa Mojela, our Executive Chairman, and Tejinder Virk, our Chief Executive Officer. The loss of any member of our management team or any of our key employees could have a material adverse effect on our business and results of operations. While employment agreements and incentive programs are customarily used as primary methods of retaining the services of key employees, these agreements and incentive programs cannot assure the continued services of such employees. Any loss of the services of such individuals, or an inability to attract other suitably qualified persons when needed, could have a material adverse effect on our business, operating results or financial condition. We do not currently maintain key-person insurance on the lives of any of our key employees or members of management. Competition for qualified technical, sales and marketing staff, as well as officers and directors can be intense, and no assurance can be provided that we will be able to attract or retain such qualified individuals in the future, which may adversely affect our operations.

***Our directors and officers may have conflicts of interest in conducting their duties.***

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

***The recent Coronavirus ("COVID-19") outbreak and similar disease outbreaks or public health emergencies could adversely affect our future operations.***

Our operations could be significantly and adversely affected by the effects of a widespread global outbreak of a contagious disease and other unforeseen events, including the recent outbreak of a respiratory illness caused by COVID-19 and the related economic repercussions. We cannot accurately predict the effects COVID-19 will have on our operations and the ability of others to meet their obligations with us, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In light of the recent COVID-19 pandemic, upon the completion of the Acquisition, there could be a negative impact on sourcing medical cannabis products for our distribution in the United Kingdom or, the continued buildout and optimization of our cultivation and manufacturing facilities in Lesotho in accordance with the requirement of EU GMP. Additionally, COVID-19 has caused significant disruptions to the global financial markets, which could impact our ability to raise additional

capital. The ultimate impact on us and our significant suppliers and prospective customers is unknown, but our operations and financial condition could suffer in the event of any of these types of unpredictable events. Further, any significant uninsured liability may require us to pay substantial amounts, which would adversely affect our business, results of operations, financial condition and cash flows.

At Bophelo and Canmart's offices and operations facilities in the United Kingdom and the Kingdom of Lesotho, all employees wear masks and practice social distancing. There are strict protocols on screening of employees and visitors; which include temperature checks and the requirement to complete detailed questionnaires concerning, among other things, possible exposure to COVID-19. Hand sanitizer is provided and hand washing protocols are in place. Signage has been put in place at our operations reminding visitors and staff of COVID-19 protocols. Both the UK and Lesotho governments have commenced the roll-out of COVID-19 vaccines to the population of each of those countries. The UK population has reached a significant level of vaccination, while Lesotho's rate of vaccination is still in its early stages. Bophelo and Canmart have encouraged all of their employees to be vaccinated. Despite these measures taken, there is no guarantee that the continued development of COVID-19 will not affect their operations negatively.

***We could be subject to a security breach that could result in significant damage or theft of products and equipment.***

Breaches of security at our facilities may occur and could result in damage to or theft of products and equipment. A security breach at our facilities could result in a significant loss of inventory or work in process, expose us to liability under applicable regulations and increase expenses relating to the investigation of the breach and implementation of additional preventative security measures, any of which could have an adverse effect on our business, financial condition and results of operations.

***We may incur significant costs to defend our intellectual property and other proprietary rights.***

The ownership and protection of trademarks, patents, trade secrets and intellectual property rights are significant aspects of our future success. Unauthorized parties may attempt to replicate or otherwise obtain and use our products and technology. Policing the unauthorized use of our current or future trademarks, patents, trade secrets or intellectual property rights could be difficult, expensive, time-consuming and unpredictable, as may be enforcing these rights against unauthorized use by others.

In addition, other parties may claim that our products infringe on their proprietary rights such as trade secrets. Such claims, regardless of their merit, may result in the expenditure of significant financial and managerial resources, legal fees, injunctions, temporary restraining orders and/or require the payment of damages. Additionally, we may need to obtain licenses from third parties who allege that we have infringed on their lawful rights. Such licenses may not be available on terms acceptable to us or at all. In addition, we may not be able to obtain or utilize on terms that are favorable to us, or at all, licenses or other rights with respect to intellectual property that we do not own.

**Risks Related to Our Expected International Operations and Operations in Emerging Markets**

***As a company based outside of the United States, we are subject to economic, political, regulatory and other risks associated with international operations.***

Our business is subject to risks associated with conducting business outside of the United States. Upon the completion of the Acquisition, our operations will be based primarily in the United Kingdom and the Kingdom of Lesotho. Our principal office and Canmart's operations are located in the United Kingdom, and Bophelo's cultivation operations are located in Lesotho. Accordingly, our future results could be harmed by a variety of factors, including, without limitation, the following:

- economic weakness, including inflation, or political instability in non-U.S. economies and markets;
- differing and changing regulatory requirements for product licenses and approvals;
- differing jurisdictions could present different issues for securing, maintaining or obtaining freedom to operate in such jurisdictions;
- difficulties in compliance with different, complex and changing laws, regulations and court systems of multiple jurisdictions and compliance with a wide variety of foreign laws, treaties and regulations;
- changes in applicable non-U.S. regulations and customs, tariffs and trade barriers;
- changes in applicable non-U.S. currency exchange rates and currency controls;
- changes in a specific country's or region's political or economic environment, including the implications of the recent decision of the United Kingdom to withdraw from the European Union;

- trade protection measures, import or export licensing requirements or other restrictive actions by governments;
- differing reimbursement regimes and price controls in certain non-U.S. markets;
- negative consequences from changes in tax laws;
- compliance with applicable tax, employment, immigration and labor laws for employees living or traveling abroad, including, for example, the variable tax treatment in different jurisdictions of options granted under our share option schemes or equity incentive plans;
- workforce uncertainty in countries where labor unrest is more common than in the United States;
- difficulties associated with staffing and managing international operations, including differing labor relations;
- production shortages resulting from any events affecting raw material supply or manufacturing capabilities abroad; and

- business interruptions resulting from geo-political actions, including war and terrorism, or natural disasters, including earthquakes, typhoons, floods and fires.

***Our business could suffer as a result of the United Kingdom's withdrawal from the European Union.***

While we are incorporated in the Province of Ontario in Canada, our principal office, a number of our executive officers and key employees, and Canmart's operations and assets are primarily located in the United Kingdom. The United Kingdom formally exited the European Union, commonly referred to as Brexit, on January 31, 2020. Under the terms of its departure, the United Kingdom entered into a transition period during which it continued to follow all European Union rules, and the trading relationship remained the same, until December 31, 2020. On December 24, 2020, the European Union and the United Kingdom entered into a new trade agreement to govern their relationship following Brexit. However, substantial uncertainty remains concerning which EU laws and regulations will continue to be implemented in the United Kingdom after Brexit (including financial laws and regulations, tax and free trade agreements, intellectual property rights, data protection laws, supply chain logistics, environmental, health and safety laws and regulations, immigration laws and employment laws).

The uncertainty concerning the United Kingdom's legal, political and economic relationship with the European Union after Brexit may negatively impact direct foreign investment in the United Kingdom, increase costs, depress economic activity and restrict access to capital. It may also be a source of instability in the international markets, create significant currency fluctuations, and/or otherwise adversely affect trading agreements or similar cross-border cooperation arrangements (whether economic, tax, fiscal, legal, regulatory or otherwise) beyond the date of Brexit. We may also face new regulatory costs and challenges that could have an adverse effect on our operations.

***The United Kingdom's withdrawal from the European Union could lead to increased market volatility, which could make it more difficult for us to do business in Europe or have other adverse effects on our business.***

As a result of the United Kingdom's withdrawal from the European Union, the United Kingdom now has third country status outside of the European Union. Before the end of 2020, the United Kingdom and the European Union concluded a Trade and Cooperation Agreement ("TCA") which took effect January 1, 2021. The terms of the TCA allow for tariff-free and quota-free access to the EU market for the United Kingdom so long as the United Kingdom does not diverge from EU laws. To the extent the United Kingdom does diverge from EU laws, access to EU markets may be made more restricted than it currently is. In addition, the TCA does not allow U.K. institutions access to EU markets, so it is possible that there will be a period of considerable uncertainty, particularly in relation to U.K. financial and banking markets, as well as in relation to the regulatory process in Europe. As a result of this uncertainty, financial markets could experience volatility. We may also face new regulatory costs and challenges that could have a material adverse effect on our operations. In this regard, the European Medicines Agency has already issued a notice reminding marketing authorization holders of centrally authorized medicinal products for human and veterinary use of certain legal requirements that need to be considered as part of Brexit, such as the requirement for the marketing authorization holder of a product centrally approved by the European Commission to be established in the European Union, and the requirement for some activities relating to centrally approved products to be performed in the European Union. As a third country, the United Kingdom will lose the benefits of global trade agreements negotiated by the European Union on behalf of its members, which may result in increased trade barriers which could make our doing business worldwide more difficult. In addition, currency exchange rates in the pound sterling and the euro with respect to each other and the U.S. dollar have already been adversely affected by Brexit. Should this foreign exchange volatility continue, it could cause volatility in our financial results.

***We expect to increase our international sales in the future, and such sales may be subject to unexpected exchange rate fluctuations, regulatory requirements and other barriers.***

We currently expect that our sales will be denominated in U.S. Dollars and Euro and that we may, in the future, have sales denominated in the currencies of additional countries in which we establish operations or distribution. In addition, upon the completion of the Acquisition, we expect



to incur the majority of our operating expenses in U.S. Dollars, Euro, South African Rands and Lesotho Maloti. Our international sales may be subject to unexpected regulatory requirements and other barriers. Any fluctuation in the exchange rates of foreign currencies may negatively affect our business, financial condition and results of operations. We have not previously engaged in foreign currency hedging. If we decide to hedge our foreign currency exposure, we may not be able to hedge effectively due to lack of experience, unreasonable costs or illiquid markets. In addition, those activities may be limited in the protection they provide from foreign currency fluctuations and can themselves result in losses.

***A change in our tax residence could have a negative effect on our future profitability.***

Although we are incorporated in the Province of Ontario in Canada, we are a resident in the United Kingdom for tax purposes. It is possible that in the future, whether as a result of a change in law or the practice of any relevant tax authority or as a result of any change in the conduct of our affairs following a review by our directors or for any other reason, we could become, or be regarded as having become, a resident in a jurisdiction other than the United Kingdom. Should we cease to be tax resident in the United Kingdom, we may have exposure related to unexpected tax liabilities, such as a charge of United Kingdom, capital gains tax on a deemed disposal at market value of our assets and of unexpected tax charges in other jurisdictions on our income. Similarly, if the tax residency of any of our future subsidiaries were to change from their current jurisdiction for any of the reasons listed above, we may be subject to a charge of local capital gains tax on the assets.

***Tax regulations and challenges by tax authorities could have a material adverse effect on our business.***

We expect to operate in a number of countries and will therefore be regularly examined by and remain subject to numerous tax regulations. Changes in our global mix of earnings could affect our effective tax rate. Furthermore, changes in tax laws could result in higher tax-related expenses and payments. Legislative changes in any of the countries in which we operate could materially impact our tax receivables and liabilities as well as deferred tax assets and deferred tax liabilities. Additionally, the uncertain tax environment in some regions in which we operate may limit our ability to successfully challenge adverse determination by any local tax authorities. We expect to operate in countries with complex tax rules, which may be interpreted in a variety of ways and could affect our effective tax rate. Future interpretations or developments of tax regimes or a higher than anticipated effective tax rate could have a material adverse effect on our tax liability, return on investments and business operations.

In addition, we and our future subsidiaries operate in, are incorporated in and are tax residents of, various jurisdictions. The tax authorities in the various jurisdictions in which we and our subsidiaries operate, or are incorporated, may disagree with and challenge our assessments of our transactions, tax position, deductions, exemptions, where we or our subsidiaries are tax resident, or other matters. If we are unsuccessful in responding to any such challenge from a tax authority, we may be required to pay additional taxes, interest, fines or penalties, we may be subject to taxes for the same business in more than one jurisdiction or may also be subject to higher tax rates, withholding or other taxes. A successful challenge could potentially result in payments to the relevant tax authority of substantial amounts that could have a material adverse effect on our financial condition and results of operations.

Even if we are successful in responding to challenges by taxing authorities, responding to such challenges may be expensive, consume time and other resources, or divert management's time and focus from our business operations. Therefore, a challenge as to our tax position or status or transactions, even if unsuccessful, may have a material adverse effect on our business, financial condition, results of operations or liquidity or the business, financial condition, and results of operations.

***We may be subject to emerging market risks.***

Emerging market investment generally poses a greater degree of risk than investment in more mature market economies because the economies in the developing world are more susceptible to destabilization resulting from domestic and international developments.

The Kingdom of Lesotho has a history of economic instability and crises, as well as political instability. Laws and regulations applicable to our cultivation operations in the Kingdom of Lesotho are subject to change in the future and could adversely affect our business, financial condition and results of operations. In particular, fluctuations in the economy in Southern Africa and actions adopted by the government have had and may continue to have a significant impact on companies operating in Southern Africa, including in the Kingdom of Lesotho. Specifically, Bophelo may be impacted by inflation, foreign currency fluctuations, regulatory policies, business and tax regulations and, in general, by the political, social and economic scenarios in the Kingdom of Lesotho and other countries in which we may do business.

Global or regional economic crises could negatively affect investor confidence in emerging markets or the economies of the countries in Southern Africa, including the Kingdom of Lesotho. A significant decline in economic growth or a sustained economic downturn for any of Lesotho's major trading partners (in particular, the United Kingdom, the United States and China) could have a material adverse impact on the balance of

trade and remittances, resulting in lower economic growth. Deterioration in the economic and political situation in South Africa, which surrounds the Kingdom of Lesotho entirely, could adversely affect the local economy and cause instability by disrupting diplomatic or commercial relationships with other nearby countries. Any future tensions may cause political and economic uncertainty, instability, market volatility, low confidence levels and higher risk aversion by investors and market participants that may negatively affect economic activity generally in Southern Africa, including in the Kingdom of Lesotho. Such events could materially and adversely affect Bophelo's business, financial condition and results of operations.

***Exchange controls may restrict our ability to convert or transfer sums in foreign currencies.***

Companies operating in Southern Africa are subject to exchange control limitations. Exchange controls in Lesotho are administered by the Central Bank of Lesotho. While exchange controls have been relaxed in recent years and may continue to be relaxed, companies operating in Southern Africa remain subject to restrictions on their ability to export capital outside of the Common Monetary Area, which includes South Africa, Namibia, Lesotho and Eswatini. In addition, as the cash flows of certain countries are highly dependent on the export of certain raw materials, the ability to convert such currencies can be limited by the timing of payments for such exports, which may require us to organize our currency conversions around such constraints. These restrictions may affect the manner in which we finance our transactions outside Southern Africa and the geographic distribution of our debt.

We can offer no assurance that additional restrictions on currency exchange will not be implemented in the future or that these restrictions will not limit our ability to transfer cash, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

***The markets in which we may operate are exposed to high inflation and interest rates which could increase our operating costs and reduce our profitability.***

The economies of the countries in which we may operate, including the Kingdom of Lesotho, in the past have been, and in the future may continue to be, characterized by rates of inflation and interest rates that are substantially higher than those prevailing in the United States and other highly developed economies. High rates of inflation could increase our costs in such regions and decrease our operating margins. Inflation in Southern African countries generally results in an increase in our operational costs. Higher and sustained inflation in the future, with a consequent increase in operational costs, could have a material adverse effect on our results of operations and our financial condition and could result in operations being discontinued or reduced or rationalized, which could have a material adverse effect on our business, financial condition and results of operations.

Although higher interest rates would increase the amount of income we earn on our cash balances, they would also adversely affect our ability to obtain cost-effective debt financing in certain countries in which we may operate.

***Operating in emerging markets may subject us to greater political, economic and market risks than those we would face if we only operated in more developed markets, which could increase our operating costs.***

Emerging markets, including the Kingdom of Lesotho in Southern Africa, are subject to greater risks than more developed markets. The political, economic and market conditions in many emerging markets present risks that could make it more difficult to operate our business successfully. These risks include:

- the strength of emerging market economies;
- fluctuations in interest rates;
- political and economic instability, including higher rates of inflation and currency fluctuations;
- high levels of crime and unemployment;
- higher levels of corruption, including bribery of public officials;
- loss due to civil strife, acts of war or terrorism, guerrilla activities and insurrection;

- lack of well-developed legal systems which could make it difficult for us to enforce our intellectual property and contractual rights;
- potential adverse changes in laws and regulatory practices, including import and export license requirements and restrictions, tariffs, taxation and other laws or policies affecting foreign trade or investment;

- restrictions on the right to convert or repatriate currency or export assets;
- introduction or changes to indigenization and empowerment programs;
- logistical and communications challenges;
- difficulties in staffing and managing operations and ensuring the safety of our employees;
- greater risk of uncollectible accounts and longer collection cycles; and
- future downgrades of the debt ratings of the countries in which we operate.

If we are unable to effectively manage these risks, it could have a material adverse effect on our business, financial condition and results of operations.

Governments in Africa have in the past intervened in the economies of their respective countries and occasionally made significant changes in policy and regulations. Governmental actions have often involved, among other measures, nationalizations and expropriations, price controls, currency devaluations, mandatory increases on wages and employee benefits, capital controls, limits on imports and arbitrary interference with private ownership of contract rights. Our business, financial condition and results of operations may be adversely affected by changes in government policies or regulations, including such factors as exchange rate and exchange control policies, inflation control policies, price control policies, consumer protection policies, import duties and restrictions, liquidity of domestic capital and lending markets, electricity rationing, tax policies, including tax increases and retroactive tax claims, and other political, diplomatic, social and economic developments in or affecting the countries where we operate. In the future, the level of intervention by African governments may continue to increase. It is difficult to predict the future political, economic and market environment in these countries, and these or other measures could have a material adverse effect on the economy of the countries in which we may operate and, consequently, could have a material adverse effect on our business, financial condition and results of operations.

***We face the risk of disruption from labor disputes and changes to labor laws, which could result in significant additional operating costs or alter our relationship with our employees.***

We are required to comply with extensive labor regulations in each of the countries in which we will have employees, including with respect to wages, social security benefits and termination payments. For example, Lesotho laws relating to labor regulate work time, provide for mandatory compensation in the event of termination of employment for operational reasons, and impose monetary penalties for non-compliance with administrative and reporting requirements in respect of affirmative action policies, which could result in significant costs.

In addition, future changes to Lesotho legislation and regulations relating to labor may increase our costs or alter our relationship with our employees. Resulting disruptions could have a material adverse effect on our business, results of operations and financial condition.

### **Risks Related to our Regulatory Framework**

***The medicinal cannabis regulatory regime is very restrictive and new in the United Kingdom, and laws and enforcement could rapidly change again.***

There are significant legal restrictions and regulations that govern the cannabis industry in the United Kingdom. The legislative changes recently made to allow for the prescription and possession of medicinal cannabis without Home Office licenses were very narrow. “Cannabis” remains a Class B controlled drug under the Misuse of Drugs Act 1973 and remains a Schedule 1 drug under the Misuse of Drugs Regulation 2001 (“MDR 2001”). Schedule 1 contains drugs which are not used medically. Cultivation, distribution and possession of Schedule 1 controlled drug is illegal without appropriate licenses. It is only cannabis based products for medicinal use (“CBPMs”) that have been moved to various other schedules under the MDR 2001, which then allows for the prescription and possession of CBPMs without a license.

However, there are also strict requirements that need to be met for the supply of CBPMs to patients to be compliant with the regulations. Despite the demand for CBPMs, there has been great reluctance from the medical establishment in general to prescribe “medicinal products” for which there are no official prescribing guidelines and a lack of clinical data. In particular, the Royal College of Physicians and NHS England have issued guidelines for medical practitioners stating that there is currently limited evidence of the effectiveness of CBPMs, except in very limited cases. This appears to have made specialist doctors loathe to prescribe CBPMs against this explicit guidance. As the medical establishment and regulators are still firming up their approaches to guidance and enforcement, this can create a level of operating uncertainty.



Our activities are, and will continue to be, subject to evolving regulation by governmental authorities. Due to the current regulatory environment in the United Kingdom, new risks may emerge; management may not be able to predict all such risks.

UK based companies also need to be aware of the potential difficulties posed by the UK Proceeds of Crime Act 2002 (“POCA”). POCA prohibits dealing with any benefit (directly or indirectly) arising from criminal conduct. Conduct is criminal if it:

- constitutes an offence in any part of the United Kingdom, or
- would constitute an offence in part of the United Kingdom if it occurred there.

This principle of “dual criminality” means that measures to legalize cannabis overseas can be potentially irrelevant when it comes to investing in the United Kingdom, and medicinal cannabis companies operating in the United Kingdom.

Although the risk of action being taken against a UK investor by law enforcement may be considered low when dealing with the indirect proceeds of cannabis, UK companies and investors should be sure to understand the precise nature of their investments or transactions and to keep in mind that investing in, or doing business with, companies involved in recreational cannabis, even where their activity is legal under the laws applicable to them, may nonetheless cause the UK-based investor or counterparty to violate UK money laundering laws.

***Cannabis laws, regulations, and guidelines are dynamic and subject to changes.***

Cannabis laws and regulations are dynamic and subject to evolving interpretations which could require us to incur substantial costs associated with compliance or alter certain aspects of our business plan. It is also possible that regulations may be enacted in the future that will be directly applicable to certain aspects of our businesses. We cannot predict the nature of any future laws, regulations, interpretations or applications, nor can we determine what effect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on our business. Management expects that the legislative and regulatory environment in the cannabis industry in the United Kingdom, the Kingdom of Lesotho and internationally will continue to be dynamic and will require innovative solutions to try to comply with this changing legal landscape in this nascent industry for the foreseeable future. Failure to comply with any such legislation may have a material adverse effect on our business, financial condition and results of operations.

Public opinion can also exert a significant influence over the regulation of the cannabis industry. A negative shift in the public’s perception of the cannabis industry could affect future legislation or regulation in different jurisdictions.

***There are risks associated with the regulatory regime and permitting requirements of our operations.***

Achievement of our business objectives is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and obtaining all regulatory approvals, where necessary, for the cultivation, processing and sale of our products. Bophelo and Canmart currently holds the licenses required to conduct their respective operations. We may not be able to obtain or maintain the necessary licenses, permits, quotas, authorizations or accreditations to operate our business going forward, or may only be able to do so at great cost. We cannot predict the time required to secure all appropriate regulatory approvals for our products, or the extent of testing and documentation that may be required by local governmental authorities.

Our officers and directors must rely, to a great extent, on our local legal counsel and local consultants retained in the United Kingdom and Lesotho in order to keep abreast of material legal, regulatory and governmental developments as they pertain to and affect our business operations, and to assist us with governmental relations. Upon the completion of the Acquisition, we must rely, to some extent, on those members of management and the Board who have previous experience working and conducting business in the United Kingdom or the Kingdom of Lesotho in order to enhance our understanding of and appreciation for the local business culture and practices in such jurisdictions.

We also rely on the advice of local experts and professionals in connection with any current and new regulations that develop in respect of banking, financing and tax matters in the jurisdictions in which we operate. Any developments or changes in such legal, regulatory or governmental requirements or in local business practices in such jurisdictions are beyond our control and may adversely affect our business.

We will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. We may be required to compensate those suffering loss or damage by reason of our operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to our operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on our business, results of operations and financial condition.

***Any failure on our part to comply with applicable regulations or to obtain and maintain the necessary licenses and certifications could prevent us from being able to carry on our business, and there may be additional costs associated with any such failure.***

Our business activities are heavily regulated in all jurisdictions where we do business. Our operations are subject to various laws, regulations and guidelines by governmental authorities relating to the cultivation, processing, manufacture, marketing, management, distribution, transportation, storage, sale, packaging, labelling, pricing and disposal of cannabis and cannabis products. In addition, we are subject to laws and regulations relating to employee health and safety, insurance coverage and the environment. Laws and regulations, applied generally, grant government agencies and self-regulatory bodies broad administrative discretion over our activities, including the power to limit or restrict business activities as well as impose additional disclosure requirements on our products and services.

Any failure by us to comply with applicable regulatory requirements could:

- require extensive changes to our operations;
- result in regulatory or agency proceedings or investigations;
- result in the revocation of our licenses and permits, the imposition of additional conditions on licenses to operate our business, and increased compliance costs;
- result in product recalls or seizures;
- result in damage awards, civil or criminal fines or penalties;
- result in the suspension or expulsion from a particular market or jurisdiction of our key personnel;
- result in restrictions on our operations or the imposition of additional or more stringent inspection, testing and reporting requirements;
- harm our reputation; or

- give rise to material liabilities.

There can be no assurance that any future regulatory or agency proceedings, investigations or audits will not result in substantial costs, a diversion of management's attention and resources or other adverse consequences to our business.

In addition, changes in regulations, government or judicial interpretation of regulations, or more vigorous enforcement thereof or other unanticipated events could require extensive changes to our operations, increase compliance costs or give rise to material liabilities or a revocation of our licenses and other permits. Furthermore, governmental authorities may change their administration, application or enforcement procedures at any time, which may adversely affect our ongoing regulatory compliance costs. There is no assurance that we will be able to comply or continue to comply with applicable regulations.

***The legal cannabis market is a relatively new industry. As a result, the size of our target market is difficult to quantify, and investors will be reliant on their own estimates on the accuracy of market data.***

Because the cannabis industry is in a nascent stage, there is a lack of information about comparable companies available for potential investors to review in deciding whether to invest in us and, few, if any, established companies whose business model we can follow or upon whose success we can build. Accordingly, investors should rely on their own estimates regarding the potential size, economics and risks of the cannabis market in deciding whether to invest in our Common Shares. We are an early-stage company that has not generated net income. There can be no assurance that our growth estimates are accurate or that the cannabis market will be large enough for our business to grow as projected.

Although we are committed to researching and developing new markets and products and improving existing products, there can be no assurances that such research and market development activities will prove profitable or that the resulting markets or products, if any, will be commercially viable or successfully produced and marketed. We must rely largely on our own market research to forecast sales and design products as detailed forecasts and consumer research are not generally obtainable from reliable third-party sources in the United Kingdom, the European market, Southern Africa, Canada and in other international jurisdictions.

In addition, there is no assurance that the industry and market will continue to exist and grow as currently estimated or anticipated or function and evolve in the manner consistent with management's expectations and assumptions. We could also be subject to other events or circumstances that adversely affect the cannabis industry, such as the imposition of further restrictions on sales and marketing or further restrictions on sales in certain areas and markets.

***Marijuana remains illegal under U.S. federal law, and the enforcement of U.S. cannabis laws could change.***

There are significant legal restrictions and regulations that govern the cannabis industry in the United States. Marijuana remains a Schedule I drug under the Controlled Substances Act, making it illegal under federal law in the United States to, among other things, cultivate, distribute or possess cannabis in the United States. In those states in which the use of marijuana has been legalized, its use remains a violation of federal law pursuant to the Controlled Substances Act. The Controlled Substances Act classifies marijuana as a Schedule I controlled substance, and as such, medical and adult use cannabis use is illegal under U.S. federal law. Unless and until the U.S. Congress amends the Controlled Substances Act with respect to marijuana (and the President approves such amendment), there is a risk that federal authorities may enforce current federal law. Financial transactions involving proceeds generated by, or intended to promote, cannabis-related business activities in the United States may form the basis for prosecution under applicable U.S. federal money laundering legislation. While the approach to enforcement of such laws by the federal government in the United States has trended toward non-enforcement against individuals and businesses that comply with medical or adult-use cannabis regulatory programs in states where such programs are legal, strict compliance with state laws with respect to cannabis will neither absolve us of liability under U.S. federal law, nor will it provide a defense to any federal proceeding which may be brought against us should we expand our operations into the U.S. Since U.S. federal law criminalizing the use of marijuana pre-empts state laws that legalize its use, enforcement of federal law regarding marijuana may be a significant risk and could greatly harm our business, prospects, revenue, results of operation and financial condition if we were to expand our operations into the United States. We currently have no operations in the United States and no plans to expand our operations into the United States in the foreseeable future.

Our activities are, and will continue to be, subject to evolving regulation by governmental authorities. The legality of the production, cultivation, extraction, distribution, retail sales, transportation and use of cannabis differs among states in the United States. Due to the current regulatory environment in the United States, new risks may emerge; management may not be able to predict all such risks. Due to the conflicting views between state legislatures and the federal government regarding cannabis, cannabis businesses are subject to inconsistent laws and regulations. There can be no assurance that the federal government will not enforce federal laws relating to marijuana and seek to prosecute cases involving marijuana businesses that are otherwise compliant with state laws in the future. To date, federal enforcement agencies have taken little or no action against state-compliant cannabis businesses in the United States. However, the DOJ may change its enforcement policies at any time, with or without advance notice. The uncertainty of U.S. federal enforcement practices going forward and the inconsistency between U.S. federal and state laws and regulations may present risks for us if we expand our operations into the United States in the future.

**Risks Related to Financials and Accounting**

***There are tax risks we may be subject to in carrying out our business in multiple jurisdictions.***

We will operate and, accordingly, will be subject to income tax and other forms of taxation in multiple jurisdictions. We may be subject to income taxes and non-income taxes in a variety of jurisdictions and our tax structure may be subject to review by both domestic and foreign taxation authorities. Those tax authorities may disagree with our interpretation and/or application of relevant tax rules. A challenge by a tax authority in these circumstances might require us to incur costs in connection with litigation against the relevant tax authority or reaching a settlement with the tax authority and, if the tax authority's challenge is successful, could result in additional taxes (perhaps together with interest and penalties) being assessed on us, and as a result an increase in the amount of tax payable by us. In addition, we may be subject to different taxes imposed by the local governments in the jurisdictions where we operate, and changes within such tax, legal and regulatory framework may have an adverse effect on our financial results.

Taxation laws and rates which determine taxation expenses may vary significantly in different jurisdictions, and legislation governing taxation laws and rates are also subject to change. Therefore, our earnings may be affected by changes in the proportion of earnings taxed in different jurisdictions, changes in taxation rates, changes in estimates of liabilities and changes in the amount of other forms of taxation. The determination of our provision for income taxes and other tax liabilities will require significant judgment (including based on external advice) as to the interpretation and application of these rules. We may have exposure to greater than anticipated tax liabilities or expenses.

***There is a risk that we will be a passive foreign investment company ("PFIC") for U.S. federal income tax purposes for the current or any future taxable year, which could result in material adverse U.S. federal income tax consequences if you are a U.S. Holder.***

If we (or any of our non-U.S. subsidiaries) are a PFIC for any taxable year during which a U.S. Holder owns Common Shares, certain adverse U.S. federal income tax consequences could apply to such U.S. Holder. The determination of whether a corporation is a PFIC for a taxable year depends, in part, on the application of complex U.S. federal income tax rules that are subject to differing interpretations. In addition, the determination of whether a corporation will be a PFIC for any taxable year generally can only be made after the close of such taxable year. Therefore, it is possible that we could be classified as a PFIC for our initial taxable year or in future years due to changes in the nature of our business, composition of our assets or income, as well as changes in our market capitalization. In particular, our PFIC status will depend, in part, on the amount of cash that we raise in this offering and how quickly we utilize the cash in our business. Based upon the foregoing, it is uncertain whether we will be a PFIC for our current taxable year or any future taxable year. We have not determined, if we (or any of our non-U.S.

subsidiaries) were to be classified as a PFIC for a taxable year, whether we will provide information necessary for a U.S. Holder to make a “qualified electing fund” election which, if available, would result in tax treatment different from (and generally less adverse than) the general tax treatment for PFICs. Accordingly, U.S. Holders should assume that they will not be able to make a qualified electing fund election with respect to our Common Shares. The PFIC rules are complex, and each U.S. Holder should consult his, her or its own tax advisor regarding the PFIC rules, the elections which may be available, and how the PFIC rules may affect the U.S. federal income tax consequences relating to the ownership and disposition of our Common Shares.

***Failure to develop our internal controls over financial reporting as we grow could have an adverse effect on our operations.***

As we mature, we will need to continue to develop and improve our current internal control systems and procedures to manage our growth. We are required to establish and maintain appropriate internal controls over financial reporting. Failure to establish appropriate controls, or any failure of those controls once established, could adversely affect our public disclosures regarding our business, financial condition or results of operations. In addition, management’s assessment of internal controls over financial reporting may identify weaknesses and conditions that need to be addressed in our internal controls over financial reporting or other matters that may raise concerns for investors.

**Risks Related to our Common Shares and this Offering**

***Although a minimum offering amount is required, there will be multiple closings in the Offering which will increase the risk that investors, especially earlier investors, could lose their entire investment.***

Although a minimum offering amount is required for the initial closing of this Offering, once the minimum offering amount is achieved, proceeds from the Offering will be released then and thereafter as the Company receives additional subscriptions for Shares. If the Company raises less than the maximum offering amount, it may lack the working capital and to fully implement its business plans. No assurance can be given that the Company will raise any funds after the initial closing and the allowance for the Company to have multiple closings increases the chance that investors, particularly early investors, may lose their entire investment.

***Affiliates of our Company and the Placement Agent, including officers, directors and existing stockholders of our Company, may invest in this offering and their funds will be counted toward our achievement of the Minimum Amount.***

There is no restriction on affiliates of our Company or of the placement agent, including its officers, directors and existing stockholder, investing in the offering. As a result, it is possible that if we raise some funds, but have not reached the minimum amount, affiliates can contribute the balance so that there will be a closing. The minimum amount is typically intended to be a protection for investors and give investors confidence that other investors, along with them, are sufficiently interested in the offering and the company, and its prospects to receive investments of at least the minimum amount. By permitting affiliates to invest in the offering and make up any shortfall between what non-affiliate investors have invested and the minimum amount, this protection is largely eliminated. Investors should be aware that no funds other than their own and those of affiliates investing along with them may be invested in this offering.

***We have no significant sources of revenue and limited capitalization and may require additional financing after the Offering, which may not be available.***

We are in the development stage and have not generated any revenue. We have limited capitalization, which increases our vulnerability to general adverse economic and industry conditions, limits our flexibility in planning for, or reacting to changes in our business and industry and may place us at a competitive disadvantage to competitors with sufficient or excess capitalization. After the completion of the Acquisition, to develop our business, we will require additional cash in the form of equity or debt following completion of the Offering in order to meet our working capital requirements. If we are unable to obtain sufficient additional financing on satisfactory terms and conditions, we may be forced to curtail our plans or operations. Our ability to obtain additional financing will depend upon a number of factors, many of which are beyond our control. We have no current arrangements with respect to, or sources of, financing other than the proposed Offering. Should we be unable to raise additional capital, investors could lose their entire investment.

***We have a limited operating history upon which investors may base their investment decision, and as a result any potential investment is highly speculative.***

Although we believe our management team has extensive knowledge of the cannabis product industry and closely monitors changes in legislation with regards to recreational cannabis laws worldwide, we operate in an evolving industry that may not develop as expected and we may not be able to adapt as needed to stay competitive in such industry. Furthermore, we were incorporated in July 2021 and Bophelo and Canmart, which we

intend to acquire, also each have a limited operating history. We are, and upon the completion of the Acquisition, will continue to be subject to all of the business risks and uncertainties associated with any new business, including the risk that we will not achieve any investment objectives as described in the Offering Documents. Our financial condition and results of operations will depend on many factors, including our ability to bring our products to commercial production, marketing success and obtaining and maintaining the necessary licenses and certifications.

An investment in our Shares carries a high degree of risk and should be considered as a speculative investment by purchasers. Akanda, Bophelo and Canmart each have a limited history of earnings, limited cash reserves, a limited operating history, have not paid dividends, and are unlikely to pay dividends in the immediate or near future. We are, and upon the completion of the Acquisition, will continue to be in the development and planning phases of our business. Operations are not yet sufficiently established such that we can mitigate the risks associated with planned activities.

***We may be presumed to be insolvent from time to time.***

In the future, the Company may not be able to pay its debts as they become due. Therefore, the Company may be deemed to be insolvent until the Company receives sufficient proceeds from debt or equity financings, including the Offering, or until it generates sufficient revenues from operations. No assurance can be given that the Company will raise sufficient funds in equity financings, generate sufficient revenues from operations or that the Company will become solvent should a period of insolvency be experienced.

***The purchase price of the Shares has been arbitrarily set and does not bear any relationship to our assets, financial condition or our actual or projected performance or on any other criteria of market value.***

As a development stage company we lack operating history or other metrics to provide a valuation of the Shares and we arbitrarily set the price and number of offering Shares to reflect our goals of having a balanced ownership between management and the private investors and our consideration of certain market factors. As a result of this arbitrarily defined initial selling price for the Shares offered hereby, such price does not necessarily bear any relationship to our assets, book value, net worth, financial condition, current or anticipated revenue, cash flow, earnings, shareholders' equity or any other recognized criteria of market value and is not indicative of the price of the Common Shares that may be realized upon disposition of such Common Shares. Purchasers of our equity securities may not be able to resell their shares at or above their purchase price.

***We do not expect to pay dividends on any shares of our capital stock in the near future.***

It is not expected that we will pay any cash dividends on any shares of our capital stock in the near future. Initially, it is expected that we will retain virtually any and all profit to fund our business and growth plans. Future dividend declarations and payments will be made at the discretion of our board of directors and will depend on, among other things, the capital needed to satisfy current and projected business opportunities, as well as applicable contractual and regulatory requirements. No assurance can be given that our operations will result in sufficient revenues to enable us to operate at profitable levels or to generate positive cash flows. Furthermore, no assurance can be given that our board of directors will declare dividends even if we are profitable.

***There may be no public market for our securities and investors may be unable to liquidate their purchased Shares if they need money.***

There is no public market for any of our securities. There is no guarantee that an active market for any of our securities will develop or be sustained after the Offering or in the foreseeable future. Therefore, investors may not be able to sell any securities they acquire in connection with the Offering until a public market develops.

***There are restrictions on the transfer of our securities.***

None of our Shares will be registered with the Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Securities Act"), or registered or qualified with any state or foreign securities regulatory agency. Until any such registration occurs, investors will not be able to sell, transfer or otherwise dispose of these securities, even if a public market develops for the securities, unless the disposition is exempt from registration under any applicable federal, state or foreign laws. We cannot guarantee that any exemption from registration or qualification will be available subsequent to the Offering. As result, the investors may have to hold the purchased Shares for an indefinite period.

***The Company may not be able to achieve its financial projections.***

The operating and financial information contained in any projected financial data furnished to investors have been prepared by management of the Company based upon its goals and objectives for the future performance and various assumptions concerning future phenomena. In addition, the Company's projected results are dependent on the successful implementation of management's growth and operating strategies and are based on hypothetical assumptions and events over which the Company has only partial or no control. While management believes that its goals and objectives are reasonable and achievable, no assurance can be given that they will be realized. The selection of assumptions underlying the



projected information required the exercise of judgment by, and represent the opinions and beliefs of, the Company's management. Others may have different opinions and beliefs. In addition, the projections have not been compiled, reviewed or examined by any independent public accountants and were not prepared with a view to public disclosure or compliance with published guidelines of the Securities and Exchange Commission or with the guidelines established by the American Institute of Certified Public Accountants regarding projections. Moreover, the Company's projections are subject to uncertainty due to the effects that economic, legislative, political or other changes may have on future events. Changes in the facts or circumstances underlying such assumptions could materially and adversely affect the projections. To the extent assumed events do not materialize, actual results may vary substantially from the projected results. As a result, no assurance can be given that the Company will achieve the operating or financial results set forth in its financial projections and, accordingly, investors are cautioned about placing undue reliance thereon.

***We have broad discretion in how we use the proceeds of this offering and may not use these proceeds effectively, which could affect our results of operations.***

We will have considerable discretion in the application of the net proceeds of this Offering. We intend to use the net proceeds from this offering for operating capacity, potential acquisitions, working capital and general corporate purposes. As a result, investors will be relying upon management's judgment with only limited information about our specific intentions for the use of the balance of the net proceeds of this Offering. We may use the net proceeds for purposes that do not yield a significant return or any return at all for our shareholders. In addition, pending their use, we may invest the net proceeds from this offering in a manner that does not produce income or that loses value.

***We have a significant shareholder, which may limit your ability to influence corporate matters and may give rise to conflicts of interest.***

We have a significant shareholder, Halo, and certain of our directors and officers including our Executive Chairman, Louisa Mojela, are former directors or officers of Halo. Following this Offering, assuming all of the Shares offered hereby are sold, we anticipate that Halo will own approximately 47.41% of our outstanding Common Shares. Accordingly, Halo exerts and may continue to exert significant influence over us and any action requiring the approval of the holders of our Common Shares, such as election of directors, amendments to our organizational documents, and approval of significant corporate transactions. This concentration of ownership may prevent or discourage unsolicited acquisition proposals or offers for our Common Shares that you may feel are in your best interest as one of our shareholders. Furthermore, the interests of Halo may not always coincide with your interests or the interests of other shareholders and Halo may act in a manner that advances its best interests and not necessarily those of other shareholders.

***Investors may be unable to enforce judgments against our directors and officers because our directors and officers reside outside of the United States.***

We are incorporated under the laws of the Province of Ontario, Canada and most of our assets are located outside of the United States. Furthermore, most of our directors and officers reside outside of the United States in Canada, the Kingdom of Lesotho and the United Kingdom. As a result, investors may not be able to effect service of process within the United States upon our directors or officers or enforce against them in U.S. courts, judgments predicated on U.S. securities laws. Likewise, it may also be difficult for an investor to enforce in U.S. courts, judgments obtained against these persons in courts located in jurisdictions outside of the United States.

As a result of the above, public shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of the board of directors or controlling shareholders than they would as public shareholders of a U.S. based company.

***Investing in private placements like this offering involves significant risks not present in investments in public offerings.***

Investing in private placements involves a high degree of risk. Securities sold through private placements are typically not publicly traded and, therefore, are less liquid. Additionally, investors will receive restricted securities that are subject to holding period requirements. Companies seeking private placement investments tend to be in earlier stages of development and have not yet been fully tested in the public marketplace. Investing in private placements requires high risk tolerance, low liquidity concerns, and long-term commitments. Investors must be able to afford to lose their entire investment. Investment products are not Federal Deposit Insurance Corporation insured, may lose value, and there is no bank guarantee.

August 26, 2021

Akanda Corp.  
77 King Street West, Suite 400  
Toronto-Dominion Centre  
Toronto, Ontario M5K 0A1

Attention: Trevor Scott, Chief Financial Officer

Re: Lock-Up Agreement

Ladies and Gentlemen:

This letter (this “Letter Agreement”) is being delivered to Akanda Corp. (the “Company”) in accordance with the subscription agreement signed and delivered by the undersigned to the Company. In order to induce the Company to proceed with the sale and issuance of Common Shares of the Company (“Common Shares”) to the undersigned pursuant to the subscription agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned (the “Securityholder”) hereby agrees with the Company as follows:

- Subject to the exceptions set forth herein, the Securityholder agrees not to, without the prior written consent of the Company and the managing underwriter, during the periods specified under (a), (b) and (c) below (the entire period from the date when the period under (a) commences and until the date when the period under (c) expires, the “Lock-up Period”), (i) lend; offer; pledge; sell; contract to sell; sell any option or contract to purchase; purchase any option or contract to sell; grant any option, right, or warrant to purchase; or
1. otherwise transfer or dispose of, directly or indirectly, any Common Shares or any securities convertible into or exercisable or exchangeable (directly or indirectly) for Common Shares, or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Shares or other securities, in cash, or otherwise (the actions specified in clauses (i)-(ii), collectively, “Transfer”) as required below:

- (a) From the date when the subscription agreement is signed by both the Securityholder and the Company to the 180th day after the closing of the Company’s initial public offering of Common Shares which results in a listing of the Company’s Common Shares on the NASDAQ Stock Market or another national stock exchange (such first trading day, the “Lock-Up Trigger Date”), the Securityholder shall not Transfer the Purchased Shares.
- (b) Between the 181st and 270th day after the Lock-up Trigger Date, the Securityholder shall not Transfer more than one-third of the Purchased Shares, subject to a maximum sale on any trading day of 3% of the daily volume.
- (c) Between the 271st and 365th day after the Lock-Up Trigger Date, the Securityholder shall not Transfer more than one-third of the Purchased Shares, subject to a maximum sale on any trading day of 3% of the daily volume.
- (d) After the 365th day after the Lock-Up Trigger Date, the Securityholder will be entitled to Transfer the remaining Purchased Shares without restriction.

Notwithstanding the foregoing, commencing 90 days after the Lock-Up Trigger Date, if the Company’s Common Share price is at least 50% higher than the IPO price per share and trades at least 100,000 shares daily, both for ten (10) consecutive trading days, the Securityholder may sell up to one-third of its Purchased Shares subject to a maximum sale on any trading day of 3% of the daily volume; and if the Company’s Common Share price is at least 100% higher than the IPO price per share and trades at least 100,000 shares daily, both for ten (10) consecutive trading days, the Securityholder may sell up to an additional one-third of its Purchased Shares subject to a maximum sale on any trading day of 3% of the daily volume; and if the Company Common Share price is at least 150% higher than the IPO price per share and trades at least 100,000 shares daily, both for ten (10) consecutive trading days, the Securityholder may sell up to an additional one-third of its Purchased Shares constituting a maximum total of all of its Purchased Shares subject to a maximum sale on any trading day of 3% of the daily volume. For purpose of this term, the “IPO price” shall mean the price the Company’s Common

Shares are first sold to the public pursuant to an underwritten registered offering resulting in a listing of its Common Shares on the NASDAQ Stock Market or another national stock exchange.

2. The restrictions set forth in paragraph 1 shall not apply to:

- (a) in the case of a corporation, limited liability company, partnership, trust or other entity, Transfers to its shareholders, members, partners or trust beneficiaries as part of a distribution, including Transfers by virtue of the laws of the state of the entity's organization and the entity's organizational documents upon dissolution of the entity, or to any corporation, partnership or other entity that is its affiliate.
- (b) in the case of an individual, Transfers by gift to members of the individual's immediate family (as defined below) or to a trust, the beneficiary of which is a member of one of the individual's immediate family, an affiliate of such person or to a charitable organization.
- (c) in the case of an individual, Transfers by virtue of laws of descent and distribution upon death of the individual.
- (d) in the case of an individual, Transfers pursuant to a qualified domestic relations order.

*provided*, however, that (A) in the case of clauses (a) through (d), these permitted transferees must enter into a written agreement, in substantially the form of this Letter Agreement (it being understood that any references to "immediate family" in the agreement executed by such transferee shall expressly refer only to the immediate family of the Securityholder and not to the immediate family of the transferee), agreeing to be bound by these Transfer restrictions. For purposes of this paragraph, "immediate family" shall mean a spouse, domestic partner, child, grandchild or other lineal descendant (including by adoption), father, mother, brother or sister of the undersigned; and "affiliate" shall have the meaning set forth in Rule 405 under the Securities Act of 1933, as amended.

- This Letter Agreement constitutes the entire agreement and understanding of the parties hereto in respect of the subject matter hereof and supersedes all prior understandings, agreements or representations by or among the parties hereto, written or oral, to the extent they
3. relate in any way to the subject matter hereof or the transactions contemplated hereby. This Letter Agreement may not be changed, amended, modified or waived (other than to correct a typographical error) as to any particular provision, except by a written instrument executed by all parties hereto.

- No party hereto may assign either this Letter Agreement or any of its rights, interests or obligations hereunder without the prior written consent of the other party. Any purported assignment in violation of this paragraph shall be void and ineffectual and shall not operate to transfer or assign any interest or title to the purported assignee. This Letter Agreement shall be binding on the Securityholder and each of its respective successors, heirs and assigns and permitted transferees.
- 4.

- This Letter Agreement shall be governed by and construed and enforced in accordance with the laws of the Province of Ontario, Canada and the federal laws of Canada applicable therein, without giving effect to conflicts of law principles that would result in the application of the substantive laws of another jurisdiction. The parties hereto (i) all agree that any action, proceeding, claim or dispute arising out of, or relating in any way to, this Letter Agreement shall be brought and enforced in a court of competent jurisdiction in the Province of Ontario, and irrevocably submit to such jurisdiction and venue, which jurisdiction and venue shall be exclusive and (ii) waive any objection to such exclusive jurisdiction and venue or that such courts represent an inconvenient forum.
- 5.

- This Letter Agreement shall terminate on the expiration of the Lock-up Period. In addition to the restrictions agreed upon herein, the
6. Securityholder acknowledges and agrees that it shall comply with any Transfer restrictions imposed by the subscription agreement and the applicable law whether within or beyond the Lock-up Period.

- The undersigned acknowledges and agrees that Boustead Securities, LLC is an intended, third-party beneficiary of this Agreement and
7. may enforce the Company's rights hereunder directly against the undersigned as if Boustead Securities, LLC were a party to this Agreement.

The undersigned understands that the Company and the underwriters for the Company's initial public offering are relying on this Letter Agreement in proceeding toward consummation of the public offering. This Letter Agreement is irrevocable and shall be binding upon the undersigned and the heirs, personal representatives, successors and assigns of the undersigned.

Very truly yours,

---

[SECURITYHOLDER NAME]



Certain portions of this exhibit have been redacted in accordance with Item 601(a)(6) of Regulation S-K. This information is not material and disclosure of such information would constitute an unwarranted invasion of personal privacy. "[\*]" indicates that information has been redacted.

**SUPPLEMENT NUMBER 1**

to

**INVESTOR PACKAGE**

**Dated August 26, 2021**

with respect to the offering by

**AKANDA CORP.**



**AKANDA**

Offering of a

**Minimum of 2,000,000 Shares at \$2.50 per Share (\$5,000,000)**

up to a

**Maximum of 4,000,000 Shares at \$2.50 per Share (\$10,000,000)**

The information contained herein corrects and supplements certain information contained in the Confidential Private Placement Investor Package that was previously distributed to you in September 2021 (the "September Investor Package"). Each prospective investor should carefully review and consider the information contained herein before deciding whether to invest in the Shares referred to in the September Investor Package. From and after the date hereof, all references in the September Investor Package to "this Investor Package" (or similar expressions) shall be deemed to refer the September Investor Package as corrected and supplemented by the information contained in this Supplement. Capitalized terms used herein, unless otherwise defined or noted in this Supplement, shall have the meanings set forth in the September Investor Package.

1. This Supplement extends the offering period to November 29, 2021. The Company may, in its sole discretion, extend the Offering up to an additional 60 days beyond November 29, 2021. The offering period was previously set to expire on September 30, 2021.

*Should you have any questions regarding the extension of the offering period or if you have already placed your funds in escrow but no longer desire to go forward with your investment as a result of this change to the offering period, please contact your representative at the placement agent or contact Trevor Scott, Chief Financial Officer of the Company, at [\*] or by email at [\*].*

**The date of this Supplement is September 28, 2021**

**RECONFIRMATION OFFER**

The undersigned ("you" or the "Investor") has subscribed to purchase \$\_\_\_\_\_ (the "Subscription Amount") of securities of Akanda Corp., a Province of Ontario, Canada corporation (the "Company"), in connection with the Company's private placement (the "Original Offering") as described in the Company's Confidential Private Placement Investor Package, dated August 26, 2021 (the "Investor Package"). The Investor has executed subscription documents and placed the Subscription Amount in an escrow account maintained through Sutter Securities Clearing, LLC.

Following your execution of the subscription documents and payment of the Subscription Amount, the Company and Boustead Securities LLC (the "Placement Agent") have agreed to extend the last day of the offering period from September 30, 2021 to November 29, 2021. The Company may, in its sole discretion, extend the offering up to an additional 60 days.

The Investor Package has been supplemented as of September 28, 2021, which supplement reflects the fact that the offering period has been extended to November 29, 2021. The Investor Package, as so supplemented, was made available to the Investor by the Placement Agent.

By signing this Reconfirmation Offer in the space provided below, the Investor reconfirms the Investor's desire to participate in the Offering, acknowledges and agrees to the extended Offering period (to November 29, 2021), and acknowledges and agrees that the Investor has been provided with the Investor Package, updated as described herein, and reconfirms the Investor's desire to invest the existing Subscription Amount already delivered to escrow into the Offering. If you do not reconfirm on or before September 30, 2021, then the Subscription Amount will be promptly returned to you without interest.

ACKNOWLEDGED AND AGREED TO  
AS OF SEPTEMBER \_\_, 2021

**FOR INDIVIDUALS**

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name of Joint Member, if any

**FOR ENTITIES:**

\_\_\_\_\_  
Print Name

By: \_\_\_\_\_  
Signature of Authorized Signatory

\_\_\_\_\_  
Printed Name of Authorized Signatory

\_\_\_\_\_  
Print Title of Authorized Signatory

Certain portions of this exhibit have been redacted in accordance with Item 601(a)(6) of Regulation S-K. This information is not material and disclosure of such information would constitute an unwarranted invasion of personal privacy. "[\*]" indicates that information has been redacted.

**AKANDA CORP.**

**SUBSCRIPTION AGREEMENT FOR COMMON SHARES**

*The following items in this Subscription Agreement must be completed as directed. Please initial or mark "N/A" in each box, as applicable:*

**All Subscribers:**

☐ All Subscriber information in the boxes on pages 1 and 2.

☐ A certified cheque, money order, bank draft, wire or other applicable means in the amount of the aggregate subscription price set forth on the face page of this Subscription Agreement made payable to Dentons Canada LLP in Trust

**Canadian Purchasers:**

☐ For Canadian residents purchasing the Common Shares as an "accredited investor" as defined in NI 45-106, a duly completed and executed copy of Schedule "A" (including the applicable schedules attached thereto).

**United States Purchasers:**

☐ For Subscribers resident in the United States, a duly completed and executed copy of Schedule "B".

**Delivery of Subscription Agreement:**

A completed and originally executed copy of this Subscription Agreement and all applicable schedules and exhibits hereto must be delivered by no later than 4:00 p.m. (Toronto time) on the date that is two business days prior to the Closing Time to the Company at:

Akanda Corp.  
Address: 77 King Street West, Suite 400, Toronto, Ontario M5K 0A1  
Contact: Tej Virk  
Email: tej@akandacorp.com  
Telephone: +44 (791) 274 1995

**Payment:**

A certified cheque, money order, bank draft, wire or other applicable means in the amount of the aggregate subscription price set forth on the face page of this Subscription Agreement made payable to Dentons Canada LLP in Trust. Payment may be made by wire in accordance with the instructions in Schedule "C". **Please reference "Akanda Corp." when making payment by wire.**

**AKANDA CORP.**

**SUBSCRIPTION AGREEMENT FOR COMMON SHARES**

**TO: Akanda Corp. (the "Company")**

The undersigned (the "**Subscriber**"), on its own behalf and, if applicable, on behalf of those for whom the Subscriber is contracting hereunder, hereby irrevocably subscribes for and agrees to purchase the number of common shares ("**Common Shares**") in the capital of the Company set forth below for the aggregate subscription price set forth below, representing a subscription price of USD\$0.533162238 per Common Share, upon and subject to the terms and conditions set forth in the "Terms and Conditions of Subscription for Common Shares of Akanda Corp." attached to and forming a part of this subscription agreement (this "**Subscription Agreement**"). **In addition to this face page, the Subscriber must also complete the applicable schedules attached hereto.**

**PART A – DETAILS OF SECURITIES PURCHASED:**

**Number of Securities:**

**Aggregate Subscription Price:**

**PART B – LEGAL NAME OF SUBSCRIBER:**

**Non-Individual Subscriber Signature**

\_\_\_\_\_  
(Name of Subscriber - please print)

By:

\_\_\_\_\_  
(Authorized Signature)

\_\_\_\_\_  
(Official Capacity or Title - please print)

\_\_\_\_\_  
Please print name of individual whose signature appears above on behalf of the non-individual subscriber.

**Individual Subscriber Signature**

\_\_\_\_\_  
(Family Name - please print)

\_\_\_\_\_  
(First Name - please print)

\_\_\_\_\_  
(Secondary Given Name(s) - please print)

By:

\_\_\_\_\_  
(Signature)

**OTHER:**

[CHECK IF APPROPRIATE] \_\_\_\_\_

The Subscriber is a registrant: \_\_\_\_\_

The Subscriber is an insider of the issuer: \_\_\_\_\_

*[Subscriber Information Continues on Next Page]*

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**PART C – CONTACT INFORMATION OF SUBSCRIBER:**

**Subscriber Information**

\_\_\_\_\_  
(Subscriber's Residential Address)

\_\_\_\_\_  
(Municipality)  
State)

\_\_\_\_\_  
(Province/

\_\_\_\_\_  
(Postal Code/Zip Code)

\_\_\_\_\_  
(Country)

**Disclosed Beneficial Subscriber:**

**If the Subscriber is signing as agent for a principal and is not a trust company, trust corporation, or registered adviser described in paragraph (p) or (q) of the definition of "accredited investor" in section 1.1 of National Instrument 45-106 *Prospectus Exemptions*, each purchasing on behalf of a fully managed account, complete the following and ensure that each of the Schedules, as applicable, are completed on behalf of such principal:**

\_\_\_\_\_  
(Name of Principal)

(Telephone Number)
(Email Address)
Number of Securities of the Company currently owned:

(Municipality) State)	(Province/ State)
(Postal Code/Zip Code)	(Country)
(Telephone Number)	
(Email Address)	

<b><u>Register the Securities as set forth below:</u></b> <input type="checkbox"/> Same as Subscriber Information (otherwise complete below)
(Name)
(Account reference, if applicable)
(Address)

<b><u>Deliver the Securities as set forth below:</u></b> <input type="checkbox"/> Same as Registered Address (otherwise complete below)
(Name)
(Account reference, if applicable)
(Contact Name)
(Address)

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#### TO BE COMPLETED BY THE COMPANY ONLY

The Company accepts the subscription on the terms and conditions of this Subscription Agreement, including the attached "Terms and Conditions of Subscription for Common Shares of Akanda Corp."

Date: \_\_\_\_\_

**AKANDA CORP.**

By: \_\_\_\_\_  
Authorized Signing Officer

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#### TERMS AND CONDITIONS OF SUBSCRIPTION FOR COMMON SHARES OF AKANDA CORP.

## Details of the Offering

The Subscriber acknowledges that the Common Shares subscribed for by the Subscriber hereunder form part of a private placement by the Company of an aggregate of up to 468,900 Common Shares in the capital of the Company at a subscription price of USD\$0.533162238 per Common Share for aggregate gross proceeds of up to USD\$250,000 (the "**Offering**") and that Boustead Securities LLC (the "**Placement Agent**"), a broker-dealer that is registered with the U.S. Securities And Exchange Commission and a member of the Financial Industry Regulatory Authority in the United States, is acting as the exclusive placement agent. The amount to be raised in the Offering is subject to adjustment by the mutual agreement of the Company and the Placement Agent.

## Representations, Warranties and Covenants by Subscriber

1. The Subscriber represents, warrants and covenants (on its own behalf and on behalf of any beneficial purchaser for whom it is acting) to the Company (and acknowledges that the Company and its counsel are relying thereon) as at the date hereof and as at the completion of the purchase and sale of the Common Shares contemplated hereby that:

- (a) it has been independently advised as to restrictions with respect to trading in the Common Shares imposed by applicable securities legislation in the jurisdiction in which it resides, confirms that no representation has been made to it by or on behalf of the Company with respect thereto, acknowledges that it is aware of the characteristics of the Common Shares, the risks relating to an investment therein and of the fact that it may not be able to resell the Common Shares except in accordance with limited exemptions under applicable securities legislation and regulatory policies until expiry of the applicable hold period (which hold period may be indefinite) and in compliance with the other requirements of applicable law;
- (b) it understands that the Company is not a "reporting issuer" as that term is defined in the *Securities Act* (Ontario), in Ontario, or in any other jurisdiction, and, therefore, the Common Shares will be subject to an indefinite hold period and may not be resold except in accordance with limited exemptions under applicable securities legislation and regulatory policies;
- (c) it understands that any share certificate or replacement certificate representing the Common Shares will bear a legend or legends, substantially in the following form:

**UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THESE SECURITIES MUST NOT TRADE THE SECURITIES BEFORE THE DATE THAT IS FOUR MONTHS AND ONE DAY AFTER THE LATER OF: (I) THE DATE OF ISSUE, AND (II) THE DATE THE ISSUER BECOMES A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY IN CANADA.**

**[IF APPLICABLE] THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR ANY STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THESE SECURITIES, AGREES FOR THE BENEFIT OF THE COMPANY THAT THESE SECURITIES MAY BE OFFERED, SOLD, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED OR ENCUMBERED ONLY (A) TO THE COMPANY, (B) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 904 OF REGULATION S ("REGULATION S") UNDER THE U.S. SECURITIES ACT AND IN COMPLIANCE WITH APPLICABLE LOCAL LAWS AND REGULATIONS, (C) WITHIN THE UNITED STATES IN ACCORDANCE WITH (1) RULE 144A UNDER THE U.S. SECURITIES ACT OR (2) RULE 144 UNDER THE U.S. SECURITIES ACT AND IN COMPLIANCE WITH APPLICABLE STATE SECURITIES LAWS, OR (D) IN ANOTHER TRANSACTION THAT DOES NOT REQUIRE REGISTRATION UNDER THE U.S. SECURITIES ACT OR ANY APPLICABLE STATE SECURITIES LAWS, PROVIDED THAT IN THE CASE OF TRANSFERS PURSUANT TO (C)(2) OR (D) ABOVE, A LEGAL OPINION SATISFACTORY TO THE COMPANY MUST FIRST BE PROVIDED TO THE COMPANY OR THE TRANSFER AGENT, IF ANY, OF THE COMPANY.**

**[IF APPLICABLE] THE SALE OF THE SECURITIES REPRESENTED HEREBY HAS NOT BEEN QUALIFIED WITH ANY STATE AND THE ISSUANCE OF SUCH SECURITIES OR THE PAYMENT OR RECEIPT OF ANY PART OF THE CONSIDERATION THEREFOR PRIOR TO SUCH QUALIFICATION OR IN THE ABSENCE OF AN EXEMPTION FROM SUCH QUALIFICATION IS UNLAWFUL. PRIOR TO ACCEPTANCE OF SUCH CONSIDERATION BY THE COMPANY, THE RIGHTS OF ALL PARTIES TO THIS AGREEMENT ARE EXPRESSLY CONDITIONED UPON SUCH QUALIFICATION BEING OBTAINED OR AN EXEMPTION FROM SUCH QUALIFICATION BEING AVAILABLE.**

**[IF APPLICABLE] THESE SECURITIES MAY NOT CONSTITUTE "GOOD DELIVERY" IN SETTLEMENT OF TRANSACTIONS ON CANADIAN STOCK EXCHANGES. IF THE COMPANY IS A "FOREIGN ISSUER" WITHIN THE MEANING OF REGULATION S AT THE TIME OF TRANSFER, A NEW CERTIFICATE, BEARING NO LEGEND, MAY BE OBTAINED FROM THE TRANSFER AGENT, IF ANY, OF THE COMPANY, UPON DELIVERY OF THIS CERTIFICATE AND A DULY EXECUTED DECLARATION, IN A FORM SATISFACTORY TO THE COMPANY AND THE TRANSFER AGENT OF THE COMPANY AND, IF SO REQUIRED BY THE TRANSFER AGENT OF THE COMPANY, AN OPINION OF COUNSEL, TO THE EFFECT THAT THE SALE OF THE SECURITIES REPRESENTED HEREBY IS BEING MADE IN COMPLIANCE WITH RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT.**

- (d) it understands that in the event that the Common Shares held by the Subscriber are ever listed on any stock exchange such securities may be subject to restrictive hold periods or escrow provisions and it hereby agrees to accept such hold periods and/or escrow provisions and in furtherance of this covenant, the Subscriber hereby irrevocably appoints the Chief Executive Officer of the Company as his, her, or its attorney-in-fact and authorizes him as his, her, or its attorney-in-fact to approve and sign an escrow agreement on behalf of the Subscriber to provide for escrow of the Common Shares;
- (e) the delivery of this subscription, the acceptance hereof by the Company and the issuance of Common Shares to the Subscriber complies with all applicable laws of the Subscriber's jurisdiction of residence and domicile and will not cause the Company or any of its officers or directors to become subject to or require any disclosure, prospectus or other reporting requirement to which the Company is not currently subject;
- (f) it is aware that it is not purchasing the Common Shares hereunder pursuant to a prospectus and as a result:
- (i) there is no government or other insurance covering the Common Shares;
  - (ii) it is restricted from using most of the civil remedies available under applicable securities legislation;
  - (iii) it will not receive information that would otherwise be required to be provided to it under applicable securities legislation;

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- (iv) the Company is relieved of certain obligations that would otherwise apply under applicable securities legislation; and
  - (v) no securities commission or similar regulatory authority has reviewed or passed on the merits of the Common Shares or the Offering;
- (g) it understands that the Company is relying on an exemption from the requirement to provide the Subscriber with a prospectus under applicable Canadian securities laws and, as a consequence of acquiring the Common Shares pursuant to such exemption:
- (i) certain protections, rights and remedies provided by applicable Canadian securities laws, including statutory rights of rescission, or damages and certain statutory remedies against an issuer, underwriters, auditors, directors and officers that are available to investors who acquire securities offered by a prospectus, will not be available to the Subscriber,

- (ii) the common law may not provide investors with an adequate remedy in the event that they suffer investment losses in connection with securities acquired in a private placement, and
- (iii) the Subscriber may not receive information that would otherwise be required to be given under the applicable Canadian securities laws, and the Company is relieved from certain obligations that would otherwise apply under applicable Canadian securities laws;
- (h) it understands that the sale and delivery of the Common Shares is conditional upon such sale being exempt from the requirements of applicable securities legislation as to the filing of a prospectus or upon the issuance of such orders, consents or approvals as may be required to permit such sale without the requirement of filing a prospectus;
- (i) no representation has been made to it regarding the present or future value of the Common Shares;
- (j) it has not received nor has it requested, nor does it have any need to receive, any document describing the business and affairs of the Company and it has not become aware of any advertisement with respect to the Offering or the distribution of the Common Shares by the Company;
- (k) the Common Shares are not being purchased by the Subscriber as a result of any material information concerning the Company that has not been publicly disclosed and the Subscriber's decision to tender this offer and acquire the Common Shares has not been made as a result of any oral or written representation as to fact or otherwise made by or on behalf of the Company or any other person and is based entirely upon currently available public information concerning the Company;
- (l) if the Subscriber is resident in Canada,
  - (i) it is purchasing the Common Shares as principal for its own account and not for the benefit of any other person, (or is deemed to be purchasing as principal under subsection 2.3(5) of National Instrument 45-106 – *Prospectus Exemptions* ("NI 45-106")) and not with a view to the resale or distribution of all or any of the Common Shares subscribed for hereunder;
  - (ii) it is resident in the jurisdiction set out as the "Subscriber's Residential Address" on page two hereof; and
  - (iii) it fully complies with a prospectus exemption set forth in Schedule "A" to this Subscription Agreement;

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- (m) it has not received or been provided with a prospectus, offering memorandum (within the meaning of applicable Canadian securities laws) or any sales or advertising literature in connection with this Subscription Agreement or any document purporting to describe the business and affairs of the Company which has been prepared for review by prospective purchasers to assist in making an investment decision in respect of the Common Shares;
- (n) if the Subscriber is a resident of the United States,
  - (i) it is resident in the jurisdiction set out as the "Subscriber's Residential Address" on page two hereof;
  - (ii) it qualifies as an "accredited investor" as that term is defined in Rule 501(a) of Regulation D promulgated under the U.S. Securities Act, and one or more of the categories set forth in Schedule "B" attached hereto and incorporated herein correctly and in all respects describes the Subscriber;
  - (iii) it has been advised that the Common Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or the securities laws of any state of the U.S., and that the offer and sale of the Common Shares to it are being made in reliance upon Section 4(a)(2) of the U.S. Securities Act and Rule 506(b) of Regulation D under the ("**Regulation D**");
  - (iv) it acknowledges that it has not purchased the Common Shares as a result of any "directed selling efforts" (as defined in Regulation S under the U.S. Securities Act) or any "general solicitation" or "general advertising"



(as those terms are used in Regulation D), including advertisements, articles, notices or other communications published in any newspaper, magazine or similar media or on the Internet, or broadcast over radio or television, or any seminar or meeting whose attendees have been invited by general solicitation or general advertising; and

- (v) Neither Subscriber nor, to its knowledge, any beneficial owner of the Company's voting equity securities (in accordance with Rule 506(d) of the U.S. Securities Act) held by such Subscriber is subject to any of the "bad actor" disqualifications described in Rule 506(d)(1)(i) to (viii) under the U.S. Securities Act, ("Disqualification Events"), except for Disqualification Events covered by Rule 506(d)(2)(ii) or (iii) or (d)(3) under the U.S. Securities Act, and disclosed reasonably in advance of the Closing Time in writing in reasonable detail to the Company.

