ZENABIS GLOBAL INC.

ANNUAL INFORMATION FORM

For the period from the date of listing to December 31, 2019

DATED: March 30, 2020

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INTERPRETATION

In this annual information form ("**Annual Information Form**"), unless otherwise noted or the context indicates otherwise, the "Company", "Zenabis", "we", "us" and "our" refer to Zenabis Global Inc. and its subsidiaries. All financial information in this Annual Information Form is prepared in Canadian dollars and using International Financial Reporting Standards as issued by the International Accounting Standards Board. The information contained herein is dated as of December 31, 2019 unless otherwise stated.

FORWARD-LOOKING STATEMENTS

This Annual Information Form contains certain information that may constitute "forward-looking information" within the meaning of applicable securities laws in Canada (collectively, "**forward-looking statements**") which are based upon the Company's current internal expectations, estimates, projections, assumptions and beliefs. Such statements can be identified by the use of forward-looking terminology such as "expect", "likely", "may", "will", "should", "intend", "anticipate", "potential", "proposed", "estimate" and other similar words, including negative and grammatical variations thereof, or statements that certain events or conditions "may" or "will" happen, or by discussions of strategy. Forward-looking statements include estimates, plans, expectations, opinions, forecasts, projections, targets, guidance or other statements that are not statements of fact. The forward-looking statements included in this Annual Information Form are made only as of the date of this Annual Information Form. Forward-looking statements in this Annual Information Form include, but are not limited to, statements with respect to:

- the Company's cannabis business, including its business objectives and planned expansion of cannabis operations;
- the dependence of the Company upon maintaining, and obtaining and maintaining new, regulatory approvals and licenses;
- expected run-rate production capacities of the Company's facilities;
- the size of the Company's facilities once expanded and converted, including the space dedicated to cultivation;
- the expected growth capital expenditures necessary to expand and convert the Company's facilities;
- changes to applicable laws, regulations and guidelines applicable to the cannabis industry;
- the Company's ability to comply with applicable regulations;
- adverse changes or developments related to the Company's facilities;
- the market for the Company's products in the Canadian cannabis industry, the size of the Company's target market, the rapid growth of the cannabis industry and the Company's entrance into the adult-use recreational cannabis market in Canada;
- the competitive conditions of the cannabis industry, and related supply and demand dynamics in the adult-use recreational cannabis market in Canada;
- uncertainty about the Company' ability to continue as a going concern;
- the Company's ability to turn profits, generate immediate or sustainable revenues or pay dividends;
- the intention to grow the business and cannabis operations of the Company and the related costs of such growth;

- the ability of the Company to develop its products as currently planned; international activities planned by the Company; and

- expectations with respect to future production costs.

Forward-looking statements contained in this Annual Information Form are based on the assumptions described herein. Although management believes the expectations reflected in such forward-looking statements are reasonable, forward-looking statements are based on the opinions, assumptions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include, but are not limited to: the limited operating history of the Company's cannabis business; risks related to the Company's cannabis business and the cannabis industry generally; the laws, regulations and guidelines generally applicable to the cannabis industry in Canada and other countries may change in ways that impact the Company's ability to continue its business as currently conducted or proposed to be conducted; adverse changes or developments affecting any of the Company's facilities may have an adverse impact on the Company; the Company may not be able to complete the expansion and conversion of its facilities on its anticipated timelines; the Company may not be able to cultivate the expected ratio of dried cannabis per square foot of facility space; the Company may encounter delays in having its expanded facilities inspected by Health Canada; the growth capital expenditures necessary to expand and convert the Company's facilities may be higher than expected; the competitive environment in the cannabis industry could change as a result of the rapid growth and consolidation of the industry generally; the Company may not be able to secure adequate financing; risks related to environmental regulation of the Company's operations; the risk of litigation related to intellectual property rights, product liability claims and other lawsuits and regulatory actions; and the expected growth in the amount of medical and adult-use recreational cannabis sold by the Company.

Certain of the forward-looking statements and forward-looking information and other information contained herein concerning the medical and adult-use recreational cannabis industry and the general expectations of Zenabis concerning the medical and adult-use recreational cannabis industry and concerning Zenabis are based on estimates prepared by Zenabis using data from publicly available governmental sources as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry which Zenabis believe to be reasonable. However, although generally indicative of relative market positions, market shares and performance characteristics, such data is inherently imprecise. While Zenabis is not aware of any misstatement regarding any industry or government data presented herein, the medical marijuana industry involves risks and uncertainties that are subject to change based on various factors.

Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. The Company's forward-looking statements are expressly qualified in their entirety by this cautionary statement. In particular, but without limiting the foregoing, disclosure in this Annual Information Form under "*Description of the Business*" as well as statements regarding the Company's objectives, plans and goals, including future operating results, economic performance and patient acquisition efforts may make reference to or involve forward-looking statements. A number of factors could cause actual events, performance or results to differ materially from what is projected in the forward-looking statements. The purpose of forward-looking statements is to provide the reader with a description of management's expectations, and such forward-looking statements may not be appropriate for any other purpose. You should not place undue reliance on forward-looking statements contained in this Annual Information Form. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

CORPORATE STRUCTURE

Name, Address and Incorporation

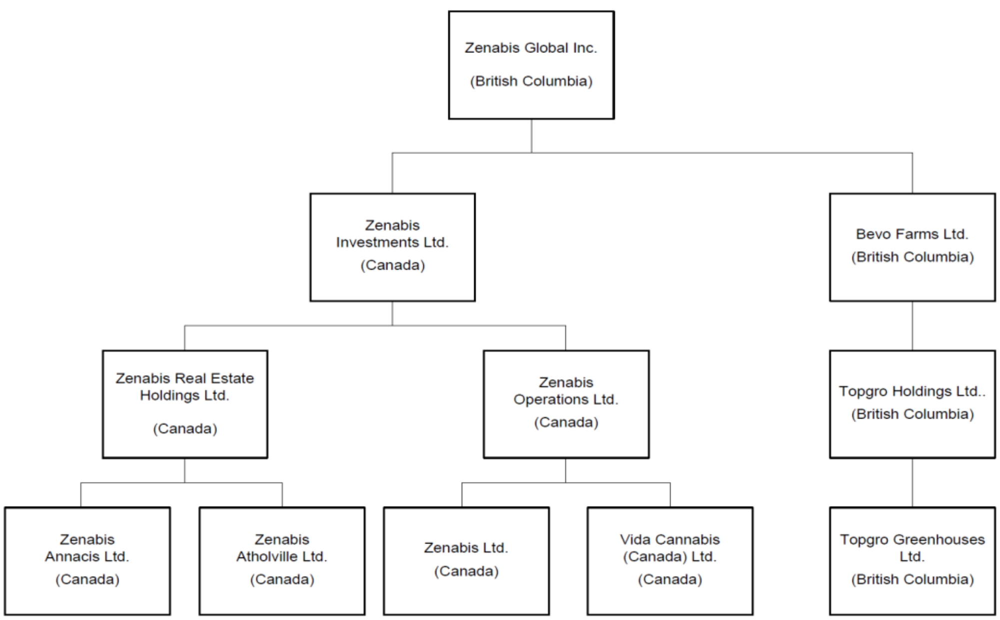
The Company was incorporated on July 9, 1985 in British Columbia under the *Company Act* (British Columbia) as Willcrest Resources Ltd., and subsequently transitioned to the *Business Corporations Act* (British Columbia) (the "**BCBCA**"). On November 8, 1994, Willcrest Resources Ltd. changed its name to Trincana Resources Ltd., which subsequently changed its name to Bevo Agro Inc. ("**Bevo Agro**") on July 11, 2000.

The business of Sun Pharm Investments Ltd. ("**Sun Pharm**") and its wholly-owned subsidiaries was originally operated by Zenabis Limited Partnership ("**Zenabis LP**"), a limited partnership formed on April 4, 2014 under the laws of Manitoba, and its wholly-owned subsidiaries. Sun Pharm was incorporated under the *Canada Business Corporations Act* on November 6, 2017. On November 23, 2017, the holdings and operations of Zenabis LP were transferred to Sun Pharm, and on January 22, 2018, Zenabis LP was dissolved.