- (o) it undertakes and agrees that it will not offer or sell the Common Shares in the United States unless such securities are registered under the 1933 Act and the securities laws of all applicable states of the United States or an exemption from such registration requirements is available, and further that it will not resell the Common Shares, except in accordance with the provisions of applicable securities legislation, regulations, rules, policies and orders and stock exchange rules;
- (p) if an individual, it is of the full age of majority and is legally competent to execute this Subscription Agreement and take all action pursuant hereto;
- (q) if a company, body corporate, partnership, incorporated association or other entity, it is a valid and subsisting entity, has the necessary legal capacity and authority to execute and deliver this Subscription Agreement and to take all actions required pursuant thereto, was not created or is not being used solely to purchase or hold the Common Shares and certifies that all necessary approvals by its directors, shareholders, partners, members or otherwise has been given;
- (r) this Subscription Agreement has been duly and validly authorized, executed and delivered by and constitutes a legal, valid, binding and enforceable obligation of the undersigned;

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- (s) the Subscriber has such knowledge in financial and business affairs as to be capable of evaluating the merits and risks of its investment in this company and it is able to bear the economic risk of loss of its investment;
- (t) if required by applicable securities legislation, regulations, rules, policies or orders or by any securities commission, stock exchange or other regulatory authority, the undersigned will execute, deliver, file and otherwise assist the Company in filing, such reports, undertakings and other documents with respect to the issue or continued ownership of the Common Shares as may be required;
- (u) it will comply with all applicable securities legislation, regulations, rules, orders, policies or other laws concerning the purchasing, holding and resale or other disposition of the Common Shares, including the execution and filing of any required private placement reports. In particular, the Subscriber will not resell or otherwise transfer or dispose of any of the Common Shares except in accordance with the provisions of all applicable securities laws;
- (v) it will keep confidential all information provided to the Subscriber from time to time relating to the business and affairs of the Company and will not distribute or otherwise make available any such information to any other person or otherwise exploit any such information;
- (w) none of the funds the Subscriber is using to purchase the Common Shares are, to the knowledge of the Subscriber, proceeds obtained or derived, directly or indirectly, as a result of illegal activities; and
- (x) the representations and warranties of the Subscriber stated or referred to herein will be true and correct, both as of the execution of this Subscription Agreement and as of the Closing Time (as such term is defined below) as if repeated at such time and shall survive the completion of the issuance of the Common Shares.

## Acknowledgements by Subscriber

2. The Subscriber acknowledges (on its own behalf and on behalf of any beneficial purchaser for whom it is acting) to the Company (and further acknowledges that the Company and its counsel are relying thereon) that:

- (a) this subscription represents "seed" or "risk" capital as the Company currently has no business and may not be successful in future efforts to acquire businesses and non-cash assets;
- (b) the Company was only recently incorporated, has not commenced commercial operations and has no assets other than cash. It has no history of earnings, and may not generate earnings or pay dividends;
- (c) the directors and officers of the Company will only devote a portion of their time to the business and affairs of the Company and some of them are or will be engaged in other projects or businesses such that conflicts of interest may arise from time to time;
- (d) assuming completion of the Offering, the Subscriber will suffer an immediate dilution to its investment;
- (e) the Company may issue additional securities subsequent to this Offering and this may result in further dilution to the Subscriber, which dilution may be significant and which may also result in a change of control of the Company;
- (f) there can be no assurance that an active and liquid market for the Company's Common Shares will ever develop and an investor may find it difficult to resell its Common Shares;

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- (g) the Company has only limited funds with which to identify and evaluate potential businesses and assets to acquire and there can be no assurance that the Company will be able to identify any suitable businesses and assets;
- (h) the Company may never become a "reporting issuer" as that term is defined in the *Securities Act* (Ontario), in Ontario or in any other jurisdiction;
- (i) in the event that management of the Company resides outside of Canada or the Company identifies a foreign business for acquisition, investors may find it difficult or impossible to effect service or notice to commence legal proceedings upon any management resident outside of Canada or upon the foreign business and may find it difficult or impossible to enforce against such persons, judgments obtained in Canadian courts;
- (j) the Subscriber is not entitled to be paid any commission in relation to its participation in the Offering;
- (k) there is no person acting or purporting to act in connection with the transactions contemplated herein who is entitled to any brokerage or finder's fee;
- (l) the Company's counsel is acting solely as counsel to the Company and not as counsel to the Subscriber;
- (m) the Placement Agent has entered into an agreement with the Company that provides the Placement Agent with the right to receive certain fees, reimbursement of expenses, rights to act as the Company's intermediary in the future, and indemnification rights, including the right to receive a success fee payable (i) in cash, equal to seven percent (7%) of the gross amount to be distributed to the Company at the closing of this Offering, plus (ii) a non-accountable expense allowance equal to one percent (1%) of the gross amount to be disbursed to the Company at the closing of this Offering, plus (iii) warrants equal to seven percent (7%) of the gross amount to be disbursed to the Company at the closing of this Offering.

### **Representations, Warranties and Covenants by Company**

3. The Company represents, warrants and covenants to the Subscriber that:

- (a) the Company is a valid and subsisting Ontario company, duly incorporated and in good standing, and has all requisite corporate power and authority to carry on its business as now conducted, to own, lease and operate its properties and assets and to carry out the provisions hereof; and
- (b) upon their issuance at the Closing Time, the Common Shares will be validly issued and outstanding as fully paid and non-assessable securities of the Company

- Immediately prior to the Closing Time, the authorized equity of the Company consists of [\*] Common Shares, of which [\*] Common Shares are issued and outstanding, and [\*] preferred shares of which no preferred shares are issued and outstanding. All outstanding shares of capital stock of the Company are duly authorized, validly issued, fully paid and nonassessable and have been issued in compliance with all applicable U.S., Canadian and other applicable securities laws. There are no outstanding options, warrants, script rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities, rights or obligations convertible into or exercisable or exchangeable for, or giving any person any right to subscribe for or acquire, any Common Shares of the Company, or contracts, commitments, understandings or arrangements by which the Company or any subsidiary is or may become bound to issue additional Common Shares, or securities or rights convertible or exchangeable into Common Shares. There are no anti-dilution or price adjustment provisions contained in any security issued by the Company (or in any agreement providing rights to security holders) other than as provided herein and the issue and sale of the securities hereunder will not obligate the Company to issue Common Shares or other securities to any person (other than the Subscriber) and will not result in a right of any holder of Company securities to adjust the exercise, conversion, exchange or reset price under such securities.
- (c)

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- Based in part on the representations made by the Subscriber made herein, the offer and sale of the Common Shares hereunder in accordance with this Agreement is exempt from the registration and prospectus delivery requirements of the Securities Act of 1933, as amended (the “**Securities Act**”) and the securities registration and qualification requirements of the currently effective provisions of the securities laws of the state in which the Subscriber is resident based upon the Subscriber’s address set forth on the signature pages attached hereto.
- (d)
- The execution, delivery and performance by the Company of this Agreement and the consummation of the transactions contemplated thereby (i) are within the power of the Company and (ii) have been duly authorized by all necessary actions on the part of the Company.
- (e)
- This Agreement has been, or will be, duly executed and delivered by the Company and constitutes, or will constitute, a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as limited by bankruptcy, insolvency or other laws of general application relating to or affecting the enforcement of creditors’ rights generally and general principles of equity.
- (f)
- The execution and delivery by the Company of this Agreement and the performance and consummation of the transactions contemplated hereby do not and will not (i) violate the Company’s constitutional and organizational documents or any material judgment, order, writ, decree, statute, rule or regulation applicable to the Company; (ii) violate any provision of, or result in the breach or the acceleration of, or entitle any other person to accelerate (whether after the giving of notice or lapse of time or both), any material mortgage, indenture, agreement, instrument or contract to which the Company is a party or by which it is bound; or (iii) result in the creation or imposition of any security interest, mortgage, pledge, lien, claim, charge or other encumbrance (“**Lien**”) upon any property, asset or revenue of the Company (other than any Lien arising under this Agreement) or the suspension, revocation, impairment, forfeiture, or nonrenewal of any material permit, license, authorization or approval applicable to the Company, its business or operations, or any of its assets or properties.
- (g)
- No consent, approval, order or authorization of, or registration, declaration or filing with, any governmental authority or other person (including, without limitation, the shareholders of any Person) is required in connection with the execution and delivery of this Agreement and the performance and consummation of the transactions contemplated hereby, other than such as have been obtained and remain in full force and effect and other than such qualifications or filings under applicable securities laws as may be required in connection with the transactions contemplated by this Agreement.
- (h)
- There is no action, suit, claim, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the Company, threatened against or affecting the Company or any of its subsidiaries that could, individually or in the aggregate, reasonably be expected to have a material adverse effect on the assets, properties, condition (financial or otherwise), operations of the Company and its subsidiaries, taken as a whole (a “**Material Adverse Effect**”).
- (i)

- (j) Except for brokerage fees payable to the Placement Agent, which have been separately disclosed to the Subscriber, there are no brokerage or finder's fees or commissions which are or will be payable by the Company to any broker, financial advisor or consultant, finder, placement agent, investment banker, bank or other person with respect to the transactions contemplated by this Agreement, and the Company has not taken any action that would cause any Subscriber to be liable for any such fees or commissions.

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- (k) The Company and its subsidiaries have, or have rights to use, all patents, patent applications, trademarks, trademark applications, service marks, trade names, copyrights, licenses and other similar rights that are necessary or material for use in connection with their respective businesses and which the failure to so have could have a Material Adverse Effect (collectively, the "**Intellectual Property Rights**"). Neither the Company nor any subsidiary has received a written notice that the Intellectual Property Rights used by the Company or any subsidiary violates or infringes upon the rights of any Person. To the knowledge of the Company, all such Intellectual Property Rights are enforceable and there is no existing infringement by another Person of any of the Intellectual Property Rights.

## Closing

4. The Subscriber agrees to deliver to the Company on or before the Closing Time:
- (a) this duly completed and executed Subscription Agreement together with the applicable schedules attached hereto;
  - (b) a certified cheque, money order, bank draft, wire or other applicable means in the amount of the aggregate subscription price set forth on the face page of this Subscription Agreement made payable to Dentons Canada LLP in Trust; and
  - (d) such other documents as may be required by counsel to the Company.

5. The sale and issuance of the Common Shares will be completed at the offices of the Company at such place, time or date as the Company may determine (the "**Closing Time**") on an individual basis, provided that the Company shall not be required to complete the sale and issuance of the Common Shares unless the Subscriber shall have complied with Section 4 hereof and the conditions set forth in Section 8 hereof have been met or waived. The certificates for the Common Shares shall be stored at the offices of counsel to the Company, unless a Subscriber specifically requests otherwise, and copies shall be delivered to each individual Subscriber by email subsequent to the Closing Time.

6. The Subscriber hereby irrevocably authorizes the Company to complete or correct any errors or omissions in any form or document provided by the undersigned and to register and deliver certificates representing the Common Shares purchased under this subscription in the name and to the address provided on the face page of this Subscription Agreement.

7. The Company shall be entitled to rely on delivery of a facsimile or electronic copy of executed subscriptions, and acceptance by the Company of such facsimile or electronic subscriptions shall be legally effective to create a valid and binding agreement between the Subscriber and the Company in accordance with the terms hereof.

8. The obligations of the Subscriber and the Company to complete the purchase and sale of the Common Shares as contemplated hereby shall be conditional upon receipt of all regulatory approvals necessary to the purchase and sale of the Common Shares on or before the Closing Time. In the event that this condition has not been met or waived by the Company, the Subscriber shall not be required to purchase, and the Company shall not be required to issue and sell, any Common Shares, and any subscription funds received by the Company will be returned to the Subscriber without interest thereon or deduction therefrom.

## General

9. The Company has the unconditional right to accept or reject any subscriptions in its sole discretion. If the Company rejects this subscription it will, in a timely manner, cause the return to the Subscriber of the funds tendered herewith, without interest thereon or deduction therefrom.

10. The representations, warranties and covenants of the Subscriber herein are made with the intent that they be relied upon by the Company in determining the suitability of a purchaser of Common Shares and the Subscriber agrees to indemnify the Company against all losses, claims, costs, expenses and damages or liabilities which the Company may suffer or incur caused or arising

from reliance thereon. The Subscriber undertakes to immediately notify the Company of any change in any statement or other information relating to the Subscriber set forth herein which takes place after execution hereof and prior to completion of the purchase and sale of the Common Shares contemplated hereby.

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11. This Subscription Agreement, any amendment, schedule, exhibit, addendum, attachment or supplement hereto, and all other documents relating hereto shall be governed by and construed in accordance with the internal laws of the Province of Ontario governing contracts made and to be performed wholly therein, and without reference to its principles governing the choice or conflict of laws. The parties hereto irrevocably attorn and submit to the jurisdiction of the courts of the Province of Ontario, sitting in the City of Toronto, with respect to any dispute related to or arising from this Subscription Agreement. Time shall be of the essence hereof.
12. This Subscription Agreement represents the entire agreement of the parties hereto relating to the subject matter hereof and there are no representations, covenants or other agreements relating to the subject matter hereof except as stated or referred to herein.
13. If any provision of this Subscription Agreement is determined to be void or unenforceable in whole or in part, it shall be deemed not to affect or impair the validity of any other provision of this agreement and such void or unenforceable provision shall be severable from this agreement.
14. The covenants, representations and warranties contained herein shall survive the closing of the transactions contemplated hereby.
15. This Subscription Agreement is not transferable or assignable.
16. The Subscriber:
- (a) acknowledges, consents and authorizes the Company to collect the Subscriber's personal information (such as full names, residential address and telephone number) for the purpose of completing the Subscriber's subscription;
  - (b) acknowledges, consents and authorizes the Company to retain the personal information for as long as permitted or required by applicable law or business practices;
  - (c) acknowledges, consents and authorizes the Company to deliver the personal information pertaining to the Subscriber to the applicable regulatory authorities to comply with applicable securities legislation, stock exchanges, revenue or taxing authorities, and any other parties involved in the Offering or future transactions of the Company; and
  - (d) agrees that by executing this Subscription Agreement, the Subscriber is deemed to be consenting to the foregoing collection, use, and disclosure of personal information.

*[Schedule "A" and Schedule "B" follow on next page]*

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**SCHEDULE "A"**  
**CANADIAN ACCREDITED INVESTOR CERTIFICATE**

**TO: AKANDA CORP. (THE "ISSUER")**

**RE: PURCHASE OF COMMON SHARES OF THE ISSUER**

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**REPRESENTATIONS AND WARRANTIES**

In connection with the purchase by the undersigned (the "**Subscriber**") of the Common Shares (as defined in the attached Subscription Agreement), the Subscriber hereby represents, warrants and certifies (on its own behalf and on behalf of any beneficial purchaser for whom it is acting) to the Issuer (and further acknowledges that the Issuer and its counsel are relying thereon) that the Subscriber:

- (i) is purchasing the Common Shares as principal for its own account and not for the benefit of any other person or is deemed to be purchasing as principal pursuant to National Instrument 45-106 – *Prospectus Exemptions* ("**NI 45-106**");
- (ii) has read and understands the indicated criterion of an accredited investor as set out in Annex "1" to this Schedule "A";
- (iii) is (and will be at the Closing Time (as defined in the Subscription Agreement)) an "accredited investor" (as defined in NI 45-106) or Section 73.3 of the *Securities Act* (Ontario), as applicable, by virtue of satisfying the indicated criterion on Annex "1" to this Schedule "A";
- (iv) was not created or used solely to purchase or hold securities as an accredited investor as described in paragraph (m) of the definition of "accredited investor" in NI 45-106;
- (v) if the Subscriber is an accredited investor by virtue of satisfying paragraph (j), (k) or (l) of Annex "1" to this certificate, it has reviewed and understands the definitions of "financial assets" and "related liabilities", as applicable, contained herein and it acknowledges that it needs to complete Appendix "2" to this Schedule "A";
- (vi) has not been provided with any offering memorandum (as such term is defined in Annex "1" to this Schedule "A") in connection with the purchase of the Common Shares; and
- (vii) upon execution of this Schedule "A" by the Subscriber, this Schedule "A" (and all annexes attached hereto) shall be incorporated into and form a part of the Subscription Agreement.

**By completing this Schedule "A", the Subscriber authorizes the indirect collection of this information by each applicable securities regulatory authority or regulator and acknowledges that such information is made available to the public under applicable securities legislation.**

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Certified \_\_\_\_\_:

\_\_\_\_\_  
(Name of Subscriber - please print)

By:

\_\_\_\_\_  
(Authorized Signature)

\_\_\_\_\_  
(Official Capacity or Title - please print)

\_\_\_\_\_  
*Please print name of individual whose signature appears above if different than the name of the Subscriber printed above.*

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**ANNEX "1" (APPLICABLE CATEGORY)  
TO CANADIAN ACCREDITED INVESTOR CERTIFICATE (SCHEDULE "A")**

(All underlined words have the meanings set forth at the end of this Annex "1").

\*\*\*Please note that if the Investor qualifies as an "accredited investor" under paragraphs (j), (k) or (l), below, a completed and executed Form 45-106F9 must also be obtained (see Annex "2") \*\*\*

Please check the appropriate box:

- 
- ☐ (a) a financial institution,
- ☐ (b) the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada),
- ☐ (c) a subsidiary of any person referred to in paragraphs (a) or (b), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary,
- ☐ (d) a person registered under the securities legislation of a jurisdiction of Canada as an adviser or dealer,
- ☐ (e) an individual registered under the securities legislation of a jurisdiction of Canada as a representative of a person referred to in paragraph (d),
- ☐ (e.1) an individual formerly registered under the securities legislation of a jurisdiction of Canada, other than an individual formerly registered solely as a representative of a limited market dealer under one or both of the *Securities Act* (Ontario) or the *Securities Act* (Newfoundland and Labrador),
- ☐ (f) the Government of Canada or a jurisdiction of Canada, or any crown corporation, agency or wholly owned entity of the Government of Canada or a jurisdiction of Canada,
- ☐ (g) a municipality, public board or commission in Canada and a metropolitan community, school board, the Comité de gestion de la taxe scolaire de l'île de Montréal or an intermunicipal management board in Québec,
- ☐ (h) any national, federal, state, provincial, territorial or municipal government of or in any foreign jurisdiction, or any agency of that government,
- ☐ (i) a pension fund that is regulated by the Office of the Superintendent of Financial Institutions (Canada), a pension commission or similar regulatory authority of a jurisdiction of Canada,
- ☐ (j) an individual who, either alone or with a spouse, beneficially owns financial assets having an aggregate realizable value that, before taxes but net of any related liabilities, exceeds \$1,000,000,
- ☐ (j.1) an individual who beneficially owns financial assets having an aggregate realizable value that, before taxes but net of any related liabilities, exceeds \$5,000,000,
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- ☐ (k) an individual whose net income before taxes exceeded \$200,000 in each of the 2 most recent calendar years or whose net income before taxes combined with that of a spouse exceeded \$300,000 in each of the 2 most recent calendar years and who, in either case, reasonably expects to exceed that net income level in the current calendar year,
- ☐ (l) an individual who, either alone or with a spouse, has net assets of at least \$5,000,000,
- ☐ (m) a person, other than an individual or investment fund, that has net assets of at least \$5,000,000 as shown on its most recently prepared financial statements and that has not been created or used solely to purchase or hold securities as an accredited investor as defined in this paragraph (m),
- an investment fund that distributes or has distributed its securities only to
- ☐ (n) (i) a person that is or was an accredited investor at the time of the distribution,



(ii) a person that acquires or acquired securities in the circumstances referred to in sections 2.10 [Minimum amount investment] of NI 45-106, or 2.19 [Additional investment in investment funds] of NI 45-106, or

(iii) a person described in paragraph (i) or (ii) that acquires or acquired securities under section 2.18 [Investment fund reinvestment] of NI 45-106,

- ☐ (o) an investment fund that distributes or has distributed securities under a prospectus in a jurisdiction of Canada for which the regulator or, in Québec, the securities regulatory authority, has issued a receipt,
- ☐ (p) a trust company or trust corporation registered or authorized to carry on business under the *Trust and Loan Companies Act* (Canada) or under comparable legislation in a jurisdiction of Canada or a foreign jurisdiction, acting on behalf of a fully managed account managed by the trust company or trust corporation, as the case may be,
- ☐ (q) a person acting on behalf of a fully managed account managed by that person, if that person is registered or authorized to carry on business as an adviser or the equivalent under the securities legislation of a jurisdiction of Canada or a foreign jurisdiction,
- ☐ (r) a registered charity under the *Income Tax Act* (Canada) that, in regard to the trade, has obtained advice from an eligibility adviser or an adviser registered under the securities legislation of the jurisdiction of the registered charity to give advice on the securities being traded,
- ☐ (s) an entity organized in a foreign jurisdiction that is analogous to any of the entities referred to in paragraphs (a) to (d) or paragraph (i) in form and function,
- ☐ (t) a person in respect of which all of the owners of interests, direct, indirect or beneficial, except the voting securities required by law to be owned by directors, are persons that are accredited investors,
- ☐ (u) an investment fund that is advised by a person registered as an adviser or a person that is exempt from registration as an adviser,

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- ☐ (v) a person that is recognized or designated by the securities regulatory authority or, except in Ontario and Québec, the regulator as an accredited investor,
- ☐ (w) a trust established by an accredited investor for the benefit of the accredited investor's family members of which a majority of the trustees are accredited investors and all of the beneficiaries are the accredited investor's spouse, a former spouse of the accredited investor or a parent, grandparent, brother, sister, child or grandchild of that accredited investor, of that accredited investor's spouse or of that accredited investor's former spouse.

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**AS USED IN THIS ACCREDITED INVESTOR CERTIFICATE, THE FOLLOWING TERMS HAVE THE FOLLOWING MEANINGS:**

**"control person"** means

in Ontario, Alberta, Newfoundland and Labrador, Nova Scotia and Saskatchewan:

- (a) a person or company who holds a sufficient number of the voting rights attached to all outstanding voting securities of an issuer to affect materially the control of the issuer, and, if a person or company holds more than 20 per cent of the voting rights attached to all outstanding voting securities of an issuer, the person or company is deemed, in the absence of evidence to the contrary, to hold a sufficient number of the voting rights to affect materially the control of the issuer, or
- (b) each person or company in a combination of persons or companies, acting in concert by virtue of an agreement, arrangement, commitment or understanding, which holds in total a sufficient number of the voting rights attached to all outstanding voting securities of an issuer to affect materially the control of the issuer, and, if a combination of persons or companies holds more than 20 per cent of the voting rights attached to all outstanding voting securities of an issuer, the combination of persons or companies



is deemed, in the absence of evidence to the contrary, to hold a sufficient number of the voting rights to affect materially the control of the issuer;

in British Columbia and New Brunswick:

- (a) a person who holds a sufficient number of the voting rights attached to all outstanding voting securities of an issuer to affect materially the control of the issuer, or
- (b) each person in a combination of persons, acting in concert by virtue of an agreement, arrangement, commitment or understanding, which holds in total a sufficient number of the voting rights attached to all outstanding voting securities of an issuer to affect materially the control of the issuer,

and, if a person or combination of persons holds more than 20% of the voting rights attached to all outstanding voting securities of an issuer, the person or combination of persons is deemed, in the absence of evidence to the contrary, to hold a sufficient number of the voting rights to affect materially the control of the issuer;

in Prince Edward Island, Northwest Territories, Nunavut and the Yukon:

- (a) a person who holds a sufficient number of the voting rights attached to all outstanding voting securities of an issuer to affect materially the control of the issuer, and if a person holds more than 20% of the voting rights attached to all outstanding voting securities of an issuer, the person is deemed, in the absence of evidence to the contrary, to hold a sufficient number of the voting rights to affect materially the control of the issuer, or

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- (b) each person in a combination of persons acting in concert by virtue of an agreement, arrangement, commitment or understanding, who holds in total a sufficient number of the voting rights attached to all outstanding voting securities of an issuer to affect materially the control of the issuer, and if a combination of persons holds more than 20% of the voting rights attached to all outstanding voting securities of an issuer, the combination of persons is deemed, in the absence of evidence to the contrary, to hold a sufficient number of the voting rights to affect materially the control of the issuer;

in Quebec:

- (a) a person that, alone or with other persons acting in concert by virtue of an agreement, holds a sufficient number of the voting rights attached to all outstanding voting securities of an issuer to affect materially the control of the issuer. If the person, alone or with other persons acting in concert by virtue of an agreement, holds more than 20% of those voting rights, the person is presumed to hold a sufficient number of the voting rights to affect materially the control of the issuer; and

in Manitoba

- (a) a person or company who holds a sufficient number of the voting rights attached to all outstanding voting securities of an issuer to affect materially the control of the issuer,
- (b) each person or company, or combination of persons or companies acting in concert by virtue of an agreement, arrangement, commitment or understanding, that holds in total a sufficient number of the voting rights attached to all outstanding voting securities of an issuer to affect materially the control of the issuer, or
- (c) a person or company, or combination of persons or companies, that holds more than 20% of the voting rights attached to all outstanding voting securities of an issuer, unless there is evidence that the holding does not affect materially the control of the issuer;

**"director"** means

- (a) a member of the board of directors of a company or an individual who performs similar functions for a company, and
- (b) with respect to a person that is not a company, an individual who performs functions similar to those of a director of a company;

**"eligibility adviser"** means

- (c) a person that is registered as an investment dealer and authorized to give advice with respect to the type of security being distributed, and
- (d) in Saskatchewan or Manitoba, also means a lawyer who is a practicing member in good standing with a law society of a jurisdiction of Canada or a public accountant who is a member in good standing of an institute or association of chartered accountants, certified general accountants or certified management accountants in a jurisdiction of Canada provided that the lawyer or public accountant must not
  - (i) have a professional, business or personal relationship with the issuer, or any of its directors, executive officers, founders, or control persons (as such term is defined in applicable securities legislation), and
  - (ii) have acted for or been retained personally or otherwise as an employee, executive officer, director, associate or partner of a person that has acted for or been retained by the issuer or any of its directors, executive officers, founders or control persons (as such term is defined in applicable securities legislation) within the previous 12 months;

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**"executive officer"** means, for an issuer, an individual who is

- (a) a chair, vice-chair or president,
- (b) a vice-president in charge of a principal business unit, division or function including sales, finance or production, or
- (c) performing a policy-making function in respect of the issuer;

**"financial assets"** means

- (a) cash,
- (b) securities, or
- (c) a contract of insurance, a deposit or an evidence of a deposit that is not a security for the purposes of securities legislation;

**"financial institution"** means,

- (a) other than in Ontario,
  - (i) an association governed by the *Cooperative Credit Associations Act* (Canada) or a central cooperative credit society for which an order has been made under section 473(1) of that Act,
  - (ii) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services cooperative, or league that, in each case, is authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction of Canada; or
  - (iii) a Schedule III bank,
- (b) and in Ontario,
  - (i) a bank listed in Schedule I, II or III to the *Bank Act* (Canada);
  - (ii) an association to which the *Cooperative Credit Association Act* (Canada) applies or a central cooperative credit society for which an order has been made under subsection 473(1) of that Act; or

- (iii) a loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services cooperative or credit union league or federation that is authorized by a statute of Canada or Ontario to carry on business in Canada or Ontario, as the case may be.

**"founder"** means, in respect of an issuer, a person who,

- (a) acting alone, in conjunction, or in concert with one or more persons, directly or indirectly, takes the initiative in founding, organizing or substantially reorganizing the business of the issuer, and
- (b) at the time of the distribution or trade is actively involved in the business of the issuer;

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**"fully managed account"** means an account of a client for which a person makes the investment decisions if that person has full discretion to trade in securities for the account without requiring the client's express consent to a transaction;

**"investment fund"** has the same meaning as in National Instrument 81-106 Investment Fund Continuous Disclosure;

**"offering memorandum"** means a document, together with any amendments to that document, purporting to describe the business and affairs of an issuer that has been prepared primarily for delivery to and review by a prospective purchaser so as to assist the prospective purchaser to make an investment decision in respect of securities being sold in a distribution to which section 53 of the *Securities Act* (Ontario) would apply but for the availability of one or more exemptions contained in Ontario securities laws, but does not include a document setting out current information about an issuer for the benefit of a prospective purchaser familiar with the issuer through prior investment or business contacts,

**"person"** includes

- (a) an individual,
- (b) a corporation,
- (c) a partnership, trust, fund and an association, syndicate, organization or other organized group of persons, whether incorporated or not, and
- (d) an individual or other person in that person's capacity as a trustee, executor, administrator or personal or other legal representative;

**"related liabilities"** means

- (a) liabilities incurred or assumed for the purpose of financing the acquisition or ownership of financial assets, or
- (b) liabilities that are secured by financial assets;

**"Schedule III bank"** means an authorized foreign bank named in Schedule III of the *Bank Act* (Canada);

**"spouse"** means, an individual who,

- (a) is married to another individual and is not living separate and apart within the meaning of the *Divorce Act* (Canada), from the other individual,
- (b) is living with another individual in a marriage-like relationship, including a marriage-like relationship between individuals of the same gender, or
- (c) in Alberta, is an individual referred to in paragraph (a) or (b), or is an adult interdependent partner within the meaning of the *Adult Interdependent Relationships Act* (Alberta);

**"subsidiary"** means an issuer that is controlled directly or indirectly by another issuer and includes a subsidiary of that subsidiary.

## Interpretation

In this Schedule "A", a person (first person) is considered to control another person (second person) if

- (a) the first person, directly or indirectly, beneficially owns or exercises control or direction over securities of the second person carrying votes which, if exercised, would entitle the first person to elect a majority of the directors of the second person, unless that first person holds the voting securities only to secure an obligation,
- (b) the second person is a partnership, other than a limited partnership, and the first person holds more than 50% of the interests of the partnership, or
- (c) the second person is a limited partnership and the general partner of the limited partnership is the first person.

## ANNEX "2" (RISK ACKNOWLEDGEMENT FORM) TO CANADIAN ACCREDITED INVESTOR CERTIFICATE (SCHEDULE "A")

### Form 45-106F9 *Form for Individual Accredited Investors*

**WARNING!**  
This investment is risky.  
Don't invest unless you can afford to lose all the money you pay for this investment.

<b>SECTION 1 TO BE COMPLETED BY THE ISSUER OR SELLING SECURITY HOLDER</b>	
<b>1. About your investment</b>	
Type of securities: Common Shares	Issuer: Akanda Corp.
Purchased from: the Issuer	
<b>SECTIONS 2 TO 4 TO BE COMPLETED BY THE INVESTOR</b>	
<b>2. Risk acknowledgement</b>	
This investment is risky. Initial that you understand that:	<b>Your initials</b>
<b>Risk of loss</b> – You could lose your entire investment of \$_____. [Instruction: Insert the total dollar amount of the investment.]	
<b>Liquidity risk</b> – You may not be able to sell your investment quickly – or at all.	
<b>Lack of information</b> – You may receive little or no information about your investment.	
<b>Lack of advice</b> – You will not receive advice from the salesperson about whether this investment is suitable for you unless the salesperson is registered. The salesperson is the person who meets with, or provides information to, you about making this investment. To check whether the salesperson is registered, go to <a href="http://www.aretheyregistered.ca">www.aretheyregistered.ca</a> .	
<b>3. Accredited investor status</b>	

You must meet at least <b>one</b> of the following criteria to be able to make this investment. Initial the statement that applies to you. (You may initial more than one statement.) The person identified in section 6 is responsible for ensuring that you meet the definition of accredited investor. That person, or the salesperson identified in section 5, can help you if you have questions about whether you meet these criteria.	<b>Your initials</b>
• Your net income before taxes was more than \$200,000 in each of the 2 most recent calendar years, and you expect it to be more than \$200,000 in the current calendar year. (You can find your net income before taxes on your personal income tax return.)	
• Your net income before taxes combined with your spouse's was more than \$300,000 in each of the 2 most recent calendar years, and you expect your combined net income before taxes to be more than \$300,000 in the current calendar year.	
• Either alone or with your spouse, you own more than \$1 million in cash and securities, after subtracting any debt related to the cash and securities.	
• Either alone or with your spouse, you have net assets worth more than \$5 million. (Your net assets are your total assets (including real estate) minus your total debt.)	

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<b>4. Your name and signature</b>	
By signing this form, you confirm that you have read this form and you understand the risks of making this investment as identified in this form.	
First and last name (please print): _____	
Signature: _____	Date: _____
<b>SECTION 5 TO BE COMPLETED BY THE SALESPERSON</b>	
<b>5. Salesperson information</b>	
<i>[Instruction: The salesperson is the person who meets with, or provides information to, the purchaser with respect to making this investment. That could include a representative of the issuer or selling security holder, a registrant or a person who is exempt from the registration requirement.]</i>	
First and last name of salesperson (please print): _____	
Telephone: _____	Email: _____
Name of firm (if registered): _____	
<b>SECTION 6 TO BE COMPLETED BY THE ISSUER OR SELLING SECURITY HOLDER</b>	
<b>6. For more information about this investment</b>	
Akanda Corp. Address: 77 King Street West, Suite 400, Toronto, Ontario M5K 0A1 Contact: Tej Virk Email: tej@akandacorp.com Telephone: +44 (791) 274 1995 <b>For more information about prospectus exemptions, contact your local securities regulator. You can find contact information at <a href="http://www.securities-administrators.ca">www.securities-administrators.ca</a>.</b>	

**Form instructions:**

1. This form does not mandate the use of a specific font size or style but the font must be legible.

2. The information in sections 1, 5 and 6 must be completed before the purchaser completes and signs the form.

3. The purchaser must sign this form. Each of the purchaser and the issuer or selling security holder must receive a copy of this form signed by the purchaser. The issuer or selling security holder is required to keep a copy of this form for 8 years after the distribution.

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**SCHEDULE "B"**

**U.S. ACCREDITED INVESTOR CERTIFICATE**

**TO: AKANDA CORP. (THE "ISSUER")**

**RE: PURCHASE OF COMMON SHARES OF THE ISSUER**

The Subscriber hereby represents and warrants (on its own behalf and on behalf of any beneficial purchaser for whom it is acting) to the Issuer (and further acknowledges that the Company and its counsel are relying thereon), pursuant to the attached Subscription Agreement that it is correctly and in all respects described by the category or categories set forth below directly under which the Subscriber or its authorized representative has checked.

The Subscriber acknowledges that upon execution of this Schedule "B" by the Subscriber, this Schedule "B" shall be incorporated into and form a part of the Subscription Agreement.

*(Capitalized terms not specifically defined in this Schedule "B" have the meaning ascribed to them in the Subscription Agreement to which this Schedule "B" is attached. All monetary references in this Schedule "B" are in United States Dollars.)*

**CHECK THE CATEGORY OR CATEGORIES WHICH DESCRIBES THE SUBSCRIBER**

- ☐ Any bank as defined in Section 3(a)(2) of the Act, or any savings and loan association or other institution as defined in Section 3(a)(5)(A) of the Act whether acting in its individual or fiduciary capacity; any broker or dealer registered pursuant to Section 15 of the Exchange Act; any insurance company as defined in Section 2(13) of the Act; any investment company registered under the 1940 Act or a business development company as defined in Section 2(a)(48) of the 1940 Act; any Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; any plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of \$5,000,000; any Plan (as defined above under "Certain ERISA Considerations") within the meaning of ERISA if the investment decision is made by a Plan fiduciary that is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the Plan has total assets in excess of \$5,000,000 or, if a self-directed Plan, with investment decisions made solely by persons that are accredited investors;
- ☐ Any private business development company as defined in Section 202(a)(22) of the Advisers Act;
- ☐ Any organization described in Section 501(c)(3) of the Code, corporation, or similar business trust, or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$5,000,000;
- ☐ Any director, executive officer, or general partner of the issuer of the securities being offered or sold, or any director, executive officer, or general partner of a general partner of that issuer;
- ☐ Any natural person whose individual net worth or joint net worth with that person's spouse, at the time of his or her purchase exceeds \$1,000,000<sup>1</sup>;

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1 For purposes of calculating his or her net worth, an investor may include equity in personal property, cash, short term investments, stock, securities and real estate, but must exclude the value of his or her primary residence. Indebtedness secured by a primary residence may also be excluded up to the fair market value of the primary residence, while any excess

*above the fair market value of the primary residence should be considered a liability and deducted from net worth. Equity in other real estate and in any personal property should be based on the fair market value of such property minus any debt secured by such property.*

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- ☐ Any natural person who had an individual income in excess of \$200,000 in each of the two most recent years or joint income with that person's spouse in excess of \$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year;
- ☐ Any trust with total assets in excess of \$5,000,000 not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person as described in Rule 506(b)(2)(ii);
- ☐ Any entity in which all of the equity owners are accredited investors;
- ☐ A person who holds one of the following licenses in good standing: General Securities Representative license (Series 7), the Private Securities Offerings Representative license (Series 82), or the Investment Adviser Representative license (Series 65);
- ☐ A "family office," as defined in rule 202(a)(11)(G)-1 under the Investment Advisers Act of 1940 (17 CFR 275.202(a)(11)(G)-1): (i) with assets under management in excess of \$5,000,000, (ii) that is not formed for the specific purpose of acquiring the securities offered, and (iii) whose prospective investment is directed by a person who has such knowledge and experience in financial and business matters that such family office is capable of evaluating the merits and risks of the prospective investment; and
- ☐ A "family client," as defined in rule 202(a)(11)(G)-1 under the Investment Advisers Act of 1940 (17 CFR 275.202(a)(11)(G)-1), of a family office meeting the requirements in paragraph (16) above and whose prospective investment in the issuer is directed by such family office pursuant to the immediately preceding clause.

Dated as of \_\_\_\_\_, 201\_

\_\_\_\_\_  
Print name of Subscriber

By: \_\_\_\_\_  
Signature

\_\_\_\_\_  
Print name of Signatory (if different from Subscriber)

\_\_\_\_\_  
Title

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**SCHEDULE "C"**  
**WIRE INSTRUCTIONS**

**For all trust accounts the Beneficiary Name and Address is as follows:**

Dentons Canada LLP in Trust  
77 King Street West, Suite 400  
Toronto, ON M5K 0A1

Please reference "Akanda Corp."

*If being wired from within Canada in CAD or USD or in CAD from the U.S.*

**Bank of Montreal – CAD**

1 First Canadian Place  
Toronto, ON M5X 1A3

Account #[\*]  
Transit #[\*]  
SWIFT Code: [\*]

**Bank of Montreal - USD**

1 First Canadian Place  
Toronto, ON M5X 1A3

Account #[\*]  
Transit #[\*]  
SWIFT Code: [\*]

*If being wired internationally from anywhere other than the U.S.*

**Bank of Montreal – CAD**

Internal Banking H.O.  
Montreal, QC

Account #[\*]  
Transit #[\*]  
SWIFT Code: [\*]

**Bank of Montreal - USD**

Internal Banking H.O.  
Montreal, QC

Account #[\*]  
Transit #[\*]-001  
SWIFT Code: [\*]

*If coming from the U.S. in USD*

*Correspondent  
Bank:*

*Wells Fargo Bank N.A. (formerly known as Wachovia Bank N.A.)*  
New York, New York  
ABA #[\*]  
SWIFT Code: [\*]

Account With:

Bank of Montreal  
SWIFT Code: [\*]  
International Banking H.O. Montreal  
Account #[\*]





/RA/65218.1/65871948.5

Service agreement

**Dated 2 June 2021**

**Canmart Limited**  
(Company)

**Halo Labs Inc.**  
(Guarantor)

**Tejinder Virk**  
(Executive)

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This agreement is dated

2 June 2021

## Between

- (1) **Canmart Ltd** a company incorporated and registered in England and Wales with registered company number 11741517 and whose registered office is at Units 1a/1b Learoyd Road, New Romney, Kent TN28 8XU (the **Company**);
- (2) **Halo Labs Inc.** a company incorporated in Canada whose registered office is 77 King Street West, Suite 400, Toronto-Dominion Centre, Toronto, Ontario, Canada (the **Guarantor**); and
- (3) **Tejinder Virk** of 39 Landau, 72 Farm Lane, London SW6 1QA (the **Executive**).

## It is agreed:

### 1 Interpretation

- 1.1 In this agreement the following terms and expressions shall have the following meanings:

**Appointment** means the employment of the Executive by the Company on the terms of this agreement.

**Board** means the board of directors of the Company and any committees duly constituted by the board.

**Capacity** means as agent, consultant, director, the holder of any office, employee, worker, owner, partner, Shareholder or in any other capacity.

**Cash Shell Company** means any undertaking (including a special purpose acquisition company) (a) which is listed/quoted or becomes listed/quoted on a Recognised Investment Exchange and (b) of which the Company is or becomes a wholly-owned subsidiary, but excluding for the avoidance of doubt Halo Labs Inc.

**Control** means in relation to a body corporate, the power of a person to secure that the affairs of the body corporate are conducted in accordance with the wishes of that person:

- (a) by means of the holding of shares, or the possession of voting power, in or in relation to that or any other body corporate; or
- (b) as a result of any powers conferred by the articles of association or any other document regulating that or any other body corporate.

**Change of Control** occurs if a person (whether alone or together with any person acting in concert with that person) who controls any body corporate ceases to do so or if another person acquires Control of it.

**Commencement Date** means such date as agreed by the parties in writing.

**Competitor** means a business concern which is, or intends to be, in competition with any Restricted Business.

**Confidential Information** means information of a confidential nature (in any form) concerning the business, affairs and/or finances of the Company or any Group Company or their respective customers, clients, suppliers, agents, distributors, investors and shareholders which the Executive receives, obtains, creates or develops at any time by reason of or in connection with the Executive's service with the Company or any Group Company (whether or not marked as confidential). This includes: trade secrets; technical information, data, research and development; customer, client and supplier lists, contact details of customers, clients and suppliers and individuals within those organisations; inventions and patent applications in the course of preparation and all other Intellectual Property Rights; financial projections, target details and accounts; details of funding and resource allocation; fee levels, pricing policies, commissions and commission charges; budgets, forecasts, reports, records and corporate and business plans; planned or potential products and services; marketing and advertising plans, requirements and materials, marketing surveys and research reports; market share and pricing statistics; disputes (whether existing, threatened or prior),

settlement discussions and terms; details of employees, workers, officers and consultants including their roles and responsibilities, remuneration, benefits and organisational structures, legally privileged material; computer software and passwords.

**Copies** means copies or records of any Confidential Information in whatever form (including in written, oral, visual or electronic form or on any magnetic or optical disk or memory and wherever located) including extracts, analysis, studies, plans, compilations or any other way of representing or recording and recalling information which contains, reflects or is derived or generated from Confidential Information.

**Executive Equity** has the meaning given to it in Clause 13.

**Executive Equity Rights** means the rights to be granted to the Executive as set out and materially on the terms described in Schedule 1.

**Garden Leave** means any period during which the Company has exercised its rights under Clause 23.

**Group Company** means any company which is from time to time a subsidiary or holding company of the Company and any subsidiary of any holding company of the Company (and references to the **Group** shall be construed accordingly). The words "subsidiary" and "holding company" have the meanings given to them in section 1159 of the Companies Act 2006 and a person shall be treated, for the purposes only of the membership requirement contained in subsections 1159(1)(b) and (c) of that Act, as a member of another company even if its shares in that other company are registered in the name of: (i) another person (or its nominee), whether by way of security or in connection with the taking of security, or (ii) a nominee.

**Holiday Year** means 1 January to 31 December or such other period as the Company notifies the Executive in writing.

**Incapacity** means any sickness, injury or other incapacity or medical disorder or condition which prevents the Executive from carrying out his duties.

**Intellectual Property Rights** means patents, rights to Inventions, copyright and related rights, trade marks, trade names and domain names, rights in get-up, rights in goodwill or to sue for passing off, unfair competition rights, rights in designs, rights in computer software, database rights, topography rights, rights in confidential information (including know-how and trade secrets) and any other intellectual property rights, in each case whether registered or unregistered and including all applications (or rights to apply) for, and renewals or extensions of, such rights and all similar or equivalent rights or forms of protection which subsist or will subsist now or in the future in any part of the world.

**Invention** means any invention, idea, discovery, development, improvement or innovation, whether or not patentable or capable of registration, and whether or not recorded in any medium.

**Investor** means any person, firm, company or other entity who or which is an investor in the Company or any Group Company at the Termination Date or who or which invested in the Company or any Group Company at any time in the 12 months immediately preceding the Termination Date or with whom or which the Company or any Group Company had negotiations or meaningful discussions regarding possible investment in the Company or any Group Company at any time in the 12 months immediately preceding the Termination Date and with whom or which the Executive had material contact or material involvement in the course of the Appointment.

**Lender** means any person, firm, company or other entity who or which is a lender of funds to the Company or any Group Company at the Termination Date or who or which lent funds to the Company or any Group Company at any time in the 12 months immediately preceding the Termination Date or with whom or which the Company or any Group Company had negotiations or meaningful discussions regarding possible lending to the Company or any Group Company at any time in the 12 months immediately preceding the Termination Date and with whom or which the Executive had material contact or material involvement in the course of the Appointment.

**Listing** means the admission, approved by the Board, of the entire issued share capital of the Company or a Cash Shell Company, or securities representing those shares (including without limitation depositary interests, American depositary receipts, American depositary shares and/or other instruments) on a Recognised Investment Exchange.

**Long Stop Date** means the date falling 12 months from the date of this agreement.

**Personal Data** means personal data about or relating to the Executive including his name, date of birth, home address, telephone number, driver's licence number, passport number, family information (such as marital status and dependant details), emergency contact information, education and training details (such as qualifications and professional expertise), employment details (such as employment status, employee type, performance and evaluation information, work phone number and email, intranet user log in and department and supervisor details), financial information (such as compensation, benefits, bank account information and pensions information) and hiring information (such as CV, prior employment history and personal references).

**Policies and Procedures** means the policies and procedures of the Company applicable to employees and officers of the Company as amended from time to time.

**Prospective Customer** means any firm, company or person who, during the 12 months before the Termination Date, was in negotiations with the Company or any Group Company about becoming a customer of the Company or any Group Company with whom the Executive had contact or material involvement or, in respect of the exercise of his duties or responsibilities, about whom he became aware or informed to a material extent in the course of the Appointment.

**Qualifying Equity Finance** means a bona fide transaction (or series of transactions, provided that the type of share issued and the price paid per share is consistent across the series of transactions), approved by the Board, with the principal purpose of raising capital, pursuant to which the Company (or a Cash Shell Company) issues equity shares (but excluding any equity shares issued on conversion of any convertible securities or any equity securities issued to Halo, Inc) with an aggregate subscription price of not less than £10,000,000.

**Recognised Investment Exchange** means NASDAQ, the New York Stock Exchange, the Official List of the United Kingdom Listing Authority, the AIM Market operated by the London Stock Exchange Group Plc, the Toronto Stock Exchange, the NEO Exchange or the TSX Venture Exchange or any other recognised investment exchange (as defined in section 285 of the Financial Services and Markets Act 2000).

**Regulatory Requirements** means all legal and regulatory obligations, codes of practice and recommendations and similar which apply to the Executive, the Company or any Group Company, including:

- (a) in relation to transactions in securities, related party transactions and inside information (including any share dealing policy of the Company);
- (b) pursuant to the Financial Services and Markets Act 2000 and the Criminal Justice Act 1993; and
- (c) any other laws, rules and regulations of, or applicable to companies admitted to, a Recognised Investment Exchange on which the Company (or a Cash Shell Company) is Listed,

**Restricted Business** means those parts of the business of the Company and any Group Company with which the Executive was involved to a material extent in the 12 months before the Termination Date.

**Restricted Customer** means any firm, company or person who, during the 12 months before the Termination Date, was a customer of or in the habit of dealing with the Company or any Group Company with whom the Executive had contact or material involvement or, in respect of the exercise of his duties or responsibilities, about whom he became aware or informed to a material extent in the course of the Appointment.

**Restricted Person** means anyone employed or engaged by the Company or any Group Company with whom the Executive dealt in the 12 months before the Termination Date in the course of the Appointment.

**Restricted Supplier** means any person, firm or company which at any time during the 12 months prior to the Termination Date was a supplier of any goods, products or services (other than utilities and goods or services supplied for administrative purposes) to the Company or any Group Company and with whom or which the Executive had personal dealings during that period other than in a de minimis way and where such entities remain suppliers of the Company and/or the Group Company at or immediately before the Termination Date.

**Shareholder** means holding an investment by way of shares or other securities of over 5% of the total issued share capital of any company, other than a Cash Shell Company, whether or not it is listed or dealt in on a recognised stock exchange.

**Termination Date** means the date on which the Executive's employment with the Company terminates however caused.

1.2 The headings in this agreement are inserted for convenience only and shall not affect its construction.

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1.3 A reference to a particular law is a reference to it as it is in force for the time being taking account of any amendment, extension or re-enactment and includes any subordinate legislation for the time being in force made under it.

1.4 Unless the context otherwise requires:

1.4.1 a reference to one gender shall include a reference to the other genders; and

1.4.2 words in the singular include the plural and in the plural include the singular.

1.5 References to a "person" include any individual, company, any other body corporate, partnership or unincorporated association (whether or not having separate legal personality).

1.6 The words "including", "include", "in particular", "for example" and words of similar effect shall not limit the general effect of the words that precede them.

## 2 Employment

2.1 The Executive agrees to serve the Company as Chief Executive on and subject to the terms and conditions of this agreement. It is envisaged that the Company will be subject to a reverse takeover and there will be a Listing. Accordingly, the terms of this agreement may require amendments to comply with any applicable Regulatory Requirements and if so, the Executive will be paid a cash sum equivalent to any amounts (including benefits) that he is entitled to under this agreement that are not included in the amended agreement.

2.2 The Executive's employment will commence on the Commencement Date and shall continue, subject to the remaining terms of this agreement, until terminated by either party giving the other not less than 6 months prior written notice, save that the Company can only give notice after 18 months following the Commencement Date (except that this limitation shall not apply in respect of termination rights under Clause 22.1(a), (c) or (g)). If the Company does give notice sooner, the amount of Basic Salary and contractual benefits that the Executive would otherwise have been entitled to up to the first day on which termination could have been effective in accordance with this clause will be paid to the Executive as a lump sum within 28 days of the Termination Date. For the avoidance of doubt, nothing in this Clause 2.2 shall prevent or limit the Company's right to terminate this agreement without notice and without payment for any Basic Salary and contractual benefits for any reason that falls within Clause 22.1(a), (c) or (g).

2.3 No period of employment with the Company or any other employer counts towards the period of continuous employment between the Executive and the Company which therefore will begin on the Commencement Date

2.4

The parties acknowledge and agree that the Company intends to pursue a Listing, either directly or via a Cash Shell Company, and that as part of that process the Company's advisers (including its brokers) may require certain terms of this Agreement to be varied, amended or deleted. The parties agree that they will act reasonably in agreeing any such variations, amendments or deletions and the Executive agrees that (without limitation) the following provisions, amendments or variations, if required or reasonably requested by the Company (on the advice of its brokers) pursuant to such Listing, will be acceptable:

- (a) any lock-in and/or orderly market restrictions on market-standard terms (where, in respect of the length of any such restriction, "market-standard" means no longer than two years in respect of each of any lock-in and any orderly market restriction);

- (b) the Executive ceasing to be entitled to any or all of the Executive Equity Rights; and
- (c) a vesting, or reverse vesting, period of up to four years and otherwise on market-standard terms,

and the Executive agrees that he will take all action reasonably necessary to give effect to any such amendments, variations or deletions. For the avoidance of doubt, under no circumstances shall the Executive be required to surrender or otherwise lose the ownership of whole or any part of the Executive Equity pursuant to this Clause 2.4.

### 3 Conditions to employment

#### *Conditions Precedent*

3.1 The Executive's employment under this agreement is conditional upon:

- (a) receipt by the Company of such references, pre-employment background checks and medical checks as it considers necessary or appropriate; and
- (b) the results of each reference and check being satisfactory to the Company in its absolute discretion.

#### *Conditions Subsequent*

3.2 The Company shall take appropriate professional advice as to the best way in which to achieve the proposed Listing of the business operated or proposed to be operated by it. If, following such advice, the Board decides that it would be in the best interests of the Company and its members as a whole to achieve a Listing via a Cash Shell Company then, before the Long Stop Date, the Company will:

- (a) establish or acquire or be acquired by a Cash Shell Company;
- (b) in respect thereof and subject always to Clause 2.4, grant the Executive the Executive Equity; and
- (c) transfer his engagement as Chief Executive to the Cash Shell Company,

(together, the **Conditions Subsequent**).

3.3 In the event that the Conditions Subsequent have not been satisfied by the Long Stop Date and such non-satisfaction is predominantly or primarily the result of either or both of (a) some action or inaction by or on behalf of Halo and/or (b) another factor or factors beyond the reasonable control of the Executive, the parties shall, in good faith, use reasonable endeavours to grant equity interests in the Guarantor (or the Company if it is directly subject to a Listing) to the Executive that give the Executive an approximately equivalent monetary valuation as would have been held by him in a Cash Shell Company that held the businesses of Cannahealth, Canmart and Bophelo only, pursuant to the terms of this Agreement.

### 4 Fundamental terms and warranties

4.1 The Executive represents and warrants to the Company that (in each case as a fundamental term of this agreement):

- (a) the Executive is not subject to any restrictions which prevent the Executive from holding office as a director;

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- (b) by entering into this agreement or fully performing any of the Executive's obligations under it, the Executive will not be in breach of any court order or any express or implied terms of any contract or other obligation binding on the Executive; and

- (c) the Executive has not used or disclosed to the Company or any Group Company any confidential information belonging to any previous employer or any other person; and

- (d) the Executive has the right to work in the United Kingdom and, if his right to work in the United Kingdom is time limited, the Executive's visa permits him to be employed by the Company and carry out his duties under this agreement (without hindrance).

4.2 The Executive must notify the Company immediately of any change to the Executive's immigration status and must produce to the Company the documents proving the Executive's right to work within five working days of any request to do so. If the Executive has time limited immigration permission which is due to expire at any time during the Executive's employment, the Executive's ongoing employment will be subject to the Company being satisfied that the Executive has submitted an application to extend the Executive's United Kingdom immigration permission prior to the date it is due to expire and that the application has not been rejected.

4.3 Notwithstanding (and without prejudice to) any other provision of this agreement, the Company may terminate this agreement summarily if the Executive is in breach of any of the terms and/or warranties in this Clause 4.

## 5 Appointment as a director

5.1 The Executive will be appointed as a director of the Company subject to the remaining provisions of this agreement and the Company's articles of association.

5.2 The Executive will not be entitled to any director's or other fees from the Company or any Group Company or to any fees in respect of any office the Executive may hold as nominee or representative.

5.3 The Executive's appointment as a director of the Company or any Group Company, at any time, is a term of the Executive's employment. If the Executive ceases for any reason (except as provided in Clause 22.1(a)) to be a director, the Executive's employment under this agreement will continue in such other position as the Company may reasonably require and all provisions of this agreement not relating to the Executive's directorship will continue to apply. The Executive agrees that in such circumstances any such termination of office will not be in repudiation of this agreement and the Executive will have no claims in respect of such cessation of office.

5.4 The Executive will at all times:

- (a) comply with the articles of association of the Company and any Group Company of which the Executive is a director;
- (b) abide by all statutory, fiduciary and common-law duties to any Company and Group Company of which the Executive is a director;

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- (c) comply with all rules regarding conduct as an officer and executive under the Companies Act 2006; and
- (d) not do anything that would cause the Executive to be disqualified from acting as a director.

5.5 The Executive must disclose to the Company, on reasonable request, any information which the Company requires in order to enable it to fulfil its obligations under any Regulatory Requirements and the Executive shall endeavour to ensure that this information is kept up to date at all times.

5.6 Except with the prior approval of the Board, the Executive shall not resign as a director of the Company or any Group Company.

## 6 Duties

6.1 The Executive acknowledges that he will be a fiduciary in a position of seniority and trust.

6.2 At all times during the course of employment the Executive will:

- (a) faithfully and diligently serve the Company and the Group and exercise such powers and perform such duties as may from time to time be assigned to the Executive by the Board or perform such other duties as the Company may reasonably require;
- (b) devote the whole of the Executive's working time, attention and abilities to the business and affairs of the Company and the Group;
- (c) comply with all reasonable directions of and regulations made by the Company and the Board;
- (d) promptly make such reports to the Board in connection with the affairs of the Company and of any Group Company on such matters and at such times as are reasonably required, and otherwise keep the Board fully informed of all matters relating to the business and affairs of the Company and the Group;
- (e) immediately upon becoming aware, report:
  - (i) any wrongdoing (including the Executive's own wrongdoing) whether committed, contemplated or discussed by any person employed or engaged by the Company or any Group Company irrespective of whether this would or may involve self-incrimination;
  - (ii) any plans or proposals or discussions by any person employed or engaged by the Company or any Group Company to leave the employment or engagement of the Company or Group Company, whether alone or in concert with any other person and whether to join a competitor or any other business; and
  - (iii) any misuse of Confidential Information by any person (including the Executive) irrespective of whether this would or may involve self-incrimination;
- (f) use all reasonable endeavours to promote, protect, develop and extend the business of the Company and Group Companies;

- (g) comply with all Policies and Procedures;
- (h) comply with all Regulatory Requirements and promptly provide the Company with all information that it requires or may require to comply with the Regulatory Requirements; and
- (i) not:

- (i) offer, promise or provide any bribe, inducement or reward to any third party in order to gain any commercial, contractual, regulatory or personal advantage;
- (ii) receive or accept any bribe, inducement or reward from any third party in order to gain any commercial, contractual, regulatory or personal advantage; or
- (iii) receive any gifts, goods, service, rebates or commission from any third party other than in accordance with Company policy from time to time in force.

6.3 The Executive agrees and accepts that:

- (a) the Policies and Procedures do not form part of this agreement or the terms of the Executive's employment and the Company may amend the Policies and Procedures at any time; and
- (b) a breach of the Regulatory Requirements may lead to civil or criminal liability for the Executive, action being taken against the Executive by any relevant regulatory authority and/or disciplinary action by the Company up to and including summary dismissal if the Executive's conduct falls within the categories in Clause 22.1.

## 7 Place of work

- 7.1 The normal place of work of the Executive is London (or such other place as agreed by the parties) or any other place as the Company may reasonably require for the proper performance and exercise of the Executive's duties.
- 7.2 The Executive will be required to travel in appropriate circumstances on the business of the Company and the Group (within the United Kingdom and/or abroad).

## 8 Hours of work

- 8.1 The Executive's normal hours of work are from 8.30am to 5:30pm Monday to Friday, inclusive of one hour for lunch daily, and such additional hours as may be necessary for the proper performance of the Executive's duties. The Executive is not entitled to any further remuneration for additional hours outside normal office hours.
- 8.2 The parties agree that the nature of the Executive's position is such that the Executive's working time cannot be measured and, accordingly, the Executive's employment falls within the scope of regulation 20 of the Working Time Regulations 1998.

## 9 Salary

- 9.1 The Executive will be paid an annual salary of £500,000 (**Basic Salary**) subject to applicable deductions as required by law including for tax and national insurance.

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- 9.2 The Basic Salary will be paid in equal monthly instalments (or pro rata where the Executive is only employed during part of a month) in arrears. For convenience, payment will usually be slightly in advance of the end of the calendar month to which the payment relates.
- 9.3 The Executive authorises the Company to deduct (and retain) from the Basic Salary, or any other sum due to the Executive at any time, any sum due to the Company or any Group Company from the Executive.

## 10 Pension

The Company will comply with the employer pension duties in accordance with Part 1 of the Pension Act 2008.

## 11 Expenses

Subject to any Company policy in operation from time to time and to production of VAT receipts or other appropriate evidence to the reasonable satisfaction of the Company, the Company will reimburse (or procure the reimbursement of) all reasonable expenses wholly, properly and necessarily incurred by the Executive in the performance of the Executive's duties.

## 12 Incentive payments & bonus

12.1 Subject to Clause 12.7, on a Listing, the Executive shall be entitled to receive an incentive payment of £250,000, which shall be paid on or around the payroll in the subsequent month following the Listing.

12.2 Subject to Clause 12.7, on completion of a Qualifying Equity Finance, the Executive shall be entitled to receive an incentive payment of £250,000, which shall be paid on or around the payroll in the month following receipt by the Company of the Qualifying Equity Finance.

12.3 The Executive is entitled to participate in the Company's bonus scheme with an annual bonus opportunity of:

- (a) up to 100% of Basic Salary based on meeting achievable KPIs as determined by the Board using its reasonable discretion on or around the beginning of each financial year; and
- (b) an additional bonus opportunity based on achievable stretch targets which is to be determined by the Board using its reasonable discretion.

12.4 The Board may award any such bonus in cash, equity or such other instrument or arrangement with the Company undertaking that it will act reasonably in making any such award in a way which is tax efficient and cost effective for the Executive.

12.5 Any bonus made pursuant to Clause 12.3 may, at the Board's absolute discretion, be reduced pro rata by reference to any period for which the Executive has been absent from work for any reason during the period to which the bonus relates.

12.6 The Executive will not be entitled to compensation for loss of bonus (whether pursuant to this Clause 12 or otherwise) on termination of employment. Payment of a bonus in one year will not entitle the Executive to a bonus in any other year.

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12.7 Payment of any incentive payment or bonus under this Clause 12 will be conditional on:

- (a) notice not having been served by the Executive;
- (b) the Executive not being the subject of a disciplinary investigation which could result in the Executive's dismissal for gross misconduct (in which case payment of any incentive or bonus will be postponed pending the final outcome of that disciplinary procedure save where the procedure results in dismissal in which case no incentive or bonus shall be payable); and/or
- (c) the Executive not having committed a repudiatory breach of this agreement;

in each case, as at the payment date.

12.8 If any payment or other obligation under this agreement or any related benefit or remuneration plan does not comply with any applicable Regulatory Requirement, the Company may in its sole discretion amend the terms of the payment or other obligation (including by reducing, revoking, cancelling or recovering any payment or award) to make it compliant.

12.9 Any payments under this Clause 12 will be subject to applicable deductions for tax and National Insurance (excluding employer National Insurance contributions) and will not be pensionable.

## 13 Shares

- 13.1 If the Board considers it likely that a Cash Shell Company will acquire Control of the Company, the Company shall procure that the Executive is granted an award of an equity interest in the Cash Shell Company (which could be a subscription/award of shares or share options, depending on the taxation implications for both the Company and the Executive, with the Company undertaking that it will act reasonably in procuring the offer of an incentive structure which is tax efficient and cost effective for the Executive provided there are no adverse consequences for the Company or the Cash Shell Company) (the **Executive Equity**).
- 13.2 The Executive Equity is intended to represent 10% of the issued share capital of the Cash Shell Company before the Cash Shell Company acquires the Company or any other company or business, and/or issues equity to participants in a placing or public offering to occur on or around the date of Listing, when, pursuant to each of such events, the percentage equity interest held by the Executive will be diluted in accordance with the terms of such transactions.
- 13.3 Subject always to Clause 2.4, the Executive Equity will be subject to monthly vesting (or reverse vesting if shares are awarded) over a three year period, with a one year vesting cliff (33.3% vesting 12 months after date of grant of the award), and will be subject to customary good leaver, intermediate leaver and bad leaver conditions.
- 13.4 In the event that there is a Change of Control of the Company or Cash Shell Company (other than as part of the fundraising on or around the date of Listing or an internal re-organisation) after the date falling 12 months after the date of the grant of Executive Equity and before the end of the three year vesting period (or such other period as required in accordance with Clause 2.4), and the Executive is an employee of the Company (or the Cash Shell Company as the case may be) at such time, it is agreed that vesting of the Executive Equity will automatically be accelerated immediately prior to such Change of Control.

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- 13.5 The Executive's participation in the Executive Equity shall be determined by the applicable rules (or other documents) of the scheme to be implemented.
- 13.6 In the event a Cash Shell Company does not acquire Control of the Company, the Company and the Executive will both act in good faith to agree an alternative incentive arrangement to that referred to in Clause 13.1 above and, if applicable, Clause 3.3.
- ## 14 Other benefits and paid leave
- 14.1 The Company will endeavour to put in place a private medical insurance scheme as soon as reasonably practicable after the Commencement Date. The Executive, his spouse and dependents shall be entitled to participate in such scheme.
- 14.2 The Executive's rights and entitlements and the Company's obligations to pay premiums for the private medical insurance scheme shall be subject always to:
- (a) the rules and terms of such scheme from time to time in force;
  - (b) the Company's absolute discretion to change scheme and/or scheme provider and/or to discontinue providing the benefit at any time;
  - (c) the Executive satisfying any underwriting or other requirements of the relevant scheme provider; and
  - (d) the Executive co-operating with the Company and the relevant scheme provider when making any claim.
- 14.3 The Executive agrees that:

- (a) the Company shall have no obligation to pursue any claim for benefits on behalf of the Executive or the Executive's spouse or dependants or any other beneficiaries or potential beneficiaries if it is not accepted by the scheme provider;
- (b) the Company will have no liability to the Executive or the Executive's spouse or dependants for failure or refusal by the scheme provider for whatever reason to pay benefits or for cessation of benefits on the termination of the Executive's employment and the Company is entitled to terminate the Executive's employment notwithstanding the fact that the Executive may lose entitlement to benefits under these arrangements as a result;
- (c) The Executive is not contractually entitled to any benefit he receives which is not expressly referred to in this agreement (whether payment of insurance scheme premiums or otherwise).

14.4 The Executive may be eligible to take the following types of paid leave, subject to any statutory eligibility requirements or conditions and the Company's rules applicable to each type of leave in force from time to time:

- (a) statutory paternity leave;
- (b) statutory adoption leave;

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- (c) shared parental leave; and
- (d) parental bereavement leave.

14.5 The Company will pay up to a total of £30,000 towards the Executive's legal and tax fees he reasonably incurs through his appointed professional advisors and which arises directly from the corporate restructuring referred to in this agreement. Any such payment will be made directly to his appointed advisers subject to production of satisfactory invoices confirming the fees incurred and shall exclude any success fee or uplift on standard hourly rates.

## 15 Training

In addition to general training the Company provides during the Executive's induction and throughout his employment, the Company will specify certain mandatory training modules from time to time. These cover matters that are essential for working for the Company, or for the Executive's role. The subject matter will vary from time to time and the Company will update the Executive on the requirements. Details of the current compliance training that is mandatory for all employees are available on the intranet.

## 16 Holidays

16.1 The Executive will be entitled to 30 days' paid holiday in each Holiday Year in addition to the usual public holidays in England and Wales. The first 28 days of holiday (including any public holidays) taken in any Holiday Year will be the Executive's statutory holiday for the purpose of both the Working Time Regulations 1998 and Clause 16.6 below.

16.2 If the Executive's employment commences or terminates part way through a Holiday Year, the entitlement of the Executive during that Holiday Year shall be calculated on a pro rata basis rounded up to the nearest half day.

16.3 Holidays shall be taken at such time or times as shall be approved in advance by the Company. The Company may require the Executive to take holiday on particular dates.

16.4 The Executive will be entitled to carry over up to 5 days' holiday at the end of each Holiday Year provided that the Executive uses that holiday by 31 March in the following Holiday Year (all other holiday remaining at the end of the Holiday Year will lapse). Any carried over holiday not used by that date will lapse.

- 16.5 The Executive shall have no entitlement to any payment in lieu of accrued but untaken holiday except on termination of the Executive's employment. Subject to Clause 16.6, the amount of any payment in lieu will be 1/260th of the Executive's Basic Salary for each untaken day of holiday entitlement for the Holiday Year in which termination takes place.
- 16.6 If:
- (a) the Company has terminated or would have been entitled to terminate the Executive's employment under Clause 22;  
or
  - (b) the Executive terminates in breach of this agreement,
- any payment due under Clause 16.5 will be limited to the statutory entitlement of the Executive under the Working Time Regulations 1998 (and any holiday (including public holidays) taken shall be deemed first to have been taken in satisfaction of that statutory entitlement as set out in Clause 16.1).

- 16.7 If on termination of the Executive's employment the Executive has taken in excess of his accrued holiday entitlement, the Company shall be entitled to recover from the Executive, by way of deduction from any payments due to the Executive or otherwise, one day's pay calculated at 1/260th of the Basic Salary of the Executive for each excess day.
- 16.8 If either party has served notice to terminate the Executive's employment, the Company may require the Executive to take any accrued but unused holiday entitlement during the notice period. Any accrued but unused holiday entitlement shall be deemed to be taken during any period of Garden Leave.
- 16.9 During any continuous period of absence due to Incapacity of one month or more the Executive shall not accrue holiday under this contract and the entitlement of the Executive under Clause 16.1 for the Holiday Year(s) in which such absence takes place shall be reduced pro rata save that it shall not fall below the entitlement of the Executive under the Working Time Regulations 1998.
- 17 Incapacity**
- 17.1 If the Executive is absent from work due to Incapacity, the Executive shall notify the Company of the reason for the absence as soon as possible on the first day of absence.
- 17.2 Immediately following the Executive's return to work after a period of absence due to Incapacity of seven days or less the Executive must complete a self-certification form. For periods of absence of more than seven consecutive days the Executive must produce a doctor's fit note verifying that the absence is due to Incapacity.
- 17.3 Subject to complying with the Company's absence requirements above and to the remaining provisions of this Clause 17, the Executive shall be entitled to receive full Basic Salary and contractual benefits during any periods of absence due to Incapacity up to a maximum of 12 weeks in aggregate in any rolling 52-week period. Any such payments shall be inclusive of any statutory sick pay. The Executive's qualifying days for statutory sick pay purposes are Monday to Friday.
- 17.4 The Executive agrees to consent to medical examinations (at the Company's expense) by a doctor or clinic nominated by the Company should the Company so require. The Executive agrees that any report produced in connection with any such examination may be disclosed to the Company and the Company may discuss the contents of the report with the relevant doctor.
- 17.5 If the Incapacity is or appears to be occasioned by actionable negligence, nuisance or breach of any statutory duty on the part of a third party in respect of which damages are or may be recoverable, the Executive shall immediately notify the Company of that fact and of any claim, settlement or judgment made or awarded in connection with it and provide all relevant particulars that the Company may reasonably require. The Executive shall, if required by the Company, co-operate in any related legal proceedings and refund to the Company that part of any damages or compensation recovered by the Executive relating to the loss of earnings for the period of the Incapacity as the Company may reasonably determine less any costs borne by the

Executive in connection with the recovery of such damages or compensation, provided that the amount to be refunded to the Company shall not exceed the total amount paid to the Executive by the Company in respect of the period of Incapacity.

17.6 The Company is entitled to terminate the Executive's employment under the terms of this agreement notwithstanding that any such termination would or might cause the Executive to forfeit any entitlement to sick pay or other benefits.

17.7 The payment of the Executive's Basic Salary and other contractual benefits during absence due to Incapacity is conditional on:

- (a) notice not having been served by either party;
- (b) the Executive not being the subject of a disciplinary investigation which could result in the Executive's dismissal for gross misconduct; and
- (c) the Executive not being under a performance improvement plan.

## 18 Outside interests

18.1 Subject to Clause 18.2, the Executive shall not at any time during employment (including during any period of notice) save with the prior written approval of the Company:

- (a) be directly or indirectly engaged, concerned or have any financial interest in any Capacity in any other business, trade, profession or occupation (or the setting up of any business, trade, profession or occupation) other than that of the Company and the Group, whether paid or unpaid; or
- (b) hold any directorship (or other office) of any company other than that of the Company and any Group Company, whether paid or unpaid.

18.2 Notwithstanding Clause 18.1, the Executive:

- (a) may hold an investment by way of shares or other securities of not more than 5% of the total issued share capital of any company (whether or not it is listed or dealt in on a recognised stock exchange) provided that such company does not carry on (or propose to carry on) any business similar to or competitive with any business for the time being carried on by the Company or any Group Company;
- (b) has disclosed to the Company the external interests and activities listed in schedule 2 including the Executive's Capacity with regard to each such interest and activity. The Company consents to the Executive continuing these activities on the strict condition that it reserves the right to require (at any time) the Executive to cease any or all of such interests or activities to the extent that, in the opinion of the Company, they interfere, may be likely to interfere or could be perceived to interfere with the discharge of the Executive's obligations to the Company or Group or create or may be likely to create a conflict of interest or perceived conflict of interest; and
- (c) may engage in external interests and activities provided that such companies do not carry on (or propose to carry on) any business similar to or competitive with any business for the time being carried on by the Company or any Group Company and such interests or activities do not interfere with the Executive's performance of his duties for the Company, and any board level appointments shall require prior written approval of the governance committee of the Company, not to be unreasonably withheld, and subject to being permitted by the rules of any applicable regulatory framework.

18.3 Without prejudice to the Executive's obligations above, the Executive must promptly disclose to the Company any matter relating to the Executive's spouse, civil partner, partner, children, parents or other immediate family and/or any entity whose affairs the Executive or any such person controls which may (or may be perceived to) interfere, conflict or compete with the proper performance of the obligations of the Executive under this agreement.

## **19 Confidential information**

19.1 Without prejudice to the Executive's common law duties, the Executive shall not (except in the proper course of the Executive's duties, as authorised or required by law or as authorised in advance by the Company), either during the Executive's employment or at any time after termination of employment (howsoever arising):

- (a) use any Confidential Information;
- (b) make or use any Copies; or
- (c) disclose any Confidential Information to any person whatsoever.

19.2 The Executive shall be responsible for protecting the confidentiality of the Confidential Information and shall:

- (a) use best endeavours to prevent the use or communication of any Confidential Information by any person (except in the proper course of that person's duties, as required by law or as authorised in advance by the Company); and
- (b) inform the Company immediately upon becoming aware, or suspecting, that any unauthorised person knows, has access to, has been provided with or has used any Confidential Information.

19.3 All Confidential Information and Copies are and shall remain at all times the property of the Company and on termination of the Executive's employment (or at the request of the Company at any time during employment), the Executive shall:

- (a) hand over all Copies to such person as is nominated by the Company;
- (b) irretrievably delete any Confidential Information (including any Copies) stored on any magnetic or optical disk or memory, including personal computer networks, personal email accounts or personal accounts on websites, and all matter derived from such sources which is in the Executive's possession or under the Executive's control; and
- (c) on the request of the Company, provide a signed statement that the Executive has complied fully with all obligations under this Clause 19.3 together with such evidence of compliance as the Company may reasonably request .

19.4 Clause 19 shall not apply to any Confidential Information which the Executive can demonstrate:

- (a) is already in the public domain at the time of disclosure;
- (b) is identifiable without requiring significant expenditure of time, skill or money; and
- (c) came into the public domain other than by reason of or as a direct or indirect result of the disclosure by the Executive of any Confidential Information.

19.5 Nothing in this Clause 19 shall prevent the Executive from:

- (a) making a protected disclosure within the meaning of Part 4A of the Employment Rights Act 1996 (this includes protected disclosures made about matters previously disclosed to another recipient);



- (b) making a disclosure to a regulator regarding any misconduct, wrongdoing or serious breach of a Regulatory Requirement;
- (c) reporting a criminal offence to the police or a law enforcement agency; or
- (d) co-operating with the police or a law enforcement agency regarding any criminal investigation or prosecution or with a regulator regarding any investigation by that regulator.

## 20 Intellectual property

20.1 All Intellectual Property Rights made, discovered, originated, produced or developed by the Executive during the course of employment with the Company (whether or not during working hours or using the premises or resources of the Company or the Group) shall immediately be disclosed in writing to the Company by the Executive and shall automatically, on creation, vest absolutely in the Company or such Group Company as the Company may nominate for that purpose to the fullest extent permitted by law.

20.2 The Executive:

- (a) acknowledges for the purposes of section 39 of the Patents Act 1977 that because of the nature of the Executive's duties, and the particular responsibilities arising from those duties, the Executive has, and at all times during employment will have, a special obligation to further the interests of the business of the Company and the Group;
- (b) undertakes to promptly, whenever requested by the Company, and in any event upon the termination of employment, deliver up to the Company all such Intellectual Property Rights and all related correspondence, documents, papers and records and all copies of any such Intellectual Property Rights in the Executive's possession or control;
- (c) undertakes to hold upon trust for the benefit of the Company (or its nominee) all Intellectual Property Rights in respect of all Intellectual Property Rights made, originated or developed by the Executive during employment by the Company (whether or not during working hours or using the premises or resources of the Company or the Group) to the extent that they do not vest automatically in the Company, until the same are vested absolutely in the Company (or its nominee);
- (d) assigns absolutely with full title guarantee by way of present assignment of present and future rights, all Intellectual Property Rights made, originated or developed by the Executive in the course of employment (whether or not during working hours or using the premises or resources of the Company or the Group);
- (e) acknowledges that, other than as required by law, no further remuneration or compensation other than that set out in this agreement is or may become due to the Executive in respect of the performance of the Executive's obligations under this Clause 20;

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- (f) undertakes, at the reasonable expense of the Company, to execute all such documents, make such applications, give such assistance and do all such acts and things as may in the opinion of the Company be necessary or desirable to vest, register or obtain any Intellectual Property in the name of the Company (or its nominee), and otherwise to protect and maintain any Intellectual Property Rights made, originated or developed by the Executive and all related Intellectual Property Rights;

- (g) waives any moral rights (as provided for by Chapter IV of the Copyright Designs & Patents Act 1988 (the **1988 Act**) or any similar provisions of law in any jurisdiction) in any Intellectual Property Rights created, made, originated, developed or produced by the Executive in the course of employment (whether or not during working hours or using the premises or resources of the Company or the Group) and agrees to grant all necessary consents and further agrees not to institute, support, maintain or permit any action or claim to the effect that any treatment, exploitation or use of such Intellectual Property Rights infringes the Executive's moral rights, including the right to be identified, the right of integrity and the right against false attribution provided for in the 1988 Act;

- (h) will not, except in the proper performance of the Executive's duties, disclose any Intellectual Property Rights (or any related correspondence, documents, papers and records and copies) belonging to the Company (or its nominee) without the prior written consent of the Company; and
- (i) will give all necessary assistance to the Company (or its nominee) to enable the Company (or its nominee) to enforce its Intellectual Property Rights against third parties and/or to defend claims for infringement of third party Intellectual Property Rights.

20.3 The Executive irrevocably appoints the Company to be the Executive's attorney in the Executive's name and on the Executive's behalf to execute and/or sign all such instruments, and/or do all such things and generally to use the Executive's name for the purpose of giving to the Company (or its nominee) the full benefit of the provisions of this Clause 20. With respect to any third party, a certificate in writing signed by any director of the Company or the company secretary of the Company that any instrument or act falls within the authority conferred by this Clause 20.3 shall be conclusive evidence that such is the case.

## 21 Payment in lieu of notice

21.1 Notwithstanding any other provision of this agreement, the Company may, in its sole and absolute discretion, terminate the Executive's employment under this agreement summarily by giving the Executive written notice that it is exercising its discretion under this Clause 21.1. In such circumstances the Company shall pay the Executive his Basic Salary and contractual benefits in lieu of the notice period referred to in Clause 2.2 or any unexpired part of it. Payment will be made subject to such deductions as are required by law, including for tax and national insurance. The Company's right to make a payment under this Clause 21.1 does not give the Executive any right to demand such payment.

21.2 The Executive shall not be entitled to any payment in lieu of notice if the Company would otherwise have been entitled to terminate the Executive's employment without notice in accordance with Clause 22 and the Company shall be entitled to recover from the Executive any payment in lieu of notice already made.

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## 22 Termination without notice

22.1 The Company may terminate the Executive's employment with immediate effect without notice (and with no liability to make any further payment to the Executive) if the Executive:

- (a) is disqualified from acting as a director;
- (b) commits, in the reasonable opinion of the Board, an act of gross misconduct;
- (c) commits, in the reasonable opinion of the Board, any serious or repeated breach or failure to observe of any of the provisions of this agreement or the Policies and Procedures or the Regulatory Requirements or any anti-bribery and corruption policies and the Executive has previously been given written notice of such and a reasonable opportunity to improve or comply as the case may be;
- (d) refuses to comply with any reasonable and lawful direction of the Board;
- (e) is declared bankrupt or makes any arrangement with or for the benefit of his creditors or has a county court administration order made against the Executive under the County Court Act 1984;
- (f) is convicted of any criminal offence (other than an offence under any road traffic legislation in the United Kingdom or elsewhere for which a fine or non-custodial penalty is imposed);

- (g) is guilty of fraud or dishonesty or acts in any manner which, in the reasonable opinion of the Board, brings or is likely to bring the Executive, the Company or any Group Company into disrepute or is materially adverse to the interests of the Company or any Group Company (in each case whether or not in the course of employment); or
- (h) ceases to hold any qualification, approval, registration or authorisation required for the proper performance of the Executive's duties.

22.2 The rights of the Company under Clause 22.1 are without prejudice to any other rights that it may have at law to terminate the Executive's employment or to accept any breach of this agreement by the Executive as having brought the agreement to an end. Any delay by the Company in exercising any right to terminate shall not constitute a waiver of that right.

22.3 If the Executive's employment is terminated at any time by reason of any reconstruction or amalgamation of the Company or any Group Company, whether by winding up or otherwise, and the Executive is offered employment with any concern or undertaking involved in or resulting from the reconstruction or amalgamation on terms which (considered in their entirety) are no less favourable to any material extent than the terms of this agreement, the Executive shall have no claim against the Company, any Group Company or the undertaking arising out of or in connection with such termination.

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22.4 This Clause 22.4 applies if the Executive subscribes for or is awarded shares in the Company or any Group Company or participates in any share option, restricted share, restricted share unit, long term incentive, carried interest or co-invest, or any other form of profit sharing, incentive, bonus or equity plan or arrangement (each an **Incentive**) or may do so. Upon termination of the Executive's employment (whether lawful or unlawful), the Executive's rights (if any) in respect of each Incentive shall be solely determined by the applicable rules or other documents governing each Incentive and the Executive hereby irrevocably waives any other claims or rights in respect of the loss of any rights or benefits under or in respect of any Incentive granted or not yet granted to the Executive (including any loss relating to the lapse of, or the Executive's ineligibility to exercise, any share options, the value of any shares, the operation of any compulsory transfer provisions or the operation of any vesting criteria).

## 23 Garden leave

23.1 Following service of notice to terminate the Executive's employment by either party, or if the Executive purports to terminate his employment in breach of contract and/or without serving the period of notice required by Clause 2.2, the Company may in its absolute discretion place the Executive on garden leave for the whole or part of the Executive's notice period (**Garden Leave**).

23.2 During any period of Garden Leave the Company:

- (a) shall be under no obligation to provide any work to the Executive and may revoke any powers he holds on behalf of the Company or any Group Company;
- (b) may exclude the Executive from any premises of the Company or any Group Company;
- (c) may require the Executive not to contact or deal with (or attempt to contact or deal with) any officer, employee, consultant, client, customer, supplier, agent, distributor, shareholder, adviser, investor or other business contact of the Company or any Group Company;
- (d) may require the Executive to resign as a director of the Company or any Group Company;
- (e) may cease to provide the Executive with access to the Company and Group Company information systems;
- (f) may appoint another person(s) to perform the Executive's responsibilities jointly with the Executive or in the Executive's place; and/or
- (g) may require the Executive to take any accrued holiday due to the Executive.

23.3 During any period of Garden Leave the Executive:

- (a) will continue to receive Basic Salary and all contractual benefits including the incentives in Clauses 12.1 and 12.2 in the usual way and subject to the terms of any benefit arrangement;
- (b) will remain an employee of the Company and bound by the terms of this agreement (including his fiduciary duties and duties of good faith and fidelity); and
- (c) must ensure that the Board knows where the Executive will be and how the Executive can be contacted during each working day (except during any periods taken as holiday in the usual way);

23.4 The Executive agrees that he shall have no claim against the Company in respect of any action set out in this Clause 23.

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## 24 Obligations upon termination

24.1 On termination of the Executive's employment (however arising) or, if the Company so requires, at any time following the service of notice by either party or purported notice of termination by the Executive, the Executive shall:

- (a) resign immediately from any directorship held by him in or on behalf of the Company or any Group Company and from any other offices he may hold as nominee or representative of the Company or any Group Company;  
  
immediately deliver to the Company all property of the Company or any Group Company or any of its or their respective customers, clients, suppliers, investors and other business contacts (including documents, books, materials, records, correspondence, papers and information on whatever media and wherever located relating to the business or affairs of the Company or any Group Company or their respective customers, clients, investors, suppliers and other business contacts), which is in his possession or under his control and he/ shall not retain any Copies;
- (b) irretrievably delete any information relating to the business or affairs of the Company or any Group Company stored on any magnetic or optical disk or memory, including personal computer networks, personal email accounts or personal accounts on websites, and all matter derived from such sources which is in his possession or under his control;
- (c) deliver to the Company on request any computer or other device in his possession or control to allow the Company to remove all Confidential Information and any software of the Company; and
- (d) on the request of the Company, provide a signed statement that he has complied fully with his obligations under this Clause 24.1 together with such reasonable evidence of compliance as the Company may require.

24.2 The Executive hereby irrevocably appoints the Company to be his attorney to appoint any director of the Company as his attorney to execute such instrument or do any such thing and generally to use his name for the purpose of giving effect to and providing to the Company or its nominee the full benefit of Clause 24.1(a).

24.3 The obligations in Clause 24.1 shall not be affected by the fact that any document or device may include the Executive's Personal Data. It shall be the Executive's responsibility to notify the Company of any Personal Data that may exist so that the Company can make proper arrangements for its disposal.

24.4 The Executive will, on the Company's reasonable request, co-operate with and assist the Company or any Group Company in any internal investigation, administrative, regulatory, quasi-judicial proceedings or any threatened or actual litigation concerning it or them. The Company will only make such a request where the Executive has in his possession or knowledge any facts or other matters which the Company or any Group Company reasonably considers is relevant to such process or legal proceedings. This assistance may include giving statements/affidavits, meeting with the Company or any Group Company's legal and other professional advisers, attending any legal hearing and giving evidence. The Company or relevant

Group Company will pay the Executive's reasonable expenses and loss of income incurred in providing such assistance provided that the Executive notifies the Company or relevant Group Company of the amount of any expenses or anticipated loss of income in advance.

## 25 Post-termination restrictions

25.1 In order to protect the Confidential Information and business connections of the Company and each Group Company to which he has access as a result of the Appointment, the Executive covenants with the Company (for itself and as trustee and agent for each Group Company) that he shall not:

25.1.1 for 12 months after the Termination Date, solicit or endeavour to entice away from the Company or any Group Company the business or custom of a Restricted Customer with a view to providing goods or services to that Restricted Customer in competition with any Restricted Business;

25.1.2 for 12 months after the Termination Date in the course of any business concern which is in competition, or intends to compete, with the Company or any Group Company, offer to employ or engage or otherwise endeavour to entice away from the Company or any Group Company any Restricted Person who could damage the interests of the Company or any Group Company as a result of any such employment, engagement or enticement;

25.1.3 for 12 months after the Termination Date in the course of any business concern which is in competition, or which intends to compete, with any Restricted Business, employ or engage or otherwise facilitate the employment or engagement of any Restricted Person who could damage the interests of the Company or any Group Company as a result of that employment or engagement, whether or not such person would be in breach of contract as a result of such employment or engagement;

25.1.4 for six months after the Termination Date, be involved in any Capacity with any business concern which is (or intends to be) in competition with any Restricted Business;

25.1.5 for 12 months after the Termination Date, be involved with the provision of goods or services to (or otherwise have any business dealings with) any Restricted Customer or Prospective Customer in the course of any business concern which is in competition with any Restricted Business;

25.1.6 for 12 months after the Termination Date damage (or attempt to do so) any relationship between the Company or any Group Company and the Restricted Supplier; or

25.1.7 at any time after the Termination Date, represent himself as connected with the Company or any Group Company in any capacity, other than as a former employee, director or shareholder, or use any registered names or trading names associated with the Company or any Group Company.

25.1.8 at any time after the Termination Date, make any comments or statements of any nature that are derogatory to or disparaging of, or have the effect of lowering the reputation of the Company or any Group Company or any of its or their directors, officers, employees or agents; and/or take part in any conduct which may bring into disrepute the Company, any Group Company or any of its or their directors, officers, employees or agents.

25.2 None of the restrictions in Clause 25.1 shall prevent the Executive from:

25.2.1 being engaged or concerned in any business concern insofar as the Executive's duties or work shall relate solely to geographical areas where the business concern is not in competition with any Restricted Business; or

- 25.2.2 being engaged or concerned in any business concern, provided that the Executive's duties or work shall relate solely to services or activities of a kind with which the Executive was not concerned to a material extent in the 12 months before the Termination Date.
- 25.3 The restrictions imposed on the Executive by this Clause 25 apply to him acting:
- 25.3.1 directly or indirectly; and
- 25.3.2 on his own behalf or on behalf of, or in conjunction with, any firm, company or person.
- 25.4 Subject to Clause 25.12, the Executive agrees that the Board may review the Prospective Customer, Restricted Business, Restricted Customer, Restricted Person and Restricted Supplier definitions and revise, delete and amend these (to include but not be limited to adding new customers, persons and suppliers or deleting or revising named customers, persons and suppliers) from time to time.
- 25.5 The periods for which the restrictions in Clause 25 apply shall be reduced by any period that the Executive spends on Garden Leave immediately before the Termination Date.
- 25.6 If the Executive receives an offer to be involved in a business concern in any Capacity during the Appointment, or before the expiry of the last of the covenants in this Clause 25, the Executive shall give the person making the offer a copy of this Clause 25 and shall tell the Company the identity of that person as soon as possible after accepting the offer.
- 25.7 This Clause 25.7 applies if, at any time during the Executive's employment, two or more Restricted Persons have left their employment, appointment or engagement with the Company and have subsequently performed work for a Competitor. Where this clause applies, the Executive will not, at any time during the six months following the last date on which any of those Restricted Persons were employed or engaged by the Company, be employed or engaged in any way by the Competitor if the Executive would perform work for or on behalf of the Competitor that is competitive with the Restricted Business.
- 25.8 The Executive has had the opportunity to take legal advice on the restrictions in this Clause 25.
- 25.9 Each of the restrictions in this Clause 25 is intended to be separate and severable. If any of the restrictions shall be held to be void but would be valid if part of their wording were deleted, such restriction shall apply with such deletion as may be necessary to make it valid or effective.
- 25.10 If the Executive's employment is transferred to any firm, company, person or entity other than a Group Company (the "New Employer") pursuant to the Transfer of Undertakings (Protection of Employment) Regulations 2006, the Executive will, if required, enter into an agreement with the New Employer containing post-termination restrictions corresponding to those restrictions in this Clause 25, protecting the Confidential Information, trade secrets and business connections of the New Employer.
- 25.11 The Executive will, at the request and expense of the Company, enter into a separate agreement with any Group Company in which he agrees to be bound by restrictions corresponding to those restrictions in this Clause 25 (or such of those restrictions as may be appropriate) in relation to that Group Company.

- 25.12 No variation of this Clause 25 will be effective unless it is in writing and signed by the parties.
- 25.13 The Executive covenants with the Company (for itself and as trustee and agent for each Group Company) that he shall not for 12 months after the Termination Date:
- 25.13.1 interfere or take such steps as may be likely to interfere with the continuance of investment or funding to the Company (or the terms relating to such investment or funding) from any Investor or Lender; or
- 25.13.2 seek to damage the relationship between any Investor or Lender and the Company.

## 26 Disciplinary and grievance procedures

26.1 The Executive is subject to the disciplinary and grievance procedures of the Company, copies of which are available on the Company's intranet. These procedures do not form part of this agreement or the terms and conditions of the Executive's employment.

26.2 The Executive should refer:

- (a) any appeal the Executive wishes to make against a disciplinary sanction/decision to a member of the Board (or such other person as the Company may specify from time to time); or
- (b) any grievance the Executive wishes to raise to a member of the Board (or such other person as the Company may specify from time to time),

in accordance with the Company's disciplinary and grievance procedures.

26.3 The Company may suspend the Executive from any or all of his duties during any period in which the Company is investigating any disciplinary matter involving the Executive or until the conclusion of any disciplinary procedure (including any appeal). During any period of suspension:

- (a) subject to Clause 12.5, the Executive will continue to receive Basic Salary and all contractual benefits in the usual way;
- (b) the Company may suspend the Executive's access to the Company's and Group's systems and internal communications;
- (c) the Company may require the Executive to return temporarily any Company or Group IT equipment and communication devices (including any smartphones, tablets, laptops and hard drives);
- (d) the Executive shall remain an employee of the Company and bound by the terms of this agreement;
- (e) the Executive shall ensure that the Company knows where he will be and how he can be contacted during each working day (except during any periods taken as holiday in the usual way);

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- (f) the Company may exclude the Executive from his place of work or any other premises of the Company or any Group Company; and

- (g) the Company may require the Executive not to contact or deal with (or attempt to contact or deal with) any officer, employee, consultant, client, customer, supplier, agent, distributor, shareholder, adviser or other business contact of the Company or any Group Company.

## 27 Change of Control

27.1 In the event that there is a Change of Control of the Company or the Cash Shell Company (other than as part of the Listing, the fundraising on or around the date of Listing or an internal re-organisation) and, within 365 days of the Change of Control, the Appointment is terminated by the Company (other than where the Company is entitled to terminate the Appointment without notice or payment in lieu of notice in accordance with Clause 22.1) the Company shall, within one month of the date of the Termination Date, pay or provide the Prescribed Sum to him as provided by this Clause.

27.2 The **Prescribed Sum** shall be an amount equal to one year's Basic Salary in accordance with Clause 9.1 as adjusted in accordance with Clause 27.3.



- 27.3 If the Company or the Cash Shell Company (as the case may be) terminates the Appointment by giving a period of notice whether under Clause 2.2 or otherwise, or terminates the Appointment under Clause 21, the Prescribed Sum shall be reduced pro rata by the number of complete months of service for which the Executive remains employed following notice being given to him or shall be reduced by the amount paid to the Executive under Clause 21.
- 27.4 The payment or provision of the Prescribed Sum shall be conditional upon and in consideration of:
- (a) the Executive having complied with Clause 24; and
  - (b) the Executive having complied with and continuing to comply with his obligations relating to confidentiality and intellectual property in Clauses 19 and 20 respectively.
- 27.5 For the avoidance of doubt, the payment or provision of the Prescribed Sum shall not affect the Executive's entitlement as at the Termination Date to any of the following:
- (a) any accrued but unpaid Basic Salary;
  - (b) any payment in lieu of accrued but unused holiday; or
  - (c) the reimbursement of his expenses, provided that all claims for reimbursement are submitted within four weeks of the Termination Date.
- 27.6 To the extent that the Prescribed Sum is damages (which is not admitted), the parties agree that the terms of this Clause 27 represent a genuine pre-estimate of the loss to the Executive that would arise on termination of the Appointment in the circumstances described and does not constitute a penalty.

## 28 Guarantee

- 28.1 The Guarantor guarantees to the Executive that, if the Company does not comply with its obligations to pay any amount due to the Executive under this agreement (**Guaranteed Amounts**), the Guarantor shall pay on demand the Guaranteed Amounts to the Executive.
- 28.2 The Guarantor as principal obligor and as a separate and independent obligation and liability from its obligations under Clause 28.1 agrees to indemnify and keep indemnified the Executive in full and on demand from and against all and any losses, costs and expenses suffered or incurred by the Executive arising out of, or in connection with, any failure of the Company to pay the Guaranteed Amounts except where the Company's failure to pay the Guaranteed Amounts results from the Executive's failure to comply with his obligations under this agreement.
- 28.3 The liability of the Guarantor under this Clause shall not be reduced, discharged or otherwise adversely affected by any act, omission, matter or thing which would not have discharged or affected the liability of the Guarantor had it been a principal obligor instead of a guarantor.
- 28.4 All sums payable by the Guarantor under this agreement shall be paid in full to the Executive in the currency in which the Guaranteed Amounts are payable, free and clear of any deductions or withholdings of any kind, except for those as required under the terms of this agreement or by any law binding on the Guarantor.
- 28.5 The Guarantor represents and warrants to the Executive that it has all requisite power and authority, and has taken all necessary action, to enable it to enter into, deliver and perform its obligations under this agreement.

## 29 Data protection



29.1 The Company will collect and process Personal Data in accordance with the data privacy notice which is annexed to this agreement and which is also available on the Company intranet. The Executive shall sign and date the privacy notice and return it to the Company within five working days of the date of this agreement.

29.2 The Executive shall comply with the Policies and Procedures in relation to privacy and data protection when handling personal data in the course of employment including personal data relating to any employee, worker, contractor, customer, client, supplier, agent or other contact of the Company or any Group Company.

### **30 Collective agreements**

There is no collective agreement applicable to the Company or to the Executive's employment with the Company.

### **31 Notices**

31.1 A notice given to a party under this agreement shall be in writing in the English language and signed by or on behalf of the party giving it. It shall be delivered by hand or sent to the party at the address given in this agreement or as otherwise notified in writing to the other party.

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31.2 Any such notice shall be deemed to have been received:

- (a) if delivered by hand, at the time the notice is left at the address or given to the addressee;
- (b) in the case of pre-paid first class UK post or other next working day delivery service, at 9.00 a.m. on the second business day after posting or at the time recorded by the delivery service;
- (c) in the case of email, at the time of transmission.

31.3 A notice shall have effect from the earlier of its actual or deemed receipt by the addressee. For the purpose of calculating deemed receipt:

- (a) all references to time are to local time in the place of deemed receipt; and
- (b) if deemed receipt would occur on a Saturday or Sunday or a public holiday when banks are not open for business, deemed receipt is at 9.00 a.m. on the next business day.

31.4 This Clause does not apply to the service of any proceedings or other documents in any legal action.

### **32 General**

32.1 No variation of this agreement shall be effective unless it is in writing and signed by the parties (or their authorised representatives).

### **33 Entire agreement**

This agreement contains the entire and only agreement between the parties, and both parties acknowledge that, on entering into this agreement, they have not relied on any written or oral representation or undertaking other than as expressly stated in this agreement, and that this agreement supersedes any previous contract or arrangement between the parties.

### **34 Counterparts**

This agreement may be executed in any number of counterparts, each of which, when executed, shall be an original, and all the counterparts together shall constitute one and the same instrument.

**35 Third party rights**

Except as expressly provided elsewhere in this agreement, no person other than the Executive and the Company or any Group Company shall have any rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this agreement.

**36 Governing law**

This agreement and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by and construed in accordance with the law of England and Wales.

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**37 Jurisdiction**

Each party irrevocably agrees that the courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with this agreement or its subject matter or formation (including non-contractual disputes or claims).

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EXECUTED as a DEED by **Tejinder Virk**

/s/ ILLEGIBLE

at

on 2021 2 June 2021

before the following witness:

Witness Signature:

/s/ Mouhssine Sebbar

Full name:

MOUHSSINE SEBBAR

Address:

245 West Hampstead

NW6 1XN

EXECUTED as a DEED for and on behalf of **Canmart Ltd**

/s/ ILLEGIBLE

at

Director/Authorised Signatory

on 2021 2 June 2021

before the following witness:

Witness Signature:

/s/ Mouhssine Sebbar

Full name:

MOUHSSINE SEBBAR

Address:

245 West Hampstead

NW6 1XN

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EXECUTED as a DEED for and on behalf of **Halo Labs Inc**

/s/ ILLEGIBLE

at Director/Authorised Signatory

on 2021 2 June 2021

before the following witness:

Witness Signature:

/s/ Mouhssine Sebbar

Full name:

MOUHSSINE SEBBAR

Address:

245 West Hampstead

NW6 1XN

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## Schedule 1

### Executive Equity Rights

- **Board seat for so long as the Executive is appointed as the Chief Executive of the Company**
- **Up to 5% of the options available for grant pursuant to a share option pool to be created which constitutes, in aggregate, 15% of the fully diluted share capital of the Company (i.e. up to 0.75% of the aggregate fully diluted**

equity), subject always to approval by a remuneration or compensation committee to be established by the Company

- **Market standard pre-emption rights on a new issuance of shares for cash in the Company except where such rights are not held by another minority shareholder of the Company with an equivalent percentage shareholding to the Executive or greater**
- **Tag rights (on a fully diluted basis) except where such rights are not held by another minority shareholder of the Company with an equivalent percentage shareholding to the Executive or greater**
- **Prior to a Listing, a right of consent in respect of the following matters:**
  - **passing any resolution or presenting any petition for the Company's winding up or administration (unless the Company is insolvent)**
  - **proposing any amendment to the Articles of Association of the Company that would prejudice the rights of the shares held by the Executive, other than with respect to administrative matters or approved by the Board (acting reasonably) in contemplation of a Listing**
  - **reducing the capital of the Company or undertaking a purchase by the Company of any of its own shares**
  - **changing the Company's accounting reference date or accounting standards falling outside of either UK GAAP, IAS or IFRS**
  - **transferring the whole or any material part of the assets or undertaking of the Company**
- **Information rights, on and subject to the same terms as agreed with other shareholders of the Company with an equivalent percentage shareholding to the Executive**

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## **Schedule 2**

### **Outside Interests**

Windy Apple Ventures Limited – Board Advisor, soon to be Non-Executive Director

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**CONTRACT OF EMPLOYMENT**

Between

**NewCo**

("Employer" or "Company" or "NewCo")

and

**Dr. Aslihan Akkar-Schenkl**

("Employee")

**§ 1 Commencement of the Employment Relationship**

The employment relationship begins effectively as of October 1, 2021, subject to the condition precedent that NewCo is established and that the termination of any employment agreement with the former employer is effective, and is made for an indefinite period of time. In the event that the condition precedent is not met by October 1, 2021, the employment contract begins effectively as of the date of the occurrence of the conditions precedent. The Employee and the Employer shall cooperate and work diligently to ensure the establishment of NewCo.

**§ 2 Place of Work**

Place of work is Munich,- Germany.

**§ 3 Activities**

3.1

The Employee shall be employed as Managing Director, Europe. The Employee's business title will be President, Akanda Corp. A brief description of the Employees duties are set out in Annexure 1 to this Agreement.

3.2

Notwithstanding the above, the Employer is entitled, if necessary, to assign other equivalent tasks to the Employee which correspond to her educational background and abilities. This reservation also applies to a transfer to another work place. In each case of assignment or transfer, the interests of both parties must be taken into consideration appropriately.

3.3

The Employee acknowledges that it is a requirement of the position that the Employee may be requested by the Employer to travel regularly to work with other members of the Employer's management team and advisors, including without limitation, travel to Toronto, Ontario, Maseru, Kingdom of Lesotho,, London, United Kingdom, Johannesburg, South Africa and other locations where the Employer or its related companies may operate from time to time. When undertaking business class travel on behalf of the Employer, the Employee may book business class travel for flights and first class rail travel, where such class of travel is available.

**§ 4 Working Time**

4.1

The Employee's regular weekly working time without breaks currently amounts to 40 hours.

4.2

The beginning and the end of the daily working time and breaks shall be determined by the Employer.

#### 4.3

The Employee undertakes to work overtime as well as on Sundays and public holidays to the extent permissible by law (currently regulated by the German Working Hours Act).

### **§ 5 Remuneration**

#### 5.1

As remuneration for her work, the Employee shall receive an annual gross salary of

**EUR 154,000.00**

(in words: One Hundred Fifty Four Thousand Euros),

which shall be paid in 12 equal instalments of **EUR 12,833.33 gross** each.

In addition, a fixed annual bonus of EUR 46,000.00 will be paid. The bonus payout takes place every twelve months in January of each year, with each 12 month measurement period commencing on 1 January and ending on 31 December of each year. Should the Employee have completed less than 12 months of service prior to the first 12 month period ending 31 December, then the fixed annual bonus shall be pro-rated in accordance with the duration of service in that 12 month measurement period.

#### 5.2

Remuneration shall be due on the last calendar day of each month and transferred in cash to a German account to be named by the Employee by no later than the 5th calendar day of the following month.

#### 5.3

Salary claims shall neither be pledged nor assigned. In case of attachment of salary, the company is entitled to deduct the specific processing fee.

#### 5.4

Other employees or third parties shall not be given knowledge of the amount and composition of the remuneration by the Employee. However, the Employee acknowledges that the Employer's affiliated company is a listed issuer and details of her compensation, including any equity-based compensation provided in connection with this Agreement or under any other arrangement with the Employer or its affiliated companies, will be required to be disclosed under applicable securities laws.

#### 5.5

Until such time that NewCo is formed and properly registered with German authorities in such a manner to facilitate the processing and payment of remuneration in accordance with applicable regulations and tax requirements, the Employee shall prepare and submit a tax invoice; which shall include all basic remuneration due to the Employee as well as any applicable statutory social security and retirement funding deductions, to the Employer (or it's designated nominee) by no later than the 25<sup>th</sup> of each month.

#### 5.6

For the duration of this contract, the Employer shall grant the Employee a subsidy for health insurance in the amount of the employer's contribution as it would have been if the Employee had been obliged to take out health insurance, but not exceeding half of the amount which the Employee has to spend on her health insurance.

### **§ 6 Inability to attend work**

#### 6.1

The Employer shall, without undue delay, be notified of any inability of the Employee to attend work, indicating the reason and the anticipated duration. The same applies if the duration of the inability to attend work is extended.

#### 6.2

Any incapacity for work due to sickness shall be immediately, however, no later than by the beginning of work on the relevant working day, be reported to the superior, indicating the reason and anticipated duration. In case that the incapacity for work exceeds three calendar days, the Employee shall furthermore submit a medical certificate on the inability to work and its anticipated duration before the end of the third calendar day. These obligations to notify and submit a certificate will also apply after the end of any continued payment of remuneration during illness.

#### 6.3

The Employer is entitled at any time to request earlier submission of the medical certificate.

#### 6.4

If the incapacity for work exceeds the period indicated in the certificate, notwithstanding the duration of incapacity for work and also after the period of sick pay, the Employee shall immediately notify the Employer of the continued incapacity for work and submit a new medical certificate, or the payment slip from the health insurance company.

#### 6.5

In the event of a temporary prevention of the Employee's activities due to illness, incapacity or other circumstances for which she is not responsible, the Employee shall be entitled to the difference between net remuneration and payments from his statutory and/or private health insurance for a period of three months.

#### 6.6

The Employee subrogates herewith all claims for compensation to the Employer in the amount of the abovementioned payments to which the Employee is entitled as a result of the third-party event that caused the work inability.

#### 6.7

If the Employee dies during the term of the employment contract, her dependants are jointly entitled to continued payment of her fixed salary for the month of death and the two following months. The dependants shall agree among themselves what percentage of the Employee's monthly salary they are entitled to. If the Employer is not notified by all the dependants in agreement to whose attention the maximum of three months' salary is to be paid for the benefit of all the dependants, the Employer shall be entitled to deposit the payments with the depository of the competent local court or to pay them into the escrow account of a lawyer or a notary public with discharging effect.

### § 7 Insurances

#### 7.1

The Employee is entitled to take out a D&O insurance policy for herself in Germany with a current insured sum of EUR 5.000.000,- (Five Million Euro) per claim and year. She will pay the insurance premiums initially herself and then invoices them to the Employer. The Employer safeguards that the amount of the insured sum is checked at regular intervals to ensure that it is appropriate. The D&O insurance also covers all claims against the Employee after she has left the company, as long as these claims have not yet become time-barred. The insurance shall also cover or become part of an insurance encompassing any activity of the Employee as a member of a governing body of affiliated companies outside of Germany.

#### 7.2

The Employer shall take out legal expenses insurance for the Employee, which shall include at least criminal law protection, as well as legal protection against financial loss and legal protection for the employment contract. The policyholder is the Employee. The insurance obligation ends when the Employee leaves the company.

#### 7.3

The Employer shall insure the Employee against accidents within the usual scope, but at least in the amount of € 250,000.00 in case of disability and € 150,000.00 in case of accidental death. The persons entitled to benefit from the insurance in the event of disability are the Employee, in the event of death the persons named by her, in the absence of such a provision or if the named persons are deceased, the heirs of the Employee. Coverage is provided for accidents of any kind, regardless of whether they are work-related or private. The insurance shall expire on the date of termination of this contract.

## **§ 8 Liability and Discharge of the Employee**

### **8.1**

The Employee shall be liable to the Employer only for compensation for such damage as is caused by gross negligence or willful misconduct. Article 43, section 3, sentence 3 GmbHG remains unaffected.

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### **8.2**

In the event of a breach of such duties which are imposed on the Employee for the protection of the company's creditors, the limitation of liability pursuant to subsection 1 shall cease to apply upon the opening of the company's insolvency proceedings or their rejection for lack of assets.

### **8.3**

All claims of the Employer against the Employee shall become statute-barred after two years, unless the breach of duty of the Employee consists in the fact that she participated in the disbursement of tied capital of the GmbH to shareholders contrary to section 43, subsection 3 GmbHG. The limitation of liability due to intent remains unaffected.

### **8.4**

Deviating from the distribution of the burden of proof according to the case law of the Federal Court of Justice (BGH), the Employer bears the full burden of presentation and proof for all preconditions for a claim, following general principles.

### **8.5**

The Employee has a claim against the Employer for discharge. If the discharge is refused, the Employee shall be informed of the reasons for this refusal in writing by the general meeting.

## **§ 9 Term and Termination**

### **9.1**

The first 6 (six) months of the employment agreement shall be agreed as probationary period, at most for the duration of this six months, the employment relationship may be terminated with a notice period of 2 (two) weeks.

### **9.2**

After the probationary period, the employment relationship may be terminated by either party with three months' notice to the end of the quarter.

### **9.3**

The right to termination without notice for a compelling reason shall remain unaffected (Sec. 626 BGB (German Civil Code)).

### **9.4**

Any notice of termination requires the written form.

### **9.5**

The Employer may release the Employee from the duty to work if there is a factual ground (including, without limitation, notice of termination by the Employee or the Employer, shortage of orders, misconduct by the Employee, a risk of the Employee to join a competitor company). Remaining days of vacation are set off against an irrevocably determined release period. After such set-off, the remuneration that remains to be payable to the Employee is subject to deduction of what the Employee saves by not performing the employment hereunder or what the Employee acquires by using her services for other purposes or what the Employee maliciously fails to acquire.

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## 9.6

The employment relationship shall end without requiring notice of termination when the Employee reaches the regular retirement age for old-age pension. It terminates before that date upon expiry of the month in which the Employee begins receiving a statutory pension provider determines that the Employee is entitled to a pension based on complete inability to engage in gainful activities, then the employment terminates upon the expiry of the day prior to the commencement of the pension payments. If the pension based on complete inability to engage in gainful activities will be accorded only for a temporary period, the employment will suspend as of the expiry of the day preceding the commencement of the pension payments until expiry of the day until which the temporary pension is authorized, but no later than until expiry of the day in which the employment terminates.

## § 10 Reimbursement of Travelling Costs

The Employer shall reimburse the Employee for documented travel expenses that the Employee incurs in the context of performing her duties, at least up to the amount of the German tax law guidelines as amended from time to time or in accordance with the internal guidelines and policies of the Employer, as amended by the Employer from time to time.

## § 11 Holiday

### 11.1

The Employee is entitled to annual recreational leave of 30 working days per calendar year based on 5 working days per calendar week (the statutory vacation entitlement comprises 20 days per calendar year, the additional voluntary vacation comprises 10 vacation days per calendar year). Employee taken vacation days are primarily deducted from the statutory vacation days. Once all statutory vacation days have been taken, vacation days are deducted from the voluntarily granted vacation days.

The vacation entitlement will be adapted accordingly if the Employee regularly works more or less than five days per week.

### 11.2

Vacation shall be taken in agreement with the superior and, as far as possible, on consecutive days. The entire vacation must be taken in the current calendar year. Vacation can only be carried forward to the next calendar year if justified by urgent operational reasons or personal reasons of the employee. Vacation entitlements so carried forward shall expire if not taken within the first three months of the following year (carry-forward period). If the Employee is unable to take the carried forward vacation during the carry-forward period due to incapacity for work due to sickness, the vacation entitlements shall continue to exist, however, only up to the amount of the statutory vacation entitlement (including additional vacation for severely disabled persons). In such case, the statutory vacation entitlement shall expire 15 months after the end of the calendar year, in which the vacation entitlement arose, at the latest.

### 11.3

The Employer always grants the statutory minimum vacation first (and, if applicable, statutory additional vacation, such as under the laws regarding severely disabled persons). If the employment relationship is terminated, any compensation for vacation shall only be paid up to the amount of the statutory minimum vacation.

## § 12 Side-Line Employment

### 12.1

The Employee may not take up any paid or unpaid secondary activity unless the Employee prior notifies the secondary activity in text form. The Employer shall give its approval, if so required, if and as far as the intended secondary activity is not in conflict with the timing of the Employee's duties hereunder and does not affect any other legitimate interests of the Employer. The Company shall be notified in text-form prior to the beginning of any additional occupation.

### 12.2

Any lectures and publications of the Employee, insofar as they concern her scope of duties or the company's general area of interests, require the management's consent.

## § 13 Confidentiality, Return of Property,

#### 13.1

The Employee agrees to keep confidential all trade and business secrets ("Secrets"). Furthermore, the Employee agrees to keep confidential all business matters that a superior has designated as confidential or that are obviously of a confidential nature ("Confidential Matters").

#### 13.2

The duty of confidentiality also applies to employees of the Employer as far as they are not entitled to learn about the Secret or Confidential Matters by reason of their position.

#### 13.3

The duty of confidentiality also applies to Secrets and Confidential Matters of other companies of the group. The same applies to Secrets and Confidential Matters of companies that are economically or organizationally associated with the Employer.

#### 13.4

The Employee's duty of confidentiality survives the termination of this Employment Agreement. As far as the post-contractual duty of confidentiality hinders the occupational advancement of the Employee inadequately, she is entitled to be released from this duty by the Employer.

#### 13.5

The betrayal of trade and business secrets is a criminal offence and can be punished with imprisonment of up to three years or by payment of a fine. Furthermore, the infringement of the duty to confidentiality can justify the termination of the employment and / or claims for damages of the Employer.

#### 13.6

Any kind of business items and business records, including personal notes and (electronically) copies respectively concerning business affairs and activities must only be used for business purposes. There are to be carefully retained and handed over at any time to the Employer at its request and upon the termination of the employment in the absence of such request. The Employee has no rights of retention.

### § 14 Inventions Assignment

#### 14.1

The Employee transfers to the Employer the exclusive, perpetual, worldwide and unlimited right of use and exploitation of all results produced by the Employee during the term of this Employment Agreement whether on or off duty as long as such results are associated with the Employee's contractual duties and capable of being protected by intellectual property law, design patent law, utility patent law, trademark law or other law.

#### 14.2

The Employee's transfer of rights under section 12.1 above includes, without limitation, permission of adaptation and licensing.

#### 14.3

The Employee waives all other rights arising to the Employee as creator of or other holder of proprietary rights to work results, in particular the right of having the Employee named as the author of a work result, the right of adaptation and the right of making a work accessible to the public.

#### 14.4

The Employee's grant and waiver of rights under this section 12.1 is fully settled by the remuneration payable in accordance with this employment agreement.

#### 14.5

The German Employee Inventions Act and Section 69b German Copyright Act remain unaffected.

## **§ 15 Collecting, Processing and Use of Personal Data**

### **15.1**

The Employer is authorized to collect process and use her personal data of the Employee for the purpose of establishing, implementing and terminating the employment relationship.

### **15.2**

The Employer is authorized to the transfer the Employee's personal data by the Employer to third parties, for purposes in the framework of this employment relationship and in accordance with applicable laws.

### **15.3**

Other statutory rights of the Employer for the collecting, processing and use of personal data shall remain unaffected.

## **§ 16 IT Clause, Forbidden private use of Internet**

### **16.1**

The parties undertake to strictly adhere to the provisions of the copyright law.

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### **16.2**

The Employer informs the Employee of the following:

To comply with the requirements under data protection law it is necessary that the connection data to the internet be recorded and controlled. This also extends to the private use of the internet connection, i.e. also to privately received e-mails.

In this context, it is explicitly pointed out to the Employee that, for the purpose of data protection and security, spam filters and virus scanners are or may be used.

It can therefore not be ruled out that such filter mechanisms sort out e-mails (also of a private nature) even though they neither classify as spam nor contain viruses. The Employee also gives its consent hereto.

**This is expressly not an authorization to use the internet and business email account privately; private use is forbidden.**

## **§ 17 Non-Competition, Non-Solicitation**

### **17.1**

During the term of this Employment Agreement, the Employee is prohibited from working on a self-employed or employed basis or otherwise for any business that is in direct or indirect competition with the Employer. Likewise, during the term of this Employment Agreement, the Employee is prohibited from forming, acquiring or directly or indirectly participating in such companies. The Employee may hold any shares or other securities of any competitor that is listed on any securities exchange or recognized securities market anywhere to the extent that she does not hold more than 1 of the share capital.

### **17.2**

During the term of her employment relationship and following the end of this employment relationship, the Employee may not, whether in person or through others, whether directly or indirectly, — for the benefit of another employer — poach staff from the Employer. She may also not cause any staff of the Employer to terminate their employment contracts with the Employer.

## **§ 18 Forfeiture of Claims**

### **18.1**

Forfeiture clauses are not applicable to claims based on the Minimum Wage Act. The respective statutory limitations periods will apply instead.

Accordingly, forfeiture clauses do not apply to liability caused by premeditation or gross negligence. The before said applies accordingly to all claims which cannot be subject to forfeiture clauses.

18.2

All other claims that result from or in connection with the Agreement should be claimed in text form by the contractors within 3 months after the claim has emerged and the claimant has known about the claim circumstances or should have known about them without gross negligence. Otherwise, the claim will expire.

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## **§ 19 Certificate of good conduct**

The Employee is obliged to present to the Employer a current certificate of good conduct (not older than 3 months) no later than at the beginning of the contractual commencement date.

## **§ 20 Policy**

The Employee is obliged to act in compliance with all policies of the Employer and / or of the affiliated entities with the Employer and / or of the mother company of the Employer that may be applicable to her employment agreement.

## **§ 21 Miscellaneous**

21.1

Amendments and/or supplements to this Agreement as well as collateral agreements require the written form in order to be effective. This shall also apply to the cancellation of this written form requirement. This shall not apply to amendments due to verbal individual agreements.

21.2

If individual current or future provisions of this Agreement are or become ineffective, entirely or in part, the remaining provisions shall remain unaffected. In such case, the parties shall replace the ineffective provision with a new provision that comes as close as possible to the economic intent of the ineffective provision.

21.3

If any claims are commenced by third parties against the Employee arising out of non-compete or other agreements that would preclude him from carrying out her obligations under this Agreement, the Employee shall be solely liable to such third parties, and shall pay her own costs and expenses in relation to such claims, provided that the Employee shall have no liability to the Employer for damages or other losses resulting from such claims by third parties.

21.4

This Agreement is made in English language only and the Employee expressly acknowledges and confirms it understand all provisions.

21.5

This Agreement shall be governed by the laws of the Federal Republic of Germany. Any disputes under or in connection with this Agreement (including those regarding its validity) shall be exclusively settled in the labour courts. The labour court in Munich shall have first instance jurisdiction.

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SIGNATURES

September 28, 2021, Johannesburg

Date, Place

NewCo

Employer

September 23, 2021, Munich

Date, Place

/s/ Aslihan Akkar-Schenkl

Employee / Dr. Aslihan Akkar-Schenkl

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Annexure 1

JOB OVERVIEW	
COMPANY	NewCo TBD
JOB TITLE	President, Akanda Corp.
GENERAL DESCRIPTION	<p>The Employee shall serve as, and the hold the title of, President: Akanda Corp.</p> <p><i>The position of President: Akanda Corp. is a senior executive position and the Employee shall fulfil a variety of duties commensurate with that role, and as shall be determined by the Chief Executive Officer from time-to-time.</i></p>
JOB LOCATION	Munich, Germany
EMPLOYEE	Dr. Aslihan Akkar-Schenkl
REPORTS TO	The Group Chief Executive Officer - Tejinder Virk
EMPLOYMENT TYPE	Full time
RESPONSIBILITIES	<ul style="list-style-type: none"><li>Ensuring that Lesotho medical cannabis products are compliant and EU GMP quality standards (or equivalent depending on jurisdiction), either through direct company efforts or via third party processing, for commercial sale in all possible international markets.</li><li>Working with the Lesotho government to create a framework for medical cannabis product registrations domestically and associated dispensation.</li><li>Leading implementation of Global Compliance Management at corporate level including all sites.</li><li>Lead and implementation of Corporate Quality Management as well as responsible for ground operations in Quality Assurance at all sites, which includes arranging internal and external audits by relevant government authorities/representatives</li><li>Attend to the incorporation of Akanda Deutschland GmbH (including company formation and registration, opening of bank accounts and other matters necessary for the formation of a new company in Germany), and be appointed Managing Director and hold related responsibility at operational, financial and strategic levels.</li><li>Oversee Akanda Deutschland GmbH hiring of local staff and consultants; the positioning of Akanda's brands and establishing medical programmes with the clinics.</li></ul>

	<ul style="list-style-type: none"><li>• Develop and manage Akanda Deutschland GmbH occasional public communications and media engagements, in coordination with global communications strategy.</li><li>• Serve as a member of the Akanda group's strategic management committee overseeing global mergers and acquisitions, new Global Product development and geographic expansion, spanning all business lines including pharmaceutical, medical and wellness such as Consumer Healthcare; for example - pharmaceutical cannabis lines, medical cannabis, Cosmeceuticals with Cannabinoids.</li><li>• Oversight of any scientific, research and development activities, as well as intellectual property portfolio establishment and management for market exclusivity in strategic relevant markets activities at the company.</li><li>• Global supply chain oversight.</li><li>• Serve as the head of global medical and pharmaceutical operations.</li><li>• Serve as the head of Legal &amp; Regulatory affairs.</li><li>• Bridge external and internal Legal affairs with the CEO and the Board of Directors.</li></ul>
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## INDEMNITY AGREEMENT

**DATED** effective as of the                      day of August, 2021.

**BETWEEN:**

**Akanda Corp.** a corporation incorporated under the *Business Corporations Act* (Ontario) (hereinafter called the "**Corporation**")

– and –

**[•]**  
(hereinafter called the "**Indemnified Party**")

**WHEREAS** Section 136(1) of the *Business Corporations Act* (Ontario) (the "**Act**"), under which the Corporation is continued, provides that a corporation may indemnify a director or officer of the corporation, a former director or officer of the corporation or another individual who acts or acted at the corporation's request as a director or officer, or an individual acting in a similar capacity, of another entity, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by the individual in respect of any civil, criminal, administrative, investigative or other proceeding in which the individual is involved because of that association with the corporation or other entity.

**AND WHEREAS** in addition, Section 136(2) of the Act provides that a corporation may advance money to a director, officer or other individual for the costs, charges and expenses of a proceeding referred to in subsection (1), but the individual shall repay the money if the individual does not fulfil the conditions set out in subsection (3).

**AND WHEREAS** in addition, Section 136(3) of the Act provides that a corporation shall not indemnify an individual under subsection (1) unless the individual acted honestly and in good faith with a view to the best interests of the corporation or, as the case may be, to the best interests of the other entity for which the individual acted as a director or officer or in a similar capacity at the corporation's request.

**AND WHEREAS** in addition, Section 136(4) of the Act provides that in addition to the conditions set out in subsection (3), if the matter is a criminal or administrative action or proceeding that is enforced by a monetary penalty, the corporation shall not indemnify an individual under subsection (1) unless the individual had reasonable grounds for believing that the individual's conduct was lawful.