On October 4, 2018, Bevo Agro and Sun Pharm entered into an arrangement agreement (the "**Arrangement Agreement**") with respect to the spin-out of Bevo Agro's interest in CubicFarm Systems Corp. ("**CubicFarms**") and subsequent reverse take-over of Bevo Agro by Sun Pharm (the "**RTO**"). Pursuant to the Arrangement Agreement, Sun Pharm amalgamated with a wholly-owned subsidiary of Bevo Agro, with Sun Pharm shareholders receiving common shares of Bevo Agro in exchange for their shares of Sun Pharm, and Bevo Agro changed its name to Zenabis Global Inc. Upon completion of the RTO on January 8, 2019, former Sun Pharm shareholders held approximately 86% of Zenabis' common shares, and shareholders of Bevo Agro immediately prior to the completion of the RTO held approximately 14% of Zenabis' common shares. The common shares of Zenabis (the "**Common Shares**") are listed under the symbol "ZENA" on the Toronto Stock Exchange (the "**TSX**") and the Listed Warrants (as defined below) are listed under the symbol "ZENA.WT" on the TSX.

In connection with the RTO, the articles of Zenabis were amended to: (i) effect the name change from Bevo Agro Inc. to Zenabis Global Inc.; (ii) create the Common Shares, Class A preferred shares ("**Preferred Shares**") and Series 1 Class A Preferred Shares; and (iii) eliminate the common shares of Bevo Agro as a class from the authorized share structure of Zenabis.

The following chart illustrates, as of the date of this Annual Information Form, the Company's corporate structure and the place of incorporation of each subsidiary (of which, unless otherwise noted, the percentage of voting securities beneficially owned by the Company is 100%):



The Company's head office is located at Suite 3100, 666 Burrard Street, Vancouver, British Columbia V6C 2X8 and its registered and records office is located at Suite 1700, 666 Burrard Street, Vancouver, British Columbia V6C 2X8.

DESCRIPTION OF THE BUSINESS

Company Overview

Zenabis is a Canada-based, licensed producer of cannabis and cannabis-derived products in Canada under the *Cannabis Act* (Canada)(the "*Cannabis Act*"). The Company is focused on producing high-quality, indoor-grown cannabis primarily for adult recreational consumers in Canada and the medical market. The Company's vision is to become one of the largest licensed producers of medical and adult-use recreational cannabis in Canada with competitive positions in a number of international markets. The Company will, however, only pursue international cannabis opportunities in accordance and compliance with applicable laws.

The Company operates in the following three segments: (i) cannabis operations, which encompasses the production, distribution and sale of both medical and recreational cannabis; (ii) propagation operations, which encompasses the vegetable and plant propagation business; and (iii) other.

1. Cannabis Operations Segment

Summary

Production and Services

Production Facilities

Zenabis owns four facilities that are well-suited to produce high-grade cannabis and supply markets across the country and internationally (Zenabis Langley, Zenabis Atholville, Zenabis Stellarton and Zenabis Delta). Zenabis also has two additional sites, Zenabis Topgro and Zenabis Pitt Meadows, that are currently used for Zenabis' vegetable propagation and floral business, but could be available for cannabis cultivation in the future.

The table below outlines the approximate design footprint and approximate design maximum cannabis production capacity per year:

Facility	Facility Size (square feet)	Current Cultivation Space (square feet)	Current Capacity (kg)	Current Cannabis Licensed Space (square feet)	Cannabis Design Capacity (kg)
Zenabis Langley	2,100,000	157,291	49,300	171,800	96,100
Zenabis Atholville	380,000	176,307	46,300	224,498	46,300
Zenabis Delta	25,000	N/A	N/A	N/A	N/A
Zenabis Stellarton	255,000	4,157	800	20,642	800
Zenabis Topgro	453,000	453,000	N/A	N/A	N/A

Zenabis Pitt Meadows	218,000	218,000	N/A	N/A	N/A
Total	**3,431,000**	**1,008,755**	**95,600**	**416,940**	**142,400**

1. Zenabis Langley

Facility Quick Facts	
Location	Langley, British Columbia
Size (facility / Parcel)	2,100,000 square feet / 4,279,000 square feet
Production Capacity of Dried Cannabis Equivalent Per Year	96,100 kg once fully built out
Status	49,300 kg of design capacity licensed and operational
Intended Use:	Cannabis
Licensing Status	Cultivation, processing licenses received

Zenabis' facility in Langley, British Columbia consists of 48 acres (approximately 2,100,000 square feet) of closed greenhouse on 98 acres (approximately 4,279,000 square feet) of land. Zenabis Langley has been historically utilized for the flower and vegetable propagation business. Moving forward, Zenabis Langley will be utilized to expand Zenabis' current cannabis production capacity and produce cannabis for pending and future supply contracts.