**AND WHEREAS** in addition, Section 136(4.1) of the Act provides that a corporation may, with the approval of a court, indemnify an individual referred to in subsection (1), or advance moneys under subsection (2), in respect of an action by or on behalf of the corporation or other entity to obtain a judgment in its favour, to which the individual is made a party because of the individual's association with the corporation or other entity as described in subsection (1), against all costs, charges and expenses reasonably incurred by the individual in connection with such action, if the individual fulfils the conditions set out in subsection (3).

**AND WHEREAS** in addition, Section 136(4.2) of the Act provides despite subsection (1), an individual referred to in that subsection is entitled to indemnity from the corporation in respect of all costs, charges and expenses reasonably incurred by the individual in connection with the defence of any civil, criminal, administrative, investigative or other proceeding to which the individual is subject because of the individual's association with the corporation or other entity as described in subsection (1), if the individual seeking an indemnity, (a) was not judged by a court or other competent authority to have committed any fault or omitted to do anything that the individual ought to have done; and (b) fulfils the conditions set out in subsections (3) and (4).

**AND WHEREAS** in addition, Section 136(4.3) of the Act empowers a corporation to purchase and maintain insurance for the benefit of any such persons referred to in subsection 124(1) of the Act against any liability incurred by him (a) in his capacity as a director

or officer of the corporation; or (b) in his capacity as a director or officer of another body corporate when he acts or acted in that capacity at the corporation's request.

**AND WHEREAS** the Corporation desires to have the Indemnified Party serve or continue to serve as a director or officer of the Corporation, or as a director or officer of any subsidiary or affiliate of the Corporation or any entity of which the Corporation is or was a shareholder or creditor (each an "**Affiliate**") of which he has been or is serving, or will serve at the request of the Corporation, free from undue concern for unpredictable, inappropriate or unreasonable claims for damages by reason of his being, or having been, a director or officer of the Corporation or a director or officer of an Affiliate or by reason of his decisions or actions on their behalf.

**AND WHEREAS** the Indemnified Party is willing to serve, or to continue to serve, or to take on additional service for, the Corporation or the Affiliates in such aforesaid capacities on the condition that he be indemnified as provided for herein.

**NOW THEREFORE, IN CONSIDERATION OF** the premises and mutual covenants herein contained, and in consideration of the sum of One (\$1.00) Dollar paid by the Indemnified Party to the Corporation (the receipt of which is hereby acknowledged) and the Indemnified Party acting and/or agreeing to continue to act as a director and/or officer of the Corporation or as a director and/or officer of an Affiliate, the Corporation and the Indemnified Party do hereby covenant and agree as follows:

## **1. Agreement to Serve**

The Indemnified Party agrees to serve or continue to serve as a director or officer of the Corporation or as a director or officer of an Affiliate (in the case of an officer of the Corporation or Affiliate officer, at the will of the Corporation or Affiliate, as applicable, or under a separate contract, if any such contract exists or shall hereafter exist), honestly and in good faith with a view to the best interests of the Corporation or an Affiliate so long as he is duly elected and qualified in accordance with the provisions of the Act, the by-laws or any other governing documents of the Corporation or Affiliate, as applicable, provided, however, that (i) the Indemnified Party may at any time and for any reason resign from such position (subject to any contractual obligations which the Indemnified Party shall have assumed apart from this Agreement), and (ii) neither the Corporation nor any Affiliate shall have any obligation under this Agreement to continue the Indemnified Party in any such position.

## **2. Indemnification**

- To the full extent allowed by law, the Corporation agrees to indemnify and save harmless the Indemnified Party, his estate, executors, administrators, legal representatives and lawful heirs, from and against any and all costs, charges or expenses (including, but not limited to, an amount paid to settle any action or to satisfy any judgment, legal fees on a solicitor and client basis, other professional fees, out-of-pocket expenses for attending proceedings including discoveries, trials, hearings and meetings, and any amount for which he is liable by reason of any statutory provision
- (a) whether civil, criminal or otherwise) (collectively, hereinafter referred to as "**Costs, Charges and Expenses**"), suffered or incurred by the Indemnified Party, his estate, executors, administrators, legal representatives and lawful heirs, directly or indirectly, as a result or by reason of the Indemnified Party being or having been a director or officer of the Corporation or Affiliate or by reason of any action taken by the Indemnified Party in his capacity as a director or officer of the Corporation or Affiliate, provided that such costs, charges or expenses were not suffered or incurred as a result of the Indemnified Party's own fraud, dishonesty, wilful neglect or wilful default.
- (b) In addition to and without limitation of Section 2(a) of this Agreement, the Corporation agrees:

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- (i) except in respect of an action by or on behalf of the Corporation or an Affiliate to procure a judgment in its favour, to indemnify the Indemnified Party, his estate, executors, administrators, legal representatives and lawful heirs, from and against all Costs, Charges and Expenses reasonably incurred by him in respect of any civil, criminal or administrative action or proceeding to which he is made a party (including actions, proceedings, investigations, inquiries or hearings in which the Indemnified Party is compelled by the authorities or requested by the Corporation or Affiliate to participate, whether or not charges have been laid against the Corporation, Affiliate or Indemnified Party), by reason of being or having been a director or officer of the Corporation or Affiliate, if:



- (A) he acted honestly and in good faith with a view to the best interests of the Corporation or the Affiliate, as the case may be; and
  - (B) in the case of a criminal or administrative action, proceeding, investigation, inquiry or hearing that is enforced by monetary penalty, he had reasonable grounds for believing that his conduct was lawful;
- to indemnify the Indemnified Party and his estate, executors, administrators, legal representatives and lawful heirs from and against all Costs, Charges and Expenses of any action by or on behalf of the Corporation or Affiliate to procure a judgment in its favour, to which he is made a party by reason of being or having been a director or officer of the Corporation or Affiliate, if the Indemnified Party has fulfilled the conditions set forth in Subsections 2(b)(i)(A) and (B) of this Agreement and if the Corporation or the Affiliate, as the case may be, obtains the approval of the Court (as defined in the Act) to grant such indemnity;
- (ii)
  - (iii) in the event that the approval of the Court is required to effect any indemnification granted hereunder, the Corporation agrees to make application for and use its best effort to obtain the Court's approval to such indemnification provided that the Indemnified Party has fulfilled the conditions set forth in Subsections 2(b)(i)(A) and (B) of this Agreement;
  - (iv) in addition to and without limitation of Subsections 2(b)(i) and (ii) of this Agreement, to indemnify the Indemnified Party and his estate, executors, administrators, legal representatives and lawful heirs against all Costs, Charges and Expenses reasonably incurred by him in respect of the defence of any actual or threatened civil, criminal or administrative action or proceeding to which he is made a party or threatened to be made a party, (including actions, proceedings, investigations, inquiries or hearings in which the Indemnified Party is compelled by the authorities or requested by the Corporation or Affiliate to participate, whether or not charges have been laid against the Corporation, Affiliate or Indemnified Party), by reason of being or having been a director or officer of the Corporation or Affiliate if the Indemnified Party:
    - (A) was substantially successful on the merits in his defence of the action, proceeding, investigation, inquiry or hearing;
    - (B) fulfils the conditions set out in Subsections 2(b)(i) (A) and (B) of this Agreement; and
    - (C) is fairly and reasonably entitled to indemnity; and
  - (v) for the purposes of this Agreement including, without limitation, Section 2 hereof, the termination of any such civil, criminal or administrative action, proceeding, investigation, inquiry or hearing, by judgment, order, settlement, conviction or similar or other result, shall not, of itself, create a presumption either that the Indemnified Party did not act honestly or in good faith with a view to the best interests of the Corporation or Affiliate or that, in the case of a criminal or administrative action, proceeding, investigation, inquiry or hearing that is enforced by a monetary penalty, the Indemnified Party did not have reasonable grounds for believing that his conduct was lawful.

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- (c) The intention of this Agreement is to provide the Indemnified Party indemnification to the fullest extent permitted by law and without limiting the generality of the foregoing and notwithstanding anything contained herein:
  - (i) nothing in this Agreement shall be interpreted, by implication or otherwise, in limitation of the scope of the indemnification provided in Subsections 2(a) and (b) hereof; and
  - (ii) Subsection 2(b) is intended to provide indemnification to the Indemnified Party that is not specifically prohibited by a court of competent jurisdiction and to the fullest extent permitted by the Act, as applicable, and, in the event that the Act, as applicable, is amended to permit a broader scope of indemnification (including, without limitation, the deletion or limiting of one or more of the provisos to the applicability of indemnification), Subsection 2(b) shall be deemed to be amended concurrently with the amendment to the Act, as applicable, so as to provide such broader indemnification.

### **3. Prepaid Expenses**

All Costs, Charges and Expenses reasonably incurred by the Indemnified Party and covered hereunder shall, if requested by the Indemnified Party within a reasonable time, be paid by the Corporation immediately, with the understanding and agreement being herein made that, in the event it is ultimately determined as provided hereunder that the Indemnified Party was not entitled to be so indemnified, or was not entitled to be fully so indemnified, the Indemnified Party shall indemnify and hold harmless the Corporation, and pay to the Corporation forthwith after such ultimate determination, such amount or the appropriate portion thereof, so paid. In the event of dispute, the Corporation or Indemnified Party, at the Corporation's expense, shall make application to the Court to approve the indemnity.

### **4. Other Rights and Remedies**

Indemnification and immediate payment of incurred Costs, Charges and Expenses as provided by this Agreement shall not be deemed to derogate from or exclude any other rights to which the Indemnified Party may be entitled under any provision of the Act or otherwise at law, the articles or by-laws or other governing documents of the Corporation or Affiliate, this Agreement, any vote of shareholders, unitholders or partners, as the case may be, of the Corporation or Affiliate, or otherwise, both as to matters arising out of his capacity as a director or officer of the Corporation or Affiliate, or as to matters arising out of another capacity with the Corporation or Affiliate while being a director or officer of the Corporation or Affiliate, and shall continue after the Indemnified Party has ceased to be a director or officer of the Corporation or Affiliate.

### **5. Limitation of Actions and Release of Claims**

No legal action shall be brought and no cause of action shall be asserted by or on behalf of the Corporation against the Indemnified Party, his estate, executors, administrators, legal representatives or lawful heirs after the expiration of two years from the date the Indemnified Party ceased (for any reason) to be a director or officer of the Corporation or Affiliate and the Corporation agrees that any claim or cause of action of the Corporation shall be extinguished and the Indemnified Party, his estate, executors, administrators, legal representatives and lawful heirs deemed released therefrom absolutely unless asserted by the commencement of legal action in a court of competent jurisdiction within such two-year period.

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### **6. No Presumption as to Absence of Good Faith**

- (a) In respect of any claim for indemnification pursuant to this Agreement, the Indemnified Party shall be presumed to have acted honestly and in good faith and with a view to the best interests of the Corporation or Affiliate, as applicable, and in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, to have had reasonable grounds for believing that his conduct was lawful, unless proven otherwise.

- (b) Determination of any civil, criminal or administrative action or proceeding by judgment, order, settlement or conviction, or upon a plea of "*nolo contendere*" or its equivalent, shall not, of itself, create any presumption for the purposes of this Agreement that the Indemnified Party did not act honestly and in good faith with a view to the best interests of the Corporation or Affiliate, as applicable, and in the case of a criminal or administrative action or proceeding that is enforced by monetary penalty, that he did not have reasonable grounds for believing that his conduct was lawful, unless the judgment or order of the court shall specifically find otherwise.

### **7. Notice of Proceedings**

The Indemnified Party agrees to give notice to the Corporation as soon as is reasonably practical after being served with any statement of claim, writ, notice of motion, indictment or other document commencing or continuing any civil, criminal or administrative action, proceeding, investigation, inquiry or hearing to which the Indemnified Party, is a party, whether or not charges have been laid against the Corporation, an Affiliate or the Indemnified Party, by reason of being or having been a director or officer of the Corporation or Affiliate and the Corporation agrees to give notice to the Indemnified Party in writing as soon as is reasonably practical after:

- (a) being served with any such statement of claim, writ, notice of motion, indictment or other document commencing or continuing any civil, criminal or administrative action, proceeding, investigation, inquiry or hearing to which the

Indemnified Party is a party; whether or not charges have been laid against the Corporation, an Affiliate or the Indemnified Party, or

- (b) receiving notice of any such civil, criminal or administrative action, proceeding, investigation, inquiry or hearing to which the Indemnified Party is a party, whether or not charges have been laid against the Corporation, an Affiliate or the Indemnified Party,

provided, however, that the failure of the Indemnified Party to give such notice to the Corporation shall not adversely affect the Indemnified Party's rights under this Agreement except to the extent that the Corporation or Affiliate shall have been materially prejudiced as a direct result of such failure.

## **8. Right to Retain Counsel**

The Corporation agrees to promptly retain counsel who shall be reasonably satisfactory to the Indemnified Party to represent the Indemnified Party.

In any such matter the Indemnified Party shall have the right to retain other counsel to act on his behalf, provided that the fees and disbursements of such other counsel shall be paid by the Indemnified Party unless:

- (a) the Indemnified Party and the Corporation shall have mutually agreed to the retention of such other counsel, or
- (b) the parties to any such civil, criminal or administrative action, proceeding, investigation, inquiry or hearing (including any added third, or interpleaded parties) include the Corporation and the Indemnified Party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them (including the availability of different defences) in which event the Corporation and Affiliate, jointly and severally agree to pay the fees and disbursements of such counsel.

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## **9. Investigation by Corporation and Affiliate**

The Corporation and/or Affiliate may conduct any investigation it considers appropriate of any proceedings, including discoveries, trials, hearings and meetings, and will pay all costs of that investigation.

## **10. Indemnified Party to Cooperate**

The Indemnified Party agrees to give the Corporation and Affiliate such information and cooperation as the Corporation and Affiliate may reasonably require from time to time in respect of all matters hereunder.

## **11. Settlement**

The parties will act reasonably in pursuing the settlement of any Proceeding. The Corporation and/or an Affiliate may not negotiate or effect a settlement of claims against the Indemnified Party without the consent of the Indemnified Party, acting reasonably. The Indemnified Party may negotiate and effect a settlement without the consent of the Corporation and/or an Affiliate but the Corporation and/or an Affiliate will not be liable for indemnification under this Agreement with respect to any settlement negotiated without its prior written consent, which consent will not be unreasonably withheld or delayed.

## **12. Insurance**

- (a) The Corporation agrees to purchase and maintain or cause to be purchased and maintained, while the Indemnified Party remains a director or officer of the Corporation or an Affiliate and for a minimum of six years thereafter, insurance for the benefit of the Indemnified Party against any liability incurred by him in his capacity as a director and/or officer of the Corporation or Affiliate on terms no less favourable in terms of coverage and amounts, to the extent permitted by law and available on reasonable commercial terms, than such insurance maintained by the Corporation or any other entity on the Corporation's behalf on the date hereof; provided that such insurance shall not apply where the liability

relates to his failure to act honestly and in good faith with a view to the best interests of the Corporation or Affiliate, as the case may be.

- (b) The Corporation agrees to provide evidence to the Indemnified Party on an annual basis (on the anniversary date of this Agreement) during the term for which the Corporation is obligated to maintain such insurance under the terms hereof, that it has the insurance required under the terms of this Agreement and that it has paid the applicable premium(s) for such insurance and shall, upon request of the Indemnified Party, provide the Indemnified Party with a copy of the relevant insurance policy within 14 days of such request. If the Indemnified Party is not provided with evidence that the Corporation has such insurance or that it has paid the applicable premium, the Indemnified Party shall be entitled to purchase the required insurance and the Corporation agrees to indemnify and save harmless the Indemnified Party, his estate, executors, administrators and lawful heirs for all expenses incurred by or on behalf of the Indemnified Party to obtain such insurance coverage.

- (c) In the event an insurable event occurs, the Indemnified Party will be indemnified promptly as agreed hereto regardless of whether the Corporation has received the insurance proceeds. The Indemnified Party is entitled to full indemnification as agreed hereto notwithstanding any deductible amounts or policy limits contained in any such insurance policy.

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### **13. Arbitration**

All disputes, disagreements, controversies or claims arising out of or relating to this Agreement, including, without limitation, with respect to its formation, execution, validity, application, interpretation, performance, breach, termination or enforcement will be determined by arbitration before a single arbitrator under the *Arbitration Act, 1991* (Ontario). The arbitrator will determine, based on the outcome of the arbitration, the breakdown between the Corporation and/or Affiliate and the Indemnified Party of the costs for conducting the arbitration.

### **14. Taxes Payable**

The Corporation agrees to reimburse the Indemnified Party for the net amount of tax payable by the Indemnified Party under the taxing laws of any jurisdiction provided that such net taxes payable are directly a result of the payment or reimbursement of the Costs, Charges and Expenses under this Agreement, including this clause, constituting a taxable benefit to the Indemnified Party.

### **15. Effective Time**

This Agreement shall be effective as and from the first day that the Indemnified Party became or becomes a director and/or officer of the Corporation or commenced or commences to serve as an officer or director of an Affiliate.

### **16. Notices**

Unless otherwise permitted by this Agreement, all notices or other communications to be given hereunder shall be delivered by hand, courier, ordinary prepaid mail, facsimile or electronic mail; and, if delivered by hand, shall be deemed to have been given on the delivery date, if delivered by ordinary prepaid mail shall be deemed to have been given on the fifth day following the delivery date and, if sent by facsimile or electronic mail, on the date of transmission if sent before 5:00 p.m. (local time where the notice is received) on a business day or, if such day is not a business day, on the first business day following the date of transmission:

- (a) if to the Indemnified Party, at:

[•]  
[•]

- (b) if to the Corporation, at:

Akanda Corp.  
77 King Street West, Suite 400

Toronto, ON M5K 0A1

Attention: Chief Executive Officer

Email:

or to such other address as each party may from time to time notify the other of in writing.

If the Corporation receives notice from any other source of any matter which the Indemnified Party would otherwise be obligated hereunder to give notice of to the Corporation, then the Indemnified Party shall be relieved of his obligation hereunder to give notice to the Corporation, provided the Corporation has not suffered any material damage from the failure of the Indemnified Party to give notice as herein required.

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## **17. Severability**

If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever:

- (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including, without limitation, all portions of any paragraph of this Agreement containing such provisions held to be invalid, illegal or unenforceable, that are not of themselves in whole invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and
- (b) to the fullest possible extent, the provisions of this Agreement (including, without limitations, all portions of any paragraphs of this Agreement containing any such provisions held to be invalid, illegal or unenforceable, that are not of themselves in whole invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision which is held to be invalid, illegal or unenforceable.

## **18. Governing Law**

The parties hereto agree that this agreement shall be construed and enforced in accordance with the laws in force in the Province of Ontario.

## **19. Modification and Waiver**

No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

## **20. Entire Agreement**

This Agreement shall supersede and replace any and all prior agreements (except any written agreement of employment between the Corporation and the Indemnified Party, which shall remain in full force and effect, except to the extent augmented or amended hereby), between the parties hereto respecting the matters set forth herein, and shall constitute the entire agreement between the parties hereto in respect of the matters set forth herein.

## **21. Successors and Assigns**

This Agreement shall be binding upon and enure to the benefit of the Corporation and their respective successors and assigns and to the Indemnified Party and his estate, executors, administrators, legal representatives and lawful heirs.

## **22. Counterparts**

This Agreement may be executed and delivered by the parties in one or more counterparts, each of which when so executed and delivered will be an original, and those counterparts will together constitute one and the same instrument.

### 23. Successor Legislation

Any references herein to any enactment shall be deemed to be references to such enactment as the same may be amended or replaced from time to time and, in the event that the Corporation is continued, incorporated, amalgamated, arranged under or otherwise becomes governed by an enactment other than the Act, then all references herein to the Act shall be deemed to be references to such enactment as the same may be amended or replaced from time to time.

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IN WITNESS WHEREOF the parties hereto have executed this Agreement as at the date first above written.

**AKANDA CORP.**

Per: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: Chief Executive Officer

\_\_\_\_\_  
[•]

*Signature Page – Akanda Corp. (D&O Indemnity)*

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## OFF-TAKE AGREEMENT

THIS OFF-TAKE AGREEMENT (this “**Agreement**”), dated 3<sup>rd</sup> August 2020, (the “**Effective Date**”) is made and entered into by and between **Medcan Ltd**, a company incorporate in the Republic of Malta with registration number C 73431 (“**Medcan**”) and Bophelo Bio Science and Wellness Pty Ltd, a company incorporated in the Kingdom of Lesotho with the registration number 2018/62924 (“**BOPHELO**”), both of whom are hereinafter collectively referred to as the “**Parties**” and any one of which shall be referred to as a “**Party**” as the context may require. This Agreement shall apply to each and every delivery and sale of Bulk Extract (defined in “**DEFINITIONS**” below) by BOPHELO to Medcan and shall constitute the entire agreement between the Parties with respect to the purchase and sale of Bulk Biomass.

### DEFINITIONS:

In this Agreement, unless the context clearly indicates a contrary intention, the following expressions shall bear the following meanings and related expressions shall bear corresponding meanings:

“**Bophelo’s nominated account**” – [Account Name - Bophelo Bio Science & Wellness; Account No. - 11 990043908; Nedbank Mafeteng Branch; Branch Code - 390461; Swift Code - NEDLLSMX], or such other bank account as BOPHELO may nominate on written notice of not less than 7 days to Medcan;

“**Bulk Biomass**” – means both Flower and Trimmings, each of various grades (of potency, strains and other qualities) to be purchased by Medcan hereunder;

“**business day**” – means any day other than a Saturday, Sunday or official public holiday in Lesotho;

“**Commencement of Bulk Biomass Processing**” – means the commencement of drying, trimming, and processing operations;

“**Cultivation Facility**” – mean the greenhouses, hoop-houses and/or other indoor or outdoor cannabis cultivation facilities designed, built and operated by BOPHELO for the cultivation of cannabis and production of cannabis crops by or on behalf of BOPHELO in compliance with such standards for the cultivation and collection of cannabis crops as may be imposed in terms of the requirements of the various markets to which the products produced by BOP HELO are to be exported (the relevant standards hereinafter collectively referred to as “**Agricultural Practices Standards**” );

“**EFT**” – electronic funds transfer, being a transfer of funds between bank accounts on the internet (free of set off, bank charges levied by the paying party’s bank or deductions of any nature whatever);

“**Flower**” – dried cannabis flower harvested from female cannabis plants, packed in 1 kilogram bags ready for sale;

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“**Prime Rate**” – the rate of interest publicly quoted by Nedbank Lesotho, from time to time, as being its prime rate of interest (expressed as a nominal annual compounded monthly in arrear rate), calculated on a 365 day a year basis, irrespective of whether or not the year is a leap year and prima facie proved, in the event of there being a dispute in relation thereto, by a certificate signed by any manager of the aforesaid bank (whose appointment, qualification or authority need not be proved);

“**Property**” – the land situated at Ts'akholo, Mafeteng, Kingdom of Lesotho and having the GPS co-ordinates latitude 29°39’ 46.28”S and longitude 27°9’ 36.01”E;

“**Specified Volume**” – 10,000 kilograms of Bulk Biomass;

“**Trimmings**” – any extraneous plant matter harvested as a by-product of trimming cannabis flower, packed in 1 kilogram bags available for sale;



Where any term is defined within the context of any particular clause of this Agreement, the term so defined, unless it is clear from the clause in question that the term so defined has limited application to the relevant clause, shall bear the meaning ascribed to it in terms of the particular clause for all purposes in terms of this Agreement, notwithstanding that the term has not been defined in this Definitions clause.

#### RECITALS:

WHEREAS, Medcan is a private limited liability company with registered address at Level 4, the Penthouse, Suite 2, Ewropa Business Centre, Triq Dun Karm, Birkirkara, BKR 9034, Malta and with the objects of the company including, inter alia, the importation, preparation and distribution of marijuana for medical use by patients in Malta and to this end, Medcan intends on importing the Bulk Biomass purchased from BOPHELO under this Agreement;

WHEREAS, BOPHELO holds a Prohibited Drug Operator license authorizing it to engage in the business of cannabis cultivation, manufacturing of cannabis products and export of cannabis and cannabis products, and is in good standing with all relevant and necessary local and national licensing authorities in the Kingdom of Lesotho;

NOW, THEREFORE, in consideration of the foregoing recitals, which said recitals are incorporated herein by this reference, and the mutual covenants and conditions hereinafter contained, the Parties agree as follows:

BOPHELO agrees to sell, and Medcan agrees to buy Bulk Biomass that BOPHELO produces from the cannabis cultivated on the initial 5 hectares of the Property in the Cultivation Facility;

1. **Contract Term:** The term of this Agreement shall, subject to any termination in terms of section 8, be for a period commencing on the Effective Date and ending on the date being the earlier of (i) the date on which Medcan has purchased the full Specified Volume from BOPHELO; or (ii) the 7<sup>th</sup> anniversary of the Effective Date (“the Final Date”).

#### 2. **Delivery:**

2.1 BOPHELO agrees to deliver to Medcan the Specified Volume, unless otherwise agreed in writing by both Parties, of Bulk Biomass each week, beginning one (1) week after Commencement of Bulk Biomass Processing (the “**First Delivery Date**”). BOPHELO shall thereafter give Medcan not less than 5 days’ written notice in advance each time that a delivery will be ready for collection in terms of section 2.2.

2.2 The Bulk Biomass shall be delivered Ex Works (as such term is defined in INCOTERMS 2010) and Medcan will take delivery of the Bulk Biomass Ex Works subsequent to customs clearance in a port in Malta (“**Clearance**”) and BOPHELO will, procure the transport of the Bulk Biomass by a cannabis transport operator licensed as such in terms of the Drugs of Abuse Act, 2008 of Lesotho to an international airport in Lesotho or South Africa, or a seaport in South Africa (each such location, a “**Port**”) as agreed upon by both Parties and shall take such steps as may be required for clearing the Bulk Biomass for export, subject to Medcan having, with at least 30 (thirty) days advance notice, provided (i) correct and comprehensive instructions to BOPHELO as regards any requirements (including, but not limited to approved strains, packing and labelling specifications and correct licenses in respect of the country of import) which the Bulk Biomass or any particular Batch (as such term is defined in section 2.4) need to comply with; and (ii) a copy of all relevant documentation, including specifically documentary proof of the country of import's consent to importation as required for purposes of BOPHELO obtaining the relevant export permit, in order to enable the Batch to be legally and validly exported via the designated Port to the port of destination. Notwithstanding anything herein contained, BOPHELO shall not incur any liability of any nature whatsoever, whether to Medcan or any third party, for any failure to have the Bulk Biomass or any particular Batch cleared for export due to incorrect instructions having been provided to BOPHELO by Medcan willingly and knowingly in this regard or the Bulk Biomass or any particular Batch not meeting the legal requirements for import and Clearance and Medcan hereby indemnifies and holds BOPHELO harmless against any claim made against BOPHELO in this regard. Medcan shall be responsible for (i) all other tasks through clearing the Bulk Biomass through customs in the importing country; and (ii) receiving and transporting the Bulk Biomass after it has been so transported for Clearance. Medcan may perform the foregoing actions, or appoint a properly licensed third party to do so on Medcan’s behalf. All Bulk Biomass will be free and clear of any liens, claims and encumbrances.



2.3 Notwithstanding the terms of delivery being Ex Works, BOPHELO agrees to pay an amount equal to 50% of the actual costs incurred by Medcan in the process of landing a Batch at the import destination, including, *inter alia*, transport costs, export and import duties, customs and handling fees, but excluding costs of insurance (“landing costs”), provided that BOPHELO’s contribution to landing costs shall never exceed an amount equal to 5% of the total amount paid by Medcan to BOPHELO for the Batch in terms of section 6.1. BOPHELO shall pay such costs to Medcan upon presentation of an invoice setting forth the costs incurred as line items and shall, if so required by BOPHELO, furnish documentary proof of the costs so incurred.

2.4 Risk of loss of the Bulk Biomass shall pass to Medcan upon completion of delivery, namely, Clearance, by BOPHELO Ex Works at the Extraction Facility. Title to and ownership of the Bulk Biomass shall pass from BOPHELO to Medcan against payment by Medcan to BOPHELO in terms of section 6. BOPHELO will deliver each batch of Bulk Biomass with a Certificate of Analysis, including residual, pesticide and potency results, from an independent, properly licensed and credentialed cannabis analytical testing laboratory (“Compliant Laboratory”) in Lesotho or South Africa (a “COA”), indicating that each batch of Bulk Extract meets the Specifications (as such term is defined below). All Bulk Biomass packaged under the same COA is hereinafter referred to as a “Batch”. Medcan shall at any time and from time to time, at its cost, be entitled to submit the Bulk Biomass to any compliant laboratory outside Lesotho or South Africa for analysis.

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2.5 If BOPHELO has notified Medcan in accordance with section 2.1 that a Batch is ready for delivery and Medcan has for any reason whatsoever (other than Medcan’s legitimate rejection of the relevant Batch in accordance with the provisions of section 3(b)) failed to take delivery of such Batch Ex Works within 15 days from the date of the notice contemplated in section 2.1, Medcan shall be liable to make payment to BOPHELO for such Batch in accordance with the provisions of section 6 as if Medcan had taken title to and delivery thereof. BOPHELO shall, at Medcan’s risk, store such Batch in a secured, temperature-controlled storage area for Clearance, provided that –

2.5.1 if Medcan fails to make payment for the relevant batch within the 15 day period aforementioned, BOPHELO shall be entitled to dispose of or destroy the Batch as it deems fit;

2.5.2 if Medcan has made payment to BOPHELO for the relevant Batch, but has failed to accept delivery thereof within a period of 6 months from the date of the notice contemplated in section 2.1, BOPHELO shall be entitled to dispose of or destroy the Batch as it deems fit, and BOPHELO shall, if it has sold any Batch as contemplated above, pay to Medcan the proceeds received from such sale, less reasonable storage costs and any costs incurred by BOPHELO in the course of selling and delivering the relevant Batch to the purchaser in question. BOPHELO shall promptly return any payments made by Medcan for such Batches as are subsequently found at delivery not to be accompanied by a valid COA, or for which the accompanying COA indicates a failure to satisfy the Specifications.

2.6 If by the Final Date Medcan has not purchased the total Specified Volume from BOPHELO under this Agreement, Medcan undertakes to pay to BOPHELO within 7 business days of the Final Date an amount equal to Z calculated in accordance with the following formula –

$$Z = (A-B) \times P$$

where

Z represents the amount payable;

A represents the Specified Volume;

B represents the actual volume of Bulk Biomass which Medcan has purchased from Bophelo as at the Final Date; and

P represents the then prevailing market rate per gram of Bulk Biomass as determined in accordance with section 6.1.

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For the avoidance of doubt it is recorded that if sufficient Bulk Biomass has not been produced to meet the Specified Volume by the Final Date, save where such failure is as a result of a breach or negligence by BOPHELO of this Agreement, BOPHELO shall have no liability of any nature whatsoever arising from such failure and Medcan hereby indemnifies and holds BOPHELO harmless against any claim made against BOPHELO in this regard.

As holder of the Prohibited Drug Operator license under the Drugs of Abuse Act, 2008, BOPHELO shall be responsible to procure and import all cannabis seeds required for purposes of cultivating cannabis at the Cultivation Facility. Medcan shall at all times and from time to time during the term of this Agreement give BOPHELO written instructions as to the strains of the seeds to be purchased by BOPHELO for this purpose. BOPHELO shall not incur any liability of any nature whatsoever, whether to Medcan or any third party, if it has procured seeds on the instructions of Medcan and such seeds turn out to be seeds of a strain(/s) of cannabis plant not permitted under the import authorisations of the territories to which Medcan intends to sell the Bulk Biomass produced from plants cultivated from the seeds. Medcan hereby indemnifies and holds BOPHELO harmless against any claim made against BOPHELO in this regard and all loss and damages which BOPHELO may suffer as a result of Medcan having provided incorrect instructions for the seeds to be procured and imported by BOPHELO.

2.7

### 3. Packaging of Bulk Biomass:

BOPHELO will deliver Bulk Biomass to Medcan in containers complying with the applicable Agricultural Practices Standards (“Containers”) or as otherwise agreed in writing between the Parties; BOPHELO shall not co-mingle different Batches in the same Containers. BOPHELO will pre-fill each Container with up to 1000 grams of Bulk Biomass, before further packaging each Batch in accordance with the applicable Agricultural Practices Standards for delivery to Medcan. Each Batch will be packaged, labelled, marked and shipped in its own set of Containers, segregated from other Batches, in a commercially reasonable manner, and in accordance with the applicable Agricultural Practices Standards and all applicable laws, rules and regulations of the importing territory timely identified to BOPHELO by Medcan in writing. Medcan shall be responsible for communicating to BOPHELO, in writing, all requirements and specifications with which a Batch needs to comply in order to ensure it is cleared for export and is capable of being imported to the relevant importing territory. BOPHELO shall not incur any liability of any nature whatsoever, whether to Medcan or any third party, for any failure to have a Batch cleared for export due to incorrect requirements and/or specifications having been communicated to BOPHELO by Medcan in this regard and a Batch accordingly not meeting the legal requirements for importation into the importing territory, and Medcan hereby indemnifies and holds BOPHELO harmless against any claim made against BOPHELO in this regard. BOPHELO will weigh each empty Container independently before filling and include the exact weight of the empty Container on its label.

(a)

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All Bulk Biomass supplied by BOPHELO is subject to Medcan’s inspection and acceptance or rejection at the Cultivation Facility prior to BOPHELO’s delivery Ex Works. A Compliant Laboratory shall conduct an inspection of each Batch before it is loaded into the relevant transport vehicle. If this inspection reveals that the Batches being delivered do not conform to the requirements set forth in sections 2, 3 or 4, Medcan will forthwith advise BOPHELO of such non-compliance in writing and shall be entitled to reject any Batch which it considers non-compliant. If a batch is rejected, BOPHELO shall at its election be entitled to remediate such Batch or otherwise dispose of it as it deems fit. Any Batch so rejected (and not remediated) shall be retained by BOPHELO and excluded for purposes of determining the weight of the relevant delivery made. All Bulk Biomass shall be weighed upon delivery, prior to being loaded on the relevant vehicle for transport, and the weight (hereinafter “the **Delivery Weight**”) shall be recorded, a copy of which recording shall be given to BOPHELO and an original shall be retained by Medcan. For the sake of clarity, the Parties agree that the weight of the empty Containers will not be included in the weight of the Bulk Biomass.

(b)

**4. Procured Cannabis Specifications:** BOPHELO shall ensure that all Bulk Extract delivered to Medcan complies with the Specifications set forth in subparagraphs (a) and (b) of this section 4 as follows:

- (a) The levels of residual pesticide, microbes, foreign material, mycotoxins, heavy metals and other impermissible chemicals in each Batch must be at or below the maximum levels set forth in the applicable Agricultural Practices

Standards of the importing territory identified by Medcan, as the same may be amended from time-to-time by agreement in writing between the Parties (“**Chemical Specifications**”).

- (b) Each Batch must provide a total THC concentration at least twelve percent (12%) (its “**Total THC Concentration**”). Total THC Concentration shall be verified by ensuring that each one gram of Bulk Extract would yield a combined total of at least 120 milligrams of THC and THCA, using the following formula: Total THC Concentration (mg/g) = (THCA concentration (mg/g) x 0.877) + THC concentration (mg/g) (“**Potency Specifications**”, and together with the Chemical Specifications, the “**Specifications**”).

## 5. Pricing and Payment Terms:

- 5.1 Medcan will pay BOPHELO prevailing market rates (the “**Price**”) calculated on the basis of a Price per gram based on the Delivery Weight, which Price shall be payable upon delivery of the Bulk Biomass Ex Works as set forth in section 2. The Price for each Batch shall be determined as follows –
- a) the Price shall always be determined on the basis that Medcan shall seek to sell the Batch at the highest value achievable in the market, the average price for Bulk Biomass for 2020 and 2021 will be \$3.00 USD per gram;
  - b) within 3 days of the date of the notice from BOPHELO as contemplated in section 2.1, the Parties shall endeavour to agree on the Price for the relevant Batch, and shall record such price in writing between them;

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- c) if the Parties fail to agree on the Price in the period contemplated in section 6.1(b), the Price (always subject to the principle in section 6.1(a)) shall be obtained from referencing the price per gram for such product as reflected in the most as published by Canaccord Genuity Group Inc (“Canaccord”); provided that if Canaccord no longer publishes such report or index publicly and the parties are unable to instruct Canaccord to prepare or provide such a report for their specific purpose, the Price shall be equal to the average of the wholesale price per gram as applied by the 5 biggest international cannabis trading companies by market capitalisation (“average wholesale price”). If for any reason the parties are unable to obtain the necessary information to determine the average wholesale price at any point in time, the parties agree that the price will be determined by an independent expert in international cannabis trading (“the expert”), such expert to be a person as nominated by the head of the cannabis practice cluster of the firm of Aird & Berlis LLP, Toronto. The expert shall be instructed to determine the average wholesale price based on his/her industry knowledge and expertise and such information as he/she is able to obtain in respect of the current market and to provide his/her determination within 5 days of being requested to do so. The expert's determination shall be final and binding on the parties.

- 5.2 Such payment shall be made by Medcan by way of EFT to BOPHELO's nominated account forthwith against presentation by BOPHELO of the relevant invoice to Medcan, which invoice shall be presented to Medcan upon delivery of the relevant Batch Ex Works.

- 5.3 Notwithstanding the foregoing, the parties agree that to the extent that Medcan, or any of Medcan's associates or subsidiaries, sells a Batch at a price which is more than the Price paid to BOPHELO in terms of section 6.1 in respect of such Batch, Medcan shall forthwith pay to BOPHELO the difference between the price paid by Medcan in terms of section 6.1 and the actual price at which the Batch has been sold by Medcan, the principle being that Medcan is not entitled to the benefit of any margin on the sale by Medcan of any Batch. Medcan shall at the end of each 3 months for the term of this Agreement provide to BOPHELO a certificate from Medcan’s auditors confirming the prices at which all Batches obtained from BOPHELO were sold by Medcan.

**6. National and Local Cannabis Taxes, Fees and Regulations:** BOPHELO shall collect, pay and remit any and all local and national cannabis-related fees (including but not limited to licensing, renewal and inspection fees due pursuant to the Drugs of Abuse Act of 2008, the Medicines Control and Medical Devices Control Bill 2018 Act No. 5, and the Drugs of Abuse (Cannabis) Regulations, 2018 Act (collectively, the “**Acts**”) and any applicable taxes that are owed on the cannabis and cannabis products cultivated, manufactured, sold and exported by BOPHELO, or are instituted by the Kingdom of Lesotho at any time. Furthermore, the Parties agree to comply with the Acts and all applicable regulations set forth by the relevant local and national agencies, including but not limited to the Kingdom of Lesotho’s Ministry of Health and Social Welfare and the Lesotho Narcotics Bureau.

## 7. Termination Rights:

- (a) Notwithstanding section 1 of this Agreement, Medcan may terminate this Agreement, subject to any applicable notice and cure periods set forth below, immediately upon delivery of written notice by Medcan to BOPHELO:
- (1) in the event of an order for the liquidation of BOPHELO, whether voluntarily or involuntarily winding-up of BOPHELO or the placing of BOPHELO under judicial management or administration and such order has not been dismissed or rescinded within 120 business days after granting thereof, or the execution by BOPHELO of an assignment for the benefit of its creditors generally;
  - (2) for the loss or suspension of BOPHELO's national and/or local licenses to cultivate, store, supply and/or export cannabis for a period of more than 60 consecutive days, provided that such loss or suspension has not been occasioned by a breach by Medcan of its obligations under this Agreement; or
  - (3) for the occurrence of a material breach of this Agreement by BOPHELO that remains uncured for 60 days after the date of receipt by BOPHELO of written notice of the alleged breach, provided that such breach has not been occasioned by a breach by Medcan of its obligations under this Agreement,
- in each instance without prejudice to Medcan's right to claim damages from BOPHELO, provided however, that where a termination arising from BOPHELO's loss of licensure is occasioned by Medcan's breach of this Agreement as described in section 8(a)(2), Medcan shall have no remedy.
- (b) Notwithstanding section 1 of this Agreement, BOPHELO may terminate this Agreement, subject to any applicable notice and cure periods set forth below, immediately upon delivery of written notice by BOPHELO to Medcan:
- (1) for the passing of an extraordinary resolution for the dissolution of the Medcan, in accordance with the Companies Act, Chapter 386 of the laws of Malta, an involuntary bankruptcy filing against Medcan that has not been dismissed 120 business days after filing, or the execution by Medcan of an assignment for benefit of creditors;
  - (2) for the loss or suspension of any of Medcan's applicable licenses required to perform its obligations under this Agreement for a period of more than 60 consecutive days; and
  - (3) for the occurrence of a breach of this Agreement, by Medcan that remains uncured for 60 days after the date of receipt by Medcan of written notice of the alleged breach, provided that such breach has not been occasioned by a breach by BOPHELO of its obligations under this Agreement,

in each instance without prejudice to BOPHELO's right to claim damages from Medcan. If consequent upon an unremedied breach by Medcan, BOPHELO elects to terminate this Agreement, BOPHELO shall be entitled to require Medcan, which shall be obliged to pay to BOPHELO, as a genuine pre-estimate of the liquidated damages which BOPHELO shall be deemed to have suffered as a result of Medcan's breach and without prejudice to BOPHELO'S right to recover from Medcan the actual damages suffered by BOPHELO as a result thereof and its other rights in law or in terms of this Agreement, an amount equal to D as calculated in accordance with the following formula -

$$D = (A-B) \times P$$

where

D represents the amount payable;

A represents the Specified Volume;

B represents the actual volume of Bulk Biomass which Medcan has purchased from BOPHELO at the date on which the breach occurs; and

P represents the then prevailing Price per gram of Bulk Extract as determined in accordance with section 6.1.

Notwithstanding the foregoing, the Parties agree that all amounts which BOPHELO realises from selling any stock of Bulk Biomass in its possession as at the date of termination less the costs incurred in respect thereof, shall be set off against D.

## **8. Effect of Termination or Expiration.**

All amounts then due and payable by Medcan to BOPHELO or by BOPHELO to Medcan will be accelerated and immediately become due upon termination or expiration, unless such termination results from the other's breach of this Agreement and the delivery of payment is at issue as a result of such breach.

## **9. Warranties.**

Medcan hereby warrants to BOPHELO that Medcan –

- 9.1 is and will for the duration of this Agreement remain duly registered with all such regulatory authorities and or bodies and is and will remain in possession for the duration of this Agreement of all such licenses and other regulatory approvals, as may be required for Medcan to lawfully perform all aspects falling within or being implicit in the scope of its obligations in terms hereof, including its ability to lawfully purchase the Bulk Biomass from BOPHELO in terms hereof;
- 9.2 will not act in breach of any law or regulation which it is required to comply with in performing its obligations in terms hereof;
- 9.3 is duly incorporated and validly exists as a company in accordance with the laws of Malta;
- 9.4 has the power to enter into, deliver and perform, and has taken all necessary action to authorise its entry into, delivery and performance of, this Agreement and that its entry into, delivery and performance of this Agreement does not contravene or conflict with any of its constitutional documents nor any law or regulation or judicial or administrative order which applies to Medcan.

BOPHELO hereby warrants to Medcan that BOPHELO –

- 9.5 is and will for the duration of this Agreement remain duly registered with all such regulatory authorities and or bodies and is and will remain in possession for the duration of this Agreement of all such licenses and other regulatory approvals, as may be required for BOPHELO to lawfully perform all aspects falling within or being implicit in the scope of its obligations in terms hereof, including its ability to lawfully supply the Bulk Extract to Medcan in terms hereof, including delivery of the Bulk Extract Ex Works for Clearance;

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- 9.6 will not act in breach of any law or regulation which it is required to comply with in performing its obligations in terms hereof;
- 9.7 is duly incorporated and validly exists as a company in accordance with the laws of the Kingdom of Lesotho;
- 9.8 has the power to enter into, deliver and perform, and has taken all necessary action to authorise its entry into, delivery and performance of, this Agreement and that its entry into, delivery and performance of this Agreement do not contravene or conflict with any of its constitutional documents nor any law or regulation or judicial or administrative order which applies to BOPHELO.

## **10. Miscellaneous.**

- a) Time is of the Essence.

The Parties acknowledge and agree that time is of the essence in performing the obligations set forth in this Agreement.

b) Mediation and Arbitration.

For the purposes of this section 10(b) a “dispute” shall mean any dispute which arises between the Parties in connection with -

- i. the formation or existence;
- ii. the implementation;
- iii. the interpretation or application of the provisions;
- iv. the Parties’ respective rights and obligations in terms of or arising out of the conclusion, breach or termination;
- v. the validity, enforceability, rectification, termination or cancellation, whether in whole or in part;
- vi. any documents furnished by the Parties pursuant to the provisions, of this Agreement or which relates in any way to any matter affecting the interests of the Parties in terms of this Agreement. Save for those provisions in this Agreement which provide for their own remedies, the Parties agree that any dispute shall, unless resolved amongst the Parties to the dispute, be referred to and be determined by arbitration.

While the Parties shall attempt amicable conflict resolution and negotiation, the Parties hereto submit to the exclusive jurisdiction of the Malta Arbitration Centre, of Palazzo Laparelli, 33 South Street, Valletta, VLT 1100, Malta, should such amicable solutions prove fruitless.

The Parties hereby confirm that any dispute, matter or interpretation of the Malta Arbitration Centre shall be final and binding on the Parties and that the arbitral award shall be final and binding and have the effect of a court order.

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The arbitration shall be heard by an arbitration tribunal which shall consist of 3 arbitrators and in accordance with the procedure laid out in the Malta Arbitration Act, Chapter 387 of the laws of Malta.

c) Governing Law.

This Agreement and all rights and obligations hereunder, including matters of validity and performance shall be governed and construed in accordance with the Laws of Malta.

d) Amendments.

These terms cannot be amended, modified or changed in any manner, except by a written amendment designated as such and signed by an authorized representative of each Party hereto.

e) Independent Contractor.

The relationship between Medcan and BOPHELO is that of independent contractors. Nothing contained herein shall be construed to create a principal-agent or employer-employee relationship between the Parties. Neither Party shall represent to others that it is the agent of the other.

f) Notices.

(1) The Parties choose domicilium citandi et executandi (“Domicilium”) for all purposes of the giving of any notice, the payment of any sum, the serving of any process and for any other purpose arising from this Agreement, as follows

BOPHELO:

T' sakholo, Ha-Mojela  
Mafeteng District  
Kingdom of Lesotho

Attorneys for BOPHELO  
Ira Epstein  
Fluxmans Inc  
30 Jellicoe Avenue, Rosebank  
Johannesburg, South Africa  
iepstein@fluxmans.com

MEDCAN:  
Level 4, the Penthouse, Suite 2,  
Ewropa Business Centre  
Triq Dun Karm

Attorneys for Medcan:  
Dr. Jonathan Corrieri  
Level 4, the Penthouse, Suite 2,  
Ewropa Business Centre  
Triq Dun Karm  
Birkirkara  
BKR 9034  
Malta  
Jonathan@corriericilia.com

- 
- (2) Each of the Parties shall be entitled from time to time, by written notice to the other, to vary its domicile to any other physical address and/or its email address.
- (3) Any notice given and any payment made by any Party ("the sender") to the other ("the addressee") shall be in writing and if -
- (i) delivered by hand during the normal business hours of the addressee at the addressee's domicile for the time being shall be presumed to have been received by the addressee at the time of delivery;
  - (ii) delivered by way of courier service shall be presumed to have been received by the addressee on the 7<sup>th</sup> business day following the date on which the courier service was placed in possession of such notice;

- Any notice given by the sender to the addressee which is transmitted by email to the addressee at the addressee's email address, for the time being shall be presumed to have been received by the addressee when (i) the email enters an information system
- (4) designated or used for that purpose by the addressee and is capable of being retrieved by the addressee; and (ii) the sender has received a return email from the addressee of the email acknowledging receipt by the addressee of that email (it being the responsibility of the sender of that email to obtain such acknowledgment).

- Notwithstanding anything to the contrary contained in this section 10(f), written notice or other communication actually received
- (5) by a party shall be adequate written notice or communication to it notwithstanding that the notice was not sent or delivered to its chosen address or email address.

- g) Severability.

In the event that any one or more of these provisions is held invalid, illegal or unenforceable in any respect by a court with jurisdiction, the validity, legality and enforceability of the remaining provisions contained herein shall not be in any way impaired thereby. In the event the provisions of any such applicable law may be waived, they are hereby waived by BOPHELO and Medcan to the full extent permitted by law, and these terms shall be deemed to be valid, binding and enforceable.



h) Waiver.

No omission or delay by either party at any time to enforce any right or remedy reserved to it, or to require performance of any of the terms, covenants or provisions hereof at any time designated, shall be a waiver of any such right or remedy to which either Party is entitled, nor shall it in any way affect the right of either Party to enforce such provisions thereafter. No waiver of any rights or obligations shall be effective unless in writing and signed by an officer or other authorized representative of the Party holding such rights or to whom such obligations are owed, and any such waiver shall be effective only in the specific instance and for the specific purpose stated in such writing.

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i) Survival.

All terms that by their nature would be intended to survive expiration or termination of this Agreement shall so survive, and in particular, it is expressly agreed by the Parties that the obligations regarding confidentiality shall so survive.

j) No Third-Party Beneficiaries.

All of these terms are for the sole and exclusive benefit of the Parties.

k) Interpretation.

The Parties agree that the rule of construction that any ambiguities are resolved against the drafting Party shall not be employed in the interpretation of these terms. Each Party has had the opportunity to consult the legal counsel of its choice. Unless otherwise required by the context in which the term appears, the words include, includes and including will be deemed to be followed by the phrase “without limitation” and will not be construed to mean that the examples given are an exclusive list of the topics covered. All defined terms apply to both singular and plural forms, and all references to any gender include all other genders. The captions are for convenience only, and in no way limit or amplify the provisions hereof.

l) Integration.

These terms constitute the entire agreement between the Parties in respect of the subject matter hereof and shall replace and supersede all prior and/or contemporaneous agreements, negotiations or representations between the Parties with respect to the subject matter hereof, whether written or oral. To the extent there is any inconsistency between these terms and any invoice or similar document produced by Medcan, these terms shall govern. No subsequent acceptance, acknowledgment or other document submitted by one Party to the other shall vary these terms unless confirmed in writing by the other Party.

m) Interest.

Any amount falling due for payment by Medcan to BOPHELO in terms of this Agreement shall bear interest at the prime rate, calculated from the due date for payment (or, in the case of any amount payable by way of damages, with effect from the date upon which those damages are sustained) to the actual date of payment thereof, both dates inclusive.

n) Confidentiality.

The Parties acknowledge that, as a result of this agreement, information not generally available to members of the public and/or of a proprietary, confidential or commercially-sensitive nature (“Confidential Information”) may or will be disclosed to either Party. Accordingly, the Parties irrevocably and unconditionally undertake to maintain all and any Confidential Information disclosed to and/or obtained in the strictest confidence and not at any time to disclose any such Confidential Information to any person whatsoever, including (without limitation) to professional advisers, consultants, employees, servants or agents.

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This OFF-TAKE AGREEMENT is entered into on this 3<sup>rd</sup> day of August, 2020.

In WITNESS WHEREOF, the parties have set their hands on the date above written.

BOPHELO:

/s/ Louisa Mojela

Bophelo Bio Science and Wellness Pty Ltd

By: Louisa Mojela

Title: Director

MEDCAN:

/s/ Dr. Jonathan Corrieri and /s/ Mr. Michael Zammit Taboona

Medcan

By: Dr. Jonathan Corrieri and Mr. Michael Zammit Taboona

Title: "A" Class Director and "C" Class Director

## SERVICE, REFINEMENT AND DISTRIBUTION AGREEMENT

between

1. **Cantourage GmbH**,  
represented by its CEO Philip Schetter  
Heinrich-Mann-Str. 12, 14532 Kleinmachnow, Germany

- hereinafter “**CANTOURAGE**” -

and

2. **Bophelo Bio Science and Wellness (Pty) Ltd**  
represented by its Chief Financial Officer & Director Trevor Scott  
Khoabane Mojela, Ha Mojela, Ts’Akholo, Mafeteng, Lesotho

- hereinafter “**BOPHELO**” -

The terms “CANTOURAGE” and “BOPHELO” include the respective affiliated companies of CANTOURAGE or BOPHELO pursuant to Sections 15 AktG et seqq. [*Aktiengesetz - Stock Corporations Act*]. Those companies in which CANTOURAGE holds a share of at least 50 % are also deemed to be affiliated companies of CANTOURAGE.

**CANTOURAGE** and **BOPHELO** are hereinafter respectively designated individually as “Party” and together as “Parties”.

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*Bophelo - Cantourage***PREAMBLE**

Whereas

- (A) CANTOURAGE is a Manufacturer and Pharmacy Wholesaler of cannabis for medicinal use.
- (B) BOPHELO is a producer/cultivator of medicinal cannabis incorporated in the Kingdom of Lesotho with the registration number 2018/62924.
- (C) The Parties intend to establish a cooperation which enables BOPHELO with CANTOURAGE's assistance to market its products within the European Union, especially within Germany;

Now, the Parties agree to enter into the following

**SERVICE, REFINEMENT AND DISTRIBUTION AGREEMENT****1. Definitions**

Headings are for reference purposes only and shall in no way define, limit, construe or describe the scope or extent of an article.

The Annexes are integral part of this Agreement and a reference to this Agreement shall always be interpreted as including the Annexes.

Unless the context otherwise requires words importing one gender include all other genders and words incorporating a verb include the respective noun and the single include the plural, and vice versa.

For the purpose of this Agreement, the Parties agree on the meaning of the following definitions:

- 1.1 "AGREEMENT" means this Agreement including its Annexes.
- 1.2 "ALLIANCE COMMITTEE" shall have the meaning described in Clause 25.
- 1.3 "AVERAGE SELLING PRICE" means the average of the weighted SELLING PRICES over the RELEVANT PERIOD.
- 1.4 "BACKGROUND RIGHTS" means all intellectual property rights (in particular industrial property rights, copyrights and comparable rights, including know-how) held by BOPHELO which are necessary for the manufacture of END PRODUCTS.
- 1.5 "CONFIDENTIAL INFORMATION" means all information disclosed (whether in writing, orally or by another means and whether directly or indirectly) with respect to the subject matter hereof by one Party (the "DISCLOSING PARTY") to the other Party (the "RECEIVING PARTY") whether before or after the date of this AGREEMENT including, without limitation, information relating to the DISCLOSING PARTY's products, operations, processes, plans or intentions, product information, know-how, design rights, trade secrets, market opportunities and business affairs.

*Bophelo - Cantourage*

- 1.6 "CONSIGNMENT STOCK" means the stock of CONTRACTUAL PRODUCTS and END PRODUCTS established and maintained by CANTOURAGE for BOPHELO.

- 1.7 “CONSUMER” is any end user of the END PRODUCTS.
- 1.8 “CONTRACTUAL PRODUCTS” means the products specified in ANNEX 2.
- 1.9 “DEFECT” means any deviation of a CONTRACTUAL PRODUCT from the agreed quality.
- 1.10 “DELIVERY” means the delivery of CONTRACTUAL PRODUCTS in accordance with Incoterms® 2020 DAP at the first port of entry in Germany.
- 1.11 “DISTRIBUTOR” means any third party which is supplied with END PRODUCTS and not a CONSUMER.
- 1.12 “END PRODUCTS” means all CONTRACTUAL PRODUCTS which have been successfully REFINED by CANTOURAGE.
- 1.13 “FORECAST” shall mean, with respect to any twelve (12) month period, a rolling projection or estimate of the demand for CONTRACTUAL PRODUCTS during such twelve month period which is updated and amended by CANTOURAGE on a quarterly basis, which approximates, as nearly as possible, based on information available at the relevant time to CANTOURAGE. For the avoidance of doubt, it is possible that the amount of CONTRACTUAL PRODUCTS in any given month can equal a zero.
- 1.14 “FORCE MAJEURE” means any unforeseeable and exceptional occurrence, cause or condition beyond the respective PARTY’s reasonable control and shall include fire; explosion; flood; earthquake; tsunami; extreme adverse weather conditions; act of God; riot; war or threat of war; civil commotion; pandemic; change in approval or applicable law; regulation or directive having the force of law; non-availability, interruptions to or shortage of electricity, fuel or raw materials; failure of a Party’s supplier to supply or manufacturer to manufacture due to any event or circumstance which would constitute FORCE MAJEURE under this Agreement; and strike, labour dispute or lock-out. However no occurrence, cause or condition shall be considered to be an event of Force Majeure if
- (i) and to the extent the Party seeking to invoke the Force Majeure has caused or contributed to the applicable occurrence, cause or condition by its fault or negligence or has failed to use commercially reasonable efforts to prevent or remedy or mitigate the risks resulting from such occurrence, cause or condition, and so far as possible and within a reasonable time period, remove it;
  - (ii) the occurrence, cause or condition is the result of a breach of any applicable law by the Party seeking to invoke the Force Majeure; or
- (iii) the occurrence, cause or condition was caused by a lack of funds or other financial cause.
- 1.15 “FOREGROUND RIGHTS” means all intellectual property rights conceived or developed by either Party or its employees or agents during the term of, and in connection with, the respective Party’s performance under this Agreement.
- 1.16 “GACP” means the “Guideline on good agricultural and collection practice for starting materials of herbal origin” (EMEA/HMPC/246816/2005) issued by the European Medicines Agency, as being amended from time to time.
- 1.17 “MINIMUM PURCHASE PRICE” means the minimum price to be paid by CANTOURAGE to BOPHELO for the CONTRACTUAL PRODUCTS as further specified in ANNEX 3.
- 1.18 “MINIMUM QUANTITY” means the minimum quantity of CONTRACTUAL PRODUCTS and END PRODUCTS stored in the CONSIGNMENT STOCK which shall be determined by the Parties from time to time.

- 1.19 “PRICE” means the SELLING PRICE and/or PURCHASE PRICE and/or RAP SERVICE PRICE and/or RAP PLUS SERVICE PRICE and/or AVERAGE SELLING PRICE and/or MINIMUM PURCHASE PRICE as the case may require.
- 1.20 “PURCHASE PRICE” means the price for the sale of CONTRACTUAL PRODUCTS by BOPHELO to CANTOURAGE calculated as specified in ANNEX 3.
- 1.21 “RELEVANT PERIOD” means a period of every month, the first RELEVANT PERIOD starts on first sale of END PRODUCTS at the date of payment for the END PRODUCTS.
- 1.22 “REFINE” or “REFINEMENT” means CANTOURAGE’s activities with regard to the conversion of CONTRACTUAL PRODUCTS into END PRODUCTS as specified in ANNEX 1.
- 1.23 “SELLING PRICE” means the prices for the sale of END PRODUCTS by CANTOURAGE to DISTRIBUTORS as specified in ANNEX 3 and amended by the Parties from time to time.
- 1.24 “RAP SERVICES” means the mandatory services to be provided by CANTOURAGE as specified in ANNEX 1.
- 1.25 “RAP PLUS SERVICES” means the optional services to be provided by CANTOURAGE as specified in ANNEX 6 and to the extent these services have been ordered by BOPHELO and accepted by CANTOURAGE.
- 1.26 “RAP SERVICE PRICE” means the price to be paid by BOPHELO to CANTOURAGE for the RAP SERVICES as specified in ANNEX 3.
- 1.27 “RAP PLUS SERVICE PRICE” means the price to be paid by BOPHELO to CANTOURAGE for the RAP PLUS SERVICES as specified in ANNEX 3.

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- 1.28 “TERRITORY” means the territory of the European Union, especially of the Federal Republic of Germany.

## **2. SCOPE of the AGREEMENT**

- 2.1 The object of the AGREEMENT is the provision of the RAP SERVICES, and if agreed, the RAP PLUS SERVICES by CANTOURAGE to BOPHELO, the REFINEMENT of CONTRACTUAL PRODUCTS by CANTOURAGE for BOPHELO, and distribution of END PRODUCTS within the TERRITORY.
- 2.2 For that purpose,
- 2.2.1 CANTOURAGE shall provide the RAP SERVICES and RAP PLUS SERVICES to BOPHELO,
- 2.2.2 BOPHELO shall deliver CONTRACTUAL PRODUCTS to the CONSIGNMENT STOCK,
- 2.2.3 CANTOURAGE shall REFINEMENT certain quantities of CONTRACTUAL PRODUCTS within the CONSIGNMENT STOCK,
- 2.2.4 CANTOURAGE shall market and distribute END PRODUCTS within the TERRITORY.

## **3. Term and termination**

- 3.1 This AGREEMENT comes into effect upon signature of both Parties and its initial term shall be 5 years. The term shall be extended each time for further period of 1 years unless the AGREEMENT has been duly terminated prior to the expiration of the term.

- 3.2 The notice period for a termination by CANTOURAGE is 60 days and for a termination by BOPHELO 60 days.
- 3.3 BOPHELO can terminate the AGREEMENT before the initial term expires. CANTOURAGE is not allowed to terminate the AGREEMENT before the initial term expires.
- 3.4 The right of termination for good cause remains unaffected. Good cause shall be, inter alia, if (i) CANTOURAGE does not dutifully provide the RAP SERVICES; or (ii) the REFINEMENT is not carried out in accordance with applicable law; or (iii) the END PRODUCTS do not conform to specifications as set out in ANNEX 5 for reasons not referring to the CONTRACTUAL PRODUCT. BOPHELO has to notify CANTOURAGE in writing and provide 30 days to remedy the situation. Afterwards if the situation is not remedied, BOPHELO can terminate the AGREEMENT with immediate effect subject to all further requirements for a termination for good cause as stipulated by applicable law.
- 3.5 The termination notice has to be in writing.

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#### **4. Title and risk of loss**

- 4.1 Upon DELIVERY, CANTOURAGE shall become the sole owner of the CONTRACTUAL PRODUCTS. CANTOURAGE shall keep all CONTRACTUAL PRODUCTS derived therefrom free of liens, security interests and encumbrances.
- 4.2 Upon DELIVERY, CANTOURAGE will assume the risk of loss of the CONTRACTUAL PRODUCTS. CANTOURAGE assumes the risk of loss of all END PRODUCTS. CANTOURAGE shall maintain an adequate insurance up to an amount of minimum EUR 1,500,000 to cover such potential losses.

#### **5. SERVICES**

- 5.1 During the term of this AGREEMENT, CANTOURAGE shall provide to BOPHELO the RAP SERVICES and RAP PLUS SERVICES in accordance with the due diligence of a professional expert.
- 5.2 The provision of RAP PLUS SERVICES is conditional upon BOPHELO and CANTOURAGE entering into a separate service agreement further detailing the respective obligations of either Party.

#### **6. CONSIGNMENT STOCK**

- 6.1 BOPHELO shall be responsible for the DELIVERY of the CONTRACTUAL PRODUCTS . BOPHELO shall not pay for taxes and duties for the importation.
- 6.2 CANTOURAGE shall inform BOPHELO in due course whenever the quantity of CONTRACTUAL PRODUCTS and END PRODUCTS stored in the CONSIGNMENT STOCK falls below the MINIMUM QUANTITY.
- 6.3 CANTOURAGE shall provide to BOPHELO a FORECAST for the period beginning on 1 January 2022 or beginning no later than three weeks of receiving the expansion of the narcotics license whichever is the later.

No later than ten (10) days prior to the first day of each subsequent calendar quarter, CANTOURAGE shall deliver to BOPHELO a FORECAST for the period beginning with the first day of such calendar quarter. FORECASTS are subject to RAP PLUS SERVICES and for informational purposes only. They do not create any binding obligations on behalf of either PARTY; provided, however, that BOPHELO shall not be required to manufacture and sell to CANTOURAGE any quantity of CONTRACTUAL PRODUCTS that is unreasonably disproportionate to any FORECAST for the period covered by such FORECAST.

- 6.4 Upon expiration or termination of this AGREEMENT without cause, CANTOURAGE shall destroy and dispose all remaining CONTRACTUAL PRODUCTS and END PRODUCTS from the CONSIGNMENT STOCK. BOPHELO shall bear all

reasonable costs and expense incurred by CANTOURAGE for the destruction or disposal up to a maximum amount equaling an average cost of EUR 0,20 per gram. For each destroyed and disposed END PRODUCT, BOPHELO shall pay to CANTOURAGE the difference between the agreed PURCHASE PRICE and the AVERAGE SELLING PRICE plus statutory value added tax (if applicable).

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- 6.5 Upon termination of this AGREEMENT for cause, CANTOURAGE shall destroy and dispose all remaining CONTRACTUAL PRODUCTS and END PRODUCTS from the CONSIGNMENT STOCK at costs and expense of CANTOURAGE. For each destroyed and disposed END PRODUCT, BOPHELO shall pay to CANTOURAGE only the costs of REFINEMENT.

**7. REFINEMENT**

- 7.1 CANTOURAGE shall REFINE CONTRACTUAL PRODUCTS, which are stored in the CONSIGNMENT STOCK on behalf of BOPHELO in such quantities as CANTOURAGE considers reasonably necessary in order to meet DISTRIBUTOR's demands for END PRODUCTS.

- 7.2 The specifications of the END PRODUCTS are set out in ANNEX 5.

- 7.3 CANTOURAGE shall within 7 days after receiving the testing results for the END PRODUCTS report to BOPHELO on the REFINEMENT results and provide BOPHELO with the respective CoA (Certificate of analysis).

- 7.4 CANTOURAGE shall ensure in its contractual relationship with the DISTRIBUTOR that the ownership of the END PRODUCTS shall only transfer to the DISTRIBUTOR once the SELLING PRICE is paid in full to CANTOURAGE.

**8. BRANDS, LABELLING**

CANTOURAGE shall distribute and sell the END PRODUCTS with the brands and labelling specified in ANNEX 7.

**9. Distribution, sales activities**

- 9.1 CANTOURAGE shall use commercially reasonable efforts to market, distribute and promote the END PRODUCTS within the TERRITORY within the scope of RAP PLUS SERVICES described under ANNEX 6. CANTOURAGE is obliged to make sure that the DISTRIBUTOR has all the required approvals, permits and licences to handle the END PRODUCTS.

- 9.2 The PARTIES shall agree on an ANNUAL MARKETING PLAN that will include at least the sales forecasts and extent of the RAP PLUS SERVICES. The ANNUAL MARKETING PLAN is subject to RAP PLUS SERVICES and can be amended from time to time by a mutual agreement of the PARTIES.

*Bophelo - Cantourage*

**10. Order Fulfilment**

- 10.1 Upon respective orders of DISTRIBUTORS, CANTOURAGE shall deliver the ordered END PRODUCTS from the CONSIGNMENT STOCK to the respective DISTRIBUTOR.

- 10.2 For each delivery of END PRODUCTS to the respective DISTRIBUTOR, CANTOURAGE shall invoice to the respective DISTRIBUTORS the respective SELLING PRICE plus statutory value added tax and costs and expenses.



- 10.3 In the event a DISTRIBUTOR fails to pay invoiced amounts in a timely manner, CANTOURAGE shall submit at least two payment reminder notices to the respective DISTRIBUTOR and take commercially reasonable measures to enforce the claim at their own costs.

## **11. Deliveries**

BOPHELO shall effect DELIVERY of CONTRACTUAL PRODUCTS in a timely manner as agreed between BOPHELO and CANTOURAGE from time to time.

## **12. PRICE, INVOICES**

- 12.1 For RAP SERVICES and RAP PLUS SERVICES, BOPHELO shall pay to CANTOURAGE the PRICES at the dates specified in ANNEX 3 plus statutory value added tax (if applicable).

- 12.2 For each END PRODUCT delivered to and paid by a DISTRIBUTOR, BOPHELO shall invoice CANTOURAGE and CANTOURAGE shall pay to BOPHELO the MINIMUM PURCHASE PRICE plus statutory value added tax (if applicable). For the avoidance of doubt, the MINIMUM PURCHASE PRICE and the PURCHASE PRICE shall not become payable to the extent CANTOURAGE has not received payment of the SELLING PRICE for the respective END PRODUCTS.

For each CONTRACTUAL PRODUCT that cannot be refined into an END PRODUCT due to loss of the CONTRACTUAL PRODUCT, BOPHELO shall invoice CANTOURAGE and CANTOURAGE shall pay to BOPHELO the cost price. The same applies in case of loss of the END PRODUCT.

- 12.3 CANTOURAGE shall not be obliged to make payment if the delivered CONTRACTUAL PRODUCTS contains a DEFECT.

- 12.4 CANTOURAGE has to calculate the PURCHASE PRICE within 14 days following the end of each RELEVANT PERIOD and notify it to BOPHELO. In case the PURCHASE PRICE exceeds the MINIMUM PURCHASE PRICE, BOPHELO shall invoice the PURCHASE PRICE minus the already paid MINIMUM PURCHASE PRICE plus statutory value added tax (if applicable).

- 12.5 All PRICES are to be paid in Euro and payable within 14 days after receipt of a respective invoice. Either Party may invoice a PRICE as soon as the PRICE has become payable.

*Bophelo - Cantourage*

- 12.6 CANTOURAGE shall be entitled to request an adjustment of PRICES if market conditions require a PRICE adjustment.

## **13. Release of CONTRACTUAL PRODUCT**

- 13.1 Prior to the first DELIVERY, CANTOURAGE will audit BOPHELO with regard to its GACP compliance, BOPHELO shall only deliver CONTRACTUAL PRODUCT which has been produced with same production equipment, production materials and production processes at the same production place as audited by CANTOURAGE.

- 13.2 Prior to the first DELIVERY, BOPHELO shall, at the request of CANTOURAGE, produce proof of the conformity of the CONTRACTUAL PRODUCTS with the agreed specification (ANNEX 2) by submitting a CoA (Certificate of analysis) by an independent third party.

- 13.3 Each change in the production equipment, the production materials, location or processes used for the production of CONTRACTUAL PRODUCTS (including the production equipment, production materials, location or processes of sub-contractors and sub-suppliers) shall require a new sign-off. BOPHELO shall inform CANTOURAGE of any forthcoming or impending changes at the earliest possible date. In addition, the provisions of Clause 19 apply.

## **14. Quality; Inspection**

14.1 Prior to DELIVERY, BOPHELO shall inspect the quality of the CONTRACTUAL PRODUCTS and ensure that no CONTRACTUAL PRODUCTS containing a DEFECT are delivered. In addition, BOPHELO shall send CoA (Certificate of analysis) by an independent third party for each delivered batch to CANTOURAGE.

14.2 CANTOURAGE shall test samples of each shipment of CONTRACTUAL PRODUCTS in due course. The time limit for notifying evident DEFECTS or any DEFECTS discovered shall be three weeks as from DELIVERY or discovery of the DEFECT.

## **15. Warranty**

15.1 Each CONTRACTUAL PRODUCT delivered must have the following quality:

15.1.1 The CONTRACTUAL PRODUCT must conform with the specification agreed in this AGREEMENT.

15.1.2 The CONTRACTUAL PRODUCT must conform with the quality of the Certificate of Analysis delivered by BOPHELO.

15.2 With regard to each DEFECT, CANTOURAGE shall be entitled to the statutory warranty rights.

15.3 In deviation from the statutory provisions, CANTOURAGE may, in respect of any CONTRACTUAL PRODUCT containing a DEFECT, at any time request to send back or destroy the CONTRACTUAL PRODUCT at costs of BOPHELO.

## **16. Analysis costs**

Without prejudice to all further claims, CANTOURAGE shall be entitled for each CONTRACTUAL PRODUCT containing a DEFECT to claim fifty (50) % of the effective analysis costs incurred in connection with the analysis and elimination of the DEFECT and its consequences. BOPHELO shall be enabled to challenge such test with a retest. If the retest does not confirm the adverse result brought by the previous test, CANTOURAGE will bear hundred (100) % of the cost of the retest. If the retest does confirm the adverse result brought by the previous test, BOPHELO will bear hundred (100) % of the cost of both the previous test and the retest. Parties commit to revisit in good faith this provision in case the practicalities of the first twelve (12) months of shipments prove to make this stipulation an unexpected burden to any of the Parties.

## **17. RECALL**

17.1 CANTOURAGE shall be entitled to recall END PRODUCTS supplied to DISTRIBUTORS if such a recall is necessary under applicable law.

17.2 In case of a recall caused by the CONTRACTUAL PRODUCTS, BOPHELO shall, without prejudice to all further claims by CANTOURAGE, indemnify CANTOURAGE for the reasonable costs of all measures taken by CANTOURAGE to eliminate or minimise the risks which have arisen for CANTOURAGE, unless the recall has arisen out of any breach of the AGREEMENT by CANTOURAGE or any negligence in the sale or promotion of the END PRODUCTS. These include in particular the following measures:

17.2.1 the notification of known or the public notification of unknown owners of the products;

17.2.2 the removal and transport - including packaging, insurance, temporary storage and customs duties - of the products from the owner to CANTOURAGE or to the nearest suitable location at which the fault in the products can be rectified, the products disposed of, destroyed, temporarily stored or replaced;

17.2.3 the disposal or destruction of the products;

- 17.2.4 the examination of products which demonstrably belong to any series containing a DEFECT at the premises of the owner or at the nearest suitable location.

- 17.3 In case a recall is caused by the REFINEMENT or as a condition in the END PRODUCT and not caused by the CONTRACTUAL PRODUCT, CANTOURAGE shall, without prejudice to all further claims by BOPHELO, indemnify BOPHELO for the reasonable costs of all measures taken by BOPHELO to eliminate or minimise the risks, which have arisen for BOPHELO.

**18. Product liability**

- 18.1 Should any product liability claims be asserted against CANTOURAGE which are based on a fault or DEFECT in a CONTRACTUAL PRODUCT, BOPHELO shall indemnify CANTOURAGE from these claims and from all costs incurred by CANTOURAGE by reason of the claims asserted, including any costs of legal defence and costs for corrective measures to mitigate the risk.

- 18.2 Should any product liability claims be asserted against BOPHELO which are based on a fault in an END PRODUCT or caused by REFINEMENT, CANTOURAGE shall indemnify BOPHELO from these claims and from all costs incurred by BOPHELO by reason of the claims asserted, including any costs of legal defence and costs for corrective measures to mitigate the risk.

**19. Insurance**

Either Party shall be obliged to maintain business liability insurance and extended product liability insurance with coverage of at least EUR 1 (one) million per claim for damage.

**20. Change management**

In case of a change in regulation affecting the distribution of END PRODUCTS within the TERRITORY, the PARTIES shall mutually agree on necessary measures.

**21. Obsolescence**

PARTIES shall inform each other at the earliest possible date of any anticipated or impending restrictions concerning manufacture or delivery of the CONTRACTUAL PRODUCTS or END PRODUCTS.

**22. Provision of materials and assistance by CANTOURAGE**

CANTOURAGE shall only be obliged to provide such services, assistance and cooperation if and to the extent explicitly provided in this AGREEMENT.

**23. Intellectual property**

Any FOREGROUND RIGHTS created by CANTOURAGE shall be deemed the sole property of CANTOURAGE as they relate exclusively to the END PRODUCTS.

**24. CERTIFICATIONS, PERMISSIONS**

The Parties agree that CANTOURAGE alone shall be the sole owner of all certifications or permissions regarding the END PRODUCTS in so far as these relate exclusively to the END PRODUCTS and the TERRITORY.

**25. Rights of third parties**

- 25.1 BOPHELO shall be liable for ensuring that no rights of third parties are infringed through the manufacture and supply of CONTRACTUAL PRODUCTS.
- 25.2 CANTOURAGE shall be liable for ensuring that no rights of third parties are infringed through the manufacture and supply of END PRODUCTS.

**26. Duties to inform; Inspection rights**

- 26.1 BOPHELO shall without undue delay provide to CANTOURAGE the information required by applicable law relating to the manufacture and supply of CONTRACTUAL PRODUCTS and also in regard to compliance with the duties of BOPHELO agreed in this AGREEMENT.
- 26.2 BOPHELO shall be obliged to inform CANTOURAGE at the earliest possible date of pending or announced changes in the manufacturing location and process, statutory provisions, in particular applicable accident prevention, occupational safety, environment and similar provisions, the applicable technical standards and the latest recognised rules of science and technology in so far as these concern or may concern the CONTRACTUAL PRODUCTS.
- 26.3 Each Party shall be entitled to check the other Party's compliance with the obligations agreed in this AGREEMENT (Audit). The audit is to be announced with a reasonable period of advance notice and to be carried out within the usual business hours of the Party.
- 26.4 BOPHELO shall retain all information, documents and data concerning the manufacture and supply of CONTRACTUAL PRODUCTS for a period of at least [10] years from the manufacture of the last CONTRACTUAL PRODUCT and deliver the same to CANTOURAGE if required by applicable law.

**27. Alliance Committee**

The Parties shall establish an ALLIANCE COMMITTEE that shall manage the fulfilment of this AGREEMENT, in particular, but not limited to the regulatory matters, supply arrangements, adoption and implementation of the ANNUAL MARKETING PLAN etc. The ALLIANCE COMMITTEE shall consist of at least one member of each Party and shall meet at least once a month by teleconference or more regularly as required to fulfil the AGREEMENT.

**28. Export/Import regulations**

- 28.1 BOPHELO must comply at its own cost and expense with all export control, customs and foreign trade regulations applicable in the export countries for the CONTRACTUAL PRODUCTS and obtain all necessary permits unless CANTOURAGE or any third party are obliged to apply for such permits.

- 28.2 CANTOURAGE must comply at its own cost and expense with all import, customs and foreign trade regulations applicable in Germany and obtain all necessary permits in Germany. CANTOURAGE shall be solely liable for any damage in case CANTOURAGE does not obtain all necessary import permits.
- 28.3 BOPHELO must provide CANTOURAGE in writing as early as possible with all information and data which CANTOURAGE requires for the application of the import permits - especially the Certificate of Analysis.

- 28.4 BOPHELO must provide CANTOURAGE in writing upon DELIVERY with all information and data which CANTOURAGE requires for the import / customs clearance. With each shipment, BOPHELO must send the following documents:
- Certificate of Analysis
  - Delivery Note with the actual amount of CONTRACTUAL PRODUCT declared
  - Pro Forma Invoice with the actual amount of CONTRACTUAL PRODUCT declared
  - Export Permit
- 28.5 In the case of any changes in the origin and/or of features of the products or services sold to CANTOURAGE and/or the relevant regulations, BOPHELO must update the information specified in Clause 26.2 or any further information which may have become necessary as early as possible but no later than two (2) weeks following the date when these changes came into force and in any event prior to the planned DELIVERY date. BOPHELO shall be liable for all expenses and/or damage suffered by CANTOURAGE by reason of any incorrectness or inaccuracy of the information provided by the supplier unless BOPHELO was not responsible for the breach of duty.
- 28.6 Neither Party shall be obliged to perform this Agreement if and in so far as relevant regulations, embargos or any other sanctions preclude their performance.
- 28.7 BOPHELO guarantees the security of its own supply chain and observes corresponding legal requirements. BOPHELO undertakes at the request of CANTOURAGE to provide corresponding proof through certificates or declarations.
- 28.8 Neither Party shall be responsible for any failure of or delay in performance hereunder which may be due, in whole or in part to any event of FORCE MAJEURE. The Party claiming the existence of a FORCE MAJEURE event shall use commercially reasonable efforts to resume performance under this AGREEMENT as soon as possible, and if it has not performed under this AGREEMENT due to a FORCE MAJEURE event for more than thirty (30) days, the other Party may terminate this AGREEMENT without further cost or liability in addition to any other applicable termination rights.

## **29. Confidentiality**

- 29.1 During the term of this AGREEMENT and after termination or expiration of this AGREEMENT for any reason, the RECEIVING PARTY:
- 29.1.1 shall keep the CONFIDENTIAL INFORMATION confidential;
  - 29.1.2 may not disclose the CONFIDENTIAL INFORMATION to another person except with the prior written consent of the DISCLOSING PARTY or in accordance with Clause 27.2 and 27.3; and
  - 29.1.3 may not use the CONFIDENTIAL INFORMATION for a purpose other than the performance of its obligations under this AGREEMENT.
- 29.2 During the term of this Agreement or thereafter the RECEIVING PARTY may disclose the CONFIDENTIAL INFORMATION to its employees, sub-contractors and customers only to the extent that it is reasonably necessary for the purposes of this AGREEMENT.
- 29.3 The RECEIVING PARTY shall ensure that each recipient is made aware of and complies with all the RECEIVING PARTY's obligations of confidentiality under this AGREEMENT as if the recipient was a party to this AGREEMENT.
- 29.4 Clause 27.1 to 27.3 do not apply to CONFIDENTIAL INFORMATION which:

- 29.4.1 is at the date of this AGREEMENT or at any time after the date of this AGREEMENT comes into the public domain other than due to breach of this AGREEMENT by the RECEIVING PARTY;
- 29.4.2 to the extent such information has to be disclosed by the RECEIVING PARTY to public authorities or courts pursuant to statute or applicable law rules;
- 29.4.3 can be shown by the RECEIVING PARTY to have been known by the RECEIVING PARTY before disclosure by the DISCLOSING PARTY to the RECEIVING PARTY; or
- 29.4.4 subsequently comes lawfully into the possession of the RECEIVING PARTY from another source not under obligation of confidentiality to the DISCLOSING PARTY.

### **30. FORM**

- 30.1 BOPHELO shall make any legally relevant statement, declaration or notice under this AGREEMENT to Cantourage GmbH, Schloßstr. 112, 12163 Berlin, Germany in text form.
- 30.2 CANTOURAGE shall make any legally relevant statement, declaration or notice under this AGREEMENT to BOPHELO Khoabane Mojela, Ha Mojela, Ts'Akholo, Mafeteng, Lesotho and in parallel to [vidya@akandacorp.com](mailto:vidya@akandacorp.com) in text form.

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### **31. Applicable law**

This AGREEMENT and the performance of the same shall be governed exclusively by the law of the Federal Republic of Germany (to the exclusion of its conflict of law provisions). The application of the United Nations Convention on Contracts for the International Sale of Goods (CISG) is excluded.

### **32. VENUE**

- 32.1 The exclusive court venue for all disputes arising from or in connection with this AGREEMENT shall be Hamburg, Germany.
- 32.2 CANTOURAGE has the right to sue BOPHELO also at its place of general jurisdiction.

### **33. Integral parts of the AGREEMENT**

- 33.1 Integral parts of this AGREEMENT are:

Annex 1: RAP SERVICES

Annex 2: CONTRACTUAL PRODUCTS

Annex 3: PRICES

Annex 4: Quality Assurance Agreement

Annex 5: END PRODUCTS

Annex 6: RAP PLUS SERVICES

Annex 7: Brands, Labelling

- 33.2 In the case of ambiguities or inconsistencies, the integral parts of the AGREEMENT shall apply in the following order of precedence:

- 33.2.1 Prior-ranking, the text of this AGREEMENT shall apply; thereafter the Annexes in the order of their numbering.
- 33.2.2 Provisions of higher rank shall have precedence in the case of inconsistencies with provisions of lower rank.
- 33.2.3 Terms and conditions deviating from this AGREEMENT shall have no validity unless the Parties have agreed the deviation in a contractual document signed by both sides with express reference to the contrary provisions of this AGREEMENT.
- 33.2.4 Should inconsistencies or ambiguities arise which cannot be unequivocally dispelled through the foregoing order of priority, BOPHELO shall be obliged to inform CANTOURAGE in writing without delay.

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#### **34. Final provisions**

- 34.1 No ancillary agreements have been made.
- 34.2 In so far as any earlier agreements between the Parties exist in regard to the CONTRACTUAL PRODUCTS and their supply, these agreements lose their validity upon signature to this AGREEMENT.
- 34.3 General terms and conditions of either Party shall not apply even if a Party has referred to such terms and conditions.
- 34.4 This AGREEMENT is executed in duplicate. Each Party hereto receives one signed copy.
- 34.5 Any amendments or supplements need to be made in written form in order to be effective. This also applies for the revocation or amendment of the requirement of the written form.
- 34.6 Should individual provisions of this AGREEMENT be or become ineffective or incapable of performance, either in whole or in part, or should this AGREEMENT contain any gap in its provisions, the effectiveness of the remaining provisions shall not be thereby affected. In place of the ineffective provision or provision incapable of performance or for the purpose of filling any gap in the contractual provisions, such arrangement shall be deemed to be agreed as most closely reflects that which the Parties hereto intended or, in accordance with the intent and purpose of the AGREEMENT, would have intended had they given consideration to the point.

Berlin, the 9/15/2021

Johannesburg, the 9/15/2021

/s/ Patrick Hoffman  
Cantourage GmbH

/s/ Trevor Scott  
Bophelo Bio Science and Wellness (Pty) Ltd

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### **ANNEX 1 (RAP SERVICES and REFINEMENT)**

#### **A. RAP SERVICES**

##### **Initial setup to secure an initial Import Permit**

### Paper Audit:

Checking the following documents and comparing them with own specifications to decide whether BOPHELO; is eligible for the program or not:

- valid cultivation license
- representative certificates of analysis (CoAs)
- self-disclosure about products
- basic statement on the use of pesticides and fertilizers

### Audit by Cantourage:

- Auditing BOPHELO; on site to check the conformity of BOPHELO; with the GACP guidelines (in certain cases with support of qualified third-party experts)
- Using checklists, which are based on the WHO guidelines on good agricultural and collection practices (GACP) for medicinal plants:
  - Quality assurance
  - Propagation
  - Cultivation
  - Harvest
  - Primary processing
  - Packaging

### Product Definition:

- Definition and check of the product quality in consideration of the DAB monography (e.g. heavy metals, microbiology, pesticides)
- Working with the guidelines that are also specified by the European medicinal book for herbals & drugs
- Checking in the German market whether END PRODUCT name may be used or not and checking the END PRODUCT names for trademark violations

### Registration:

- Inclusion of BOPHELO; in the narcotic license and manufacturing authorization
- Narcotic registration of all necessary third parties (e.g. logistic providers)
- Expanding Cantourage's BTM-license to include the END PRODUCTS

### Product Registration:

Registration of various END PRODUCTS including the product central number (PZN) at the "Informationsstelle für Arzneispezialitäten" (IFA).

### Import Permit:

- Applying the Import Permit "Einfuhrgenehmigung" at the "Bundesopiumstelle"
- Sending the 2 originals to BOPHELO

### Export Permit:

- Helping BOPHELO; with the application and the fulfillment of the export if necessary



## **Manufacturing Process**

### **Import Management:**

- Arranging a pickup at a German airport
- Fulfillment of all relevant aspects for customs clearance
- Responsibility for the CONTRACTUAL PRODUCTS from the German Airport on
- Carrying and shipping under GDP conditions, which means that the temperature is between 15-25 degrees, the shipment is always safe & secure and also traceable at any time

### **Quality Management:**

As part of the quality management of Cantourage, the following procedures take place with every import:

- Incoming goods inspection (transport documentation e.g. temperature)
- Comparing quantities with delivery note
- Taking a representative sample
- Carrying out a quality control of the sample
- Checking the client's certificate of analysis (CoA) with the DAB monography
- prompt identification of any defects in accordance with the Agreement

### **Batch Labeling:**

- Creating a label that is conform with the European drug law consisting two parts (product-specific level and presentation of the analysis certificate)
- In other European countries, the label is created in coordination with local representatives of the individual states

### **Testing and Release:**

After the CONTRACTUAL PRODUCT is transformed to END PRODUCTS, it will be tested and released by Cantourage before it can be sold:

- Taking a representative sample
- Carrying out the quality control
- Releasing batch if all quality assurance parameters match
- taking all other steps to ensure compliance with EU GMP standards

## **Order & fulfillment**

### **Storage of CONTRACTUAL PRODUCTS and END PRODUCTS:**

The CONTRACTUAL PRODUCTS and END PRODUCTS are always stored in an anesthetic warehouse under GMP conditions and the requirements of the relevant German and EU guidelines:

- Temperature is between 15-25 degrees
- Humidity and air quality are continuously monitored
- Product is always kept safe & secure
- Product is stored on one or more pallets in an assigned storage location

### **Order Management & Fulfillment:**

To ensure that all processes run smoothly, Cantourage is setting up an own module in a proven virtual Enterprise resource planning system (ERP system) for BOPHELO:

- Introducing all CONTRACTUAL PRODUCTS and END PRODUCTS into the system
- Handling the entire order acceptance via phone, fax, email and the shop with an experienced team of salespeople
- Introducing the entire DISTRIBUTOR data into the ERP in order to do the shipping and the billing with BOPHELO; and our logistic providers
- Shipping the END PRODUCT within the TERRITORY under GDP conditions
- Fulfilling the entire narcotic documentation within the shipping process

#### Return handling & reclamation:

Cantourage does the return handling & reclamation. Within the process, each complaint is first checked and assessed by Cantourage's quality assurance.

- Fulfilling a detailed determination and an evaluation of the cause
- Tracking the process and e.g. testing a batch if necessary
- Taking care of the narcotic documentation and the physical transport management within the reclamation process
- Fulfilling any payments of refunds that might be required

#### Payment Fulfillment:

- Fulfilling the cash flow management including the posting of the receivable
- Checking and posting of incoming payments for the individual orders
- Sending out payment reminders within the reminder management when the payment target is exceeded
- CANTOURAGE will undertake all necessary measures to ensure payments due for the delivery of END PRODUCTS are paid on time and in full

#### Documentation:

- Providing monthly KPIs to BOPHELO;
- Summarizing the sales and presenting them in Euro amounts and product quantities
- Documenting the inventories (incoming and outgoing goods), as well as the gross margin analysis
- Sharing monthly documentation with the client, in order to discuss future approaches.

### **B. REFINEMENT**

#### Product Transformation:

Transforming the CONTRACTUAL PRODUCTS into an END PRODUCT by an EU GMP compliant manufacturer in accordance with the relevant EU guidelines thereby producing EU GMP compliant product that can be sold as such in Germany and will be palatable and appealing to consumers. The activities CANTOURAGE will undertake to do this include but are not limited to:

- Trimming
- Post treatment (if necessary)
- Drying (if necessary)
- Packing
- Labeling according to defined manufacturing regulations
- Testing and Release

In the course of the REFINEMENT there will be trimming and drying losses as well as retentions and testing provisions that will not be included into the END PRODUCT. Cantourage will keep a record of these losses and retentions, but also of the yield, and will disclose them to BOPHELO; immediately after the REFINEMENT process.

CANTOURAGE will make the best endeavors to sell the trimming losses and any profits will be split between the 2 parties as per a normal sale of product outlined in this contract. At all times, BOPHELO owns the trimming losses and has the right to request CANTOURAGE ship such product to another party at BOPHELOS's cost.

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## ANNEX 2 (CONTRACTUAL PRODUCTS)

The CONTRACTUAL PRODUCTS must comply with the following parameters and specification:

Test Parameter	Test Method	Specification
Appearance	Organoleptic	Dried plant material, branches of Cannabis flowers (untrimmed) and smaller leaves, without larger leaves
Colour	Organoleptic	Green, grey-green or brown-green
Odour	Organoleptic	Characteristic for Cannabis
Identity of present Cannabis flowers	Macroscopic	<p>Presence of female flowers according to DAB-Monograph "Cannabis flos"</p> <p>Identity test A:</p> <p><i>The female blossoms are either whole or have fallen into individual pieces. The bracts and flowers stand closely together and the entire flower forms a strongly clinched panicle of approximately 1 to 5 cm in length and width, with the dark green bracts protruding somewhat. The light brown to brown pistil and cicatrices are together up to 1 cm in length. The tepals are green to light green and, like the bracts, densely covered in yellow-white hairs and covered in resin. The crumbled drug contains fragments of the peduncles, bracts and panicle segments as well as individual flowers and floral organs. The individual flowers are approximately 5 to 10 mm in length, sometimes with short petioles, and consist of a hood-like, green to light green tepal, the female ovaries of 1 to 2 mm in size, which may contain a small brown ovule, and a brown pistil with 2 long, thin cicatrices. The bract fragments are dark green to green, the peduncles light green. The bracts and all floral organs, apart from the tepals, are more or less densely covered in glandular hairs sticky with excreted resin.</i></p>
Health	Organoleptic	No visible sign of diseases or pest contamination
Foreign Material	Ph.Eur. 2.8.2	< 2 % (m/m)
Loss on Drying	Ph.Eur. 2.2.32	10-15 % (m/m)
Total Ash	Ph.Eur. 2.4.16	Max. 20 % (m/m)
Heavy Metals	Ph.Eur. 2.4.27	<p>Lead: max. 5.0 ppm</p> <p>Mercury: max. 0.1 ppm</p> <p>Cadmium: max. 1.0 ppm</p>
Pesticides	Ph.Eur. 2.8.13	Comply with Ph.Eur. 2.8.13
Microbiological Quality	Ph.Eur. 2.6.31	<p>TAMC: max. <math>2.5 \times 10^6</math> cfu/g</p> <p>TYMC: max. <math>2.5 \times 10^5</math> cfu/g</p> <p>Bile-tolerant Gram negative bacteria: max. <math>10^4</math> cfu/g</p> <p>Escherichia coli: absent in 1 g</p> <p>Salmonella: absent in 25 g</p> <p>Pseudomonas aeruginosa: absent in 1 g</p>

		Staphylococcus aureus: absent in 1 g
Total THC content	HPLC acc. to Ph.Eur. 2.2.29	<i>Between 90% and 110% of the content separately agreed in text form for the specific product</i>
Total CBD content	HPLC acc. to Ph.Eur. 2.2.29	<i>Between 90% and 110% of the content separately agreed in text form for the specific product</i>

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### ANNEX 3 (PRICES)

#### A. RAP SERVICE PRICE

The price for the RAP SERVICE is **420.000 EUR** and is payable as followed:

- **20.000 EUR**, due 10 days after signing of this Agreement and receipt of a proper invoice
- **200.000 EUR**, due 10 days after REFINEMENT and the first sale of END PRODUCTS to a DISTRIBUTOR
- Upon IPO, Bophelo will issue **200,000 EUR** of IPO stock to Cantourage. Stock will be held in escrow until first sale obligation is met. Equity would vest immediately on that first sales event.

#### B. RAP PLUS SERVICE PRICES

PLUS Service	One time fee	Recurring / monthly fee
Homepage	10.000 € (*)	500 €
Direct HCP access	10.000 € (*)	500 €
Listing at wholesales	7.500 € / wholesale (*)	150 € / wholesale
Info material	10.000 € (*) / 20.000 € / 40.000 €	Printing costs
Pharma representatives	5.000 € / pharma rep	7.000 € / pharma rep
Press announcements	2.000 € + placement costs	-
Advertisements	Real costs + 15 %	-
Newsletter	1.750 €	Printing and distribution costs
Education program	20.000 €	500 € / physician
Patient support	10.000 €	Printing costs
Social Media	1.500 €	1.000 €
Launch Event	15.000 €	-

(\*) These PLUS Service are included in the price of € 420.000 for the RAP Service.

The above given prices are rough estimates, based on the experience of CANTOURAGE for a basis package. Each final price depends on the extent of a chosen service and the respective service agreement.

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#### C. PURCHASE PRICE

The PURCHASE PRICE will be calculated as price per gram of END PRODUCTS received by REFINEMENT of CONTRACTUAL PRODUCTS and consists out of a 70,0 % share of the AVERAGE SELLING PRICE. It is calculated as followed:

AVERAGE SELLING PRICE per gram x 70 %

PURCHASE PRICE and AVERAGE SELLING PRICE refer to the resulting weight of END PRODUCTS.

The weight of END PRODUCTS as a basis for the PURCHASE PRICE will be lower than the weight of CONTRACTUAL PRODUCTS, due to trimming and drying losses that occur during the REFINEMENT. Moreover, CANTOURAGE must withhold a minimum quantity of refined CONTRACTUAL PRODUCTS for testing and retentions that will not be included into the END PRODUCT.

The minimum PURCHASE PRICE that CANTOURAGE has to pay to BOPHELO for CONTRACTUAL PRODUCTS is 2,80 EUR per gram of the END PRODUCT that was refined from the respective CONTRACTUAL PRODUCT ("MINIMUM PURCHASE PRICE").

#### **D. SELLING PRICE**

The SELLING PRICE will be set by CANTOURAGE in its own discretion.

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#### **ANNEX 4**

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#### **QUALITY ASSURANCE AGREEMENT**

**Bophelo - Cantourage**

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#### **QUALITY ASSURANCE AGREEMENT**

**Production and Quality Control  
of Medicinal Cannabis Starting Material**

**(Version 01)**

between **Cantourage GmbH  
Heinrich-Mann-Str.12  
14532 Kleinmachnow  
Germany**

– hereinafter referred to as “**Cantourage**” –

and **Bophelo Bio Science and Wellness (Pty) Ltd  
Khoabane Mojela, Ha Mojela, Ts’Akhola, Mafeteng**

*Bophelo - Cantourage*

### 34.7 Preamble

The parties to this Agreement consent that, due to legal provisions, the quality of Medicinal Cannabis Starting Material must be assured. The corresponding provisions must be obeyed.

Against this background, the parties to this Agreement conclude the following contract which is the basis for all shipments of Cannabis Materials from **BOPHELO** to **Cantourage**.

The following agreements relate to the quality part of the business relations between **Cantourage** and **BOPHELO**. Arrangements on prices and other commercial terms are reserved for a separate agreement.

### Legal Background

Cultivation of Cannabis in the country of origin must be done for medical purposes under governmental control according to articles 23 and 28 paragraph 1 of the Single Convention on Narcotic Drugs from 1961. Both Germany and Lesotho signed the UN Single Convention on Narcotic Drugs.

**BOPHELO** owns a cultivation license issued by the responsible authority of Lesotho. **BOPHELO** will undertake all measures to maintain this license. In the case **BOPHELO**'s license will be suspended or withdrawn by the authority, this Quality Assurance Agreement is not or no longer executed.

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### Glossary

#### GACP

European “Guideline on Good Agricultural and Collection Practice for Starting Materials of Herbal Origin” (Doc. Ref. EMEA/HMPC/246816/2005 (20 February 2006)).

#### Manufacture

All activities necessary to obtain the contracted Medicinal Cannabis Material, including propagation, cultivation, harvest, post-harvest processing, packaging, quality control.

#### Manufacturing site

Location where **BOPHELO** carries out all activities to cultivate and process the contracted Medicinal Cannabis Material as specified in Appendix 1 of this agreement. The cultivation license is used for the following manufacturing site:

Bophelo Bio Science and Wellness (Pty) Ltd  
Ts'Akholo, Mafeteng

Production

see Manufacture

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**1 Scope**

Until further notice, the provisions of this Agreement apply to all Medicinal Cannabis Materials **BOPHELO** supplies and which are listed in Appendix (1) to this Agreement together with the agreed specifications.

This Quality Assurance Agreement outlines the responsibilities of **Cantourage** and **BOPHELO** with respect to the quality assurance of Medicinal Cannabis Materials produced and supplied by **BOPHELO**. The responsibilities of **Cantourage** and **BOPHELO** are outlined in Appendix (2). Important contact persons are listed in Appendix (3).

**2 Supplier / manufacturer**

In case of this agreement, **BOPHELO** is the supplier and producer of the Medicinal Cannabis Materials.

**BOPHELO** has reported its activities to the competent authority under the national requirements and is under survey of this authority.

**3 Requirements to the production of Medicinal Cannabis Materials**

3.1 **BOPHELO** is obliged to name the manufacturing site/s of the supplied Medicinal Cannabis Materials.

The manufacturing site is:

Bophelo Bio Science and Wellness (Pty) Ltd  
Ts'Akholo, Mafeteng  
Lesotho

3.2 **BOPHELO** must inform **Cantourage** about any changes in the manufacturing site or manufacturing procedure that can affect the quality and safety of the products prior to the first delivery of concerned products.

3.3 **BOPHELO** ensures that the requirements of the GACP guidelines are fulfilled. **BOPHELO** will undertake all measures to maintain this GACP conformity.

3.4 **BOPHELO** must inform **Cantourage** about all substances used in the cultivation and processing of the Medicinal Cannabis Material, especially about all used fertilizer and pesticides. All pesticides used must be approved for use on medicinal plants by both local and European governments at application levels intended to meet established tolerance levels for the Cannabis.

3.5 **BOPHELO** ensures that the legislative limits for pesticides and heavy metals as well as the microbiological purity and all other specifications as defined in Appendix (1) are kept (to be certified in the Certificate of Analysis).

3.6 **BOPHELO** is obliged to give all information about the Cannabis Material that is or could be necessary to fulfil statutory requirements (e.g. import licence into the EU) or any information relevant for the European market as requested by **Cantourage**.

#### 4 Stability data

4.1 **BOPHELO** provides **Cantourage** with available stability data related to the contracted Cannabis Material. The primary packaging material used for stability tests must be identical with the packaging material as defined in Appendix (4).

4.2 **Cantourage** considers all stability data provided by **BOPHELO** for the determination of shelf-life and storage conditions for products for the European market.

#### 5 Packaging / Delivery

5.1 In order to keep the quality of Medicinal Cannabis Materials and the integrity of individual containers, **BOPHELO** uses suitable primary and transport packaging systems. Primary packaging materials are agreed between **Cantourage** and **BOPHELO** and defined in Appendix (4).

5.2 **BOPHELO** will take all measures to avoid any mix-ups or cross-contaminations or microbial contamination during packaging and labelling. Each single primary container is labelled at least with Material name, batch number, filling weight. Each single transport container (shipping box) is also labelled at least with Material name, batch number, number of contained primary containers. Mix-ups of different materials in one transport container should be avoided.

5.3 The following documents must be provided with each delivery:

- Batch-specific Certificate of Analysis (CoA) showing which parameters have been checked in each batch (including found values and specified limits) and which have been found on a statistical basis (skip lot testing);
- Batch-specific Certificate of Manufacture (CoM) according to GACP;
- a proper delivery note;

The delivery is not complete unless all mentioned documents are available.

5.4 The relevant legal provisions on safety and transport must be observed. Relevant Import Permits must be applied and submitted by **Cantourage**. Export permits must be applied and submitted by **BOPHELO**.

5.5 **BOPHELO** is responsible for the transport of the Medicinal Cannabis Materials from **BOPHELO** to **Cantourage**.

#### 6 Quality Control

6.1 **BOPHELO** will proceed the quality control according to the agreed specifications and test procedures as defined in Appendix (1) by using its own laboratory (in-house) and/or a third-party laboratory.

6.2 **BOPHELO** is responsible for testing the contracted products in accordance with approved validated or qualified methods and specifications using calibrated equipment. **BOPHELO** is responsible for having a program for qualification, calibration, and preventive maintenance of all analytical equipment.

6.3 **BOPHELO** must ensure that the third-party laboratory has been fully qualified via **BOPHELO**'s third-party qualification process prior to performing such activities. **BOPHELO** shall, however, retain all obligations under this Agreement.

6.3 **BOPHELO** will inform **Cantourage** about changes in the testing procedures that can affect the quality and safety of the products prior to the first delivery of concerned products.



## 7 Flaw management

- 7.1 Any visual flaws at incoming deliveries (e.g. outer packaging) are recorded on the delivery note and must be notified to **BOPHELO**. The measures to be taken are agreed between **BOPHELO** and **Cantourage** on a case-by-case basis.
- 7.2 If any flaws are discovered afterwards, **BOPHELO** must be informed immediately. The measures to be taken are also agreed between **BOPHELO** and **Cantourage** on a case-by-case basis.
- 7.3 **Cantourage** informs about hidden flaws as soon as they become known.

## 8 Quality Assurance System

- 8.1 The quality assurance system applied by **BOPHELO** bases on the guidelines of GACP and the relevant national legal stipulations.
- 8.2 **BOPHELO** will undertake all measures to maintain GACP certification issued by the competent authority.
- 8.3 **BOPHELO** allows **Cantourage** and its representatives or third persons authorised by **Cantourage** to perform audits on site to check and evaluate the QA system (audit) and relevant rooms, procedures and equipment, and to look into all the documentations that relate to the Medicinal Cannabis Materials to be supplied.

## 9 Deviations and Change Control

- 9.1 According to its Deviation SOP, **BOPHELO** categorizes events as Incidents, Deviations and Critical Deviations – depending on the quality impact on the product and/or patient. **BOPHELO** will inform **Cantourage** about Deviations and Critical Deviations from the specified and agreed manufacturing and testing procedures, product specifications and batch results (OOS) with regard to the Medicinal Cannabis Materials in writing.

The deviation must be evaluated by **BOPHELO** with regard to the impact on the product quality and impact on patient safety.

- 9.2 **BOPHELO** will inform **Cantourage** about changes in the manufacturing site, the testing location, the manufacturing and/or testing procedure as well as the product specification/s of the Medicinal Cannabis Materials to **Cantourage** in writing. This relates to changes that can affect the quality and safety of the products. **BOPHELO** must inform **Cantourage** about those changes prior to the first delivery of concerned products.

## 10 Documentation

- 10.1 All documents necessary to trace back quality and products of the contracted Medicinal Cannabis Materials should be stored at the site of **BOPHELO**, for at least 5 years after releasing the batch.
- 10.2 The following documents must be provided with each delivery:
- Batch-specific Certificate of Analysis (CoA) showing which parameters have been checked in each batch (including found values and specified limits) and which have been found on a statistical basis (skip lot testing);
  - Batch-specific Certificate of Manufacture (CoM) according to GACP;

- a proper delivery note.

## 11 Confidentiality

- 11.1 **BOPHELO** and **Cantourage** mutually undertake to observe secrecy on each other's know-how that became known to them in the course of this Agreement. This also applies for a period of three years after the co-operation has ended.
- 11.2 The obligation of confidentiality and of not using information does not apply if that information
- a) was already known to the other party before its disclosure under the Agreement and the other party declares this fact immediately, or
  - b) has become common property through publication or by other means, or
  - c) becomes known to one of the parties without originated directly or indirectly from the other party.
  - d) is made available to Authorities due to legal requirements.

## 12 Term / Termination

- 12.1 This Agreement shall come into force and effect once signed by the both parties hereby. It shall be concluded for an indefinite period and may be terminated with due observance of a notice period of six months.
- 12.2 The right for an extraordinary termination for good cause (e.g. invalidity of GACP conformity) is not affected.
- 12.3 Each termination must be effected in writing.

## 13 Miscellaneous

- 13.1 Amendments and addenda to this Agreement and its appendices shall be invalid unless made in writing.
- 13.2 Should a provision of this Agreement prove to be invalid either in part or in full or lose its validity at a later date, the validity of the other provisions shall not be affected. Another appropriate provision shall apply in place of the invalid provision, insofar as legally permissible, that comes closest in economic terms to what the parties wanted or would have wanted had they been aware of the invalidity of the provision.
- 13.3 The defendant's seat is determined as the place of jurisdiction according to the legal requirement.
- 13.4 All rights and obligations under this contract will also devolve upon the contract parties' legal successors.

*Bophelo - Cantourage*

## 14 Signatures

Berlin, 15/09/2021  
Place, date

/s/ Patrick Hoffman  
Signature  
Cantourage GmbH  
Managing Director

Johannesburg, 15/09/2021  
Place, date

Kleinmachnow, 14/09/2021  
Place, date

/s/ Constanze Pelzer  
Signature  
Cantourage GmbH  
Qualified Person

London, UK 15/09/2021  
Place, date

/s/ Trevor Scott

Signature

Bophelo Bio Science and Wellness (Pty) Ltd  
Managing Director

/s/ Dallas Dunkley

Signature

Bophelo Bio Science and Wellness (Pty) Ltd  
Quality Assurance Manager

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**Appendices:**

- (1) List of Medicinal Cannabis Products, agreed specifications and test methods
- (2) Quality Responsibilities Table
- (3) List of Contact Persons
- (4) Quality of Primary Packaging Material

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**APPENDIX (1)**

**List of contracted Medicinal Cannabis Products,  
agreed specifications and test methods**

**(Version 01)**

**To the  
QUALITY ASSURANCE AGREEMENT**

**Production and Quality Control  
of Medicinal Cannabis Starting Materials**

between **Cantourage GmbH  
Heinrich-Mann-Str.12  
14532 Kleinmachnow  
Germany**

– hereinafter referred to as “**Cantourage**” –

and **Bophelo Bio Science and Wellness (Pty) Ltd  
Khoabane Mojela,  
Ha Mojela, Ts’Akhola, Mafeteng,  
Lesotho**

– hereinafter referred to as “**BOPHELO**” –

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### 1.1. List of contracted Medicinal Cannabis Products

Contracted Medicinal Cannabis Products are GACP Cannabis Starting Materials of agreed genetics (Cannabis strains).

For each single contract product, an individual specification sheet based on Annex 2 of the Supply Agreement is issued and signed by BOPHELO and submitted to Cantourage.

### 1.2. List of agreed specifications and test methods

See Annex 2 of the Supply Agreement.

For each single contract product, an individual specification sheet based on Annex 2 of the Supply Agreement is issued and signed by BOPHELO and submitted to Cantourage.

### 1.3. History

Version	Status	Changes of previous version
01	06 / 2020	---

## APPENDIX (2)

### Quality Responsibilities Table

(Version 01)

#### To the QUALITY ASSURANCE AGREEMENT

#### Production and Quality Control of Medicinal Cannabis Starting Materials

between **Cantourage GmbH**  
**Heinrich-Mann-Str.12**  
**14532 Kleinmachnow**  
**Germany**

– hereinafter referred to as “**Cantourage**” –

and **Bophelo Bio Science and Wellness (Pty) Ltd**  
**Khoabane Mojela,**  
**Ha Mojela, Ts’Akhola, Mafeteng,**  
**Lesotho**

– hereinafter referred to as “**BOPHELO**” –

## 2.1. Quality Responsibilities

	Responsibilities	Cantourage	BOPHELO
<b>1</b>	<b>Compliance Requirements</b>		
1.1	Implement procedures and/or documented training to meet obligations under this Agreement.		x
1.2	Follow applicable current GACP and locally imposed requirements.		x
1.3	Cultivation, harvesting, drying, packaging, testing, storage in an environment meeting the applicable regulations, which is designed, constructed and maintained in a manner that a) permits the operation therein to be performed under clean, sanitary and orderly conditions; b) permits the effective cleaning of pertinent surfaces; and c) prevents the contamination of Medical Cannabis Starting Materials and the addition of extraneous material on Medical Cannabis Starting Materials.		x
1.4	Operate in compliance with applicable environmental, occupational health and safety laws and regulations.		x
1.5	Maintain a quality unit that is independent of production that fulfils both quality assurance and quality control responsibilities.		x
1.6	Involve the quality unit in all quality related matters and have them review and approve all quality critical related documents.		x
1.7	As it relates to this Quality Agreement, notify the other party of name changes, corporate reorganization, consolidation, merger or acquisition or sale of the party's company. Notify other party of key personnel changes.	x	x
1.8	Maintain internal audit program (self-inspection).	x	x
1.9	Further Processing of the Cannabis Starting Material according GMP Guidelines to receive Medicinal Cannabis Products of a quality as defined by related monographs of the German and European Pharmacopoeia.	x	
1.10	Preparation of Product Quality Review according to GMP with regard to any changes to the processes or analytical methods, results of stability monitoring, quality related returns (EU market), complaints, recalls, adequacy of corrective actions.	x	
<b>2</b>	<b>Right to Audit</b>		
2.1	Cantourage has the right to audit BOPHELO's facilities and systems and review documents as they relate to the manufacture of Medical Cannabis Starting Materials. Such inspections and document review shall be conducted by Cantourage at a time, date and duration mutually agreeable to BOPHELO and Cantourage.	x	
2.2	Cantourage retains the right to conduct reasonable "for cause" audits. Specific goals/scope of the audit, proposed dates and names of the auditors will be agreed upon mutually by Cantourage and BOPHELO.	x	
2.3	Cantourage provides BOPHELO with a confidential audit report summarizing audit observations.	x	
2.4	BOPHELO provides Cantourage with responses to all observations documented in the issued audit report in writing to Cantourage's Quality Assurance within 30 days of receipt of the report.		x

	Responsibilities	Cantourage	BOPHELO
<b>3</b>	<b>Regulatory Inspections and Exchanges</b>		
3.1	Notifies Cantourage within three business days of the receipt of a Regulatory Authority inspection report, deficiency letter or written regulatory compliance observation, which contains any significant adverse findings that relate to Medical Cannabis Starting Materials or the facilities used to produce, test or warehouse Medical Cannabis Starting Materials sold to Cantourage. A significant adverse finding is herein defined as the following: conditions, practices, or processes that adversely affect or may potentially adversely affect product or service quality and/or the rights, safety or well- being of subjects/patients and/or quality and integrity of data, documentation, or other materials or information addressed in the inspection.		x
<b>4</b>	<b>Complaints</b>		
4.1	Has written procedures in place to document, investigate, and respond to all quality related complaints.	x	x
4.2	Assists in investigations as reasonably requested by Cantourage for complaints associated with Medical Cannabis Starting Materials.		x
4.3	Retains complaint investigation records and evaluate trends and severity. Implement corrective and preventive actions as necessary.		x
4.4	Cantourage will evaluate all complaints and respond to the complaining side.	x	
<b>5</b>	<b>Qualification/Validation</b>		
5.1	Follows a written qualification master plan for the facilities, equipment/instruments, and computerized systems as appropriate.		x
5.2	Follows a written validation master plan for related production and testing steps.		x
5.3	Qualify all necessary all critical systems and equipment used for the manufacture and control of the contracted products.		x
5.4	Allow viewing the qualification/validation documentation during an onsite audit.		x
<b>6</b>	<b>Documents and Records</b>		
6.1	Has a controlled system to initiate, review, revise, approve, obsolete and archive all manufacturing documentation. At a minimum, all production, control, and distribution records should be retained for at least 5 year after the release of the batch.		x
6.2	Has a written procedure for the review and approval of all batch documentation.		x
6.3	Maintain a document control system for specifications and test methods, including product labelling, packaging materials and other materials that would likely affect product quality.		x

	Responsibilities	Cantourage	BOPHELO
6.4	Provide a complete Certificate of Analysis for the product, containing “at minimum” the following information:  Name (variety) of the material, Batch number, Package size,		x

	Manufacturing site, Harvest date, Package date, Testing site, Name of the test, Specification limit, Test result (as a numerical value, unless designated Pass/Fail in the specification limit), Testing date, Quality Assurance/Control approval and date.		
6.5	Provides confirmation that the Medical Cannabis Starting Material was manufactured (cultivated, harvested, primary processed), packed and tested in accordance with GACP requirements, and was tested in accordance with and meets agreed specification.		X
<b>7</b>	<b>Change Control</b>		
7.1	Has established written procedures for control of changes impacting the product.	X	X
7.2	Notifies Cantourage within a reasonable time about changes that can affect the quality and safety of the products (called significant).		X
7.3	Has significant changes reviewed and approved by its quality unit.		X
<b>8</b>	<b>Deviations/OOS</b>		
8.1	Has procedures for the identification, investigation of deviations and Out-of-Specification (OOS) results that occur during the manufacture and testing of Medical Cannabis Starting Materials.		X
8.2	Documents and explains all deviation. Investigates OOS results and critical deviations.		X
8.3	Notifies Cantourage within a reasonable time about Major and Critical deviations. Deviations are categorized as Minor, Major and Critical (depending on the quality impact on the product) according to BOPHELOs deviation SOP.		X
<b>9</b>	<b>Production and In-Process Controls, Packaging and Labelling</b>		
9.1	Procures, tests as required, and releases packaging and labelling materials used in manufacture of the contracted products.		X
9.2	Defines specifications for product labelling and packaging materials and other materials that would likely affect product quality.	X	
9.3	Establish and document specifications for product labelling and packaging materials and other materials that would likely affect product quality.		X
9.4	Manufactures the contracted Cannabis Starting Materials in a manner that prevents contamination by other materials including carryovers.		X
9.5	Records all production steps and related in-process controls in a Batch Record.		X
9.6	Releases Medical Cannabis Starting Materials by its quality unit.		X

	Responsibilities	Cantourage	BOPHELO
<b>10</b>	<b>Storage and Distribution</b>		

10.1	Maintains storage facilities appropriate for conditions having no negative impact on the quality and integrity of the Medicinal Cannabis Starting Materials. Maintain records of any critical storage conditions.		x
10.2	Has systems for controlling quarantined, rejected or recalled materials.		x
10.3	Notifies Cantourage in a timely manner in the case of finding a quality issue post release/shipment.		x
10.4	Organization and realization of transport of the contracted materials to the responsible custom site in Germany (Airport Berlin Tegel).		X
10.5	Organization and realization of transport of the contracted materials after customs clearance to the contracted storage partner in Germany.	x	
<b>11</b>	<b>Laboratory Controls</b>		
11.1	Has a written procedure for sample management, testing, approval, disposition, recording, storage, retention and disposal of laboratory data.		x
11.2	Retains samples of the Cannabis Starting Materials as required by regulatory agencies.	x	x
11.3	Has written procedures and appropriately document the preparation, use and management of reagents, solutions, and standards for testing the Cannabis Starting Materials.		x
11.4	Defines release specifications for Medicinal Cannabis Starting Materials.	x	
11.5	Responsible for having appropriate test procedures for Medical Cannabis Starting Materials.		x
11.6	Responsible for testing the contracted materials in accordance with approved validated or qualified methods and specifications using calibrated equipment.		x
11.7	Responsible for the third party laboratory testing Medical Cannabis Starting Materials in accordance with approved validated or qualified methods and specifications using calibrated equipment.		x
11.8	Responsible for having a program for qualification, calibration, and preventive maintenance of all analytical equipment.		x
11.9	Responsible for the third party laboratory having a program for qualification, calibration, and preventive maintenance of all analytical equipment.		x
11.10	Responsible for analytical method development, qualification and/or validation as appropriate.		x
<b>12</b>	<b>Recalls</b>		
12.1	In the event that either Cantourage or BOPHELO determines an event or circumstances has occurred relating to the manufacture, testing or stability of the contracted materials which may result in the need for a recall, stock recovery or market withdrawal, BOPHELO and Cantourage shall consult with each other in a timely manner. The final decision to recall products from the European market shall be made by Cantourage.	x	x
12.2	Notification of the recall or similar action to the competent authorities and customers in Europe.	x	
12.3	Notification of the recall or similar action to the competent authorities and customers in Lesotho.		x

## 2.2. History



Version	Status	Changes of previous version
01	06 / 2020	---

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### APPENDIX (3)

#### List of Contact Persons

(Version 01)

#### To the QUALITY ASSURANCE AGREEMENT

#### Production and Quality Control of Medicinal Cannabis Starting Material

between **Cantourage GmbH**  
**Heinrich-Mann-Str.12**  
**14532 Kleinmachnow**  
**Germany**

– hereinafter referred to as “**Cantourage**” –

and **Bophelo Bio Science and Wellness (Pty) Ltd**  
**Khoabane Mojela,**  
**Ha Mojela, Ts’Akhola, Mafeteng,**  
**Lesotho**

– hereinafter referred to as “**BOPHELO**” –

*Bophelo - Cantourage*

#### 3.1. List of Contact Persons at Cantourage

Function	Name	Contact Data
Managing Director	Philip Schetter	schetter@cantourage.com
Qualified Person	Constanze Pelzer	pelzer@cantourage.com
Head of Quality Assurance	Constanze Pelzer	pelzer@cantourage.com
Head of Quality Control	Constanze Pelzer	pelzer@cantourage.com
Head of Sales	Bernhard Retzer	retzer@cantourage.com

#### 3.2. List of Contact Persons at BOPHELO

Function	Name	Contact Data
CEO	Tej Virk	tej@akandacorp.com
Quality Assurance Manager	Dallas Dunkley	dallas@akandacorp.com
CFO	Trevor Scott	trevor@akandacorp.com

### 3.3. History

Version	Status	Changes of previous version
01	06 / 2020	---

*Bophelo - Cantourage*

## APPENDIX (4)

### Quality of Primary Packaging Material

(Version 01)

### To the QUALITY ASSURANCE AGREEMENT

### Production and Quality Control of Medicinal Cannabis Starting Material

between **Cantourage GmbH**  
**Heinrich-Mann-Str.12**  
**14532 Kleinmachnow**  
**Germany**

– hereinafter referred to as “**Cantourage**” –

and **Bophelo Bio Science and Wellness (Pty) Ltd**  
**Khoabane Mojela,**  
**Ha Mojela, Ts’Akholo, Mafeteng,**  
**Lesotho**

– hereinafter referred to as “**BOPHELO**” –

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### 4.1. Quality of Primary Packaging Material

#### Cannabis Starting Material

Part of Packaging System	Material	Quality
--------------------------	----------	---------

Aluminium Foil Bag	Aluminium composite film (e.g. PET/ALU/PE)	The product touching layer consists of Polyethylene (PE) and complies with Regulation (EU) 10/2011 incl. all changes and corrections.
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## 4.2. History

Version	Status	Changes of previous version
01	06 / 2020	---

*Bophelo - Cantourage*

## ANNEX 5 (END PRODUCTS)

### Bulk Sizes

To be determined between both PARTIES following the conclusion of the contract.

### Specification

	Method	Specification
Characteristics	DAB Cannabis flos (Characteristics)	Characteristic smell
Identity		
<i>appearance</i>	DAB Cannabis flos (Identity A)	Comply with monograph
<i>microscopy</i>	DAB Cannabis flos (Identity B)	Comply with monograph
<i>thin layer chromatography</i>	DAB Cannabis flos (Identity C), Ph.Eur. 2.2.27	Comply with monograph
Purity		
Foreign material	DAB Cannabis flos / Ph.Eur. 2.8.2	Max. 2 % (m/m)
Loss on Drying	DAB Cannabis flos / Ph.Eur. 2.2.32	Max. 10 %
Pesticides	Ph.Eur. 2.8.13	Comply with Ph.Eur. 2.8.13
Absence of heavy metals	Ph.Eur. 2.4.27	
<i>Lead</i>		Max. 5.0 ppm
<i>Mercury</i>		Max. 0.1 ppm
<i>Cadmium</i>		Max. 1.0 ppm
Aflatoxin B1	Ph.Eur. 2.8.18	≤ 2 ppb
Total Ash	Ph.Eur. 2.4.16	Max. 20 %
Microbiological purity	Ph.Eur. 2.6.31	Comply with Ph.Eur. 5.1.8 C
<i>Total aerobic microbial count (TAMC)</i>		Max. 500.000 cfu/gram
<i>Total yeast and molds count (TYMC)</i>		Max. 50.000 cfu/gram
<i>Bile- tolerant Gram negative bacteria</i>		≤ 10 <sup>4</sup> cfu/gram
<i>E. coli</i>		Absent in 1 g

<i>Salmonella</i>		Absent in 25 g
Related substance <i>Cannabinol (CBN)</i>	DAB Cannabis flos / Ph.Eur. 2.2.29	≤ 1.0 %
Assay		
<i>Dronabinol (THC)</i>	DAB Cannabis flos / Ph.Eur. 2.2.29	Depends on product (to be defined for each product)
<i>Cannabidiol (CBD)</i>		Depends on product (to be defined for each product)

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## ANNEX 6 (RAP PLUS SERVICES)

### Homepage:

Creating a Homepage (English and German) that complies the legal regulations of Germany and Europe.

### Content:

- Landing Page: Background picture or animation, Company Slogan, Logo
- About: Company description, Company Backstory, Particularities
- Team: Introductions of Board and Staff members
- Product Information (not allowed for medical Cannabis, Extracts or substantives because of advertising ban – see DocCheck)
- Press: latest Press releases, Contact information of PR manager
- News: constant uploads of company and market news
- FAQ: frequently asked questions
- Contact us: Contact Data and possibility for visitors to leave a direct message.
- Terms and Conditions (mandatory)
- Privacy Policy (mandatory)
- Social Media links
- Newsletter sign up

### DocCheck:

Special section on the Homepage with restricted access for physicians and pharmacists only. It provides detailed information about products for target audience.

### Listing at Wholesales:

An alternative sales channel to direct sales to pharmacies; in Germany. Cantourage will select appropriate wholesalers and will negotiate standard agreements with them. This includes the terms of contract, translation of contracts, stockpiling, retour handling.

### Pharma Representatives:

#### Selection and Employment of suitable Pharma Representatives

- Cantourage makes a suggestion of suitable representatives
- Cantourage educates and guides those representatives about END PRODUCTS and BOPHELO's philosophy

#### Tasks of Pharma Representative:

- Advice and support for physicians of relevant specialization in a result-oriented manner
- Specialization: General practitioner, Neurologists, pain therapists, gastroenterologists, palliative care physicians
- Taking care of opinion makers
- Competent explanation and communication of complex medical matters

*Bophelo - Cantourage*

- Well informed about product portfolio
- Submission of samples and information material
- Operating according to achievement of goals
- Independent area management and building customer relationships
- Implementation of specified communication and product strategies and the further development of those
- Evaluation of market data (observation of market and competitive developments)
- Regular reporting
- Participation in congresses, trainings, and further education

Qualification and Profile of our Pharma Representatives:

- Certified pharmaceutical representative in accordance with § 75 AMG
- Most of your Representatives have several years of experience
- Already existing network of physicians and pharmacists
- Marketing and sales-oriented way of thinking and working
- Well-versed in common office software
- Excellent command of German and English

Education Program:

Event for physicians and pharmacists about medical cannabis

- Elaborate education program
- Placing products as one alternative treatment option
- Case studies of patients and treatments
- Being named as sponsor for a training event
- Having a stand close to the event premises

Press announcements:

- Drafting of press announcement in accordance with local law and alignment with BOPHELO
- Selection of targeted group of recipients (few hundreds to thousands) of relevant press, especially in medicinal field.
- Analysis of spread/success
- Follow up on requests and alignment with BOPHELO (e.g. interviews, stories on client company etc.)
- Following announcements for additional products or similar updates

Press announcement in German and in English and client national language

*Bophelo - Cantourage*

### Info material:

Professional information material for physicians and pharmacists on END PRODUCT details

- Generating a small brochure with the necessary information about all END PRODUCTS
- Generating a big brochure with all information and details about END PRODUCTS, company and other relevant information
- Creating product flyers for physicians and pharmacists
- Compilation of a welcome book

### Newsletter:

Monthly newsletter on company and product news

- Monthly newsletter with all company and product updates
- Weekly newsletter with all company and product news
- Translating existing Newsletter in German or English

### Advertisement in Journals:

Spreading product and company information through physician and pharmacist magazines and journals

- Half page Article
- Full page article
- Small advertisement
- Big advertisement

### Social Media:

- Translating existing social media posts
- Creating Post on existing accounts for
  - o LinkedIn
  - o Instagram
  - o Facebook
  - o Twitter
- Creating Accounts “Europe”-Accounts on
  - o LinkedIn
  - o Instagram
  - o Facebook
  - o Twitter
  - Uploading Posts monthly
  - Uploading Posts weekly
  - Uploading Posts daily

### Brand protection:

We register BOPHELO’s brands name and protect it against misuse by third parties.

- Protection of the company name in Germany
- Protection of the company name throughout Europe

#### Release Event

- Get together with important and influential guest of the German medical cannabis industry (high prescribers, pharmacists and influencers). Cantourage organizes the whole event management incl. (location, invitations, entertainment program, drinks, snacks, etc.)

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*Bophelo - Cantourage*

#### **ANNEX 7 (BRANDS, LABELLING)**

To be determined by Bophelo following the conclusion of the contract.

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## Heads of Terms

Between:

Akand Corp. ("Akanda")  
1a,1b Learoyd Road, New Romney, TN28 8XU, United Kingdom

Cellen Limited ("Cellen" or "the Company")  
*{insert address}*

## Bridge Loan Facility

These heads of terms set out the main terms and conditions on and subject to which Akanda will provide Cellen with a line of credit subject to meeting the criteria set out herein (the "**Bridge Loan Facility**").

These heads of terms are not exhaustive, and it is intended that the parties will enter into more detailed agreements, which will be negotiated in good faith following execution of these heads of terms and as described herein, but these heads of terms are intended to be legally binding between the parties, save as expressly set out herein.