To date, Zenabis has commenced initial cannabis conversion activities within 10 acres (approximately 450,000 square feet) of greenhouse at Zenabis Langley. The initial conversion has been completed and licensed by Health Canada. The facility has expected production capacity of 96,100 kg of dried cannabis equivalent per year. Initial conversion activities involved converting 450,000 square feet of greenhouse into dedicated cultivation space, including flower rooms, mother rooms, clone rooms and drying and trim rooms.

Zenabis Langley's cannabis conversion is based on a closed greenhouse design. A closed greenhouse is a system in which standard greenhouse venting does not occur. Instead, mechanical cooling and humidification is utilized to control the greenhouse environment. As a result of pursuing this design, Zenabis believes it will:

- produce a higher quality, more consistent crop on a larger scale than other greenhouse producers;
- mitigate the impact on its surrounding community by reducing unwanted odour; and
- better control pests and other contaminants from entering the greenhouse.

The remaining 38 acres (approximately 1,650,000 square feet) at Zenabis Langley may be converted to cannabis cultivation as future market conditions dictate.

2. Zenabis Atholville

Facility Quick Facts	
Location	Atholville, New Brunswick
Size (facility / Parcel)	380,000 square feet / 871,000 square feet
Production Capacity of Dried Cannabis Equivalent Per Year	46,300
Status	46,300 kg of design capacity licensed and operational
Intended Use:	Cannabis
Licensing Status	Cultivation, processing, medical sales, recreational sales, oil sales licenses received

Zenabis owns and operates Zenabis Atholville, a 380,000 square foot indoor facility in Atholville, New Brunswick. To date, Zenabis has worked closely with the Government of New Brunswick, which has invested a total of $4 million to support the construction of Zenabis Atholville ($2 million of this investment is a loan to a subsidiary of Zenabis and $2 million of this investment is equity in Zenabis). The build of Zenabis Atholville was completed in the fourth quarter of 2019 and the operational cultivation space is producing at a design capacity of 46,300 kg of dried cannabis equivalent per year. Zenabis Atholville has been constructed utilizing state-of-the-art technology including a fully computerized monitoring system, the latest HPS and LED lighting technology and seed-to-sale tracking systems. Zenabis Atholville currently employs over 370 workers.

The facility also has existing extraction capacity of 15,000 kg of input material per year. Zenabis Atholville utilizes Vitalis extraction equipment. Zenabis has begun shipping oil products to customers from Zenabis Atholville.

3. Zenabis Delta

Facility Quick Facts	
Location	Delta, British Columbia
Size (facility / Parcel)	25,000 square feet / 51,000 square feet
Production Capacity of Dried Cannabis Equivalent Per Year	N/A
Status	100 kg of design capacity licensed and operational; extraction lab preparation work ongoing
Intended Use:	Cannabis
Licensing Status	Cultivation, processing, medical sales, recreational sales licenses received, analytical license pending

Zenabis owns and operates Zenabis Delta, a 25,000 square foot indoor facility in Delta, British Columbia. Zenabis Delta is strategically located near several urban centers and transportation terminals. At present, the operational area within the building envelope of Zenabis Delta is approximately 8,700 square feet of the 25,000 square feet. Within the current operational area, approximately 4,500 square feet is dedicated to cultivation space which includes flower rooms, mother rooms, clone rooms and drying and trim rooms.

Zenabis has determined that this facility is no longer core to its operations and is in the process of evaluating a possible divestiture of the facility.