The parties acknowledge that they have, on or around 5 October 2021, entered into a conditional, non-binding agreement regarding the acquisition by Akanda of 100% of the issued and outstanding share capital of Cellen (the "**Proposed Acquisition**"). The purpose of the Bridge Loan Facility is to assist Cellen in funding its business expenses and working capital requirements in anticipation of the Proposed Acquisition. The parties' obligations are now as set out in these heads of terms.

## 1. LINE OF CREDIT

Akanda will arrange to lend to Cellen the sum of not more than US\$500,000.00 in the form of a line of credit (the "**LOC**") and on the following terms appropriate to such a facility:

- a. The LOC to be made within 30 days of signature by all parties of these heads of terms ("Effective Date");
- b. Requests to draw down upon the LOC are to be made by Cellen in the form of a Drawdown Notice. Each Drawdown Notice shall, at a minimum, have the minimum content:
  - i. acknowledgement that the request is made pursuant to the Bridge Loan Facility as set out in these heads of terms;
  - ii. the proposed draw down date (minimum notice period of 2 (two) business days);
  - iii. the proposed draw down amount in USD and GBP, including the applicable rate of exchange;
  - iv. the bank details for which the proceeds of the proposed draw down should be credited;
  - v. acknowledgement that the draw down is irrevocable; and
  - vi. details of the person authorised to make the draw down request.

- c. Draw down requests should be made for operating expenses and working capital requirements in the ordinary course of business for a period not exceeding more than 30 (thirty) days. Any draw down requests in relation to funding earmarked for expenses or



transactions out of the ordinary course of business; or for working capital requirements exceeding a 30 (thirty) day period shall be made at the discretion of Akanda.

- d. The proceeds of the LOC shall not be used to make any payments to any director, officer, shareholder or related party of Cellen without the prior approval of Akanda, acting in its sole discretion;
- e. Amounts borrowed under the Bridge Loan Facility shall bear interest at a rate of 5% per annum, compounded on a monthly basis. Interest will be calculated and shall accrue on a monthly basis, and shall be based on the closing outstanding balance of Bridge Loan Facility at the end of each month;
- f. Amounts borrowed under the Bridge Loan Facility are to be secured by a first charge and debenture on all of the Company's assets, and a first charge over the shares of the Company held by its existing shareholders;
- g. The total amount borrowed under the Bridge Loan Facility shall be repaid by no later than 31 December 2022;
- h. Akanda shall have the option to convert any amounts borrowed under the Bridge Loan Facility into ordinary shares or preference shares of the Company at a valuation of the Company as determined by an independent firm of chartered accountants as may be selected by Akanda.
- i. The parties will enter into a formal bridge loan facility agreement.

## **2. CONDITIONS PRECEDENT**

The obligations of the parties to implement the Bridge Loan Facility are subject to:

- i. Cellen delivering to Akanda, copies of written resolutions of its board of directors, and its shareholders, approving the Bridge Loan Facility;
- ii. Cellen delivering to Akanda, its latest management accounts including (but not limited to) a statement of financial performance, a statement of financial position, a statement of cash flow, as well as a detailed month-by-month budget for the period commencing 1 December 2021 through to 31 December 2022.

## **3. COVENANTS**

### **3.1 Conduct of Business**

Cellen covenants to Akanda that, for the duration of the period that it has borrowed under the Bridge Loan Facility, it shall conduct its business in the ordinary course, consistent with past practice and shall use its commercially reasonable efforts to preserve its assets and the existing goodwill and contract of its customers, suppliers, vendors, service providers, personnel and others having business relations with it.

Cellen further covenants to Akanda that it shall not dispose of any major or significant part of its business, or significantly change its business strategy for the duration of the period that it has borrowed under the Bridge Loan Facility.

### **3.2 Notice of Certain Events**

Cellen covenants to Akanda that, for the duration of the period that it has borrowed under the Bridge Loan Facility, it shall promptly notify Akanda in writing of any events, circumstances, facts, or occurrences that would materially:

- i. affect the Company's ability to repay amounts borrowed under the Bridge Loan Facility;
- ii. affect its valuation;
- iii. result in a change of shareholding exceeding 10% of the issued and outstanding share capital prior to the commencement of any transaction resulting in a change of shareholding; and
- iv. affect the Company's ability to operate.

#### 4. REPRESENTATIONS AND WARRANTIES

Cellen represents and warrants to Akanda as follows:

- i. it is a properly incorporated legal entity, validly existing and in good standing under the laws of England and Wales;
- ii. it has proper standing and is able to enter into and perform its obligations under these heads of terms;
- iii. it is not aware of any litigation or claims, threatened or otherwise, that may be pending against it;
- iv. no consents or approvals from any applicable government authority are required in connection with the execution and delivery of these heads of terms;
- v. there are no material factors, events, circumstances or happenings that would adversely affect Cellen's valuation, solvency and ability to undertake its operations that it has not disclosed to Akanda;
- vi. there are no secured borrowings which would affect Akanda's ability to perfect its security as contemplated in these heads of terms.

#### 5. CONFIDENTIALITY

The content of these heads of terms is confidential to the parties. No party may disclose anything contained herein to any third-party, including the existence of this agreement, without the express written consent of the other party.

#### 6. COSTS

The parties will pay their own costs and expenses incurred in connection with the Bridge Loan Facility whether or not it proceeds to Completion, including (without limitation) any costs and expenses relating to the preparation and negotiation of these heads of terms and any other documents contemplated by them.

#### 7. GOVERNING LAW AND JURISDICTION

These heads of terms and any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with them or their subject matter or formation shall be governed by and construed in accordance with the law of England and Wales.

Akanda and Cellen irrevocably agree that the courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with these heads of terms or their subject matter or formation. The parties hereto further also irrevocably waive any conflict of law or further legal procedures in the execution of any court order or settlement reached, in their country of residence or operations.

These heads of terms may be executed in any number of counterparts, each of which when executed and delivered shall constitute a duplicate original, but all counterparts together shall constitute a single agreement.

Please sign and return the enclosed copy of these heads of terms as soon as possible to confirm your agreement to the above.

We confirm our agreement to the above heads of terms.

Signed \_\_\_\_\_

For and on behalf of Akanda Corp.

Date \_\_\_\_\_

Signed \_\_\_\_\_

For and on behalf of Cellen Ltd.

Date



Service agreement

**Dated: 24 January 2022**

**Canmart Limited**  
(Company)

**Akanda Corp.**  
(Akanda)

**Louisa Mojela**  
(Executive)

## Contents

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This agreement is dated 24 January 2022.

**Between**

- (1) **Canmart Ltd** a company incorporated and registered in England and Wales with registered company number 11741517 and whose registered office is at Units 1a/1b Learoyd Road, New Romney, Kent TN28 8XU (the **Company**);
- (2) **Akanda Corp.** a company incorporated and registered in Ontario, Canada with a registered company number 002854618 and whose registered office is 77 King Street West, Suite 400 Toronto-Dominion Centre Toronto, ON M5K 0A1 Canada; and
- (3) **Louisa Mojela** (the **Executive**).

**It is agreed:**

**1 Interpretation**

- 1.1 In this agreement the following terms and expressions shall have the following meanings:

**Akanda** means Akanda Corporation, Registration number 002854618, Province of Ontario.

**Appointment** means the employment of the Executive by the Company on the terms of this agreement.

**Board** means the board of directors of the Company and any committees duly constituted by the board.

**Capacity** means as agent, consultant, director, the holder of any office, employee, worker, owner, partner, Shareholder or in any other capacity.

**Cash Shell Company** means any undertaking (including a special purpose acquisition company) (a) which is listed/quoted or becomes listed/quoted on a Recognised Investment Exchange and (b) of which the Company is or becomes a wholly-owned subsidiary, but excluding for the avoidance of doubt Halo Labs Inc.

**Control** means in relation to a body corporate, the power of a person to secure that the affairs of the body corporate are conducted in accordance with the wishes of that person:

- (a) by means of the holding of shares, or the possession of voting power, in or in relation to that or any other body corporate; or
- (b) as a result of any powers conferred by the articles of association or any other document regulating that or any other body corporate.

**Change of Control** occurs if a person (whether alone or together with any person acting in concert with that person) who controls any body corporate ceases to do so or if another person acquires Control of it.

**Commencement Date** means 1 July 2021.

**Competitor** means a business concern which is, or intends to be, in competition with any Restricted Business.

**Confidential Information** means information of a confidential nature (in any form) concerning the business, affairs and/or finances of the Company or any Group Company or their respective customers, clients, suppliers, agents, distributors, investors and shareholders which the Executive receives, obtains, creates or develops at any time by reason of or in connection with the Executive's service with the Company or any Group Company (whether or not marked as confidential). This includes: trade secrets; technical information, data, research and development; customer, client and supplier lists, contact details of customers, clients and suppliers and individuals within those organisations; inventions and patent applications in the course of preparation and all other Intellectual Property Rights; financial projections, target details and accounts; details of funding and resource allocation; fee levels, pricing policies, commissions and commission charges; budgets, forecasts, reports, records and corporate and business plans; planned or potential products and services; marketing and advertising plans, requirements and materials, marketing surveys and research reports; market share and pricing statistics; disputes (whether existing, threatened or prior), settlement discussions and terms; details of employees, workers, officers and consultants including their roles and responsibilities, remuneration, benefits and organisational structures, legally privileged material; computer software and passwords.

**Copies** means copies or records of any Confidential Information in whatever form (including in written, oral, visual or electronic form or on any magnetic or optical disk or memory and wherever located) including extracts, analysis, studies, plans, compilations or any other way of representing or recording and recalling information which contains, reflects or is derived or generated from Confidential Information.

**Executive Equity** has the meaning given to it in Clause 12.

**Executive Equity Rights** means the rights to be granted to the Executive as set out and materially on the terms described in Schedule 1.

**Garden Leave** means any period during which the Company has exercised its rights under Clause 22.

**Group Company** means any company which is from time to time a subsidiary or holding company of the Company and any subsidiary of any holding company of the Company (and references to the **Group** shall be construed accordingly), including but not limited to Akanda. The words "subsidiary" and "holding company" have the meanings given to them in section 1159 of the Companies Act 2006 and a person shall be treated, for the purposes only of the membership requirement contained in subsections 1159(1)(b) and (c) of that Act, as a member of another company even if its shares in that other company are registered in the name of: (i) another person (or its nominee), whether by way of security or in connection with the taking of security, or (ii) a nominee.

**Halo** means Halo Labs, Inc. a company incorporated in Canada whose registered office is 77 King Street West, Suite 400, Toronto-Dominion Centre, Toronto, Ontario, Canada.

**Holiday Year** means 1 January to 31 December or such other period as the Company notifies the Executive in writing.

**Incapacity** means any sickness, injury or other incapacity or medical disorder or condition which prevents the Executive from carrying out her duties.

**Intellectual Property Rights** means patents, rights to Inventions, copyright and related rights, trade marks, trade names and domain names, rights in get-up, rights in goodwill or to sue for passing off, unfair competition rights, rights in designs, rights in computer software, database rights, topography rights, rights in confidential information (including know-how and trade secrets) and any other intellectual property rights, in each case whether registered or unregistered and including all applications (or rights to apply) for, and renewals or extensions of, such rights and all similar or equivalent rights or forms of protection which subsist or will subsist now or in the future in any part of the world.

**Invention** means any invention, idea, discovery, development, improvement or innovation, whether or not patentable or capable of registration, and whether or not recorded in any medium.

**Investor** means any person, firm, company or other entity who or which is an investor in the Company or any Group Company at the Termination Date or who or which invested in the Company or any Group Company at any time in the 12 months immediately preceding the Termination Date or with whom or which the Company or any Group Company had negotiations or meaningful discussions regarding possible investment in the Company or any Group Company at any time in the 12 months immediately preceding the Termination Date and with whom or which the Executive had material contact or material involvement in the course of the Appointment.

**Lender** means any person, firm, company or other entity who or which is a lender of funds to the Company or any Group Company at the Termination Date or who or which lent funds to the Company or any Group Company at any time in the 12 months immediately preceding the Termination Date or with whom or which the Company or any Group Company had negotiations or meaningful discussions regarding possible lending to the Company or any Group Company at any time in the 12 months immediately preceding the Termination Date and with whom or which the Executive had material contact or material involvement in the course of the Appointment.

**Listing** means the admission, approved by the Board, of the entire issued share capital of the Company or a Cash Shell Company, or securities representing those shares (including without limitation depositary interests, American depositary receipts, American depositary shares and/or other instruments) on a Recognised Investment Exchange.

**Long Stop Date** means the date falling 12 months from the date of this agreement.

**Personal Data** means personal data about or relating to the Executive including her name, date of birth, home address, telephone number, driver's licence number, passport number, family information (such as marital status and dependant details), emergency contact information, education and training details (such as qualifications and professional expertise), employment details (such as employment status, employee type, performance and evaluation information, work phone number and email, intranet user log in and department and supervisor details), financial information (such as compensation, benefits, bank account information and pensions information) and hiring information (such as CV, prior employment history and personal references).

**Policies and Procedures** means the policies and procedures of the Company applicable to employees and officers of the Company as amended from time to time.

**Prospective Customer** means any firm, company or person who, during the 12 months before the Termination Date, was in negotiations with the Company or any Group Company about becoming a customer of the Company or any Group Company with whom the Executive had contact or material involvement or, in respect of the exercise of her duties or responsibilities, about whom she became aware or informed to a material extent in the course of the Appointment.

**Qualifying Equity Finance** means a bona fide transaction (or series of transactions, provided that the type of share issued and the price paid per share is consistent across the series of transactions), approved by the Board, with the principal purpose of raising capital, pursuant to which the Company (or a Cash Shell Company) issues equity shares (but excluding any equity shares issued on conversion of any convertible securities or any equity securities issued to Halo) with an aggregate subscription price of not less than £10,000,000.

**Recognised Investment Exchange** means NASDAQ, the New York Stock Exchange, the Official List of the United Kingdom Listing Authority, the AIM Market operated by the London Stock Exchange Group Plc, the Toronto Stock Exchange, the NEO Exchange or the TSX Venture Exchange or any other recognised investment exchange (as defined in section 285 of the Financial Services and Markets Act 2000).

**Regulatory Requirements** means all legal and regulatory obligations, codes of practice and recommendations and similar which apply to the Executive, the Company or any Group Company, including:

- (a) in relation to transactions in securities, related party transactions and inside information (including any share dealing policy of the Company);
- (b) pursuant to the Financial Services and Markets Act 2000 and the Criminal Justice Act 1993; and
- (c) any other laws, rules and regulations of, or applicable to companies admitted to, a Recognised Investment Exchange on which the Company (or a Cash Shell Company) is Listed,

**Restricted Business** means those parts of the business of the Company and any Group Company with which the Executive was involved to a material extent in the 12 months before the Termination Date.

**Restricted Customer** means any firm, company or person who, during the 12 months before the Termination Date, was a customer of or in the habit of dealing with the Company or any Group Company with whom the Executive had contact or material involvement or, in respect of the exercise of her duties or responsibilities, about whom she became aware or informed to a material extent in the course of the Appointment.

**Restricted Person** means anyone employed or engaged by the Company or any Group Company with whom the Executive dealt in the 12 months before the Termination Date in the course of the Appointment.

**Restricted Supplier** means any person, firm or company which at any time during the 12 months prior to the Termination Date was a supplier of any goods, products or services (other than utilities and goods or services supplied for administrative purposes) to the Company or any Group Company and with whom or which the Executive had personal dealings during that period other than in a de minimis way and where such entities remain suppliers of the Company and/or the Group Company at or immediately before the Termination Date.

**Shareholder** means holding an investment by way of shares or other securities of over 5% of the total issued share capital of any company, other than a Cash Shell Company, whether or not it is listed or dealt in on a recognised stock exchange.

**Termination Date** means the date on which the Executive's employment with the Company terminates however caused.

- 1.2 The headings in this agreement are inserted for convenience only and shall not affect its construction.



- 1.3 A reference to a particular law is a reference to it as it is in force for the time being taking account of any amendment, extension or re-enactment and includes any subordinate legislation for the time being in force made under it.
- 1.4 Unless the context otherwise requires:
- 1.4.1 a reference to one gender shall include a reference to the other genders; and
- 1.4.2 words in the singular include the plural and in the plural include the singular.
- 1.5 References to a "person" include any individual, company, any other body corporate, partnership or unincorporated association (whether or not having separate legal personality).
- 1.6 The words "including", "include", "in particular", "for example" and words of similar effect shall not limit the general effect of the words that precede them.

## **2 Employment**

- 2.1 The Executive agrees to serve Akanda as Executive Chairperson subject to the terms and conditions of this agreement. It is envisaged that the Company will be subject to a reverse takeover and there will be a Listing. Accordingly, the terms of this agreement may require amendments to comply with any applicable Regulatory Requirements and if so, the Executive will be paid a cash sum equivalent to any amounts (including benefits) that she is entitled to under this agreement that are not included in the amended agreement.

- 2.2 The Executive's employment will commence on the Commencement Date and shall continue, subject to the remaining terms of this agreement, until terminated by either party giving the other not less than 6 months prior written notice, save that the Company can only give notice after 18 months following the Commencement Date (except that this limitation shall not apply in respect of termination rights under Clause 21.1(a), (c) or (g)). If the Company does give notice sooner, the amount of Basic Salary and contractual benefits that the Executive would otherwise have been entitled to up to the first day on which termination could have been effective in accordance with this clause will be paid to the Executive as a lump sum within 28 days of the Termination Date. For the avoidance of doubt, nothing in this Clause 2.2 shall prevent or limit the Company's right to terminate this agreement without notice and without payment for any Basic Salary and contractual benefits for any reason that falls within Clause 21.1(a), (c) or (g).

- 2.3 No period of employment with the Company or any other employer counts towards the period of continuous employment between the Executive and the Company which therefore will begin on the Commencement Date. Past service with any Group Company will count towards any employment or service measurement period in respect of any leave benefit, Executive Equity and employee share ownership incentive award that is issued under an approved employee share ownership incentive plan.

- 2.4 The parties acknowledge and agree that the Company intends to pursue a Listing, either directly or via a Cash Shell Company, and that as part of that process the Company's advisers (including its brokers) may require certain terms of this Agreement to be varied, amended or deleted. The parties agree that they will act reasonably in agreeing any such variations, amendments or deletions and the Executive agrees that (without limitation) the following provisions, amendments or variations, if required or reasonably requested by the Company (on the advice of its brokers) pursuant to such Listing, will be acceptable:

- (a) any lock-in and/or orderly market restrictions on market-standard terms (where, in respect of the length of any such restriction, "market-standard" means no longer than two years in respect of each of any lock-in and any orderly market restriction);
- (b) the Executive ceasing to be entitled to any or all of the Executive Equity Rights; and
- (c) a vesting, or reverse vesting, period of up to four years and otherwise on market-standard terms,

and the Executive agrees that she will take all action reasonably necessary to give effect to any such amendments, variations or deletions. For the avoidance of doubt, under no circumstances shall the Executive be required to surrender or otherwise lose the ownership of whole or any part of the Executive Equity pursuant to this Clause 2.4.

### **3 Conditions to employment**

3.1 The Company shall take appropriate professional advice as to the best way in which to achieve the proposed Listing of the business operated or proposed to be operated by it. If, following such advice, the Board decides that it would be in the best interests of the Company and its members as a whole to achieve a Listing via a Cash Shell Company then, before the Long Stop Date, the Company will:

- (a) establish or acquire or be acquired by a Cash Shell Company;
- (b) in respect thereof and subject always to Clause 2.4, grant the Executive the Executive Equity; and
- (c) at the Executive's election and in her sole discretion, transfer her engagement as Executive Chairperson to the Cash Shell Company,

(together, the **Conditions Subsequent**).

3.2 In the event that the Conditions Subsequent have not been satisfied by the Long Stop Date and such non-satisfaction is predominantly or primarily the result of either or both of (a) some action or inaction by or on behalf of Halo and/or (b) another factor or factors beyond the reasonable control of the Executive, the parties shall, in good faith, use reasonable endeavours to grant equity interests in Halo (or the Company if it is directly subject to a Listing) to the Executive that give the Executive an approximately equivalent monetary valuation as would have been held by her in a Cash Shell Company that held the businesses of Cannahealth, Canmart and Bophelo only, pursuant to the terms of this Agreement.

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### **4 Fundamental terms and warranties**

4.1 The Executive represents and warrants to the Company that (in each case as a fundamental term of this agreement):

- (a) the Executive is, to the best of her knowledge, not subject to any restrictions which prevent the Executive from holding office as a director;
- (b) by entering into this agreement or fully performing any of the Executive's obligations under it, the Executive will not be in breach of any court order or any express or implied terms of any contract or other obligation binding on the Executive; and
- (c) the Executive has not used or disclosed to the Company or any Group Company any confidential information belonging to any previous employer or any other person.

4.2 Notwithstanding (and without prejudice to) any other provision of this agreement, the Company may terminate this agreement summarily if the Executive is in breach of any of the terms and/or warranties in this Clause 4.

### **5 Duties**

5.1 The Executive acknowledges that she will be a fiduciary in a position of seniority and trust.

5.2 At all times during the course of employment the Executive will:

- (a) faithfully and diligently serve Akanda, the Company and the Group, and exercise such powers and perform such duties as may from time to time be assigned to the Executive by Akanda or the Board or perform such other duties as the Company may reasonably require;

- (b) devote the whole of the Executive's working time, attention and abilities to the business and affairs of Akanda, the Company and the Group;
- (c) comply with all reasonable directions of and regulations made by Akanda, the Company and the Board;
- (d) promptly make such reports to Akanda and the Board in connection with the affairs of Akanda, the Company and of any Group Company on such matters and at such times as are reasonably required, and otherwise keep Akanda and the Board fully informed of all matters relating to the business and affairs of Akanda, the Company and the Group;
- (e) immediately upon becoming aware, report:
  - (i) any wrongdoing (including the Executive's own wrongdoing) whether committed, contemplated or discussed by any person employed or engaged by Akanda, the Company or any Group Company irrespective of whether this would or may involve self-incrimination;
  - (ii) any plans or proposals or discussions by any person employed or engaged by Akanda as a senior executive or as a senior member of management of, the Company or any Group Company to leave the employment or engagement of the Company or Group Company, whether alone or in concert with any other person and whether to join a competitor or any other business; and

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- (iii) any misuse of Confidential Information by any person (including the Executive) irrespective of whether this would or may involve self-incrimination;
- (f) use all reasonable endeavours to promote, protect, develop and extend the business of Akanda, the Company and Group Companies;
- (g) comply with all Policies and Procedures;
- (h) comply with all Regulatory Requirements and promptly provide Akanda, the Company with all information that it requires or may require to comply with the Regulatory Requirements; and
- (i) not:
  - (i) offer, promise or provide any bribe, inducement or reward to any third party in order to gain any commercial, contractual, regulatory or personal advantage;
  - (ii) receive or accept any bribe, inducement or reward from any third party in order to gain any commercial, contractual, regulatory or personal advantage; or
  - (iii) receive any gifts, goods, service, rebates or commission from any third party other than in accordance with Akanda or Company policy from time to time in force.

### 5.3 The Executive agrees and accepts that:

- (a) the Policies and Procedures do not form part of this agreement or the terms of the Executive's employment and the Company may amend the Policies and Procedures at any time; and
- (b) a breach of the Regulatory Requirements may lead to civil or criminal liability for the Executive, action being taken against the Executive by any relevant regulatory authority and/or disciplinary action by the Company up to and including summary dismissal if the Executive's conduct falls within the categories in Clause 21.1.

## 6 Place of work

- 6.1 The normal place of work of the Executive is Lesotho and Johannesburg (or such other place as agreed by the parties) or any other place as the Company may reasonably require for the proper performance and exercise of the Executive's duties.

- 6.2 The Executive will be required to travel in appropriate circumstances on the business of the Company and the Group (to the United Kingdom, Malta and/or abroad).

## 7 Hours of work

- 7.1 The Executive's normal hours of work are from 8.30am to 5:30pm Monday to Friday, inclusive of one hour for lunch daily, and such additional hours as may be necessary for the proper performance of the Executive's duties. The Executive is not entitled to any further remuneration for additional hours outside normal office hours.
- 7.2 The parties agree that the nature of the Executive's position is such that the Executive's working time cannot be measured and, accordingly, the Executive's employment falls within the scope of regulation 20 of the Working Time Regulations 1998.

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## 8 Salary

- 8.1 The Executive will be paid an annual salary of £400,000 (**Basic Salary**) subject to applicable deductions as required by any local laws including for tax and social security.
- 8.2 The Basic Salary will be paid in equal monthly instalments (or pro rata where the Executive is only employed during part of a month) in arrears to the Executive's nominated bank account in Lesotho, or any other bank account in any location designated by the Executive in her sole discretion. For convenience, payment will usually be slightly in advance of the end of the calendar month to which the payment relates.
- 8.3 The Executive authorises the Company to deduct (and retain) from the Basic Salary, or any other sum due to the Executive at any time, any mutually agreed sum due to the Company or any Group Company from the Executive.
- 8.4 Further to the Executive's Basic Salary, the Executive shall be entitled to a further amount of £100,000 per annum in deferred compensation (**Deferred Compensation**); which shall be settled in arrears on the six-month anniversary of the Commencement Date. Deferred Compensation shall be settled on behalf of the Company by Akanda through an issue of an equity award, which shall be comprised of Akanda common shares, share options, or restricted share units or similar, or a combination thereof. Should Akanda be listed on a Recognised Investment Exchange, then the equity awards due in terms of this clause shall be issued at the 30-day volume weighted average price of Akanda's ruling price of Akanda's trading securities. In the event that Akanda is not listed on a Recognised Investment Exchange, then the equity awards due in terms of this clause shall be issued at a price not less than the price per share achieved by Akanda in its most recent financing, provided that such a financing is not for a gross total amount less than USD \$1 million. The Deferred Compensation arrangement is at the election of the Executive, who shall have the right, acting in her sole discretion, to convert the Deferred Compensation arrangement to a Basic Salary to be settled by way of a cash payment.

## 9 Pension

The Company will comply with the employer pension duties in accordance with Part 1 of the Pension Act 2008.

## 10 Expenses

Subject to any Company policy in operation from time to time and to production of VAT receipts or other appropriate evidence to the reasonable satisfaction of the Company, the Company will reimburse (or procure the reimbursement of) all reasonable expenses wholly, properly and necessarily incurred by the Executive in the performance of the Executive's duties.

## 11 Incentive payments & bonus

- 11.1 Subject to Clause 11.7, on a Listing, the Executive shall be entitled to receive an incentive payment of £200,000, which shall be paid on or around the payroll in the subsequent month following the Listing.

11.2 Subject to Clause 11.7, on completion of a Qualifying Equity Finance, the Executive shall be entitled to receive an incentive payment of £200,000, which shall be paid on or around the payroll in the month following receipt by the Company of the Qualifying Equity Finance.

11.3 Subject to Clause 11.7, on a Listing and on Completion of the Qualifying Equity Finance, the Executive shall be entitled to receive a further amount of £100,000 in Deferred Compensation, to be settled on behalf of the Company by Akanda through an issue of an equity award, which shall be comprised of Akanda common shares, share options, or restricted share units or similar, or a combination thereof. The settlement of the Deferred Compensation contemplated in this clause 11.3 shall be made no later than six months following the payments made in terms of clause 11.1 and 11.2 of this Agreement. Equity awards due in terms of this clause shall be issued at the 30-day volume weighed average price of Akanda's ruling price of Akanda's trading securities, The Deferred Compensation arrangement is at the election of the Executive, who shall have the right, acting in her sole discretion, to convert the Deferred Compensation arrangement to an incentive payment be settled by way of a cash payment.

11.4 The Executive is entitled to participate in the Company's bonus scheme with an annual bonus opportunity of:

- (a) up to 100% of Basic Salary based on meeting achievable KPIs as determined by the Board using its reasonable discretion on or around the beginning of each financial year; and
- (b) an additional bonus opportunity based on achievable stretch targets which is to be determined by the Board using its reasonable discretion.

11.5 The Board may award any such bonus in cash, equity or such other instrument or arrangement with the Company undertaking that it will act reasonably in making any such award in a way which is tax efficient and cost effective for the Executive.

11.6 Any bonus made pursuant to Clause 11.3 may, at the Board's absolute discretion, be reduced pro rata by reference to any period for which the Executive has been absent from work for any reason during the period to which the bonus relates.

11.7 Other than as provided in this clause, the Executive will not be entitled to compensation for loss of bonus (whether pursuant to this Clause 11 or otherwise) on termination of employment. Payment of a bonus in one year will not entitle the Executive to a bonus in any other year. Should the Executive's employment be terminated for any reason other than as set out in clause 21.1 of this Agreement, then the Executive shall be entitled to a partial bonus determined on a pro-rata basis with reference to the number of months of service provided in the current financial year or bonus measurement period.

11.8 Payment of any incentive payment or bonus under this Clause 11 will be conditional on:

- (a) notice not having been served by the Executive;
- (b) the Executive not being the subject of a disciplinary investigation which could result in the Executive's dismissal for gross misconduct (in which case payment of any incentive or bonus will be postponed pending the final outcome of that disciplinary procedure save where the procedure results in dismissal in which case no incentive or bonus shall be payable); and/or
- (c) the Executive not having committed a repudiatory breach of this agreement;

in each case, as at the payment date.

11.9 If any payment or other obligation under this agreement or any related benefit or remuneration plan does not comply with any applicable Regulatory Requirement, the Company may, by mutual agreement with the Executive, amend the terms of the payment or other obligation (including by reducing, revoking, cancelling or recovering any payment or award) to make it compliant.

- 11.10 Any payments under this Clause 11 will be subject to applicable deductions for tax and National Insurance (excluding employer National Insurance contributions) and will not be pensionable.

## **12 Shares**

- 12.1 If the Board considers it likely that a Cash Shell Company will acquire Control of the Company, the Company shall procure that the Executive is granted an award of an equity interest in the Cash Shell Company (which could be a subscription/award of shares or share options, depending on the taxation implications for both the Company and the Executive, with the Company undertaking that it will act reasonably in procuring the offer of an incentive structure at its own cost which is tax efficient and cost effective for the Executive provided there are no adverse consequences for the Company or the Cash Shell Company) (the **Executive Equity**).

- 12.2 The Executive Equity is intended to represent 10% of the issued share capital of the Cash Shell Company before the Cash Shell Company acquires the Company or any other company or business, and/or issues equity to participants in a placing or public offering to occur on or around the date of Listing, when, pursuant to each of such events, the percentage equity interest held by the Executive will be diluted in accordance with the terms of such transactions.

- 12.3 Subject always to Clause 2.4, the Executive Equity will be subject to monthly vesting (or reverse vesting if shares are awarded) over a three year period, with a one year vesting cliff (33.3% vesting 12 months after date of grant of the award), and will be subject to customary good leaver, intermediate leaver and bad leaver conditions.

- 12.4 In the event that there is a Change of Control of the Company or Cash Shell Company (other than as part of the fundraising on or around the date of Listing or an internal re-organisation) after the date falling 12 months after the date of the grant of Executive Equity and before the end of the three year vesting period (or such other period as required in accordance with Clause 2.4), and the Executive is an employee of the Company (or the Cash Shell Company as the case may be) at such time, it is agreed that vesting of the Executive Equity will automatically be accelerated immediately prior to such Change of Control.

- 12.5 The Executive's participation in the Executive Equity shall be determined by the applicable rules (or other documents) of the scheme to be implemented.

- 12.6 In the event a Cash Shell Company does not acquire Control of the Company, the Company and the Executive will both act in good faith to agree an alternative incentive arrangement to that referred to in Clause 12.1 above and, if applicable, Clause 3.2.

## **13 Other benefits and paid leave**

- 13.1 The Company will endeavour to put in place a private medical insurance scheme as soon as reasonably practicable after the Commencement Date. The Executive, her spouse and dependents shall be entitled to participate in such scheme.

- 13.2 The Executive's rights and entitlements and the Company's obligations to pay premiums for the private medical insurance scheme shall be subject always to:

- (a) the rules and terms of such scheme from time to time in force;

- (b) the Company's absolute discretion to change scheme and/or scheme provider and/or to discontinue providing the benefit at any time;
- (c) the Executive satisfying any underwriting or other requirements of the relevant scheme provider; and
- (d) the Executive co-operating with the Company and the relevant scheme provider when making any claim.

13.3 The Executive agrees that:

- (a) the Company shall have no obligation to pursue any claim for benefits on behalf of the Executive or the Executive's spouse or dependants or any other beneficiaries or potential beneficiaries if it is not accepted by the scheme provider;
- (b) the Company will have no liability to the Executive or the Executive's spouse or dependants for failure or refusal by the scheme provider for whatever reason to pay benefits or for cessation of benefits on the termination of the Executive's employment and the Company is entitled to terminate the Executive's employment notwithstanding the fact that the Executive may lose entitlement to benefits under these arrangements as a result;
- (c) The Executive is not contractually entitled to any benefit she receives which is not expressly referred to in this agreement (whether payment of insurance scheme premiums or otherwise).

13.4 The Executive may be eligible to take the following types of paid leave, subject to any statutory eligibility requirements or conditions and the Company's rules applicable to each type of leave in force from time to time:

- (a) statutory maternity leave;
- (b) family responsibility leave;
- (c) statutory adoption leave;
- (d) shared parental leave; and
- (e) parental bereavement leave.

## 14 Training

In addition to general training the Company provides during the Executive's induction and throughout her employment, the Company will specify certain mandatory training modules from time to time. These cover matters that are essential for working for the Company, or for the Executive's role. The subject matter will vary from time to time and the Company will update the Executive on the requirements. Details of the current compliance training that is mandatory for all employees are available on the intranet.

## 15 Holidays

- 15.1 The Executive will be entitled to 30 days' paid holiday in each Holiday Year in addition to the usual public holidays in the Republic of South Africa and/or the Kingdom of Lesotho. The first 28 days of holiday (including any public holidays) taken in any Holiday Year will be the Executive's statutory holiday for the purpose of both the Working Time Regulations 1998 and Clause 15.6 below

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- 15.2 If the Executive's employment commences or terminates part way through a Holiday Year, the entitlement of the Executive during that Holiday Year shall be calculated on a pro rata basis rounded up to the nearest half day.

- 15.3 Holidays shall be taken at such time or times as shall be approved in advance by the Company. The Company may require the Executive to take holiday on particular dates.

- 15.4 The Executive will be entitled to carry over up to 5 days' holiday at the end of each Holiday Year provided that the Executive uses that holiday by 31 March in the following Holiday Year (all other holiday remaining at the end of the Holiday Year will lapse). Any carried over holiday not used by that date will lapse.



- 15.5 The Executive shall have no entitlement to any payment in lieu of accrued but untaken holiday except on termination of the Executive's employment. Subject to Clause 15.6, the amount of any payment in lieu will be 1/260th of the Executive's Basic Salary for each untaken day of holiday entitlement for the Holiday Year in which termination takes place.
- 15.6 If:
- (a) the Company has terminated or would have been entitled to terminate the Executive's employment under Clause 21; or
  - (b) the Executive terminates in breach of this agreement,
- any payment due under Clause 15.5 will be limited to the statutory entitlement of the Executive under the Working Time Regulations 1998 (and any holiday (including public holidays) taken shall be deemed first to have been taken in satisfaction of that statutory entitlement as set out in Clause 15.1).
- 15.7 If on termination of the Executive's employment the Executive has taken in excess of her accrued holiday entitlement, the Company shall be entitled to recover from the Executive, by way of deduction from any payments due to the Executive or otherwise, one day's pay calculated at 1/260th of the Basic Salary of the Executive for each excess day.
- 15.8 If either party has served notice to terminate the Executive's employment, the Company may require the Executive to take any accrued but unused holiday entitlement during the notice period. Any accrued but unused holiday entitlement shall be deemed to be taken during any period of Garden Leave.
- 15.9 During any continuous period of absence due to Incapacity of one month or more the Executive shall not accrue holiday under this contract and the entitlement of the Executive under Clause 15.1 for the Holiday Year(s) in which such absence takes place shall be reduced pro rata save that it shall not fall below the entitlement of the Executive under the Working Time Regulations 1998.
- 16 Incapacity**
- 16.1 If the Executive is absent from work due to Incapacity, the Executive shall notify the Company of the reason for the absence as soon as possible on the first day of absence.

- 16.2 Immediately following the Executive's return to work after a period of absence due to Incapacity of seven days or less the Executive must complete a self-certification form. For periods of absence of more than seven consecutive days the Executive must produce a doctor's fit note verifying that the absence is due to Incapacity.
- 16.3 Subject to complying with the Company's absence requirements above and to the remaining provisions of this Clause 16, the Executive shall be entitled to receive full Basic Salary and contractual benefits during any periods of absence due to Incapacity up to a maximum of 12 weeks in aggregate in any rolling 52-week period. Any such payments shall be inclusive of any statutory sick pay. The Executive's qualifying days for statutory sick pay purposes are Monday to Friday.
- 16.4 The Executive agrees to consent to medical examinations (at the Company's expense) by a doctor or clinic nominated by the Company should the Company so require. The Executive agrees that any report produced in connection with any such examination may be disclosed to the Company and the Company may discuss the contents of the report with the relevant doctor.
- 16.5 If the Incapacity is or appears to be occasioned by actionable negligence, nuisance or breach of any statutory duty on the part of a third party in respect of which damages are or may be recoverable, the Executive shall immediately notify the Company of that fact and of any claim, settlement or judgment made or awarded in connection with it and provide all relevant particulars that the Company may reasonably require. The Executive shall, if required by the Company, co-operate in any related legal proceedings and refund to the Company that part of any damages or compensation recovered by the Executive relating to the loss of earnings for the period of the Incapacity as the Company may reasonably determine less any costs borne by the Executive in connection with the recovery of such damages or compensation, provided that the amount to be refunded to the Company shall not exceed the total amount paid to the Executive by the Company in respect of the period of Incapacity.



- 16.6 The Company is entitled to terminate the Executive's employment under the terms of this agreement notwithstanding that any such termination would or might cause the Executive to forfeit any entitlement to sick pay or other benefits.
- 16.7 The payment of the Executive's Basic Salary and other contractual benefits during absence due to Incapacity is conditional on:
- (a) notice not having been served by either party;
  - (b) the Executive not being the subject of a disciplinary investigation which could result in the Executive's dismissal for gross misconduct; and
  - (c) the Executive not being under a performance improvement plan.

## 17 Outside interests

- 17.1 Subject to Clause 17.2., the Executive shall not at any time during employment (including during any period of notice) save for any existing arrangements as disclosed in Schedule 2 of this Agreement:

- (a) be directly or indirectly engaged, concerned or have any financial interest in any Capacity in any other business, trade, profession or occupation (or the setting up of any business, trade, profession or occupation) other than that of the Company and the Group, whether paid or unpaid; or

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- (b) hold any directorship (or other office) of any company other than that of the Company and any Group Company, whether paid or unpaid.

- 17.2 Notwithstanding Clause 17.1, the Executive:

- (a) save for any existing arrangements as disclosed in Schedule 2 of this Agreement, may hold an investment by way of shares or other securities of not more than 5% of the total issued share capital of any company (whether or not it is listed or dealt in on a recognised stock exchange) provided that such company does not carry on (or propose to carry on) any business similar to or competitive with any business for the time being carried on by the Company or any Group Company;

- (b) has disclosed to the Company the external interests and activities listed in Schedule 2 including the Executive's Capacity with regard to each such interest and activity. The Company consents to the Executive continuing these activities on the strict condition that it reserves the right to require (at any time) the Executive to cease any or all of such interests or activities to the extent that, in the opinion of the Company, they interfere, may be likely to interfere or could be perceived to interfere with the discharge of the Executive's obligations to the Company or Group or create or may be likely to create a conflict of interest or perceived conflict of interest; and

- (c) may engage in external interests and activities provided that such companies do not carry on (or propose to carry on) any business similar to or competitive with any business for the time being carried on by the Company or any Group Company and such interests or activities do not interfere with the Executive's performance of her duties for the Company, and any board level appointments shall require prior written approval of the governance committee of the Company, not to be unreasonably withheld, and subject to being permitted by the rules of any applicable regulatory framework.

- 17.3 Without prejudice to the Executive's obligations above, the Executive must promptly disclose to the Company any matter relating to the Executive's spouse, civil partner, partner, children, parents or other immediate family and/or any entity whose affairs the Executive or any such person controls which may (or may be perceived to) interfere, conflict or compete with the proper performance of the obligations of the Executive under this agreement.

## 18 Confidential information

- 18.1 Without prejudice to the Executive's common law duties, the Executive shall not (except in the proper course of the Executive's duties, as authorised or required by law or as authorised in advance by the Company), either during the Executive's employment or at any time after termination of employment (howsoever arising):
- (a) use any Confidential Information;
  - (b) make or use any Copies; or
  - (c) disclose any Confidential Information to any person whatsoever.
- 18.2 The Executive shall be responsible for protecting the confidentiality of the Confidential Information and shall:

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- (a) use best endeavours to prevent the use or communication of any Confidential Information by any person (except in the proper course of that person's duties, as required by law or as authorised in advance by the Company); and
  - (b) inform the Company immediately upon becoming aware, or suspecting, that any unauthorised person knows, has access to, has been provided with or has used any Confidential Information.
- 18.3 All Confidential Information and Copies are and shall remain at all times the property of the Company and on termination of the Executive's employment (or at the request of the Company at any time during employment), the Executive shall:
- (a) hand over all Copies to such person as is nominated by the Company;
  - (b) irretrievably delete any Confidential Information (including any Copies) stored on any magnetic or optical disk or memory, including personal computer networks, personal email accounts or personal accounts on websites, and all matter derived from such sources which is in the Executive's possession or under the Executive's control; and
  - (c) on the request of the Company, provide a signed statement that the Executive has complied fully with all obligations under this Clause 18.3 together with such evidence of compliance as the Company may reasonably request .
- 18.4 Clause 18 shall not apply to any Confidential Information which the Executive can demonstrate:
- (a) is already in the public domain at the time of disclosure;
  - (b) is identifiable without requiring significant expenditure of time, skill or money; and
  - (c) came into the public domain other than by reason of or as a direct or indirect result of the disclosure by the Executive of any Confidential Information.
- 18.5 Nothing in this Clause 18 shall prevent the Executive from:
- (a) making a protected disclosure within the meaning of Part 4A of the Employment Rights Act 1996 (this includes protected disclosures made about matters previously disclosed to another recipient);
  - (b) making a disclosure to a regulator regarding any misconduct, wrongdoing or serious breach of a Regulatory Requirement;
  - (c) reporting a criminal offence to the police or a law enforcement agency; or
  - (d) co-operating with the police or a law enforcement agency regarding any criminal investigation or prosecution or with a regulator regarding any investigation by that regulator.

## 19 Intellectual property

19.1 All Intellectual Property Rights made, discovered, originated, produced or developed by the Executive during the course of employment with the Company (whether or not during working hours or using the premises or resources of the Company or the Group) shall immediately be disclosed in writing to the Company by the Executive and shall automatically, on creation, vest absolutely in the Company or such Group Company as the Company may nominate for that purpose to the fullest extent permitted by law.

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### 19.2 The Executive:

- (a) acknowledges for the purposes of section 39 of the Patents Act 1977 that because of the nature of the Executive's duties, and the particular responsibilities arising from those duties, the Executive has, and at all times during employment will have, a special obligation to further the interests of the business of the Company and the Group;
- (b) undertakes to promptly, whenever requested by the Company, and in any event upon the termination of employment, deliver up to the Company all such Intellectual Property Rights and all related correspondence, documents, papers and records and all copies of any such Intellectual Property Rights in the Executive's possession or control;
- (c) undertakes to hold upon trust for the benefit of the Company (or its nominee) all Intellectual Property Rights in respect of all Intellectual Property Rights made, originated or developed by the Executive during employment by the Company (whether or not during working hours or using the premises or resources of the Company or the Group) to the extent that they do not vest automatically in the Company, until the same are vested absolutely in the Company (or its nominee);
- (d) assigns absolutely with full title guarantee by way of present assignment of present and future rights, all Intellectual Property Rights made, originated or developed by the Executive in the course of employment (whether or not during working hours or using the premises or resources of the Company or the Group);
- (e) acknowledges that, other than as required by law, no further remuneration or compensation other than that set out in this agreement is or may become due to the Executive in respect of the performance of the Executive's obligations under this Clause 19;
- (f) undertakes, at the reasonable expense of the Company, to execute all such documents, make such applications, give such assistance and do all such acts and things as may in the opinion of the Company be necessary or desirable to vest, register or obtain any Intellectual Property in the name of the Company (or its nominee), and otherwise to protect and maintain any Intellectual Property Rights made, originated or developed by the Executive and all related Intellectual Property Rights;
- (g) waives any moral rights (as provided for by Chapter IV of the Copyright Designs & Patents Act 1988 (the **1988 Act**) or any similar provisions of law in any jurisdiction) in any Intellectual Property Rights created, made, originated, developed or produced by the Executive in the course of employment (whether or not during working hours or using the premises or resources of the Company or the Group) and agrees to grant all necessary consents and further agrees not to institute, support, maintain or permit any action or claim to the effect that any treatment, exploitation or use of such Intellectual Property Rights infringes the Executive's moral rights, including the right to be identified, the right of integrity and the right against false attribution provided for in the 1988 Act;
- (h) will not, except in the proper performance of the Executive's duties, disclose any Intellectual Property Rights (or any related correspondence, documents, papers and records and copies) belonging to the Company (or its nominee) without the prior written consent of the Company; and

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- (i) will give all necessary assistance to the Company (or its nominee) to enable the Company (or its nominee) to enforce its Intellectual Property Rights against third parties and/or to defend claims for infringement of third-party Intellectual Property Rights.

19.3 The Executive irrevocably appoints the Company to be the Executive's attorney in the Executive's name and on the Executive's behalf to execute and/or sign all such instruments, and/or do all such things and generally to use the Executive's name for the purpose of giving to the Company (or its nominee) the full benefit of the provisions of this Clause 19. With respect to any third party, a certificate in writing signed by any director of the Company or the company secretary of the Company that any instrument or act falls within the authority conferred by this Clause 19.3 shall be conclusive evidence that such is the case.

## **20 Payment in lieu of notice**

20.1 Notwithstanding any other provision of this agreement, the Company may, in its sole and absolute discretion, terminate the Executive's employment under this agreement summarily by giving the Executive written notice that it is exercising its discretion under this Clause 20.1. In such circumstances the Company shall pay the Executive her Basic Salary and contractual benefits in lieu of the notice period referred to in Clause 2.2 or any unexpired part of it. Payment will be made subject to such deductions as are required by law, including for tax and national insurance. The Company's right to make a payment under this Clause 20.1 does not give the Executive any right to demand such payment.

20.2 The Executive shall not be entitled to any payment in lieu of notice if the Company would otherwise have been entitled to terminate the Executive's employment without notice in accordance with Clause 21 and the Company shall be entitled to recover from the Executive any payment in lieu of notice already made.

## **21 Termination without notice**

21.1 The Company may terminate the Executive's employment with immediate effect without notice (and with no liability to make any further payment to the Executive) if the Executive:

- (a) is disqualified from acting as a director;
- (b) commits, in the reasonable opinion of the Board, an act of gross misconduct;
- (c) commits, in the reasonable opinion of the Board, any serious or repeated breach or failure to observe of any of the provisions of this agreement or the Policies and Procedures or the Regulatory Requirements or any anti-bribery and corruption policies and the Executive has previously been given written notice of such and a reasonable opportunity to improve or comply as the case may be;
- (d) refuses to comply with any reasonable and lawful direction of the Board;
- (e) is declared bankrupt or makes any arrangement with or for the benefit of her creditors or has a county court administration order made against the Executive under the County Court Act 1984;

- (f) is convicted of any criminal offence (other than an offence under any road traffic legislation in the United Kingdom or elsewhere for which a fine or non-custodial penalty is imposed);
- (g) is guilty of fraud or dishonesty or acts in any manner which, in the reasonable opinion of the Board, brings or is likely to bring the Executive, the Company or any Group Company into disrepute or is materially adverse to the interests of the Company or any Group Company (in each case whether or not in the course of employment); or
- (h) ceases to hold any qualification, approval, registration or authorisation required for the proper performance of the Executive's duties.

21.2 The rights of the Company under Clause 21.1 are without prejudice to any other rights that it may have at law to terminate the Executive's employment or to accept any breach of this agreement by the Executive as having brought the agreement to an end. Any delay by the Company in exercising any right to terminate shall not constitute a waiver of that right.

21.3 If the Executive's employment is terminated at any time by reason of any reconstruction or amalgamation of the Company or any Group Company, whether by winding up or otherwise, and the Executive is offered employment with any concern or undertaking involved in or resulting from the reconstruction or amalgamation on terms which (considered in their entirety) are no less favourable to any material extent than the terms of this agreement, the Executive shall have no claim against the Company, any Group Company or the undertaking arising out of or in connection with such termination.

21.4 This Clause 21.4 applies if the Executive subscribes for or is awarded shares in the Company or any Group Company or participates in any share option, restricted share, restricted share unit, long term incentive, carried interest or co-invest, or any other form of profit sharing, incentive, bonus or equity plan or arrangement (each an **Incentive**) or may do so. Upon termination of the Executive's employment (whether lawful or unlawful), the Executive's rights (if any) in respect of each Incentive shall be solely determined by the applicable rules or other documents governing each Incentive and the Executive hereby irrevocably waives any other claims or rights in respect of the loss of any rights or benefits under or in respect of any Incentive granted or not yet granted to the Executive (including any loss relating to the lapse of, or the Executive's ineligibility to exercise, any share options, the value of any shares, the operation of any compulsory transfer provisions or the operation of any vesting criteria).

## 22 Garden leave

22.1 Following service of notice to terminate the Executive's employment by either party, or if the Executive purports to terminate her employment in breach of contract and/or without serving the period of notice required by Clause 2.2, the Company may in its absolute discretion place the Executive on garden leave for the whole or part of the Executive's notice period (**Garden Leave**).

22.2 During any period of Garden Leave the Company:

- (a) shall be under no obligation to provide any work to the Executive and may revoke any powers she holds on behalf of the Company or any Group Company;
- (b) may exclude the Executive from any premises of the Company or any Group Company;

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- (c) may require the Executive not to contact or deal with (or attempt to contact or deal with) any officer, employee, consultant, client, customer, supplier, agent, distributor, shareholder, adviser, investor or other business contact of the Company or any Group Company;
- (d) may require the Executive to resign as a director of the Company or any Group Company;
- (e) may cease to provide the Executive with access to the Company and Group Company information systems;
- (f) may appoint another person(s) to perform the Executive's responsibilities jointly with the Executive or in the Executive's place; and/or
- (g) may require the Executive to take any accrued holiday due to the Executive.

22.3 During any period of Garden Leave the Executive:

- (a) will continue to receive Basic Salary and all contractual benefits including the incentives in Clauses 11.1 and 11.2 in the usual way and subject to the terms of any benefit arrangement;
- (b) will remain an employee of the Company and bound by the terms of this agreement (including her fiduciary duties and duties of good faith and fidelity); and

- (c) must ensure that the Board knows where the Executive will be and how the Executive can be contacted during each working day (except during any periods taken as holiday in the usual way);

22.4 The Executive agrees that she shall have no claim against the Company in respect of any action set out in this Clause 22.

### 23 Obligations upon termination

23.1 On termination of the Executive's employment (however arising) or, if the Company so requires, at any time following the service of notice by either party or purported notice of termination by the Executive, the Executive shall:

- (a) resign immediately from any directorship held by her in or on behalf of the Company or any Group Company and from any other offices she may hold as nominee or representative of the Company or any Group Company, save for any directorship held by her in Bophelo Bioscience & Wellness Pty. Ltd ("Bophelo"), which shall continue subject to the articles of association of Bophelo, and save for any trusteeship in any environmental, social and governance related trust (the "ESG Trust") formed to hold investments in Akanda or elsewhere for the purposes of advancing the interests of the beneficiaries of the ESG Trust

- (b) immediately deliver to the Company all property of the Company or any Group Company or any of its or their respective customers, clients, suppliers, investors and other business contacts (including documents, books, materials, records, correspondence, papers and information on whatever media and wherever located relating to the business or affairs of the Company or any Group Company or their respective customers, clients, investors, suppliers and other business contacts), which is in her possession or under her control and she/ shall not retain any Copies;

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- (c) irretrievably delete any information relating to the business or affairs of the Company or any Group Company stored on any magnetic or optical disk or memory, including personal computer networks, personal email accounts or personal accounts on websites, and all matter derived from such sources which is in her possession or under her control;
- (d) deliver to the Company on request any computer or other device in her possession or control to allow the Company to remove all Confidential Information and any software of the Company; and
- (e) on the request of the Company, provide a signed statement that she has complied fully with her obligations under this Clause 23.1 together with such reasonable evidence of compliance as the Company may require.

23.2 The Executive hereby irrevocably appoints the Company to be her attorney to appoint any director of the Company as her attorney to execute such instrument or do any such thing and generally to use her name for the purpose of giving effect to and providing to the Company or its nominee the full benefit of Clause 23.1(a).

23.3 The obligations in Clause 23.1 shall not be affected by the fact that any document or device may include the Executive's Personal Data. It shall be the Executive's responsibility to notify the Company of any Personal Data that may exist so that the Company can make proper arrangements for its disposal.

23.4 The Executive will, on the Company's reasonable request, co-operate with and assist the Company or any Group Company in any internal investigation, administrative, regulatory, quasi-judicial proceedings or any threatened or actual litigation concerning it or them. The Company will only make such a request where the Executive has in her possession or knowledge any facts or other matters which the Company or any Group Company reasonably considers is relevant to such process or legal proceedings. This assistance may include giving statements/affidavits, meeting with the Company or any Group Company's legal and other professional advisers, attending any legal hearing and giving evidence. The Company or relevant Group Company will pay the Executive's reasonable expenses and loss of income incurred in providing such assistance provided that the Executive notifies the Company or relevant Group Company of the amount of any expenses or anticipated loss of income in advance.

### 24 Post-termination restrictions

- 24.1 In order to protect the Confidential Information and business connections of the Company and each Group Company to which she has access as a result of the Appointment, the Executive covenants with the Company (for itself and as trustee and agent for each Group Company) that she shall not:
- 24.1.1 for 12 months after the Termination Date, solicit or endeavour to entice away from the Company or any Group Company the business or custom of a Restricted Customer with a view to providing goods or services to that Restricted Customer in competition with any Restricted Business;
- 24.1.2 for 12 months after the Termination Date in the course of any business concern which is in competition, or intends to compete, with the Company or any Group Company, offer to employ or engage or otherwise endeavour to entice away from the Company or any Group Company any Restricted Person who could damage the interests of the Company or any Group Company as a result of any such employment, engagement or enticement;
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- 24.1.3 for 12 months after the Termination Date in the course of any business concern which is in competition, or which intends to compete, with any Restricted Business, employ or engage or otherwise facilitate the employment or engagement of any Restricted Person who could damage the interests of the Company or any Group Company as a result of that employment or engagement, whether or not such person would be in breach of contract as a result of such employment or engagement;
- 24.1.4 for six months after the Termination Date, be involved in any Capacity with any business concern which is (or intends to be) in competition with any Restricted Business;
- 24.1.5 for 12 months after the Termination Date, be involved with the provision of goods or services to (or otherwise have any business dealings with) any Restricted Customer or Prospective Customer in the course of any business concern which is in competition with any Restricted Business;
- 24.1.6 for 12 months after the Termination Date damage (or attempt to do so) any relationship between the Company or any Group Company and the Restricted Supplier; or
- 24.1.7 at any time after the Termination Date, represent herself as connected with the Company or any Group Company in any capacity, other than as a former employee, director or shareholder, or use any registered names or trading names associated with the Company or any Group Company.
- 24.1.8 at any time after the Termination Date, make any comments or statements of any nature that are derogatory to or disparaging of, or have the effect of lowering the reputation of the Company or any Group Company or any of its or their directors, officers, employees or agents; and/or take part in any conduct which may bring into disrepute the Company, any Group Company or any of its or their directors, officers, employees or agents.
- 24.2 None of the restrictions in Clause 24.1 shall prevent the Executive from:
- 24.2.1 being engaged or concerned in any business concern insofar as the Executive's duties or work shall relate solely to geographical areas where the business concern is not in competition with any Restricted Business; or
- 24.2.2 being engaged or concerned in any business concern, provided that the Executive's duties or work shall relate solely to services or activities of a kind with which the Executive was not concerned to a material extent in the 12 months before the Termination Date.
- 24.3 The restrictions imposed on the Executive by this Clause 24 apply to her acting:
- 24.3.1 directly or indirectly; and
- 24.3.2 on her own behalf or on behalf of, or in conjunction with, any firm, company or person.



24.4 Subject to Clause 24.12, the Executive agrees that the Board may review the Prospective Customer, Restricted Business, Restricted Customer, Restricted Person and Restricted Supplier definitions and revise, delete and amend these (to include but not be limited to adding new customers, persons and suppliers or deleting or revising named customers, persons and suppliers) from time to time.

24.5 The periods for which the restrictions in Clause 24 apply shall be reduced by any period that the Executive spends on Garden Leave immediately before the Termination Date.

24.6 If the Executive receives an offer to be involved in a business concern in any Capacity during the Appointment, or before the expiry of the last of the covenants in this Clause 24, the Executive shall give the person making the offer a copy of this Clause 24 and shall tell the Company the identity of that person as soon as possible after accepting the offer.

24.7 This Clause 24.7 applies if, at any time during the Executive's employment, two or more Restricted Persons have left their employment, appointment or engagement with the Company and have subsequently performed work for a Competitor. Where this clause applies, the Executive will not, at any time during the six months following the last date on which any of those Restricted Persons were employed or engaged by the Company, be employed or engaged in any way by the Competitor if the Executive would perform work for or on behalf of the Competitor that is competitive with the Restricted Business.

24.8 The Executive has had the opportunity to take legal advice on the restrictions in this Clause 24.

24.9 Each of the restrictions in this Clause 24 is intended to be separate and severable. If any of the restrictions shall be held to be void but would be valid if part of their wording were deleted, such restriction shall apply with such deletion as may be necessary to make it valid or effective.

24.10 If the Executive's employment is transferred to any firm, company, person or entity other than a Group Company (the "New Employer") pursuant to the Transfer of Undertakings (Protection of Employment) Regulations 2006, the Executive will, if required, enter into an agreement with the New Employer containing post-termination restrictions corresponding to those restrictions in this Clause 24, protecting the Confidential Information, trade secrets and business connections of the New Employer.

24.11 The Executive will, at the request and expense of the Company, enter into a separate agreement with any Group Company in which she agrees to be bound by restrictions corresponding to those restrictions in this Clause 24 (or such of those restrictions as may be appropriate) in relation to that Group Company.

24.12 No variation of this Clause 24 will be effective unless it is in writing and signed by the parties.

24.13 The Executive covenants with the Company (for itself and as trustee and agent for each Group Company) that she shall not for 12 months after the Termination Date:

24.13.1 interfere or take such steps as may be likely to interfere with the continuance of investment or funding to the Company (or the terms relating to such investment or funding) from any Investor or Lender; or

24.13.2 seek to damage the relationship between any Investor or Lender and the Company.

## **25 Disciplinary and grievance procedures**

25.1 The Executive is subject to the disciplinary and grievance procedures of the Company, copies of which are available on the Company's intranet. These procedures do not form part of this agreement or the terms and conditions of the Executive's employment.

25.2 The Executive should refer:



- (a) any appeal the Executive wishes to make against a disciplinary sanction/decision to a member of the Board (or such other person as the Company may specify from time to time); or
- (b) any grievance the Executive wishes to raise to a member of the Board (or such other person as the Company may specify from time to time),

in accordance with the Company's disciplinary and grievance procedures.

25.3 The Company may suspend the Executive from any or all of her duties during any period in which the Company is investigating any disciplinary matter involving the Executive or until the conclusion of any disciplinary procedure (including any appeal). During any period of suspension:

- (a) subject to Clause 11.5, the Executive will continue to receive Basic Salary and all contractual benefits in the usual way;
- (b) the Company may suspend the Executive's access to the Company's and Group's systems and internal communications;
- (c) the Company may require the Executive to return temporarily any Company or Group IT equipment and communication devices (including any smartphones, tablets, laptops and hard drives);
- (d) the Executive shall remain an employee of the Company and bound by the terms of this agreement;
- (e) the Executive shall ensure that the Company knows where she will be and how she can be contacted during each working day (except during any periods taken as holiday in the usual way);
- (f) the Company may exclude the Executive from her place of work or any other premises of the Company or any Group Company; and
- (g) the Company may require the Executive not to contact or deal with (or attempt to contact or deal with) any officer, employee, consultant, client, customer, supplier, agent, distributor, shareholder, adviser or other business contact of the Company or any Group Company.

## 26 Change of Control

26.1 In the event that there is a Change of Control of the Company or the Cash Shell Company (other than as part of the Listing, the fundraising on or around the date of Listing or an internal re-organisation) and, within 365 days of the Change of Control, the Appointment is terminated by the Company (other than where the Company is entitled to terminate the Appointment without notice or payment in lieu of notice in accordance with Clause 21.1) the Company shall, within one month of the date of the Termination Date, pay or provide the Prescribed Sum to her as provided by this Clause.

26.2 The **Prescribed Sum** shall be an amount equal to one year's Basic Salary in accordance with Clause 8.1 as adjusted in accordance with Clause 26.3.

26.3 If the Company or the Cash Shell Company (as the case may be) terminates the Appointment by giving a period of notice whether under Clause 2.2 or otherwise, or terminates the Appointment under Clause 20, the Prescribed Sum shall be reduced pro rata by the number of complete months of service for which the Executive remains employed following notice being given to her or shall be reduced by the amount paid to the Executive under Clause 20.

26.4 The payment or provision of the Prescribed Sum shall be conditional upon and in consideration of:

- (a) the Executive having complied with Clause 23; and
- (b) the Executive having complied with and continuing to comply with her obligations relating to confidentiality and intellectual property in Clauses 18 and 19 respectively.

26.5 For the avoidance of doubt, the payment or provision of the Prescribed Sum shall not affect the Executive's entitlement as at the Termination Date to any of the following:

- (a) any accrued but unpaid Basic Salary;
- (b) any payment in lieu of accrued but unused holiday; or
- (c) the reimbursement of her expenses, provided that all claims for reimbursement are submitted within four weeks of the Termination Date.

26.6 To the extent that the Prescribed Sum is damages (which is not admitted), the parties agree that the terms of this Clause 26 represent a genuine pre-estimate of the loss to the Executive that would arise on termination of the Appointment in the circumstances described and does not constitute a penalty.

## 27 Data protection

27.1 The Company will collect and process Personal Data in accordance with the data privacy notice which is annexed to this agreement and which is also available on the Company intranet. The Executive shall sign and date the privacy notice and return it to the Company within five working days of the date of this agreement.

27.2 The Executive shall comply with the Policies and Procedures in relation to privacy and data protection when handling personal data in the course of employment including personal data relating to any employee, worker, contractor, customer, client, supplier, agent or other contact of the Company or any Group Company.

## 28 Collective agreements

There is no collective agreement applicable to the Company or to the Executive's employment with the Company.

## 29 Notices

29.1 A notice given to a party under this agreement shall be in writing in the English language and signed by or on behalf of the party giving it. It shall be delivered by hand or sent to the party at the address given in this agreement or as otherwise notified in writing to the other party.

29.2 Any such notice shall be deemed to have been received:

- (a) if delivered by hand, at the time the notice is left at the address or given to the addressee;

- (b) in the case of pre-paid first class UK post or other next working day delivery service, at 9.00 a.m. on the second business day after posting or at the time recorded by the delivery service;
- (c) in the case of email, at the time of transmission.

29.3 A notice shall have effect from the earlier of its actual or deemed receipt by the addressee. For the purpose of calculating deemed receipt:

- (a) all references to time are to local time in the place of deemed receipt; and

- (b) if deemed receipt would occur on a Saturday or Sunday or a public holiday when banks are not open for business, deemed receipt is at 9.00 a.m. on the next business day.

29.4 This Clause does not apply to the service of any proceedings or other documents in any legal action.

### **30 General**

30.1 No variation of this agreement shall be effective unless it is in writing and signed by the parties (or their authorised representatives).

### **31 Entire agreement**

This agreement contains the entire and only agreement between the parties, and both parties acknowledge that, on entering into this agreement, they have not relied on any written or oral representation or undertaking other than as expressly stated in this agreement, and that this agreement supersedes any previous contract or arrangement between the parties.

### **32 Counterparts**

This agreement may be executed in any number of counterparts, each of which, when executed, shall be an original, and all the counterparts together shall constitute one and the same instrument.

### **33 Third party rights**

Except as expressly provided elsewhere in this agreement, no person other than the Executive and the Company or any Group Company shall have any rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this agreement.

### **34 Governing law**

This agreement and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by and construed in accordance with the law of England and Wales.

### **35 Jurisdiction**

Each party irrevocably agrees that the courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with this agreement or its subject matter or formation (including non-contractual disputes or claims).

EXECUTED as a DEED by **Louisa Mojela**

at

on 2022

before the following witness:

Witness Signature:

Full name:

Address:

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EXECUTED as a DEED for and on behalf of  
**Canmart Ltd**

at \_\_\_\_\_  
on 2022 Director/Authorised Signatory

before the following witness:

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EXECUTED as a DEED for and on behalf of  
**Akanda Corp.**

at \_\_\_\_\_  
on 2022 Director/Authorised Signatory

before the following witness:

Witness Signature:

\_\_\_\_\_

Full name:

\_\_\_\_\_

Address:

\_\_\_\_\_

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## Schedule 1

### Executive Equity Rights

- **Board seat for so long as the Executive is appointed as the Executive Chairperson of the Company**  
**Up to 5% of the options available for grant pursuant to a share option pool to be created which constitutes, in aggregate, 15% (or, in relation to the maximum number of share options, such other amount as may be decided by the Board, subject always to applicable laws) of the fully diluted share capital of the Company (i.e. up to 0.75% of the aggregate fully diluted equity), subject always to approval by a remuneration or compensation committee to be established by the Company**
- **Market standard pre-emption rights on a new issuance of shares for cash in the Company except where such rights are not held by another minority shareholder of the Company with an equivalent percentage shareholding to the Executive or greater**

- **Tag rights (on a fully diluted basis) except where such rights are not held by another minority shareholder of the Company with an equivalent percentage shareholding to the Executive or greater**
- **Prior to a Listing, a right of consent in respect of the following matters:**
  - **passing any resolution or presenting any petition for the Company's winding up or administration (unless the Company is insolvent)**
  - **proposing any amendment to the Articles of Association of the Company that would prejudice the rights of the shares held by the Executive, other than with respect to administrative matters or approved by the Board (acting reasonably) in contemplation of a Listing**
  - **reducing the capital of the Company or undertaking a purchase by the Company of any of its own shares**
  - **changing the Company's accounting reference date or accounting standards falling outside of either UK GAAP, IAS or IFRS**
  - **transferring the whole or any material part of the assets or undertaking of the Company**
- **Information rights, on and subject to the same terms as agreed with other shareholders of the Company with an equivalent percentage shareholding to the Executive**

## Schedule 2

### Outside Interests

Mophuthi Matsoso Development Trust – Founder and Trustee

WIPHOLD – Founder and Executive Chairman

Boiketlo Biomed Pty Ltd – Founder, Executive Director and Shareholder

Boiketlo Property Development Pty Ltd Founder, Executive Director and Shareholder



Service agreement

**Dated: 24 January 2022**

**Canmart Limited**  
(Company)

**Akanda Corp.**  
(Akanda)

**Trevor Scott**  
(Executive)

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This agreement is dated 24 January 2022.

**Between**

- (1) **Canmart Ltd** a company incorporated and registered in England and Wales with registered company number 11741517 and whose registered office is at Units 1a/1b Learoyd Road, New Romney, Kent TN28 8XU (the **Company**);
- (2) Akanda Corp. a company incorporated and registered in Ontario, Canada with a registered company number 002854618 and whose registered office is 77 King Street West, Suite 400 Toronto-Dominion Centre Toronto, ON M5K 0A1 Canada; and
- (3) **Trevor Scott** (the **Executive**).

**It is agreed:**

## 1 Interpretation

1.1 In this agreement the following terms and expressions shall have the following meanings:

**Akanda** means Akanda Corporation, Registration number 002854618, Province of Ontario

**Appointment** means the employment of the Executive by the Company on the terms of this agreement.

**Board** means the board of directors of the Company and any committees duly constituted by the board.

**Capacity** means as agent, consultant, director, the holder of any office, employee, worker, owner, partner, Shareholder or in any other capacity.

**Cash Shell Company** means Akanda or any undertaking (including a special purpose acquisition company) (a) which is listed/quoted or becomes listed/quoted on a Recognised Investment Exchange and (b) of which the Company is or becomes a wholly-owned subsidiary, but excluding for the avoidance of doubt Halo Labs Inc.

**Control** means in relation to a body corporate, the power of a person to secure that the affairs of the body corporate are conducted in accordance with the wishes of that person:

- (a) by means of the holding of shares, or the possession of voting power, in or in relation to that or any other body corporate; or
- (b) as a result of any powers conferred by the articles of association or any other document regulating that or any other body corporate.

**Change of Control** occurs if a person (whether alone or together with any person acting in concert with that person) who controls any body corporate ceases to do so or if another person acquires Control of it.

**Commencement Date** means 1 July 2021.

**Competitor** means a business concern which is, or intends to be, in competition with any Restricted Business.

**Confidential Information** means information of a confidential nature (in any form) concerning the business, affairs and/or finances of the Company or any Group Company or their respective customers, clients, suppliers, agents, distributors, investors and shareholders which the Executive receives, obtains, creates or develops at any time by reason of or in connection with the Executive's service with the Company or any Group Company (whether or not marked as confidential). This includes: trade secrets; technical information, data, research and development; customer, client and supplier lists, contact details of customers, clients and suppliers and individuals within those organisations; inventions and patent applications in the course of preparation and all other Intellectual Property Rights; financial projections, target details and accounts; details of funding and resource allocation; fee levels, pricing policies, commissions and commission charges; budgets, forecasts, reports, records and corporate and business plans; planned or potential products and services; marketing and advertising plans, requirements and materials, marketing surveys and research reports; market share and pricing statistics; disputes (whether existing, threatened or prior), settlement discussions and terms; details of employees, workers, officers and consultants including their roles and responsibilities, remuneration, benefits and organisational structures, legally privileged material; computer software and passwords.

**Copies** means copies or records of any Confidential Information in whatever form (including in written, oral, visual or electronic form or on any magnetic or optical disk or memory and wherever located) including extracts, analysis, studies, plans, compilations or any other way of representing or recording and recalling information which contains, reflects or is derived or generated from Confidential Information.



**Executive Equity** has the meaning given to it in Clause 12.

**Executive Equity Rights** means the rights to be granted to the Executive as set out and materially on the terms described in Schedule 1.

**Garden Leave** means any period during which the Company has exercised its rights under Clause 22.

**Group Company** means any company which is from time to time a subsidiary or holding company of the Company and any subsidiary of any holding company of the Company (and references to the **Group** shall be construed accordingly), including but not limited to Akanda. The words "subsidiary" and "holding company" have the meanings given to them in section 1159 of the Companies Act 2006 and a person shall be treated, for the purposes only of the membership requirement contained in subsections 1159(1)(b) and (c) of that Act, as a member of another company even if its shares in that other company are registered in the name of: (i) another person (or its nominee), whether by way of security or in connection with the taking of security, or (ii) a nominee.

**Halo** means Halo Labs, Inc. a company incorporated in Canada whose registered office is 77 King Street West, Suite 400, Toronto-Dominion Centre, Toronto, Ontario, Canada.

**Holiday Year** means 1 January to 31 December or such other period as the Company notifies the Executive in writing.

**Incapacity** means any sickness, injury or other incapacity or medical disorder or condition which prevents the Executive from carrying out his duties.

**Intellectual Property Rights** means patents, rights to Inventions, copyright and related rights, trade marks, trade names and domain names, rights in get-up, rights in goodwill or to sue for passing off, unfair competition rights, rights in designs, rights in computer software, database rights, topography rights, rights in confidential information (including know-how and trade secrets) and any other intellectual property rights, in each case whether registered or unregistered and including all applications (or rights to apply) for, and renewals or extensions of, such rights and all similar or equivalent rights or forms of protection which subsist or will subsist now or in the future in any part of the world.

**Invention** means any invention, idea, discovery, development, improvement or innovation, whether or not patentable or capable of registration, and whether or not recorded in any medium.

**Investor** means any person, firm, company or other entity who or which is an investor in the Company or any Group Company at the Termination Date or who or which invested in the Company or any Group Company at any time in the 12 months immediately preceding the Termination Date or with whom or which the Company or any Group Company had negotiations or meaningful discussions regarding possible investment in the Company or any Group Company at any time in the 12 months immediately preceding the Termination Date and with whom or which the Executive had material contact or material involvement in the course of the Appointment.

**Lender** means any person, firm, company or other entity who or which is a lender of funds to the Company or any Group Company at the Termination Date or who or which lent funds to the Company or any Group Company at any time in the 12 months immediately preceding the Termination Date or with whom or which the Company or any Group Company had negotiations or meaningful discussions regarding possible lending to the Company or any Group Company at any time in the 12 months immediately preceding the Termination Date and with whom or which the Executive had material contact or material involvement in the course of the Appointment.

**Listing** means the admission, approved by the Board, of the entire issued share capital of the Company or a Cash Shell Company, or securities representing those shares (including without limitation depositary interests, American depositary receipts, American depositary shares and/or other instruments) on a Recognised Investment Exchange.

**Long Stop Date** means the date falling 12 months from the date of this agreement.

**Personal Data** means personal data about or relating to the Executive including his name, date of birth, home address, telephone number, driver's licence number, passport number, family information (such as marital status and dependant details), emergency contact information, education and training details (such as qualifications and professional expertise), employment details (such as employment status, employee type, performance and evaluation information, work phone number and email, intranet user log in and department and supervisor details), financial information (such as compensation, benefits, bank account information and pensions information) and hiring information (such as CV, prior employment history and personal references).

**Policies and Procedures** means the policies and procedures of the Company applicable to employees and officers of the Company as amended from time to time.

**Prospective Customer** means any firm, company or person who, during the 12 months before the Termination Date, was in negotiations with the Company or any Group Company about becoming a customer of the Company or any Group Company with whom the Executive had contact or material involvement or, in respect of the exercise of his duties or responsibilities, about whom he became aware or informed to a material extent in the course of the Appointment.

**Recognised Investment Exchange** means NASDAQ, the New York Stock Exchange, the Official List of the United Kingdom Listing Authority, the AIM Market operated by the London Stock Exchange Group Plc, the Toronto Stock Exchange, the NEO Exchange or the TSX Venture Exchange or any other recognised investment exchange (as defined in section 285 of the Financial Services and Markets Act 2000).

**Regulatory Requirements** means all legal and regulatory obligations, codes of practice and recommendations and similar which apply to the Executive, the Company or any Group Company, including:

- (a) in relation to transactions in securities, related party transactions and inside information (including any share dealing policy of the Company);
- (b) pursuant to the Financial Services and Markets Act 2000 and the Criminal Justice Act 1993; and
- (c) any other laws, rules and regulations of, or applicable to companies admitted to, a Recognised Investment Exchange on which the Company (or a Cash Shell Company) is Listed,

**Restricted Business** means those parts of the business of the Company and any Group Company with which the Executive was involved to a material extent in the 12 months before the Termination Date.

**Restricted Customer** means any firm, company or person who, during the 12 months before the Termination Date, was a customer of or in the habit of dealing with the Company or any Group Company with whom the Executive had contact or material involvement or, in respect of the exercise of his duties or responsibilities, about whom he became aware or informed to a material extent in the course of the Appointment.

**Restricted Person** means anyone employed or engaged by the Company or any Group Company with whom the Executive dealt in the 12 months before the Termination Date in the course of the Appointment.

**Restricted Supplier** means any person, firm or company which at any time during the 12 months prior to the Termination Date was a supplier of any goods, products or services (other than utilities and goods or services supplied for administrative purposes) to the Company or any Group Company and with whom or which the Executive had personal dealings during that period other than in a de minimis way and where such entities remain suppliers of the Company and/or the Group Company at or immediately before the Termination Date.

**Shareholder** means holding an investment by way of shares or other securities of over 5% of the total issued share capital of any company, other than a Cash Shell Company, whether or not it is listed or dealt in on a recognised stock exchange.

**Termination Date** means the date on which the Executive's employment with the Company terminates however caused.

1.2 The headings in this agreement are inserted for convenience only and shall not affect its construction.

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- 1.3 A reference to a particular law is a reference to it as it is in force for the time being taking account of any amendment, extension or re-enactment and includes any subordinate legislation for the time being in force made under it.
- 1.4 Unless the context otherwise requires:
- 1.4.1 a reference to one gender shall include a reference to the other genders; and
- 1.4.2 words in the singular include the plural and, in the plural, include the singular.
- 1.5 References to a "person" include any individual, company, any other body corporate, partnership or unincorporated association (whether or not having separate legal personality).
- 1.6 The words "including", "include", "in particular", "for example" and words of similar effect shall not limit the general effect of the words that precede them.

## **2 Employment**

- The Executive agrees to be employed by the Company and shall serve Akanda as its Chief Financial Officer subject to the terms and conditions of this agreement. It is envisaged that the Company will be subject to a reverse takeover by Akanda and there will be a Listing of Akanda. Accordingly, the terms of this agreement may require amendments to comply with any applicable Regulatory Requirements and if so, the Executive will be paid a cash sum equivalent to any amounts (including benefits) that he is entitled to under this agreement that are not included in the amended agreement.
- 2.1
- The Executive's employment will commence on the Commencement Date and shall continue, subject to the remaining terms of this agreement, until terminated by either party giving the other not less than 6 months prior written notice, save that the Company can only give notice after 18 months following the Commencement Date (except that this limitation shall not apply in respect of termination rights under Clause 21.1(a), (c) or (g)). If the Company does give notice sooner, the amount of Basic Salary and contractual benefits that the Executive would otherwise have been entitled to up to the first day on which termination could have been effective in accordance with this clause will be paid to the Executive as a lump sum within 28 days of the Termination Date. For the avoidance of doubt, nothing in this Clause 2.2 shall prevent or limit the Company's right to terminate this agreement without notice and without payment for any Basic Salary and contractual benefits for any reason that falls within Clause 21.1(a), (c) or (g).
- 2.2
- No period of employment with the Company or any other employer counts towards the period of continuous employment between the Executive and the Company which therefore will begin on the Commencement Date. Past service with any Group Company will count towards any employment or service measurement period in respect of any leave benefit, Executive Equity and employee share ownership incentive award that is issued under an approved employee share ownership plan .
- 2.3
- The parties acknowledge and agree that the Company intends to pursue a Listing, either directly or via a Cash Shell Company, and that as part of that process the Company's advisers (including its brokers) may require certain terms of this Agreement to be varied, amended or deleted. The parties agree that they will act reasonably in agreeing any such variations, amendments or deletions and the Executive agrees that (without limitation) the following provisions, amendments or variations, if required or reasonably requested by the Company (on the advice of its brokers) pursuant to such Listing, will be acceptable:
- 2.4

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- (a) any lock-in and/or orderly market restrictions on market-standard terms (where, in respect of the length of any such restriction, "market-standard" means no longer than two years in respect of each of any lock-in and any orderly market restriction);
- (b) the Executive ceasing to be entitled to any or all of the Executive Equity Rights; and
- (c) a vesting, or reverse vesting, period of up to four years and otherwise on market-standard terms,

and the Executive agrees that he will take all action reasonably necessary to give effect to any such amendments, variations or deletions. For the avoidance of doubt, under no circumstances shall the Executive be required to surrender or otherwise lose the ownership of whole or any part of the Executive Equity pursuant to this Clause 2.4.

### 3 Conditions to employment

3.1 The Company shall take appropriate professional advice as to the best way in which to achieve the proposed Listing of the business operated or proposed to be operated by it. If, following such advice, the Board decides that it would be in the best interests of the Company and its members as a whole to achieve a Listing via a Cash Shell Company then, before the Long Stop Date, the Company will:

- (a) establish or acquire or be acquired by a Cash Shell Company;
- (b) in respect thereof and subject always to Clause 2.4, grant the Executive the Executive Equity; and
- (c) at the Executive's election and in his sole discretion, transfer his engagement as Chief Financial Officer to the Cash Shell Company or any other Group Company, For the avoidance of doubt, and upon such a transfer, any benefits, leave entitlements, equity awards, compensation, salary or employment related benefit accruing to the Executive under this Agreement shall similarly be transferred to the Cash Shell Company or any other Group Company.

(together, the **Conditions Subsequent**).

3.2 In the event that the Conditions Subsequent have not been satisfied by the Long Stop Date and such non-satisfaction is predominantly or primarily the result of either or both of (a) some action or inaction by or on behalf of Halo and/or (b) another factor or factors beyond the reasonable control of the Executive, the parties shall, in good faith, use reasonable endeavours to grant equity interests in Halo (or the Company if it is directly subject to a Listing) to the Executive that give the Executive an approximately equivalent monetary valuation as would have been held by him in a Cash Shell Company that held the businesses of Cannahealth, Canmart and Bophelo only, pursuant to the terms of this Agreement.

### 4 Fundamental terms and warranties

4.1 The Executive represents and warrants to the Company that (in each case as a fundamental term of this agreement):

- (a) the Executive is, to the best of his knowledge, not subject to any restrictions which prevent the Executive from holding office as a director;

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- (b) by entering into this agreement or fully performing any of the Executive's obligations under it, the Executive will not be in breach of any court order or any express or implied terms of any contract or other obligation binding on the Executive; and
- (c) the Executive has not used or disclosed to the Company or any Group Company any confidential information belonging to any previous employer or any other person.

4.2 Notwithstanding (and without prejudice to) any other provision of this agreement, the Company may terminate this agreement summarily if the Executive is in breach of any of the terms and/or warranties in this Clause 4.

## 5 Duties

5.1 The Executive acknowledges that he will be a fiduciary in a position of seniority and trust.

5.2 At all times during the course of employment the Executive will:

- (a) faithfully and diligently serve Akanda, the Company and the Group, and exercise such powers and perform such duties as may from time to time be assigned to the Executive by Akanda or the Board or perform such other duties as the Company may reasonably require;
- (b) devote the whole of the Executive's working time, attention and abilities to the business and affairs of Akanda, the Company and the Group;
- (c) comply with all reasonable directions of and regulations made by Akanda, the Company and the Board;
- (d) promptly make such reports to Akanda and the Board in connection with the affairs of Akanda, the Company and of any Group Company on such matters and at such times as are reasonably required, and otherwise keep Akanda and the Board fully informed of all matters relating to the business and affairs of Akanda, the Company and the Group;
- (e) immediately upon becoming aware, report:
  - (i) any wrongdoing (including the Executive's own wrongdoing) whether committed, contemplated or discussed by any person employed or engaged by Akanda, the Company or any Group Company irrespective of whether this would or may involve self-incrimination;
  - (ii) any plans or proposals or discussions by any person employed or engaged by Akanda, as a senior executive or as a senior member of management of the Company or any Group Company to leave the employment or engagement of the Company or Group Company, whether alone or in concert with any other person and whether to join a competitor or any other business; and
  - (iii) any misuse of Confidential Information by any person (including the Executive) irrespective of whether this would or may involve self-incrimination;
- (f) use all reasonable endeavours to promote, protect, develop and extend the business of Akanda, the Company and Group Companies;
- (g) comply with all Policies and Procedures;

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- (h) comply with all Regulatory Requirements and promptly provide Akanda, the Company with all information that it requires or may require to comply with the Regulatory Requirements; and
- (i) not:
  - (i) offer, promise or provide any bribe, inducement or reward to any third party in order to gain any commercial, contractual, regulatory or personal advantage;
  - (ii) receive or accept any bribe, inducement or reward from any third party in order to gain any commercial, contractual, regulatory or personal advantage; or
  - (iii) receive any gifts, goods, service, rebates or commission from any third party other than in accordance with Akanda or Company policy from time to time in force.

5.3 The Executive agrees and accepts that:

- (a) the Policies and Procedures do not form part of this agreement or the terms of the Executive's employment and the Company may amend the Policies and Procedures at any time; and
- (b) a breach of the Regulatory Requirements may lead to civil or criminal liability for the Executive, action being taken against the Executive by any relevant regulatory authority and/or disciplinary action by the Company up to and including summary dismissal if the Executive's conduct falls within the categories in Clause 21.1.

## **6 Place of work**

- 6.1 The normal place of work of the Executive is South Africa (or such other place as agreed by the parties) or any other place as the Company may reasonably require for the proper performance and exercise of the Executive's duties.
- 6.2 The Executive will be required to travel in appropriate circumstances on the business of the Company and the Group (to the United Kingdom, Malta and/or abroad).

## **7 Hours of work**

- 7.1 The Executive's normal hours of work are from 8.30am to 5:30pm Monday to Friday, inclusive of one hour for lunch daily, and such additional hours as may be necessary for the proper performance of the Executive's duties. The Executive is not entitled to any further remuneration for additional hours outside normal office hours.
- 7.2 The parties agree that the nature of the Executive's position is such that the Executive's working time cannot be measured and, accordingly, the Executive's employment falls within the scope of regulation 20 of the Working Time Regulations 1998.

## **8 Salary**

- 8.1 The Executive will be paid an annual salary of £250,000 (**Basic Salary**) subject to applicable deductions as required by any local laws applicable to the Company including for tax and social security.

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- 8.2 The Basic Salary will be paid in equal monthly instalments (or pro rata where the Executive is only employed during part of a month) in arrears to the Executive's nominated bank account in the United Kingdom, or any other bank account in any location designated by the Executive in his sole discretion. For convenience, payment will usually be slightly in advance of the end of the calendar month to which the payment relates.

- 8.3 The Executive authorises the Company to deduct (and retain) from the Basic Salary, or any other sum due to the Executive at any time, any sum due to the Company or any Group Company from the Executive.

## **9 Pension**

The Company will comply with the employer pension duties in accordance with Part 1 of the Pension Act 2008.

## **10 Expenses**

Subject to any Company policy in operation from time to time and to production of VAT receipts or other appropriate evidence to the reasonable satisfaction of the Company, the Company will reimburse (or procure the reimbursement of) all reasonable expenses wholly, properly and necessarily incurred by the Executive in the performance of the Executive's duties.

## **11 Incentive payments & bonus**

- 11.1 Subject to Clause 11.7, on a Listing, the Executive shall be entitled to receive an incentive payment of £150,000, which shall be paid on or around the payroll in the subsequent month following the Listing.

- 11.2 Subject to Clause 11.7, on completion of the Listing, the Executive shall be entitled to receive an incentive payment of £150,000, which shall be paid on or around the payroll in the month following receipt by the Company of the Qualifying Equity Finance.
- 11.3 The Executive is entitled to participate in the Company's bonus scheme with an annual bonus opportunity of:
- (a) up to 100% of Basic Salary based on meeting achievable KPIs as determined by the Board using its reasonable discretion on or around the beginning of each financial year; and
  - (b) an additional bonus opportunity based on achievable stretch targets which is to be determined by the Board using its reasonable discretion.
- 11.4 The Board may award any such bonus in cash, equity or such other instrument or arrangement with the Company undertaking that it will act reasonably in making any such award in a way which is tax efficient and cost effective for the Executive.
- 11.5 Any bonus made pursuant to Clause 11.3 may, at the Board's absolute discretion, be reduced pro rata by reference to any period for which the Executive has been absent from work for any reason during the period to which the bonus relates.
- Other than as provided in this clause, the Executive will not be entitled to compensation for loss of bonus (whether pursuant to this Clause 11 or otherwise) on termination of employment. Payment of a bonus in one year will not entitle the Executive to a bonus in any other year. Should the Executive's employment be terminated for any reason other than as set out in clause 21.1 of this Agreement, then the Executive shall be entitled to a partial bonus determined on a pro-rata basis with reference to the number of months of service provided in the current financial year or bonus measurement period
- 11.6

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- 11.7 Payment of any incentive payment or bonus under this Clause 11 will be conditional on:
- (a) notice not having been served by the Executive;
  - (b) the Executive not being the subject of a disciplinary investigation which could result in the Executive's dismissal for gross misconduct (in which case payment of any incentive or bonus will be postponed pending the final outcome of that disciplinary procedure save where the procedure results in dismissal in which case no incentive or bonus shall be payable); and/or
  - (c) the Executive not having committed a repudiatory breach of this agreement;
- in each case, as at the payment date.

- 11.8 If any payment or other obligation under this agreement or any related benefit or remuneration plan does not comply with any applicable Regulatory Requirement, the Company may, by mutual agreement with the Executive, amend the terms of the payment or other obligation (including by reducing, revoking, cancelling or recovering any payment or award) to make it compliant.

- 11.9 Any payments under this Clause 11 will be subject to applicable deductions for tax and National Insurance (excluding employer National Insurance contributions) and will not be pensionable.

## 12 Shares

- 12.1 The Company shall procure that the Executive is granted, through an employee share ownership scheme or otherwise, an award of an equity interest in the Cash Shell Company (which could be a subscription/award of shares/award of restricted share units or share options, depending on the taxation implications for both the Company and the Executive, with the Company undertaking that it will act reasonably in procuring the offer of an incentive structure at its own cost which is tax efficient and cost effective for the Executive provided there are no adverse consequences for the Company or the Cash Shell Company) (the **Executive Equity**).



- 12.2 The Executive Equity is intended to represent 500,000 common shares in the issued share capital of the Cash Shell Company before the Cash Shell Company acquires the Company or any other company or business, and/or issues equity to participants in a placing or public offering to occur on or around the date of Listing, when, pursuant to each of such events, the percentage equity interest held by the Executive will be diluted in accordance with the terms of such transactions.
- 12.3 Subject always to Clause 2.4, the Executive Equity will be subject to monthly vesting (or reverse vesting if shares are awarded) over a three year period, with a one year vesting cliff (33.3% vesting 12 months after date of grant of the award), and will be subject to customary good leaver, intermediate leaver and bad leaver conditions.
- 12.4 In the event that there is a Change of Control of the Company or Cash Shell Company (other than as part of the fundraising on or around the date of Listing or an internal re-organisation) after the date falling 12 months after the date of the grant of Executive Equity and before the end of the three year vesting period (or such other period as required in accordance with Clause 2.4), and the Executive is an employee of the Company (or the Cash Shell Company as the case may be) at such time, it is agreed that vesting of the Executive Equity will automatically be accelerated immediately prior to such Change of Control.

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- 12.5 The Executive's participation in the Executive Equity shall be determined by the applicable rules (or other documents) of the scheme to be implemented.

In the event a Cash Shell Company does not acquire Control of the Company, the Company and the Executive will both act in good faith to agree an alternative incentive arrangement to that referred to in Clause 12.1 above and, if applicable, Clause 3.2.

### **13 Other benefits and paid leave**

- 13.1 The Company will endeavour to put in place a private medical insurance scheme as soon as reasonably practicable after the Commencement Date. The Executive, his spouse and dependents shall be entitled to participate in such scheme.
- 13.2 The Executive's rights and entitlements and the Company's obligations to pay premiums for the private medical insurance scheme shall be subject always to:
- (a) the rules and terms of such scheme from time to time in force;
  - (b) the Company's absolute discretion to change scheme and/or scheme provider and/or to discontinue providing the benefit at any time;
  - (c) the Executive satisfying any underwriting or other requirements of the relevant scheme provider; and
  - (d) the Executive co-operating with the Company and the relevant scheme provider when making any claim.
- 13.3 The Executive agrees that:
- (a) the Company shall have no obligation to pursue any claim for benefits on behalf of the Executive or the Executive's spouse or dependants or any other beneficiaries or potential beneficiaries if it is not accepted by the scheme provider;
  - (b) the Company will have no liability to the Executive or the Executive's spouse or dependants for failure or refusal by the scheme provider for whatever reason to pay benefits or for cessation of benefits on the termination of the Executive's employment and the Company is entitled to terminate the Executive's employment notwithstanding the fact that the Executive may lose entitlement to benefits under these arrangements as a result;
  - (c) The Executive is not contractually entitled to any benefit he receives which is not expressly referred to in this agreement (whether payment of insurance scheme premiums or otherwise).



13.4 The Executive may be eligible to take the following types of paid leave, subject to any statutory eligibility requirements or conditions and the Company's rules applicable to each type of leave in force from time to time:

- (a) statutory paternity leave;
- (b) family responsibility leave;
- (c) statutory adoption leave;
- (d) shared parental leave; and
- (e) parental bereavement leave.

## 14 Training

In addition to general training the Company provides during the Executive's induction and throughout his employment, the Company will specify certain mandatory training modules from time to time. These cover matters that are essential for working for the Company, or for the Executive's role. The subject matter will vary from time to time and the Company will update the Executive on the requirements. Details of the current compliance training that is mandatory for all employees are available on the intranet. The Company acknowledges that the Executive may hold one or more professional designations that require mandatory continuing professional development. The Executive shall be entitled to undertake at least 40 hours of continuing professional development training at the expense of the Company.

## 15 Holidays

15.1 The Executive will be entitled to 30 days' paid holiday in each Holiday Year in addition to the usual public holidays in the Republic of South Africa. The first 28 days of holiday (including any public holidays) taken in any Holiday Year will be the Executive's statutory holiday for the purpose of both the Working Time Regulations 1998 and Clause 15.6 below.

15.2 If the Executive's employment commences or terminates part way through a Holiday Year, the entitlement of the Executive during that Holiday Year shall be calculated on a pro rata basis rounded up to the nearest half day.

15.3 Holidays shall be taken at such time or times as shall be approved in advance by the Company. The Company may require the Executive to take holiday on particular dates.

15.4 The Executive will be entitled to carry over up to 5 days' holiday at the end of each Holiday Year provided that the Executive uses that holiday by 31 March in the following Holiday Year (all other holiday remaining at the end of the Holiday Year will lapse). Any carried over holiday not used by that date will lapse.

15.5 The Executive shall have no entitlement to any payment in lieu of accrued but untaken holiday except on termination of the Executive's employment. Subject to Clause 15.6, the amount of any payment in lieu will be 1/260th of the Executive's Basic Salary for each untaken day of holiday entitlement for the Holiday Year in which termination takes place.

15.6 If:

- (a) the Company has terminated or would have been entitled to terminate the Executive's employment under Clause 21; or
- (b) the Executive terminates in breach of this agreement,

any payment due under Clause 15.5 will be limited to the statutory entitlement of the Executive under the Working Time Regulations 1998 (and any holiday (including public holidays) taken shall be deemed first to have been taken in satisfaction of that statutory entitlement as set out in Clause 15.1).

15.7 If on termination of the Executive's employment the Executive has taken in excess of his accrued holiday entitlement, the Company shall be entitled to recover from the Executive, by way of deduction from any payments due to the Executive or otherwise, one day's pay calculated at 1/260th of the Basic Salary of the Executive for each excess day.

15.8 If either party has served notice to terminate the Executive's employment, the Company may require the Executive to take any accrued but unused holiday entitlement during the notice period. Any accrued but unused holiday entitlement shall be deemed to be taken during any period of Garden Leave.

15.9 During any continuous period of absence due to Incapacity of one month or more the Executive shall not accrue holiday under this contract and the entitlement of the Executive under Clause 15.1 for the Holiday Year(s) in which such absence takes place shall be reduced pro rata save that it shall not fall below the entitlement of the Executive under the Working Time Regulations 1998.

## **16 Incapacity**

16.1 If the Executive is absent from work due to Incapacity, the Executive shall notify the Company of the reason for the absence as soon as possible on the first day of absence.

16.2 Immediately following the Executive's return to work after a period of absence due to Incapacity of seven days or less the Executive must complete a self-certification form. For periods of absence of more than seven consecutive days the Executive must produce a doctor's fit note verifying that the absence is due to Incapacity.

16.3 Subject to complying with the Company's absence requirements above and to the remaining provisions of this Clause 16, the Executive shall be entitled to receive full Basic Salary and contractual benefits during any periods of absence due to Incapacity up to a maximum of 12 weeks in aggregate in any rolling 52-week period. Any such payments shall be inclusive of any statutory sick pay. The Executive's qualifying days for statutory sick pay purposes are Monday to Friday.

16.4 The Executive agrees to consent to medical examinations (at the Company's expense) by a doctor or clinic nominated by the Company should the Company so require. The Executive agrees that any report produced in connection with any such examination may be disclosed to the Company and the Company may discuss the contents of the report with the relevant doctor.

16.5 If the Incapacity is or appears to be occasioned by actionable negligence, nuisance or breach of any statutory duty on the part of a third party in respect of which damages are or may be recoverable, the Executive shall immediately notify the Company of that fact and of any claim, settlement or judgment made or awarded in connection with it and provide all relevant particulars that the Company may reasonably require. The Executive shall, if required by the Company, co-operate in any related legal proceedings and refund to the Company that part of any damages or compensation recovered by the Executive relating to the loss of earnings for the period of the Incapacity as the Company may reasonably determine less any costs borne by the Executive in connection with the recovery of such damages or compensation, provided that the amount to be refunded to the Company shall not exceed the total amount paid to the Executive by the Company in respect of the period of Incapacity.

16.6 The Company is entitled to terminate the Executive's employment under the terms of this agreement notwithstanding that any such termination would or might cause the Executive to forfeit any entitlement to sick pay or other benefits.

16.7 The payment of the Executive's Basic Salary and other contractual benefits during absence due to Incapacity is conditional on:

- (a) notice not having been served by either party;
- (b) the Executive not being the subject of a disciplinary investigation which could result in the Executive's dismissal for gross misconduct; and

- (c) the Executive not being under a performance improvement plan.

## **17 Outside interests**

17.1 Subject to Clause 17.2, the Executive shall not at any time during employment (including during any period of notice) save for any existing arrangements as disclosed in Schedule 2 of this Agreement :

- (a) be directly or indirectly engaged, concerned or have any financial interest in any Capacity in any other business, trade, profession or occupation (or the setting up of any business, trade, profession or occupation) other than that of the Company and the Group, whether paid or unpaid; or
- (b) hold any directorship (or other office) of any company other than that of the Company and any Group Company, whether paid or unpaid.

17.2 Notwithstanding Clause 17.1, the Executive:

- (a) save for any existing arrangements as disclosed in Schedule 2 of this Agreement, may hold an investment by way of shares or other securities of not more than 5% of the total issued share capital of any company (whether or not it is listed or dealt in on a recognised stock exchange) provided that such company does not carry on (or propose to carry on) any business similar to or competitive with any business for the time being carried on by the Company or any Group Company;
- (b) has disclosed to the Company the external interests and activities listed in schedule 2 including the Executive's Capacity with regard to each such interest and activity. The Company consents to the Executive continuing these activities on the strict condition that it reserves the right to require (at any time) the Executive to cease any or all of such interests or activities to the extent that, in the opinion of the Company, they interfere, may be likely to interfere or could be perceived to interfere with the discharge of the Executive's obligations to the Company or Group or create or may be likely to create a conflict of interest or perceived conflict of interest; and
- (c) may engage in external interests and activities provided that such companies do not carry on (or propose to carry on) any business similar to or competitive with any business for the time being carried on by the Company or any Group Company and such interests or activities do not interfere with the Executive's performance of his duties for the Company, and any board level appointments shall require prior written approval of the governance committee of the Company, not to be unreasonably withheld, and subject to being permitted by the rules of any applicable regulatory framework.

17.3 Without prejudice to the Executive's obligations above, the Executive must promptly disclose to the Company any matter relating to the Executive's spouse, civil partner, partner, children, parents or other immediate family and/or any entity whose affairs the Executive or any such person controls which may (or may be perceived to) interfere, conflict or compete with the proper performance of the obligations of the Executive under this agreement.

## **18 Confidential information**

18.1 Without prejudice to the Executive's common law duties, the Executive shall not (except in the proper course of the Executive's duties, as authorised or required by law or as authorised in advance by the Company), either during the Executive's employment or at any time after termination of employment (howsoever arising):

- (a) use any Confidential Information;
- (b) make or use any Copies; or

- (c) disclose any Confidential Information to any person whatsoever.

18.2 The Executive shall be responsible for protecting the confidentiality of the Confidential Information and shall:

- (a) use best endeavours to prevent the use or communication of any Confidential Information by any person (except in the proper course of that person's duties, as required by law or as authorised in advance by the Company); and
- (b) inform the Company immediately upon becoming aware, or suspecting, that any unauthorised person knows, has access to, has been provided with or has used any Confidential Information.

18.3 All Confidential Information and Copies are and shall remain at all times the property of the Company and on termination of the Executive's employment (or at the request of the Company at any time during employment), the Executive shall:

- (a) hand over all Copies to such person as is nominated by the Company;
- (b) irretrievably delete any Confidential Information (including any Copies) stored on any magnetic or optical disk or memory, including personal computer networks, personal email accounts or personal accounts on websites, and all matter derived from such sources which is in the Executive's possession or under the Executive's control; and
- (c) on the request of the Company, provide a signed statement that the Executive has complied fully with all obligations under this Clause 18.3 together with such evidence of compliance as the Company may reasonably request .

18.4 Clause 18 shall not apply to any Confidential Information which the Executive can demonstrate:

- (a) is already in the public domain at the time of disclosure;
- (b) is identifiable without requiring significant expenditure of time, skill or money; and
- (c) came into the public domain other than by reason of or as a direct or indirect result of the disclosure by the Executive of any Confidential Information.

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18.5 Nothing in this Clause 18 shall prevent the Executive from:

- (a) making a protected disclosure within the meaning of Part 4A of the Employment Rights Act 1996 (this includes protected disclosures made about matters previously disclosed to another recipient);
- (b) making a disclosure to a regulator regarding any misconduct, wrongdoing or serious breach of a Regulatory Requirement;
- (c) reporting a criminal offence to the police or a law enforcement agency; or
- (d) co-operating with the police or a law enforcement agency regarding any criminal investigation or prosecution or with a regulator regarding any investigation by that regulator.

## 19 Intellectual property

19.1 All Intellectual Property Rights made, discovered, originated, produced or developed by the Executive during the course of employment with the Company (whether or not during working hours or using the premises or resources of the Company or the Group) shall immediately be disclosed in writing to the Company by the Executive and shall automatically, on creation, vest absolutely in the Company or such Group Company as the Company may nominate for that purpose to the fullest extent permitted by law.

19.2 The Executive:

- acknowledges for the purposes of section 39 of the Patents Act 1977 that because of the nature of the Executive's duties, and
- (a) the particular responsibilities arising from those duties, the Executive has, and at all times during employment will have, a special obligation to further the interests of the business of the Company and the Group;
- undertakes to promptly, whenever requested by the Company, and in any event upon the termination of employment, deliver
- (b) up to the Company all such Intellectual Property Rights and all related correspondence, documents, papers and records and all copies of any such Intellectual Property Rights in the Executive's possession or control;
- undertakes to hold upon trust for the benefit of the Company (or its nominee) all Intellectual Property Rights in respect of all
- (c) Intellectual Property Rights made, originated or developed by the Executive during employment by the Company (whether or not during working hours or using the premises or resources of the Company or the Group) to the extent that they do not vest automatically in the Company, until the same are vested absolutely in the Company (or its nominee);
- assigns absolutely with full title guarantee by way of present assignment of present and future rights, all Intellectual
- (d) Property Rights made, originated or developed by the Executive in the course of employment (whether or not during working hours or using the premises or resources of the Company or the Group);
- acknowledges that, other than as required by law, no further remuneration or compensation other than that set out in this
- (e) agreement is or may become due to the Executive in respect of the performance of the Executive's obligations under this Clause 19;

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- (f) undertakes, at the reasonable expense of the Company, to execute all such documents, make such applications, give such assistance and do all such acts and things as may in the opinion of the Company be necessary or desirable to vest, register or obtain any Intellectual Property in the name of the Company (or its nominee), and otherwise to protect and maintain any Intellectual Property Rights made, originated or developed by the Executive and all related Intellectual Property Rights;
- waives any moral rights (as provided for by Chapter IV of the Copyright Designs & Patents Act 1988 (the **1988 Act**) or any similar provisions of law in any jurisdiction) in any Intellectual Property Rights created, made, originated, developed or produced by the Executive in the course of employment (whether or not during working hours or using the premises
- (g) or resources of the Company or the Group) and agrees to grant all necessary consents and further agrees not to institute, support, maintain or permit any action or claim to the effect that any treatment, exploitation or use of such Intellectual Property Rights infringes the Executive's moral rights, including the right to be identified, the right of integrity and the right against false attribution provided for in the 1988 Act;
- will not, except in the proper performance of the Executive's duties, disclose any Intellectual Property Rights (or any related
- (h) correspondence, documents, papers and records and copies) belonging to the Company (or its nominee) without the prior written consent of the Company; and
- will give all necessary assistance to the Company (or its nominee) to enable the Company (or its nominee) to enforce its
- (i) Intellectual Property Rights against third parties and/or to defend claims for infringement of third party Intellectual Property Rights.

19.3 The Executive irrevocably appoints the Company to be the Executive's attorney in the Executive's name and on the Executive's behalf to execute and/or sign all such instruments, and/or do all such things and generally to use the Executive's name for the purpose of giving to the Company (or its nominee) the full benefit of the provisions of this Clause 19. With respect to any third party, a certificate in writing signed by any director of the Company or the company secretary of the Company that any instrument or act falls within the authority conferred by this Clause 19.3 shall be conclusive evidence that such is the case.

## 20 Payment in lieu of notice

20.1 Notwithstanding any other provision of this agreement, the Company may, in its sole and absolute discretion, terminate the Executive's employment under this agreement summarily by giving the Executive written notice that it is exercising its discretion under this Clause 20.1. In such circumstances the Company shall pay the Executive his Basic Salary and contractual benefits in

lieu of the notice period referred to in Clause 2.2 or any unexpired part of it. Payment will be made subject to such deductions as are required by law, including for tax and national insurance. The Company's right to make a payment under this Clause 20.1 does not give the Executive any right to demand such payment.

- 20.2 The Executive shall not be entitled to any payment in lieu of notice if the Company would otherwise have been entitled to terminate the Executive's employment without notice in accordance with Clause 21 and the Company shall be entitled to recover from the Executive any payment in lieu of notice already made.

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## 21 Termination without notice

- 21.1 The Company may terminate the Executive's employment with immediate effect without notice (and with no liability to make any further payment to the Executive) if the Executive:

- (a) is disqualified from acting as a director;
- (b) commits, in the reasonable opinion of the Board, an act of gross misconduct;
- (c) commits, in the reasonable opinion of the Board, any serious or repeated breach or failure to observe of any of the provisions of this agreement or the Policies and Procedures or the Regulatory Requirements or any anti-bribery and corruption policies and the Executive has previously been given written notice of such and a reasonable opportunity to improve or comply as the case may be;
- (d) refuses to comply with any reasonable and lawful direction of the Board;
- (e) is declared bankrupt or makes any arrangement with or for the benefit of his creditors or has a county court administration order made against the Executive under the County Court Act 1984;
- (f) is convicted of any criminal offence (other than an offence under any road traffic legislation in the United Kingdom or elsewhere for which a fine or non-custodial penalty is imposed);
- (g) is guilty of fraud or dishonesty or acts in any manner which, in the reasonable opinion of the Board, brings or is likely to bring the Executive, the Company or any Group Company into disrepute or is materially adverse to the interests of the Company or any Group Company (in each case whether or not in the course of employment); or
- (h) ceases to hold any qualification, approval, registration or authorisation required for the proper performance of the Executive's duties.

- 21.2 The rights of the Company under Clause 21.1 are without prejudice to any other rights that it may have at law to terminate the Executive's employment or to accept any breach of this agreement by the Executive as having brought the agreement to an end. Any delay by the Company in exercising any right to terminate shall not constitute a waiver of that right.

- 21.3 If the Executive's employment is terminated at any time by reason of any reconstruction or amalgamation of the Company or any Group Company, whether by winding up or otherwise, and the Executive is offered employment with any concern or undertaking involved in or resulting from the reconstruction or amalgamation on terms which (considered in their entirety) are no less favourable to any material extent than the terms of this agreement, the Executive shall have no claim against the Company, any Group Company or the undertaking arising out of or in connection with such termination.

- 21.4 This Clause 21.4 applies if the Executive subscribes for or is awarded shares in the Company or any Group Company or participates in any share option, restricted share, restricted share unit, long term incentive, carried interest or co-invest, or any other form of profit sharing, incentive, bonus or equity plan or arrangement (each an **Incentive**) or may do so. Upon termination of the Executive's employment (whether lawful or unlawful), the Executive's rights (if any) in respect of each Incentive shall be solely determined by the applicable rules or other documents governing each Incentive and the Executive hereby irrevocably waives any other claims or rights in respect of the loss of any rights or benefits under or in respect of any Incentive granted or

## 22 Garden leave

22.1 Following service of notice to terminate the Executive's employment by either party, or if the Executive purports to terminate his employment in breach of contract and/or without serving the period of notice required by Clause 2.2, the Company may in its absolute discretion place the Executive on garden leave for the whole or part of the Executive's notice period (**Garden Leave**).

22.2 During any period of Garden Leave the Company:

- (a) shall be under no obligation to provide any work to the Executive and may revoke any powers he holds on behalf of the Company or any Group Company;
- (b) may exclude the Executive from any premises of the Company or any Group Company;
  - may require the Executive not to contact or deal with (or attempt to contact or deal with) any officer, employee, consultant,
- (c) client, customer, supplier, agent, distributor, shareholder, adviser, investor or other business contact of the Company or any Group Company;
- (d) may require the Executive to resign as a director of the Company or any Group Company;
- (e) may cease to provide the Executive with access to the Company and Group Company information systems;
- (f) may appoint another person(s) to perform the Executive's responsibilities jointly with the Executive or in the Executive's place; and/or
- (g) may require the Executive to take any accrued holiday due to the Executive.

22.3 During any period of Garden Leave the Executive:

- (a) will continue to receive Basic Salary and all contractual benefits including the incentives in Clauses 11.1 and 11.2 in the usual way and subject to the terms of any benefit arrangement;
- (b) will remain an employee of the Company and bound by the terms of this agreement (including his fiduciary duties and duties of good faith and fidelity); and
- (c) must ensure that the Board knows where the Executive will be and how the Executive can be contacted during each working day (except during any periods taken as holiday in the usual way);

22.4 The Executive agrees that he shall have no claim against the Company in respect of any action set out in this Clause 22.

## 23 Obligations upon termination

23.1 On termination of the Executive's employment (however arising) or, if the Company so requires, at any time following the service of notice by either party or purported notice of termination by the Executive, the Executive shall:



- resign immediately from any directorship held by him in or on behalf of the Company or any Group Company and from any other offices he may hold as nominee or representative of the Company or any Group Company, save for any directorship held by him in Bophelo Bioscience & Wellness Pty. Ltd ("Bophelo"), which shall continue subject to the articles of association of Bophelo;
- (a)

- immediately deliver to the Company all property of the Company or any Group Company or any of its or their respective customers, clients, suppliers, investors and other business contacts (including documents, books, materials, records, correspondence, papers and information on whatever media and wherever located relating to the business or affairs of the Company or any Group Company or their respective customers, clients, investors, suppliers and other business contacts), which is in his possession or under his control and he/ shall not retain any Copies;
- (b)

- irretrievably delete any information relating to the business or affairs of the Company or any Group Company stored on any magnetic or optical disk or memory, including personal computer networks, personal email accounts or personal accounts on websites, and all matter derived from such sources which is in his possession or under his control;
- (c)

- deliver to the Company on request any computer or other device in his possession or control to allow the Company to remove all Confidential Information and any software of the Company; and
- (d)

- on the request of the Company, provide a signed statement that he has complied fully with his obligations under this Clause 23.1 together with such reasonable evidence of compliance as the Company may require.
- (e)

23.2 The Executive hereby irrevocably appoints the Company to be his attorney to appoint any director of the Company as his attorney to execute such instrument or do any such thing and generally to use his name for the purpose of giving effect to and providing to the Company or its nominee the full benefit of Clause 23.1(a).

23.3 The obligations in Clause 23.1 shall not be affected by the fact that any document or device may include the Executive's Personal Data. It shall be the Executive's responsibility to notify the Company of any Personal Data that may exist so that the Company can make proper arrangements for its disposal.

23.4 The Executive will, on the Company's reasonable request, co-operate with and assist the Company or any Group Company in any internal investigation, administrative, regulatory, quasi-judicial proceedings or any threatened or actual litigation concerning it or them. The Company will only make such a request where the Executive has in his possession or knowledge any facts or other matters which the Company or any Group Company reasonably considers is relevant to such process or legal proceedings. This assistance may include giving statements/affidavits, meeting with the Company or any Group Company's legal and other professional advisers, attending any legal hearing and giving evidence. The Company or relevant Group Company will pay the Executive's reasonable expenses and loss of income incurred in providing such assistance provided that the Executive notifies the Company or relevant Group Company of the amount of any expenses or anticipated loss of income in advance.

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## 24 Post-termination restrictions

24.1 In order to protect the Confidential Information and business connections of the Company and each Group Company to which he has access as a result of the Appointment, the Executive covenants with the Company (for itself and as trustee and agent for each Group Company) that he shall not:

24.1.1 for 12 months after the Termination Date, solicit or endeavour to entice away from the Company or any Group Company the business or custom of a Restricted Customer with a view to providing goods or services to that Restricted Customer in competition with any Restricted Business;

24.1.2 for 12 months after the Termination Date in the course of any business concern which is in competition, or intends to compete, with the Company or any Group Company, offer to employ or engage or otherwise endeavour to entice away from the Company or any Group Company any Restricted Person who could damage the interests of the Company or any Group Company as a result of any such employment, engagement or enticement;



- 24.1.3 for 12 months after the Termination Date in the course of any business concern which is in competition, or which intends to compete, with any Restricted Business, employ or engage or otherwise facilitate the employment or engagement of any Restricted Person who could damage the interests of the Company or any Group Company as a result of that employment or engagement, whether or not such person would be in breach of contract as a result of such employment or engagement;
- 24.1.4 for six months after the Termination Date, be involved in any Capacity with any business concern which is (or intends to be) in competition with any Restricted Business;
- 24.1.5 for 12 months after the Termination Date, be involved with the provision of goods or services to (or otherwise have any business dealings with) any Restricted Customer or Prospective Customer in the course of any business concern which is in competition with any Restricted Business;
- 24.1.6 for 12 months after the Termination Date damage (or attempt to do so) any relationship between the Company or any Group Company and the Restricted Supplier; or
- 24.1.7 at any time after the Termination Date, represent himself as connected with the Company or any Group Company in any capacity, other than as a former employee, director or shareholder, or use any registered names or trading names associated with the Company or any Group Company.
- 24.1.8 at any time after the Termination Date, make any comments or statements of any nature that are derogatory to or disparaging of, or have the effect of lowering the reputation of the Company or any Group Company or any of its or their directors, officers, employees or agents; and/or take part in any conduct which may bring into disrepute the Company, any Group Company or any of its or their directors, officers, employees or agents.
- 24.2 None of the restrictions in Clause 24.1 shall prevent the Executive from:

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- 24.2.1 being engaged or concerned in any business concern insofar as the Executive's duties or work shall relate solely to geographical areas where the business concern is not in competition with any Restricted Business; or
- 24.2.2 being engaged or concerned in any business concern, provided that the Executive's duties or work shall relate solely to services or activities of a kind with which the Executive was not concerned to a material extent in the 12 months before the Termination Date.
- 24.3 The restrictions imposed on the Executive by this Clause 24 apply to him acting:
- 24.3.1 directly or indirectly; and
- 24.3.2 on his own behalf or on behalf of, or in conjunction with, any firm, company or person.
- 24.4 Subject to Clause 24.12, the Executive agrees that the Board may review the Prospective Customer, Restricted Business, Restricted Customer, Restricted Person and Restricted Supplier definitions and revise, delete and amend these (to include but not be limited to adding new customers, persons and suppliers or deleting or revising named customers, persons and suppliers) from time to time.
- 24.5 The periods for which the restrictions in Clause 24 apply shall be reduced by any period that the Executive spends on Garden Leave immediately before the Termination Date.
- 24.6 If the Executive receives an offer to be involved in a business concern in any Capacity during the Appointment, or before the expiry of the last of the covenants in this Clause 24, the Executive shall give the person making the offer a copy of this Clause 24 and shall tell the Company the identity of that person as soon as possible after accepting the offer.
- 24.7 This Clause 24.7 applies if, at any time during the Executive's employment, two or more Restricted Persons have left their employment, appointment or engagement with the Company and have subsequently performed work for a Competitor. Where this

clause applies, the Executive will not, at any time during the six months following the last date on which any of those Restricted Persons were employed or engaged by the Company, be employed or engaged in any way by the Competitor if the Executive would perform work for or on behalf of the Competitor that is competitive with the Restricted Business.

24.8 The Executive has had the opportunity to take legal advice on the restrictions in this Clause 24.

24.9 Each of the restrictions in this Clause 24 is intended to be separate and severable. If any of the restrictions shall be held to be void but would be valid if part of their wording were deleted, such restriction shall apply with such deletion as may be necessary to make it valid or effective.

24.10 If the Executive's employment is transferred to any firm, company, person or entity other than a Group Company (the "New Employer") pursuant to the Transfer of Undertakings (Protection of Employment) Regulations 2006, the Executive will, if required, enter into an agreement with the New Employer containing post-termination restrictions corresponding to those restrictions in this Clause 24, protecting the Confidential Information, trade secrets and business connections of the New Employer.

24.11 The Executive will, at the request and expense of the Company, enter into a separate agreement with any Group Company in which he agrees to be bound by restrictions corresponding to those restrictions in this Clause 24 (or such of those restrictions as may be appropriate) in relation to that Group Company.

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24.12 No variation of this Clause 24 will be effective unless it is in writing and signed by the parties.

24.13 The Executive covenants with the Company (for itself and as trustee and agent for each Group Company) that he shall not for 12 months after the Termination Date:

24.13.1 interfere or take such steps as may be likely to interfere with the continuance of investment or funding to the Company (or the terms relating to such investment or funding) from any Investor or Lender; or

24.13.2 seek to damage the relationship between any Investor or Lender and the Company.

## **25 Disciplinary and grievance procedures**

25.1 The Executive is subject to the disciplinary and grievance procedures of the Company, copies of which are available on the Company's intranet. These procedures do not form part of this agreement or the terms and conditions of the Executive's employment.

25.2 The Executive should refer:

- (a) any appeal the Executive wishes to make against a disciplinary sanction/decision to a member of the Board (or such other person as the Company may specify from time to time); or
- (b) any grievance the Executive wishes to raise to a member of the Board (or such other person as the Company may specify from time to time),

in accordance with the Company's disciplinary and grievance procedures.

25.3 The Company may suspend the Executive from any or all of his duties during any period in which the Company is investigating any disciplinary matter involving the Executive or until the conclusion of any disciplinary procedure (including any appeal). During any period of suspension:

- (a) subject to Clause 11.5, the Executive will continue to receive Basic Salary and all contractual benefits in the usual way;
- (b) the Company may suspend the Executive's access to the Company's and Group's systems and internal communications;

- (c) the Company may require the Executive to return temporarily any Company or Group IT equipment and communication devices (including any smartphones, tablets, laptops and hard drives);
- (d) the Executive shall remain an employee of the Company and bound by the terms of this agreement;
- (e) the Executive shall ensure that the Company knows where he will be and how he can be contacted during each working day (except during any periods taken as holiday in the usual way);
- (f) the Company may exclude the Executive from his place of work or any other premises of the Company or any Group Company; and

- (g) the Company may require the Executive not to contact or deal with (or attempt to contact or deal with) any officer, employee, consultant, client, customer, supplier, agent, distributor, shareholder, adviser or other business contact of the Company or any Group Company.

## 26 Change of Control

26.1 In the event that there is a Change of Control of the Company or the Cash Shell Company (other than as part of the Listing, the fundraising on or around the date of Listing or an internal re-organisation) and, within 365 days of the Change of Control, the Appointment is terminated by the Company (other than where the Company is entitled to terminate the Appointment without notice or payment in lieu of notice in accordance with Clause 21.1) the Company shall, within one month of the date of the Termination Date, pay or provide the Prescribed Sum to him as provided by this Clause.

26.2 The **Prescribed Sum** shall be an amount equal to one year's Basic Salary in accordance with Clause 8.1 as adjusted in accordance with Clause 26.3.

26.3 If the Company or the Cash Shell Company (as the case may be) terminates the Appointment by giving a period of notice whether under Clause 2.2 or otherwise, or terminates the Appointment under Clause 20, the Prescribed Sum shall be reduced pro rata by the number of complete months of service for which the Executive remains employed following notice being given to him or shall be reduced by the amount paid to the Executive under Clause 20.

26.4 The payment or provision of the Prescribed Sum shall be conditional upon and in consideration of:

- (a) the Executive having complied with Clause 23; and
- (b) the Executive having complied with and continuing to comply with his obligations relating to confidentiality and intellectual property in Clauses 18 and 19 respectively.

26.5 For the avoidance of doubt, the payment or provision of the Prescribed Sum shall not affect the Executive's entitlement as at the Termination Date to any of the following:

- (a) any accrued but unpaid Basic Salary;
- (b) any payment in lieu of accrued but unused holiday; or
- (c) the reimbursement of his expenses, provided that all claims for reimbursement are submitted within four weeks of the Termination Date.

26.6 To the extent that the Prescribed Sum is damages (which is not admitted), the parties agree that the terms of this Clause 26 represent a genuine pre-estimate of the loss to the Executive that would arise on termination of the Appointment in the circumstances described and does not constitute a penalty.

## **27 Data protection**

- 27.1 The Company will collect and process Personal Data in accordance with the data privacy notice which is annexed to this agreement and which is also available on the Company intranet. The Executive shall sign and date the privacy notice and return it to the Company within five working days of the date of this agreement.

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- 27.2 The Executive shall comply with the Policies and Procedures in relation to privacy and data protection when handling personal data in the course of employment including personal data relating to any employee, worker, contractor, customer, client, supplier, agent or other contact of the Company or any Group Company.

## **28 Collective agreements**

There is no collective agreement applicable to the Company or to the Executive's employment with the Company.

## **29 Notices**

- 29.1 A notice given to a party under this agreement shall be in writing in the English language and signed by or on behalf of the party giving it. It shall be delivered by hand or sent to the party at the address given in this agreement or as otherwise notified in writing to the other party.

- 29.2 Any such notice shall be deemed to have been received:

- (a) if delivered by hand, at the time the notice is left at the address or given to the addressee;
- (b) in the case of pre-paid first class UK post or other next working day delivery service, at 9.00 a.m. on the second business day after posting or at the time recorded by the delivery service;
- (c) in the case of email, at the time of transmission.

- 29.3 A notice shall have effect from the earlier of its actual or deemed receipt by the addressee. For the purpose of calculating deemed receipt:

- (a) all references to time are to local time in the place of deemed receipt; and
- (b) if deemed receipt would occur on a Saturday or Sunday or a public holiday when banks are not open for business, deemed receipt is at 9.00 a.m. on the next business day.

- 29.4 This Clause does not apply to the service of any proceedings or other documents in any legal action.

## **30 General**

- 30.1 No variation of this agreement shall be effective unless it is in writing and signed by the parties (or their authorised representatives).

## **31 Entire agreement**

This agreement contains the entire and only agreement between the parties, and both parties acknowledge that, on entering into this agreement, they have not relied on any written or oral representation or undertaking other than as expressly stated in this agreement, and that this agreement supersedes any previous contract or arrangement between the parties.

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### 32 Counterparts

This agreement may be executed in any number of counterparts, each of which, when executed, shall be an original, and all the counterparts together shall constitute one and the same instrument.

### 33 Third party rights

Except as expressly provided elsewhere in this agreement, no person other than the Executive and the Company or any Group Company shall have any rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this agreement.

### 34 Governing law

This agreement and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by and construed in accordance with the law of England and Wales.

### 35 Jurisdiction

Each party irrevocably agrees that the courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with this agreement or its subject matter or formation (including non-contractual disputes or claims).

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EXECUTED as a DEED by **Trevor Scott**

at

on 2022

before the following witness:

Witness Signature:

Full name:

Address:

EXECUTED as a DEED for and on behalf of  
**Akanda Corp.**

at

on 2022

before the following witness:

Director/Authorised Signatory

Witness Signature:

---

Full name:

---

Address:

---

---

EXECUTED as a DEED for and on behalf of  
**Canmart Ltd**

at

---

Director/Authorised Signatory

on 2022

before the following witness:

Witness Signature:

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Full name:

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Address:

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## Schedule 1

**Executive Equity Rights**

**Not applicable**

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## Schedule 2

**Outside Interests**

1. Director and shareholder of Bearingway Limited.
2. Director and shareholder of Mokwele Incorporated.
3. Advisor to Stallion Group.

26 January 2022

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## CODE OF BUSINESS CONDUCT

AND

## ETHICS

(Adopted as of November 14, 2021)

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## **1 INTRODUCTION**

### **1.1 Purpose**

This Code of Business Conduct and Ethics (“Code”) of Akanda Corp. (the “Company”) contains general guidelines for conducting the business of the Company consistent with the highest standards of business ethics. In many cases, the Company has adopted specific written policies to implement various provisions of this Code. To the extent this Code or those policies require a higher standard than required by commercial practice or applicable laws, we adhere to the higher standard.

This Code applies to all of our directors, officers and employees. Except where otherwise noted, all persons covered by this Code are referred to as “Company employees” or simply “employees.”

### **1.2 Responsibilities And Behaviors**

The Company is committed to the highest ethical standards in the conduct of its business and therefore the integrity of each employee, officer, and director is of paramount importance. All employees, officers, and directors are accountable for their actions and must conduct themselves with the utmost integrity. As part of conducting business ethically, employees, officers, and directors must conduct business in strict observance of all applicable federal, state, and local laws and regulations as set forth by those bodies that regulate the Company’s business, and those that regulate public companies, such as the Securities and Exchange Commission. Persons who act unethically or violate this Code and supplementing written policies may be subject to disciplinary action, up to and including termination or removal, and, if applicable, referral to the appropriate authorities for prosecution.

As a representative of the Company, your responsibility is to act ethically and with the highest level of integrity. Employees who violate the law or this Code may expose themselves to substantial civil damages, criminal fines and prison. The Company may also face substantial fines and penalties, and many incur damage to its reputation and standing in the community. If you are unclear about the appropriate response to a particular situation, it is your responsibility to use all the resources available to you to seek guidance. One point should be clear: each employee, officer and director are individually responsible for his or her own actions.

### **1.3 Supervisory Responsibility**

It is incumbent upon supervisors to take every opportunity to model behaviors consistent with our core values and this Code. If you are a supervisor, you are expected to demonstrate the highest standards of ethical conduct by encouraging open and honest discussions of the ethical, legal, and regulatory implications of business decisions, and by creating an open and supportive environment where your employees are comfortable asking questions, raising concerns and reporting misconduct. You should also ensure that everyone under your supervision clearly understands the legal and ethical expectations of the Company, including all aspects of the Code, policies and

applicable laws. You must also work with the Human Resources department when you become aware of any suspected violations of this Code.

#### **1.4 Seeking Help And Information**

This Code is not intended to be a comprehensive rulebook and cannot address every situation that you may face. If you feel uncomfortable about a situation or have any doubts about whether it is consistent with the Company's ethical standards, seek help. We encourage you to contact your supervisor for help first. If your supervisor cannot answer your question or if you do not feel comfortable contacting your supervisor, contact the Chief Financial Officer or send an inquiry through the Company website.

#### **1.5 Reporting Violations Or Suspected Violations**

The Company is committed to establishing and maintaining an effective process for employees, officers, and directors to report, and for the Company to respond to and correct, any type of misconduct. All employees, officers, and directors have a continuing responsibility and duty to report any known or suspected violation of this Code, including any violation of the laws, rules, regulations or policies that apply to the Company. If you know of or suspect a violation of this Code, immediately report the conduct to your supervisor, or the Company's Chief Financial Officer. Your supervisor or the Chief Financial Officer will contact the proper legal counsel, who will work with you and your supervisor to investigate your concern. If you do not feel comfortable reporting the conduct to your supervisor or you do not get a satisfactory response, you may contact the proper legal counsel directly.

While providing your identity may assist the Company in addressing your questions or concerns, please note that if you choose, **you may remain anonymous and will not be required to reveal your identity.**

#### **1.6 Investigating Reports**

All reports of known or suspected violations will be handled sensitively and with discretion. Your supervisor, the Chief Financial Officer and the Company will protect your confidentiality to the extent possible, consistent with law and the Company's need to investigate your concern. During an investigation of suspected violations, you are required to cooperate fully in the investigation, and must take certain steps to do so. You must be honest and forthcoming at all times during an investigation, must provide investigators with full, accurate, timely, and truthful information, and must not interfere or obstruct the investigation. You may not discuss an investigation with others unless authorized to do so. Failure to take any of these steps during an investigation is a violation of this Code.

Any person accused of violating this Code will be given an opportunity to present his or her version of the events prior to any determination that a violation has occurred, or any Company decision regarding the appropriate discipline.

#### **1.7 Policy Against Retaliation**

The Company prohibits retaliation against an employee who, in good faith, seeks help or reports known or suspected violations. If you report an actual or suspected violation by another, you will not be subject to discipline or retaliation of any kind for making a report in good faith. Any reprisal or retaliation against an employee because the employee, in good faith, sought help or filed a report will be subject to disciplinary action, including potential termination of employment.

#### **1.8 Waivers Of Code**

Only the entire Board of Directors may waive provisions of this Code for employees (unless legally required). Any waiver of this Code for our directors, executive officers or principal financial officers may be made only by our Board of Directors or an appropriate committee of our Board of Directors and will be disclosed to the public as required by law or the rules of The Nasdaq Capital Market.

## 1.9 Monitoring Compliance And Enforcement In General

The Company's management, under the supervision of its Board of Directors or a committee thereof or, in the case of accounting, internal accounting controls, auditing or securities law matters, the Audit Committee, shall take reasonable steps from time to time to (i) monitor compliance with the Code, and (ii) when appropriate, impose and enforce appropriate disciplinary measures for violations of the Code.

Disciplinary measures for violations of the Code will be determined in the Company's sole discretion and may include, but are not limited to, counseling, oral or written reprimands, warnings, probation or suspension with or without pay, demotions, reductions in salary, termination of employment or service, and restitution.

The Company's management shall periodically report to the Board of Directors or a committee thereof on these compliance efforts including, without limitation, periodic reporting of alleged violations of the Code and the actions taken with respect to any such violation.

## 2 CONFLICTS OF INTEREST

### 2.1 Identifying Potential Conflicts Of Interest

The Company's reputation may be impaired by conflicting relationships or activities. A conflict of interest can occur when an employee's private interest interferes, or reasonably appears to interfere, with the interests of the Company. You must conduct your outside associations and personal business, financial, and other relationships in a manner that avoids any conflict of interest, or appearance of a conflict of interest, between yourself and the Company. You must avoid any private interest that influences your ability to act in the interests of the Company or that makes it difficult to perform your work objectively and effectively. The term "outside association" includes any affiliation, association, interest, relationship, or employment that you have with anyone other than the Company. Further, you must not give the appearance of Company representation in any of your personal affairs.

It is impractical to conceive and set forth rules that cover every situation in which a conflict of interest may arise. The following is not an exhaustive list of problem areas, but rather a guide in applying the Company's basic conflict of interest policy to any situation.

- Employment Relationships. A conflict of interest may arise when you or a member of your immediate family holds a position as an employee, officer or director of an entity with which the Company has or is likely to have a business relationship, or with which the Company competes or is likely to compete. No employee or officer should accept employment with any entity that is a customer, supplier or competitor of the Company. You must also report when a family member has a relationship with an entity with which the Company has or is likely to have a business relationship or with which the Company competes or is likely to compete.
- Improper Personal Benefits. You may not obtain any improper personal benefits or favors because of your position with the Company.
- Financial Interests. You should not have a financial interest (ownership or otherwise) in any company that is a customer, supplier or competitor of the Company, unless pre-approved by the proper legal counsel. Generally, a significant financial interest will not be permitted except in exceptional circumstances. Significant financial interest means (i) ownership of greater than 1% of the equity of a customer, supplier or competitor or (ii) an investment in a customer, supplier or competitor that represents more than 5% of the total assets of the employee making the investment.
- Corporate Opportunities. You are prohibited from taking advantage of an opportunity to engage in a business activity in which the Company has an actual interest or a reasonable expectation of an interest.
- Use of Company Assets. You are prohibited from using Company assets to pursue personal interests.
- Loans or Other Financial Transactions. You should not obtain loans or guarantees of personal obligations from, or enter into any other personal financial transaction with, the Company or any company that is a customer, supplier or competitor of the Company. This guideline does not prohibit arms-length transactions with banks, brokerage firms or other financial institutions.

- Service on Boards and Committees. You should not serve on a board of directors or trustees or on a committee of any entity (whether profit or not-for-profit) whose interests reasonably would be expected to conflict with those of the Company.
- Actions of Family Members. The actions of family members outside the workplace may also give rise to the conflicts of interest described above because they may influence an employee's objectivity in making decisions on behalf of the Company. For purposes of this Code, "family members" include your spouse or life-partner, parents, children and siblings, whether by blood, marriage or adoption, and anyone residing in your home.

## 2.2 Disclosing Conflicts Of Interest

While it is incumbent on each employee to act in a manner at all times that is in the best interests of the Company, and avoid conflicts of interest, the Company recognizes that from time to time, situations may occur in which a conflict or appearance of a conflict of interest is unavoidable. The Company requires that employees disclose any situations that reasonably would be expected to give rise to a conflict of interest. If you suspect that you have a conflict of interest, or something that others could reasonably perceive as a conflict of interest, you must report it to the Company. If you are an employee, you must report it to the Vice President of your department, the Chief Financial Officer, or the proper legal counsel. If you are an officer or director, you must report the matter to the proper legal counsel or to the Audit Committee. If you are an employee, your Vice President or the Chief Financial Officer will coordinate with the proper legal counsel to review the matter and resolve it as necessary.

## 2.3 Resolving Conflicts Of Interest

When a conflict or appearance of a conflict of interest occurs, or is reasonably likely to occur, the Company is committed to resolving the situation in a way that protects the best interests of the Company. Such resolution can take many forms, such as requiring the employee to recuse himself or herself from participating in a particular matter, reassigning duties, or additional measures designed to ensure that the best interests of the Company are not compromised by the conflict of interest. In all cases, conflicts of interest must be handled in an ethical manner; meaning they must be fully disclosed and considered prior to being resolved. The Chief Financial Officer or the proper legal counsel, as applicable, will handle all questions of conflicts of interest, including coordinating with the Audit Committee as necessary. Conflicts may be permitted only after full disclosure has been made, the Company (or the Audit Committee, as appropriate) has given prior written approval, and the employee has agreed to adhere to any safeguards put into place to ensure that the best interests of the Company are fully protected in the situation in question. Conflicts of interest resulting from a violation of this Code may also be subject to discipline.

## 3 BUSINESS ENTERTAINMENT, MEALS, AND GIFTS

The Company recognizes that occasional exchanges of business courtesies between vendors, suppliers, and our employees, such as entertainment, meals, or gifts, can be helpful in building and maintaining business relationships. However, you should exercise extreme caution when accepting offers of entertainment, meals or gifts, as regular or excessive entertainment, meals or gifts can easily create a conflict or appearance of a conflict of interest, and irreparably damage your reputation and the reputation of the Company. Generally, entertainment and gifts must have a clear business purpose and should benefit the Company by building trust and goodwill in the business relationship. Participating in entertainment such as meals, sports events, golf outings, and celebration functions, etc. with our business partners is acceptable provided the entertainment with the same partner is infrequent, in good taste, in moderation, and not extravagant. Similarly, gifts should be of only nominal value (generally less than \$100), infrequent, in good taste, in moderation, and not extravagant. Efforts should also be made so that even when a clear business purpose has been established, the costs for the entertainment or meals are shared, or reciprocated when appropriate and possible. In no event should you ever solicit offers of entertainment, meals or gifts, and similarly, you must never accept entertainment, meals or gifts if there is no clear business purpose, or if such acceptance would create or appear to create a conflict of interest.

Attending supplier sponsored conferences, seminars, and entertainment events where air travel, hotel, or other accommodations are provided, creates more serious concerns. Your participation in events where the sponsor provides both business and entertainment activities are acceptable when your participation is important to the business of the Company. You should not attend these events if it does not serve a significant business purpose for the Company or could cause, or appear to cause, you to favor that supplier over others. If you are invited by suppliers to attend conferences, seminars, or entertainment events where the supplier pays for air travel or other accommodations, you must obtain prior approval from an appropriate senior executive.

Likewise, when interacting with customers and vendors, you are expected to adhere to the policies and procedures established by those entities concerning meals, entertainment and gifts.

If you receive an offer for entertainment or meals that do not accord with these standards, you should politely decline. Similarly, gifts that do not accord with these standards should be returned, with an explanation that the Company's standards do not permit the employee to retain the gift. The Company, as well as the employee's supervisor, may also put additional limits and policies in place with respect to entertainment, meals and gifts, including appropriate documentation and notice and approval requirements.

## **4 CONFIDENTIAL INFORMATION**

Employees have access to a variety of confidential information as a result of their relationship with the Company. Confidential information includes but is not limited to all non-public information of the Company, or its customers or suppliers, and personally identifiable information of employees, or persons associated with the Company's business partners. You must safeguard all confidential information of the Company or third parties with which the Company conducts business, except when disclosure is authorized or legally mandated. Your obligation to protect confidential information continues after you leave the Company. Unauthorized disclosure of confidential information could cause competitive harm to the Company or its business partners and could result in legal liability to you and the Company.

Any questions or concerns regarding whether disclosure of Company information is legally mandated should be promptly referred to the Chief Executive Office of Chief Financial Officer.

## **5 COMPETITION AND FAIR DEALING**

All employees should endeavor to deal fairly with fellow employees and with the Company's customers, suppliers and competitors. Employees should not take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other unfair-dealing practice.

### **5.1 Relationships With Customers**

Our business success depends upon our ability to foster lasting customer relationships. The Company is committed to dealing with customers fairly, honestly, and with integrity. Specifically, you should keep the following guidelines in mind when dealing with customers:

- Information we supply to customers should be accurate and complete to the best of our knowledge. Employees should not deliberately misrepresent information to customers.
- Employees should not refuse to sell the Company's products or services simply because a customer is buying products or services from another supplier.
- Customer entertainment should not exceed reasonable and customary business practice.

Employees should not provide entertainment or other benefits that could be viewed as an inducement to, or a reward for, customer purchase decisions.

### **5.2 Relationships With Suppliers**

The Company deals fairly and honestly with its suppliers. This means that our relationships with suppliers are based on price, quality, service and reputation, among other factors. Employees dealing with suppliers should carefully guard their objectivity. Specifically, you should not accept or solicit any personal benefit from a supplier or potential supplier that might compromise, or appear to compromise, your objective assessment of the supplier's products and prices.

### **5.3 Relationships With Competitors**

The Company is committed to free and open competition in the marketplace. You should avoid actions that would be contrary to laws governing competitive practices in the marketplace, including federal and state antitrust laws. Such actions include misappropriation and/or misuse of a competitor's confidential information or making false statements about the competitor's business and business practices. For a further discussion of appropriate and inappropriate business conduct with competitors, see "Compliance with Laws: Antitrust" below.

## **6 PROTECTION AND USE OF COMPANY ASSETS**

Employees should protect the Company's assets and ensure their efficient use for legitimate business purposes only. Theft, carelessness and waste have a direct impact on the Company's profitability. The use of Company funds or assets for any unlawful or improper purpose is prohibited.

To ensure the protection and proper use of the Company's assets, you should:

- Exercise reasonable care to prevent theft, damage or misuse of Company property.

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- Report the actual or suspected theft, damage or misuse of Company property to a supervisor.
- Use the Company's telephone system, other electronic communication services, written materials and other property for business-related purposes.
- Safeguard all electronic programs, data, communications and written materials from inadvertent access by others.
- Use Company property only for legitimate business purposes, as authorized in connection with your job responsibilities.

You should also be aware that Company property includes all data and communications transmitted or received to or by, or contained in, the Company's electronic or telephonic systems. Company property also includes all written communications. Employees and other users of this property should have no expectation of privacy with respect to these communications and data. To the extent permitted by law, the Company has the ability, and reserves the right, to monitor all electronic and telephonic communication. These communications may also be subject to disclosure to law enforcement or government officials.

## **7 COMPANY RECORDS**

Accurate and reliable records are crucial to our business. Our records are the basis of our earnings statements, financial reports and other disclosures to the public and guide our business decision-making and strategic planning. Company records include booking information, payroll, timecards, travel and expense reports, e-mails, accounting and financial data, measurement and performance records, electronic data files and all other records maintained in the ordinary course of our business.

All Company records must be complete, accurate and reliable in all material respects. Undisclosed or unrecorded funds, payments or receipts are inconsistent with our business practices and are prohibited. You are also responsible for understanding and complying with record keeping policies as established by the Company from time to time. Ask your supervisor if you have any questions.

## **8 POLITICAL CONTRIBUTIONS AND ACTIVITIES**

The Company encourages its employees to participate in the political process as individuals and on their own time. However, federal and state contribution and lobbying laws severely limit the contributions the Company can make to political parties or candidates. It is Company policy that Company funds or assets are not be used to make a political contribution to any political party or candidate, unless prior approval has been given by the proper legal counsel.

The following guidelines are intended to ensure that any political activity you pursue complies with this policy:

- Contribution of Funds. You may contribute your personal funds to political parties or candidates. The Company will not reimburse you for personal political contributions.
- Volunteer Activities. You may participate in volunteer political activities during non-work time. You may not participate in political activities during work time.
- Use of Company Facilities. The Company's facilities should not be used for political activities (including fundraisers or other activities related to running for office). The Company may make its facilities available for limited political functions, including speeches by government officials and political candidates, with the approval of the proper legal counsel.
- Use of Company Name. When you participate in political affairs, you should be careful to make it clear that your views and actions are your own, and not made on behalf of the Company. For instance, Company letterhead should not be used to send out personal letters in connection with political activities.

These guidelines are intended to ensure that any political activity you pursue is done voluntarily and on your own resources and time. Please contact the Chief Financial Officer if you have any questions about this policy.

## 9 COMPLIANCE WITH LAWS

Each employee has an obligation to comply with all laws, rules and regulations applicable to the Company. These include, without limitation, laws covering bribery and kickbacks, copyrights, trademarks and trade secrets, information privacy, insider trading, illegal political contributions, antitrust prohibitions, foreign corrupt practices, offering or receiving gratuities, environmental hazards, employment discrimination or harassment, occupational health and safety, false or misleading financial information or misuse of corporate assets. You are expected to understand and comply with all laws, rules and regulations that apply to your job position. If any doubt exists about whether a course of action is lawful, you should seek advice from your supervisor or the Chief Financial Officer, which will contact the proper legal counsel, if necessary.

### 9.1 Anti - Bribery

The Company's anti-bribery prohibition is simple: No employee, officer or director may offer a bribe nor receive a bribe, under any circumstances. The Company maintains an Anti-Bribery Policy, which contains other prohibitions and requirements, for example: reporting of red flag events, restricting hiring of foreign agents and reporting of any violations of the Company's Anti-Bribery Policy.

If there are any questions regarding the Company's Anti-Bribery Policy, you should contact the Chief Financial Officer.

### 9.2 Export Control

Various government agencies maintain lists that identify individuals or entities barred or restricted from entering into certain types of transactions. The Company must ensure that the Company does not engage in a transaction with a barred entity or person. All employees have an obligation to notify the Company's Chief Financial Officer if any person with whom they are engaging on behalf of the Company



are identified on any of these lists. If in doubt, contact the legal department or Chief Financial Officer for more information on screening to ensure compliance.

Similarly, various countries are subject to comprehensive Canadian economic sanctions and trade embargoes, and the Company is prohibited from engaging in transactions that result in any goods, technology or monies being diverted to any customer or end user in such countries. From time to time Canada also has limited sanctions pertaining to other countries (e.g. Russia, Syria and Libya), so it is important to check if any party to a proposed Company transaction is from a country for which Canada has imposed complete embargoes or partial sanctions. When in doubt, discuss any potential transaction with the Legal department.

### 9.3 Antitrust

Antitrust laws of Canada and other countries are designed to protect consumers and competitors against unfair business practices and to promote and preserve competition. Our policy is to compete vigorously and ethically while complying with all antitrust, monopoly, competition or cartel laws in all countries, states or localities in which the Company conducts business.

In general, U.S. antitrust laws forbid agreements or actions “in restraint of trade.” All employees should be familiar with the general principles of the U.S. antitrust laws. The following is a summary of actions that are violations of U.S. antitrust laws:

- Price Fixing. The Company may not agree with its competitors to raise, lower or stabilize prices or any element of price, including discounts and credit terms.
- Limitation of Supply. The Company may not agree with its competitors to limit its production or restrict the supply of its services.
- Allocation of Business. The Company may not agree with its competitors to divide or allocate markets, territories or customers.
- Boycott. The Company may not agree with its competitors to refuse to sell or purchase products from third parties. In addition, the Company may not prevent a customer from purchasing or using non-Company products or services.
- Tying. The Company may not require a customer to purchase a product that it does not want as a condition to the sale of a different product that the customer does wish to purchase.

Employees should exercise caution in meetings with competitors. Any meeting with a competitor may give rise to the appearance of impropriety. As a result, if you are required to meet with a competitor for any reason, you should obtain the prior approval of the Chief Executive Officer, who will contact the proper legal counsel, if necessary. You should try to meet with competitors in a closely monitored and controlled environment for a limited period of time. The contents of your meeting should be fully documented. Specifically, you should avoid any communications with a competitor regarding:

- Prices;
- Costs;
- Market share;
- Allocation of sales territories;
- Profits and profit margins;
- Supplier’s terms and conditions;
- Product or service offerings;
- Terms and conditions of sale;
- Facilities or capabilities;
- Bids for a particular contract or program;
- Selection, retention or quality of customers; or
- Distribution methods or channels.



Employees should also be cautious when attending meetings of professional organizations and trade associations at which competitors are present. Attending meetings of professional organizations and trade associations is both legal and proper, if such meetings have a legitimate business purpose. At such meetings, you should not discuss pricing policy or other competitive terms, plans for new or expanded facilities or any other proprietary or competitively sensitive information.

Violations of antitrust laws carry severe consequences and may expose the Company and employees to substantial civil damages, criminal fines and, in the case of individuals, prison terms. Whenever any doubt exists as to the legality of a particular action or arrangement, it is your responsibility to contact the Chief Executive Officer or Chief Financial Officer, who will contact the proper legal counsel promptly for assistance, approval and review.

#### **9.4 Insider Trading**

The laws against insider trading are specific and complex. The Company also maintains extensive policies concerning insider trading designed to help the Company and an employee comply with the laws on insider trading. Employees are responsible for reading and complying with these policies. As a guideline, employees are prohibited from trading in the stock or other securities of the Company while in possession of material, nonpublic information about the Company. In addition, Company employees are prohibited from recommending, “tipping” or suggesting that anyone else buy or sell stock or other securities of the Company on the basis of material, nonpublic information. Company employees who obtain material nonpublic information about another company in the course of their employment are prohibited from trading in the stock or securities of the other company while in possession of such information or “tipping” others to trade on the basis of such information. Violation of insider trading laws can result in severe fines and criminal penalties, as well as disciplinary action by the Company, up to and including termination of employment.

Information is “non-public” if it has not been made generally available to the public by means of a press release or other means of widespread distribution. Information is “material” if a reasonable investor would consider it important in a decision to buy, hold or sell stock or other securities. As a rule of thumb, any information that would affect the value of stock or other securities should be considered material. Examples of information that is generally considered “material” include:

- Financial results or forecasts, or any information that indicates a company’s financial results may exceed or fall short of forecasts or expectations;
- Important new products or services;
- Pending or contemplated acquisitions or dispositions, including mergers, tender offers or joint venture proposals;
- Possible management changes or changes of control;
- Pending or contemplated public or private sales of debt or equity securities;
- Acquisition or loss of a significant customer or contract;
- Significant write-offs;
- Initiation or settlement of significant litigation; and
- Changes in the Company’s auditors or a notification from its auditors that the Company may no longer rely on the auditor’s report.

Any questions about information you may possess or about any dealings you have had in the Company’s securities should be promptly brought to the attention of the Chief Financial Officer.

#### **10 ACCURACY OF FINANCIAL REPORTS**

As a public company we are subject to various securities laws, regulations and reporting obligations. Both U.S. federal law and our policies require the disclosure of accurate and complete information regarding the Company's business, financial condition and results of operations. Inaccurate, incomplete or untimely reporting will not be tolerated and can severely damage the Company and result in legal liability.

Employees working in financial, public relations and legal roles have a special responsibility to ensure that all of our financial disclosures are full, fair, accurate, timely and understandable. If you work in such a capacity, you are expected to understand and strictly comply with generally accepted accounting principles and all standards, laws and regulations for accounting and financial reporting of transactions, estimates and forecasts.

## 11 PUBLIC COMMUNICATIONS

The Company places a high value on its credibility and reputation in the community. What is written or said about the Company in the news media and investment community directly impacts our reputation, positively or negatively. Our policy is to provide timely, accurate and complete information in response to public requests (media, analysts, etc.), consistent with our obligations to maintain the confidentiality of competitive and proprietary information and to prevent selective disclosure of market-sensitive financial data. In addition, the Company is required to periodically make public certain information about itself, and file regular reports concerning its financial and operational performance. The Company also from time to time may choose to issue information of interest to its shareholders or the general public. The Company is committed to ensuring that its communications are truthful, meaningful, consistent, and in compliance with all laws.

To ensure compliance with its standards and its legal obligations, the Company limits the persons who may speak on behalf of the Company and has extensive procedures in place to review and approve all public communications. You should direct all news media or other public requests for information regarding the Company to the Company's media relations personnel. The media relations personnel will work with you and the appropriate Company departments to evaluate and coordinate a response to the request. Only persons designated by the Company to speak on its behalf are authorized to disclose information about the Company. Similarly, even when designated as authorized to speak for the Company, an employee should never disseminate any information that has not been pre-approved for release.

Company employees who regularly interact with the media, the securities market, investors or the general public also have a special responsibility to understand and comply with specific laws regarding disclosure, including but not limited to Regulation Fair Disclosure. Contact the Chief Financial Officer if you have any questions about the scope or application of the laws applicable to your job responsibilities, including Regulation FD.

## 12 CONCLUSION

This Code of Business Conduct and Ethics contains general guidelines for conducting the business of the Company consistent with the highest standards of business ethics. If you are faced with making a challenging decision regarding a particular situation, you are not alone. There are many resources available to help resolve ethical questions or concerns. If you have any questions, you may contact:

- **Your immediate supervisor;**
- **Other supervisors or management personnel;**
- **The Human Resources department;**
- **Chief Financial Officer**

We expect all Company employees to adhere to these standards.

## CERTIFICATION

The undersigned hereby acknowledges receipt of Akanda Corp.'s Code of Business Conduct and Ethics (the "Code"), and certifies that the undersigned has read, understands and will comply with the Code.

Date: \_\_\_\_\_, 20\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Title

One signed copy of this certificate should be sent to:

Akanda Corp.

via email: [trevor@akandacorp.com](mailto:trevor@akandacorp.com)



## WHISTLEBLOWER POLICY

### PROCEDURES FOR RECEIPT OF COMPLAINTS AND SUBMISSIONS RELATING TO ILLEGAL OR UNETHICAL CONDUCT

(Adopted as of 14 November 2021)

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#### INTRODUCTION

Akanda Corp. (the “Company”) expects directors, officers, employees and key consultants (being, those who are engaged in an employee-like capacity) (collectively, “Personnel”) of the Company to take all responsible steps to prevent violations of its Code of Business Conduct and Ethics (the “Code”), to identify and raise potential issues before they lead to problems, and to seek additional guidance when necessary.

These Procedures are designed to provide an atmosphere of open communication for compliance issues and to ensure that Personnel acting in good faith have the means to report actual or potential violations and to reassure Personnel that they should be able to raise genuine concerns without fear of reprisals, even if they turn out to be mistaken.

#### REPORTING RESPONSIBILITY

If any Personnel observe or become aware of an actual or potential violation of the Code or of any applicable law or regulation (including securities laws and regulations), whether committed by Personnel or by others associated with the Company (for example, external parties with whom the Company has contracted), it is his/her responsibility to promptly report the circumstances as outlined herein and to cooperate with any investigation by the Company.

It is also the responsibility of Personnel who have concerns regarding questionable accounting, internal financial controls or auditing matters to report such concerns in accordance with the procedures outlined herein.

Examples of issues to be reported are set out in Schedule “A” to these Procedures.

#### NO RETALIATION AND ACTING IN GOOD FAITH

The Company prohibits Personnel from retaliating or taking adverse action against anyone for raising suspected conduct violations or helping to resolve a conduct concern. Any individual who has been found to have engaged in retaliation against any of the Company’s Personnel for raising, in good faith, a conduct concern or for participating in the investigation of such a concern may be subject to discipline, up to and including termination of employment or other business relationship. If any individual believes that he or she has been subjected to such retaliation, that person is encouraged to report the situation as soon as possible to one of the people identified in the “Reporting Procedures” section below.

Anyone filing a complaint concerning a violation or suspected violation of the Code, or reporting concerns relating to accounting and auditing matters must be acting in good faith and have reasonable grounds for believing the information disclosed indicates a violation of the Code. Any allegations that prove not to be substantiated and which prove to have been made maliciously or knowingly to be false will be viewed as a serious disciplinary offense, and may be subject to legal and civil action in addition to employment review.

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## REPORTING PROCEDURES

For assistance with compliance matters or clarification as to the way to report actual or potential compliance infractions, Personnel should contact the Chief Financial Officer or the Chair of the Audit Committee of the Board of Directors of the Company (the “Audit Committee”).

### All Compliance matters

Personnel or External parties with direct knowledge of the violation or fraud concern may submit reports of alleged violations of this Code in writing on a confidential basis to the Chair of the Audit Committee through submitting a Fraud Alert Email via email to the Chair of the Audit Committee at [charles@akandacorp.com](mailto:charles@akandacorp.com).

In reporting any actual or potential violation of the Code, an individual should provide, to the extent possible, such relevant documents to support the allegations being made, such as e-mails, handwritten notes, photographs, or physical evidence.

Any report of actual or potential violation of the Code should include, at a minimum the following information:

- the names of the parties involved.
- any witnesses to the incident(s).
- the location, date, and time of the incident(s).
- details about the incident (behaviour and/or words used).
- any additional details that would help with an investigation.

Violations or suspected violations may be submitted on a confidential basis by the complainant or may be submitted anonymously.

## COMPLIANCE OFFICER

As at the date hereof, the Company’s Compliance Officer can be contacted as outlined below:

Trevor Scott (interim Compliance Officer)

Tel: +27 83 380 8040

E-mail: [trevor@akandacorp.com](mailto:trevor@akandacorp.com)

Any future changes to the Compliance Officer can be found on the Company’s website and anonymous ways to report any Company violations.

The Compliance Officer shall report to the Audit Committee as frequently as such Compliance Officer deems appropriate, but in any event no less frequently than on a quarterly basis at the quarterly meeting of the Audit Committee called to approve interim and annual financial statements of the Company.

The Compliance Officer will keep any reported violations confidential and that the identity of employees making complaints or submissions shall be kept confidential and shall only be communicated to the Chair of the Audit Committee.

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## HANDLING OF REPORTED VIOLATIONS

Upon receipt of a report from the Chair of the Audit Committee, or the Compliance Officer, the Audit Committee (as applicable) shall discuss the report and take such steps as that committee of the Company’s Board of Directors (the “Board”) may deem appropriate.

At a minimum, the Audit Committee, as applicable, should initiate an investigation of the alleged violation(s). Additional steps could include, if appropriate:

- Advising the alleged subject of the report; and
- Considering a review and revisions to workplace procedures to prevent any future violations of the Code.

Reports of violations or suspected violations will be kept confidential to the extent possible, consistent with the need to conduct an adequate investigation.

The Compliance Officer or Chair of the Audit Committee (as applicable) shall retain a record of a complaint or submission received for a period of six years following resolution of the complaint or submission.

Any complaint about a member of the Audit Committee shall be considered by the Board, with the person accused recused from any discussion in connection with the complaint.

## **INVESTIGATION OF REPORTED VIOLATIONS**

Following the receipt of any complaints submitted hereunder, the Audit Committee, will investigate each matter so reported and recommend corrective disciplinary actions to the Board, if appropriate, up to and including termination of employment.

At a minimum, investigations will:

- be undertaken promptly and diligently, and be as thorough as necessary, given the circumstances.
- be fair and impartial, providing both the complainant and respondent equal treatment in evaluating the allegations.
- be sensitive to the interests of all parties involved and maintain confidentiality.
- be focused on finding facts and evidence, including interviews of the complainant, respondent, and any witnesses.
- incorporate, where appropriate, any need or request from the complainant or respondent for assistance during the investigation process.

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## **SCHEDULE 'A'**

### **Examples of Matters to be Reported**

- Fraud, theft and other criminal activity
- Accounting irregularities, Financial Statement Disclosure issues
- Non-compliance with Internal Accounting Controls
- Workplace violence, related to an executive
- Substance abuse, related to an executive
- Discrimination, bullying and harassment, related to an executive
- Falsification of company records
- Conflicts of Interest
- Release of proprietary information
- Safety/security violations
- Malicious property damage
- Violations of securities laws (including insider trading)
- Breaches of other applicable laws (environmental, employment, health and safety laws)
- Ethics violations

## CERTIFICATION

The undersigned hereby acknowledges receipt of Akanda Corp.'s Whistleblower Policy (the "Policy"), and certifies that the undersigned has read and understands the Policy.

Date: \_\_\_\_\_, 20\_\_\_\_

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Signature

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Print Name

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Title

One signed copy of this certificate should be sent to:

Akanda Corp. 1a, 1b Learoyd Road  
New Romney TN28 8XU, United Kingdom

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## RELATED PARTY TRANSACTIONS POLICY

(Adopted as of 14 November, 2021)

### PURPOSE

At Akanda Corp. (the “Company”) we aim to lead by example. We set high standards for our people at all levels and strive to meet them consistently. Our sound business principles and practices foster our commitment to ethical behavior, accountability and transparency. We expect our directors, officers and employees to avoid conflicts of interest, that is, any activity that interferes with the performance of their duties or that might deprive us of their undivided loyalty in business dealings. Conflicts of interest can come up in various ways, even in situations where the transaction may benefit the Company and our stockholders and thus make it unclear whether a conflict even exists. This Related Party Transactions Policy (this “Policy”) deals specifically with those situations where the Company (including any of our subsidiaries) is a party to a transaction with a “Related Party” (as defined below). A Related Party is a party whose material interest in a transaction could be an actual or potential conflict of interest, or at least create the appearance of such a conflict. Although our Code of Business Conduct and Ethics addresses this issue generally, we have adopted this Policy to formalize our procedures for the identification, review, and consideration and approval of the Audit Committee of our Board of Directors (the “Audit Committee”) of any transactions involving the Company and a Related Party. This Policy has been approved by our Board of Directors (“Board”). The Audit Committee may recommend future amendments to this Policy for consideration by our Board as our business evolves.

### PERSONS COVERED BY THIS POLICY

This Policy is applicable to all members of our Board and director nominees, each of our executive officers and any person the Company knows to own an interest in the voting power of the Company that gives them significant influence over the Company (each, a “significant stockholder”). Any direct or indirect beneficial owner of more than 5% of any class of the Company’s voting securities is deemed to be a significant stockholder.

### APPROVAL AUTHORITY

Our “Approval Authority” will be our Audit Committee. In a situation where a member of our Audit Committee is a Related Party in the proposed transaction, the other members of the Audit Committee or, if requested by the Audit Committee, our Board will be the Approval Authority.

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### WHO IS A RELATED PARTY?

You are a Related Party if you are:

1. a person who is, or at any time since the beginning of our last fiscal year was, a director or executive officer of the Company or a nominee to become a director;
2. a significant stockholder;



3. an immediate family member of a director, director nominee, executive officer or significant stockholder. This includes a person's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees or tenant) who share such person's home; or

4. entities controlled by a director, director nominee, executive officer or significant stockholder or in which a director, director nominee, executive officer or significant stockholder has a greater than 10% beneficial interest.

#### **WHAT TYPES OF TRANSACTIONS ARE COVERED BY THIS POLICY?**

Any transaction, arrangement or relationship (including any indebtedness or guarantee of indebtedness, or any series of similar transactions, arrangements or relationships) that:

1. the Company or any of its subsidiaries is or will be a participant;
2. any Related Party has or will have a direct or indirect material interest; and
3. the aggregate amount involved will or may be expected to exceed \$120,000 in any fiscal year (or the reduced threshold based on Smaller Reporting Company status, if applicable).

Any transaction that meets the above criteria is referred to as a "Related Party Transaction."

#### **IDENTIFYING RELATED PARTIES**

We have established a process to identify any Related Party to assist us in enforcing this Policy.

##### **Directors and Executive Officers**

Our finance team or compliance or legal department will collect, at least annually, the following information from each of our directors and executive officers (typically in the annual Directors' and Officers' Questionnaire):

1. A list of all entities in which they serve as a director or executive officer, or in which they have 10% or greater beneficial ownership interest.
2. A list of all their immediate family members, and for each immediate family member listed:

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- whether they are (a) an executive officer of any entity, or (b) employed by the Company's independent auditor (or an affiliate, member firm or other entity associated with our independent auditor), and if so, the name of their employer and job title or a brief job description; and
- all entities in which they serve as a director or in which they are a significant stockholder.

This list also will include the name of each charitable or non-profit organization for which each director, executive officer and any immediate family member is a major fundraiser or otherwise serves as a director or trustee, or in a similar capacity.

Directors and executive officers are expected to notify our finance team or compliance or legal department of any updates to the list of Related Parties, including updates to their employment and relationships with charitable organizations.

##### **Significant Stockholders**

When the Company learns that a person has become a significant stockholder, our finance team or compliance or legal department will examine relevant filings with the U.S. Securities and Exchange Commission ("SEC") (to the extent such information is available) to determine (a) if the person is an individual, the same information requested of directors and executive officers under this Policy, and (b) if the person is a firm, corporation or other entity, a list of principals or executive officers of such firm, corporation or entity.

## **APPROVAL PROCESS**

### **Advance Approval**

Any transaction the Company intends to undertake with a Related Party, irrespective of the amounts involved (unless the transaction is subject to standing pre-approval as provided below or pursuant to a resolution adopted by the Approval Authority), must be submitted to our Compliance Officer for his or her determination of the approvals required under this Policy. The Compliance Officer will refer to the Approval Authority any Related Party Transaction, and any other transaction he or she determines should be considered for evaluation by the Approval Authority, consistent with the purpose of this Policy. The Compliance Officer may do so irrespective of any pre-approval or other technical exemption from this Policy.

The legal or compliance department or finance team will provide the Approval Authority with all relevant information available about the proposed transaction, including:

1. the Related Party's relationship to the Company and interest in the transaction;
2. the material facts of the proposed transaction, including the anticipated aggregate dollar value of the transaction or, in the case of indebtedness, the largest amount of principal outstanding at any time during the current fiscal year plus all amounts of interest payable on it during the fiscal year;

3. the rationale for the proposed transaction; and
4. any other relevant information with respect to the proposed transaction.

In deciding whether to approve a proposed transaction, the Approval Authority may take into account any relevant information and considerations, including the impact on a director's independence if the Related Party is a director, their immediate family member or an entity with which a director is affiliated. The Approval Authority may impose such conditions as it deems appropriate on the Company or on the Related Party in connection with approving the proposed transaction.

The Approval Authority will convey the decision, including any conditions imposed on the transaction, to our Compliance Officer, who then will convey the decision to the appropriate people within the Company.

### **Review of Ongoing Transactions**

At least annually, the Approval Authority will review any previously approved or ratified transactions with Related Parties that remain ongoing, and that have a remaining term of more than six months and remaining amounts payable to or receivable from us of more than \$120,000 during the fiscal year (or the reduced threshold based on Smaller Reporting Company status, if applicable). Based on all relevant facts and circumstances, the Approval Authority will determine whether it is in the best interests of the Company and its stockholders to continue, modify or terminate the transaction.

### **Ratification**

Members of our finance team will produce quarterly reports of any amounts paid or payable to, or received or receivable from, any Related Party. These reports will be provided (a) to our legal or compliance department and used to determine whether there are any Related Party Transactions or other transactions with Related Parties that were not previously approved or previously ratified under this Policy, and (b) to our Compliance Officer for appropriate reporting in our periodic reports.

If the Compliance Officer learns of a transaction with a Related Party that required but did not receive approval or ratification under this Policy, he or she will promptly submit the transaction to the Approval Authority. The Approval Authority will undertake the review described above. Based on the conclusions reached, the Approval Authority will evaluate all options, including but not limited to ratification, amendment or termination of the transaction with the Related Party, and determine whether disciplinary action is appropriate.

A transaction with a Related Party entered into without pre-approval of the Approval Authority will not be deemed to violate this Policy, or be invalid or unenforceable, provided that the transaction is brought to the Approval Authority as promptly as reasonably practical after it is entered into, or after it becomes reasonably apparent that the transaction is covered by this Policy.

### **Standing Pre-Approval for Certain Related Party Transactions**

Unless there are special or unusual benefits to the Related Party in a proposed transaction, the following categories of Related Party Transactions do not need to be presented to the Approval Authority for review and approval under this Policy:

1. *Employment of executive officers:* Any employment by us of an executive officer if:

- the executive officer is a “named executive officer” whose compensation must be reported in our proxy statement; or
- the executive officer is not an immediate family member of another executive officer or director, the related compensation would be reported in our proxy if the executive officer were a “named executive officer,” and the Company’s Board;

2. *Director compensation:* Any compensation paid to a director (in such capacity) if the compensation is required to be reported in our proxy statement;

3. *Transactions where all stockholders receive proportional benefits:* Any transaction in which the Related Party’s interest arises solely from the ownership of our capital shares and all holders of our capital shares receive the same benefit on a pro rata basis (e.g., dividends);

4. *Ordinary-course expenses, advances and reimbursements:* Ordinary-course business travel and expenses, advances and reimbursements; and

5. *Indemnification:* Indemnification payments and other payments made pursuant to (a) directors and officers insurance policies, (b) our formation document or charter (as may be amended and/or restated from time to time), and/or (c) any other policy or agreement approved by the Board.

**LIST OF SUBSIDIARIES OF AKANDA CORP.**

<b>Subsidiary</b>	<b>Jurisdiction</b>
Bophelo Bio Science and Wellness (Pty) Limited	Kingdom of Lesotho
Bophelo Holdings Limited	England and Wales
Canmart Limited	England and Wales
Cannahealth Limited	Malta

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**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors of

Akanda Corp.  
Bophelo Bio Science and Wellness (Pty) Limited  
Bophelp Holdings Limited  
Canmart Limited  
Cannaheath Limited

We consent to the inclusion in the Form F-1 Registration Statement of Akanda Corp. (the “Company”) our report dated November 18, 2021 relating to our audit of statement of financial position as of July 16, 2021, and statements of operations, shareholders’ equity and cash flows for the period from July 16, 2021 (inception) through to August 31, 2021.

We consent to the inclusion in the Form F-1 Registration Statement of Bophelo Bio Science and Wellness (Pty) Limited our report dated November 18, 2021 relating to our audit of the statements of financial position as of December 31, 2020 and December 31, 2019 and statements of operations, shareholders’ equity and cash flows for the period from January 01, 2020 through December 31, 2020 and January 01, 2019 through December 31, 2019.

We consent to the inclusion in the Form F-1 Registration Statement of Bophelo Holdings Limited our report dated November 18, 2021 relating to our audit of the statement of financial position as of August 4, 2021, and statements of operations, shareholder’s equity and cash flows for the period from August 4, 2021 (inception) through August 31, 2021.

We consent to the inclusion in the Form F-1 Registration Statement of Canmart Limited our report dated November 18, 2021 relating to our audit of the statements of financial position as of December 31, 2020 and December 31, 2019, and statements of operations, shareholders’ equity and cash flows for the period from January 01, 2020 through December 31, 2020 and January 01, 2019 through December 31, 2019.

We consent to the inclusion in the Form F-1 Registration Statement of Cannaheath Limited. our report dated November 18, 2021 relating to our audit of the statement of financial position as of December 31, 2020, and statements of operations, shareholder’s equity and cash flows for the period from July 01, 2020 (inception) through December 31, 2020.

We also consent to the reference to us under the caption “Experts” in the Registration Statement.

**/s/ BF Borgers CPA PC**

Certified Public Accountants  
Lakewood, Colorado  
January 31, 2022

**AKANDA CORP.**  
1a, 1b Learovd Road  
New Romney TN28 8XU, United Kingdom

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January 31, 2022

Via EDGAR

U.S. Securities and Exchange Commission  
Division of Corporation Finance  
100 F Street, N.E.  
Washington, D.C. 20549

**Re: Akanda Corp.**  
**Registration Statement on Form F-1**  
**Request for Waiver and Representation under Item 8.A.4 of Form 20-F**

Ladies and Gentlemen:

The undersigned, Akanda Corp., a company formed under the laws of the Province of Ontario, Canada (the “Company”), is submitting this letter via EDGAR to the U.S. Securities and Exchange Commission (the “Commission”) in connection with the Company’s registration statement on Form F-1 filed on the date hereof (the “Registration Statement”), relating to a proposed initial public offering and listing in the United States of the Company’s common shares.

The Company has included in the Registration Statement prepared in accordance with the International Financial Reporting Standards, the following financial statements:

- audited financial statements of Akanda Corp. as of August 31, 2021 and for the period from July 16, 2021 (inception) to August 31, 2021;
- audited financial statements of Cannahealth Limited as of December 31, 2020 and for the period from July 1, 2020 (inception) to December 31, 2020;
- audited financial statements of Bophelo Holdings Ltd. as of August 31, 2021 and for the period from August 4, 2021 (inception) to August 31, 2021;
- audited financial statements of Bophelo Bioscience and Wellness (PTY) Ltd. for the fiscal years ended December 31, 2020 and 2019;
- audited financial statements of Canmart Ltd. for the fiscal years ended December 31, 2020 and 2019;
- unaudited interim consolidated financial statements and pro forma consolidated financial statements of Akanda Corp. as of September 30, 2021.
- unaudited financial statements of Cannahealth Limited as of September 30, 2021;
- unaudited financial statements of Bophelo Holdings Ltd. as of September 30, 2021;
- unaudited financial statements of Bophelo Bioscience and Wellness (PTY) Ltd. as of September 30, 2021; and
- unaudited financial statements of Canmart Ltd. as of September 30, 2021.

The Company respectfully requested that the Commission waive the requirement of Item 8.A.4 of Form 20-F (the “Waiver Request”), which states that in the case of a company’s initial public offering, the registration statement on Form F-1 must contain audited financial statements of a date not older than 12 months from the date of the filing (the “12-Month Requirement”).

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The Company is submitting this Waiver Request pursuant to Instruction 2 to Item 8.A.4 of Form 20-F, which provides that the Commission will waive the 12-Month Requirement “in cases where the company is able to represent adequately to us that it is not required to comply with this requirement in any other jurisdiction outside the United States and that complying with this requirement is impracticable or involves undue hardship.” In addition, in International Reporting and Disclosure Issues in the Division of Corporation Finance, dated November 1, 2004 (available on the Commission’s website at <http://www.sec.gov/divisions/corpfin/internatl/cfirdissues1104.htm>), at Section III. B. c), staff of the Commission notes that:

“the instruction indicates that the staff will waive the 12-month requirement where it is not applicable in the registrant’s other filing jurisdictions and is impracticable or involves undue hardship. As a result, we expect that the vast majority of IPOs will be subject only to the 15-month rule. The only times that we anticipate audited financial statements will be filed under the 12-month rule are when the registrant must comply with the rule in another jurisdiction, or when those audited financial statements are otherwise readily available.”

In connection with the Waiver Request, the Company represents to the Commission that:

1. The Company is not currently a public reporting company in any jurisdiction.
2. The Company is not required by any jurisdiction outside the United States to prepare consolidated financial statements audited under any generally accepted auditing standards for any interim period.
3. Full compliance with Item 8.A.4 of Form 20-F at present is impracticable and involves undue hardship for the Company.
4. The Company does not anticipate that its audited financial statements for the year ended December 31, 2021 will be available until April 2022.
5. In no event will the Company seek effectiveness of its registration statement on Form F-1 if its audited financial statements are older than 15 months at the time of the Company’s initial public offering.

The Company has filed this letter as an exhibit to the Registration Statement pursuant to Instruction 2 to Item 8.A.4 of Form 20-F.

Sincerely,

**AKANDA CORP.**

By: /s/ Tejinder Virk

Name: Tejinder Virk

Title: Chief Executive Officer and Director

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05 October 2021

## **Non-Binding Acquisition Proposal for Cellen Life Sciences Limited**

Dear Mr. Eric Bystrom,

This term sheet (this "Term Sheet") summarizes certain terms and conditions for the non-binding proposed acquisition (the "Transaction") of 100% ownership of Cellen Life Sciences Limited (the "Target" or "Cellen"), by Akanda Corp. ("Purchaser").

The Transaction is expected to proceed on a friendly basis with the approval of the board of directors of Purchaser and the shareholders of Target. Indicative terms of the Transaction, subject to due diligence, are set out in the attached Schedule A.

The existence of this Term Sheet and the terms herein are to be kept strictly confidential. All currency figures below are denoted in British Pound Sterling (GBP).

### **1. Conditions**

The implementation of this Term Sheet and the completion of the Transaction are subject to the following conditions:

- the negotiation and entering into by Purchaser and Target of mutually satisfactory definitive agreements in respect of the Transaction (the "Definitive Agreements") providing for the definitive terms and conditions upon which the Transaction will
- (a) be completed, which are anticipated to reflect the indicative terms and conditions set out in Schedule A as well as customary representations, warranties, covenants, closing conditions and indemnification which are mutually acceptable to the parties. The Definitive Agreements, upon execution, shall supersede this Term Sheet in its entirety;
- (b) receipt of the approval of the board of directors of Purchaser and the Target for the Transaction and the Definitive Agreements;
- (c) receipt of all required third party and regulatory approvals for the Transaction;
- (d) completion of audited annual financial statements for Target;
- (e) confirmation that Target does not have any debt, other than payables incurred as a result of operating activities; and
- (f) satisfactory completion of a detailed due diligence investigations by Purchaser in accordance with Section 4.

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### **2. Exclusivity**

From the date hereof until the Termination Date (defined below) (the "Exclusivity Period"), Target agrees to negotiate exclusively and in good faith with Purchaser with a view to settling the Definitive Agreements as soon as possible. Target agrees that, during the Exclusivity Period, neither it nor any of its respective owners, affiliates, representatives, officers, managers, members, employees, advisors or agents will, directly or indirectly, make, solicit or initiate inquiries from, or the submission of proposals or offers from, any other person relating to any acquisition, sale, lease, license or other disposition of the assets or equity of Target or any of its subsidiaries or participate in any discussions or negotiations regarding, or furnish to any other person any further information with respect to, or otherwise co-operate in any way with, or assist or participate in or facilitate, any effort or attempt by any person to do or seek to do any of the foregoing and, to the extent any such discussions or negotiations have occurred with third parties prior to the date hereof, they shall be terminated immediately.



### 3. Announcement

The entry into this Term Sheet and the terms herein are confidential. The Definitive Agreements will govern the public disclosure rights and obligations of the parties following the signing of the Definitive Agreements.

### 4. Due Diligence; Access and Cooperation

Target covenants and agrees that during the Exclusivity Period and subject to the Confidentiality and Non-Circumvention provisions set forth herein, Purchaser, through its employees and representatives, shall be entitled to make such reasonable investigation of the Target as Purchaser reasonably deems necessary, with such reasonable investigation to include the examination of the books, records, financial condition and prospects of the Target. Any such investigation shall be conducted at reasonable times and under reasonable circumstances, and Purchaser and Target shall cooperate fully with each other in connection therewith. In order for Purchaser to have a full opportunity to make such investigation and examination, Target agrees to make available, and to cause each of its respective subsidiaries and affiliates to make available, to representatives of Purchaser all such information and copies of such documents concerning the Target and its affairs as such representatives reasonably request, and to permit such representatives access to their respective properties during business hours upon reasonable prior notice and to use commercially reasonable efforts to cause their respective members, managers, employees, agents, consultants, and representatives to cooperate fully with such representatives in connection with such investigations and examinations.

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### 5. Confidentiality; Non Circumvention

Each of Purchaser and Target:

acknowledges that information that is non-public, confidential, and proprietary in nature will be provided to it. Each of Purchaser and Target (and any of their respective directors, officers, managers, members, affiliates, representatives, agents, and employees) will keep such information confidential and will not, except as otherwise provided below, disclose such information

- (a) or use such information for any purpose other than for the evaluation and consummation of the Transaction. The foregoing will not apply to information that: (i) becomes generally available to the public absent any breach of the foregoing; (ii) was available on a non-confidential basis to a party prior to its disclosure pursuant to this Term Sheet; or (iii) becomes available on a non-confidential basis from a third party who is not bound to keep such information confidential;

agrees that it will not make any public disclosure of the existence of this Term Sheet, any of its terms or that the parties are engaged in discussions with respect to the Transaction without first advising the other party and obtaining the written consent of the other party to the proposed disclosure, unless such disclosure is required by applicable law, regulation or the rules and policies of any securities regulatory authority having jurisdiction, in which event the party contemplating disclosure will inform the other party of, and obtain its consent to, the form and content of such disclosure, which consent will not be unreasonably withheld or delayed;

- (c) agrees that immediately upon request, or upon any discontinuance of activities by any party that results in the Transaction not being consummated, it will return to the other party all of its confidential information; and
- (e) the provisions of this Section 5 shall explicitly survive: 1) expiration or termination of this Term Sheet; 2) the return of Confidential Information to Target; and 3) the conclusion of any discussions regarding the Transaction contemplated herein.

### 6. Expenses

Each of the parties hereto shall be responsible for their own expenses incurred in connection with this Term Sheet, the Definitive Agreements and the Transaction.

### 7. Non-Binding Obligation; Termination

Except with respect to Section 2 (Exclusivity), Section 3 (Announcement); Section 4 (Due Diligence; Access and Cooperation), Section 5 (Confidentiality; Non-Circumvention), Section 6 (Expenses), Section 7 (Non-Binding Obligation; Termination), Section 8 (Governing

Law; Attornment), Section 9 (Assignment; No Third-Party Beneficiaries), and Section 10 (Execution; Entire Agreement), which are intended to be, and are, legally binding provisions between the parties, the terms and conditions of this Term Sheet and all of the rights and obligations of the parties contained herein shall be non-binding upon and unenforceable.

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For greater certainty, Section 1 of this Term Sheet and the attached Schedule A are intended to describe the basis upon which the parties will attempt to negotiate the Definitive Agreements in connection with the Transaction and do not, nor are they intended to, constitute binding obligations.

This Term Sheet will terminate and be of no further force and effect upon the earlier of: (a) on written notice by Target to Purchaser or by Purchaser to Target at any time after 120 days following the date that this Term Sheet is accepted by Target; (b) the date on which the Definitive Agreements are entered into; or (c) such other date as may be mutually agreed between Purchaser and Target in writing (the "Termination Date"). Notwithstanding the foregoing, Section 5 (Confidentiality; Non-Circumvention), Section 6 (Expenses) and Section 8 (Governing Law; Attornment) shall survive the termination of this Term Sheet and the termination of this Term Sheet shall not affect any rights any party has with respect to the breach of this Term Sheet by another party prior to such termination.

## **8. Governing Law; Attornment**

This Term Sheet will be governed by and construed in accordance with the laws of the province of Ontario, Canada.

## **9. Assignment; No Third-Party Beneficiaries**

No party shall be entitled to assign its rights and obligations hereunder without the prior written consent of the other party. Except as specifically set forth or referred to herein, nothing herein is intended or will be construed to confer upon any person or entity other than the parties and their successors or assigns, any rights or remedies under or by reason of this Term Sheet.

## **10. Execution; Entire Agreement**

This Term Sheet may be executed in one or more counterparts, each of which will be deemed to be an original and all of which together will be deemed to be one and the same document. This Term Sheet incorporates the entire agreement between the parties with respect to the subject matter of this Term Sheet and may not be amended or modified except in writing.

The Term Sheet does not address all of the terms of the proposed transaction, which will be addressed in the Definitive Agreements.

*< Signatures on next page >*

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If the foregoing accurately reflects the terms and conditions of our agreement, would you kindly indicate your acceptance hereof by signing and returning by 12h00 (GMT) , 6 August 2021.

Truly yours,

**Akanda Corp.**

By: \_\_\_\_\_

Name: Tejinder Virk

Title: Chief Executive Officer & Director

The undersigned agrees and accepts the terms of this Term Sheet.

**Cellen Life Sciences Limited**

By: \_\_\_\_\_

Name:

Title:

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**SCHEDULE A**

The principal terms are as follows:

The Purchaser intends to list on a U.S. stock exchange within the next 6 months, and is in the process of selecting a syndicate of NASD broker dealers.

The business of Cellen would be complementary to the Purchaser which would (and subject to the satisfaction of the conditions described in this Term Sheet, at the closing of the Transaction), seek to acquire all of the outstanding and issued Cellen ordinary shares (the "Transaction").

**Structure:**

The acquisition of 100% of the outstanding and issued ordinary shares of the Target (the "Sale Equity"), for the consideration set forth below shall be pursuant to Definitive Agreements containing representations, warranties, covenants, conditions and indemnities customary for a transaction of this type. Except as otherwise set forth in the schedules to the Definitive Agreements, Purchaser shall acquire the Sale Equity free and clear of all encumbrances. Whether the Transaction is structured as one or more asset purchases, equity purchases or mergers will be mutually determined by the parties based upon tax, accounting, securities, legal and other considerations.

**Subject of the Acquisition:**

100% of the outstanding and issued ordinary shares in the Target.

**Consideration:**

Total purchase consideration for the Sale Equity shall be settled through an issue of common shares in the Purchaser, with a post-listing value of GBP 10 million, subject to customary lock-up and leak out arrangements, as required.

**Audit Fee expenses:**

Purchaser shall arrange for, and cover the cost of, the Target's annual financial statements being prepared in accordance with International financial Reporting Standards and audited by the Purchaser's UK registered auditor responsible for the audit of its UK based subsidiaries. Such audit fee expenses shall be held over by the Purchaser on loan account with the target. These costs shall be limited to no more than \$20,000. The loan account shall have no fixed terms of repayment for the first six months following disbursement by the Purchaser. Thereafter, the loan account shall become immediately due and payable.

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**Bridge Financing:**

The Purchaser and the Target shall, in good faith, enter into negotiations concerning commercial terms for a Bridge Financing Facility ("the Bridge Loan") to the amount of between GBP 300,000 and GBP 500,000 for the purposes of assisting the funding of the Target's working

capital requirements prior to the completion of the Transaction. The Bridge Loan shall be subject to the completion and entering into of separate definitive agreements governing the Bridge Loan.

**Closing Conditions:**

The Transaction will be subject to standard closing conditions for transactions of this nature, including, among other things, (i) accuracy of representations and warranties and compliance with covenants and obligations, (ii) the absence of litigation, restraining orders, injunctions or other legal restraints, except as otherwise set forth in the schedules to the Definitive Agreements, (iii) receipt of required regulatory and third party consents, officers' and secretary's certificates; (iv) non-competition agreements from certain personnel of the Target covering various jurisdictions, as appropriate and to the extent necessary, for two years following the Closing Date; (v) employment agreements for key personnel of Target, (vii) evidence that the Sale Equity is free and clear of all encumbrance, except as otherwise set forth in the schedules to the Definitive Agreements, and (vi) other customary closing documentation. At the Closing Date, the Target shall have satisfied all of its outstanding debt, except for such liabilities assumed by the Purchaser and will have a reasonable level of working capital, to be reasonably negotiated by the parties.

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**Memorandum of Understanding**


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**Memorandum of Understanding**

Between

**Akanda Corp.**

With registered office at 77 King Street West, Suite 400, Toronto, Ontario M5K 0A1  
(hereafter: Akanda)

and

**Cellen Life Sciences Limited**

With registered office at Cms Cameron McKenna Nabarro Olswang LLP Cannon Place, 78 Cannon Street, London, United Kingdom,  
EC4N 6AF

(hereafter: Cellen)

Effective Date: October 1, 2021

This Memorandum of Understanding (“MOU”) sets the terms and understanding between Akanda or its nominees and Cellen to establish a formal working relationship to optimize in medical cannabis supply chain activities and pursue opportunities in this regard within the territory of UK.

**Background**

Akanda and Cellen are established leaders in the international medical cannabis space. Akanda is a cannabis cultivation, manufacturing, and distribution company with operations in the United Kingdom and the Kingdom of Lesotho. Cellen is a cannabis telehealth, research and medical brands company with operations in the United Kingdom. Cellen is a medical cannabis supplier to Project Twenty21, a large-scale medical cannabis observational study in the United Kingdom. Cellen also owns and operates digital pain clinic: Leva Clinic, which is licensed and regulated by the Care Quality Commission (‘CQC’) in the United Kingdom. Akanda is in the process of consolidating 100% ownership in CanMart Ltd, which has licenses in place with the Home Office and MHRA, allowing for the importation, manufacturing and distribution of medical cannabis within the United Kingdom.

**Purpose**

This MOU is to establish a formal working relationship to optimize medical cannabis supply chain activities across Cellen and Akanda business interests, to consistently increase supply and choice for patients in the United Kingdom.

The above goals will be accomplished by undertaking the following activities:

- Akanda identifying third party suppliers of medical cannabis products to be prescribed through Leva clinic, under mutually agreed upon brands;
- Akanda group employed GMC registered consultants to prioritize patients of Leva Clinic for medical cannabis;
- Cellen to integrate CanMart into their systems for seamless fulfillment of medical cannabis prescriptions for patients;
- Collaboration on new product development and manufacturing processes, which could include third party vendors;

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- Publicly recognizing the existence of this MOU through media and discussions with third party vendors;
- Akanda and Cellen to jointly pursue distribution and branding opportunities within the United Kingdom market area; and
- Akanda and Cellen to share knowledge and relationship resources to further the businesses of both parties.

## Reporting

The successful undertaking of this MOU will be evaluated by Tej Virk, CEO of Akanda and Eric Bystrom, CEO of Cellen. Evaluation of goals will be checked on monthly basis, at a mutually agreed upon meeting time.

## Funding

This MOU is not a formal commitment of funds of by either Akanda or Cellen.

## Duration

This MOU is at-will and may be modified by mutual consent, in writing, of authorized officials from Akanda and Cellen. This MOU shall become effective upon signature by the authorized officials from the Akanda and Cellen and will remain in force and effect until modified or terminated by any one of the partners by mutual consent. In the absence of mutual agreement by the authorized officials from Akanda and Cellen to extend the duration period, this MOU shall end on October 1, 2022.

## Contact Information

Tej Virk  
Akanda Corp  
CEO & Director  
Address: 39 Landau, 72 Farm Lane, SW6 1QA, London, United Kingdom  
Telephone: +44 (0) 7912 741995  
E-mail: [tej@akandacorp.com](mailto:tej@akandacorp.com)

Eric Bystrom  
Cellen Life Sciences Ltd  
CEO  
Address: 1 Shorrolds Rod, Flat 8, SW6 7TR  
Telephone: +44 (0) 7931 331100  
E-mail: [eric@cellenhealth.com](mailto:eric@cellenhealth.com)

**IN WITNESS WHEREOF** the Akanda and Cellen have signed this MOU as of the Effective Date.

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Name: Tej Virk  
Title: CEO & Director of Akanda Corp

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Name: Eric Bystrom  
Title: CEO of Cellen Life Sciences Ltd

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**Consent of Director Nominee**

The undersigned hereby consents to being named in the registration statement on Form F-1 and in all subsequent amendments and post-effective amendments or supplements thereto and in any registration statement for the same offering that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act of 1933, as amended (collectively, the "Registration Statement"), of Akanda Corp., a corporation formed under the laws of the Province of Ontario, Canada (the "Company"), as an individual to become a director of the Company and to the inclusion of her biographical and other information in the Registration Statement. The undersigned also hereby consents to being named in any registration statement on Form S-8 filed by the Company that incorporates by references the prospectus forming part of the Registration Statement.

/s/ Gila Jones

Name: Gila Jones

Date: January 31, 2022

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**Consent of Director Nominee**

The undersigned hereby consents to being named in the registration statement on Form F-1 and in all subsequent amendments and post-effective amendments or supplements thereto and in any registration statement for the same offering that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act of 1933, as amended (collectively, the "Registration Statement"), of Akanda Corp., a corporation formed under the laws of the Province of Ontario, Canada (the "Company"), as an individual to become a director of the Company and to the inclusion of her biographical and other information in the Registration Statement. The undersigned also hereby consents to being named in any registration statement on Form S-8 filed by the Company that incorporates by references the prospectus forming part of the Registration Statement.

/s/ Gugu Dingaan

Name: Gugu Dingaan

Date: January 31, 2022

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## Calculation of Filing Fee Tables

**F-1**

(Form Type)

**Akanda Corp.**

(Exact Name of Registrant as Specified in its Charter)

Table 1: Newly Registered and Carry Forward Securities

Security Type	Security Class Title	Fee Calculation or Carry Forward Rule	Amount Registered	Proposed Maximum Offering Price Per Unit	Maximum Aggregate Offering Price	Fee Rate	Amount of Registration Fee	Carry Forward Form Type	Carry Forward File Number	Carry Forward Initial effective date	Filing Fee Previously Paid In Connection with Unsold Securities to be Carried Forward
<b>Newly Registered Securities</b>											
Fees to Be Paid	Equity	Common Shares <sup>(1)(2)</sup>	457(o)		\$ 27,600,000 <sup>(3)</sup>	.0000927	\$ 2,558.52				
Fees to Be Paid	Other	Purchase Warrants	457(g)	—	—		— <sup>(4)</sup>				
Fees to Be Paid	Equity	Common Shares <sup>(2)(5)</sup>	457(g)	322,000	\$ 7.50 <sup>(6)</sup>	\$ 2,415,000	.0000927	\$ 223.87			
Fees Previously Paid											
<b>Carry Forward Securities</b>											
Carry Forward Securities											
<b>Total Offering Amounts</b>					\$ 30,015,000		\$ 2,782.39				
<b>Total Fees Previously Paid</b>											
<b>Total Fee Offsets</b>											
<b>Net Fee Due</b>							\$ 2,782.39				

1

(1) Includes the Common Shares that the underwriters have the option to purchase to cover any over-allotments.

(2) Pursuant to Rule 416 under the Securities Act of 1933, as amended (the "Securities Act"), there is also being registered hereby such indeterminate number of additional Common Shares of the Registrant as may be issued or issuable because of stock splits, stock dividends, stock distributions, and similar transactions.

(3) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(o) under the Securities Act.

(4) No fee required pursuant to Rule 457(g) under the Securities Act.

(5) Represents Common Shares underlying one or more warrants (the "Representative's Warrants") issuable to the representative of the several underwriters to purchase up to an aggregate of 7% of the Common Shares sold in the offering at an exercise price equal to 125% of the public offering price. The Representative's Warrants will be exercisable upon issuance, will have a cashless exercise provision and will terminate five years from the commencement of sales of the public offering.

(6) As estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(g) under the Securities Act, the proposed maximum aggregate offering price per share of the Representative's Warrants is \$7.50 (125% of \$6.00).

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