4. Zenabis Stellarton

Facility Quick Facts	
Location	Stellarton, Nova Scotia
Size (facility / Parcel)	255,000 square feet / 547,000 square feet
Production Capacity of Dried Cannabis Equivalent Per Year	800 kg
Status	Partially operational
Intended Use:	Fulfillment center and packaging/processing upon receipt of sales license
Licensing Status	Cultivation and processing licenses received. Sales license pending

Zenabis owns and operates Zenabis Stellarton, a 255,000 square foot indoor facility in Stellarton, Nova Scotia. The first phase of construction at Zenabis Stellarton is complete. The initial operational area within the building envelope of Zenabis Stellarton is approximately 78,900 square feet of the 255,000 square feet. Within the initial operational area, approximately 12,700 square feet is dedicated to cultivation space which includes flower rooms, mother rooms, clone rooms and drying and trim rooms. In addition to the cultivation area, approximately 45,300 square feet is dedicated to post-drying activities, including cannabis storage, final packaging, product development, manufacturing and production, cannabis extraction, oil processing and distribution. The balance of the occupied initial operational area consists of support and auxiliary services space. The run-rate production capacity for this space is currently 800 kg of dried cannabis equivalent per year. Construction of the remaining 176,000 square feet at Zenabis Stellarton may be completed in stages when market conditions dictate. The initial operational area was licensed by Health Canada in early March 2019. While preparations for the full build out are underway, timing for this full build out of Zenabis Stellarton, if to be completed, will be determined at a later date.

If fully built out, Zenabis Stellarton is expected to have dedicated cultivation space organized into cultivation rooms, mother and clone rooms, as well as support and auxiliary services space which will include areas for propagation, trimming, drying, commercial-scale oil extraction, pharmaceutical grade manufacturing, shipping, storage, water treatment, laboratories, plant-based and analytical R&D facilities, quality assurance and quality control facilities, maintenance areas, shipping and distribution areas, and administrative offices. At full capacity, Zenabis Stellarton would provide 255,000 square feet of space, of which approximately 130,100 square feet will be dedicated to cultivation and is designed for a maximum production capacity of 18,500 kg of dried cannabis equivalent per year. The forward-looking estimates of future maximum production capacity at Zenabis Stellarton is based on the material assumptions that the ratio of dried cannabis cultivated per square foot of bench space at Zenabis Stellarton will be consistent with historical output, on a per crop, per square foot of bench space basis, at Zenabis Atholville, and that the cost to fully build out the Zenabis Stellarton facility to achieve the design production capacity would not be prohibitive.

5. Other Facilities

Zenabis Topgro

Facility Quick Facts	
Location	Aldergrove, British Columbia
Size (facility / Parcel)	453,000 square feet / 2,180,000 square feet
Status	Operational for propagation
Intended Use:	Propagation

In January 2019, Zenabis acquired the Topgro facility in Aldergrove, British Columbia. The facility has a 10.4 acre (approximately 453,000 square foot) greenhouse situated on 50 acres of land. Zenabis Topgro will continue to be used for the flower and vegetable propagation business for the time being. However, it may be converted to cannabis cultivation in the future to market demand and the requisite licensing for cannabis cultivation from Health Canada.

Zenabis Pitt Meadows

Facility Quick Facts	
Location	Pitt Meadows, British Columbia
Size (facility / Parcel)	218,000 square feet / 871,000 square feet
Status	Operational for propagation
Intended Use:	Propagation

The Zenabis Pitt Meadows facility includes a five acre greenhouse (approximately 218,000 square feet) situated on 20 acres of land. Zenabis Pitt Meadows will continue to be used for the flower and propagation business for the time being. However, it may be converted to cannabis cultivation in the future subject to future demand and obtaining the requisite license for cannabis cultivation from Health Canada.

Licenses

Licenses Under the *Cannabis Act*, Zenabis is authorized to cultivate and sell cannabis products for medical purposes in dried form to residents of Canada and is authorized to produce adult-use recreational cannabis and distribute it to retailers licensed under applicable provincial legislation. Zenabis currently has the following licenses from Health Canada for its facilities:

- Zenabis Atholville – cultivation, processing, medical sales, recreational sales, oil sales
- Zenabis Delta – cultivation, processing, medical sales, recreational sales
- Zenabis Stellarton – cultivation

License	Issuance Date	Expiration Date
Atholville – Cultivation	August 17, 2017	January 19, 2021

Atholville – Processing	August 17, 2017	January 19, 2021
Atholville – Medical Sales	June 29, 2018	January 19, 2021
Atholville – Recreational Sales	November 9, 2018	January 19, 2021
Atholville – Oil Sales	March 15, 2019	January 19, 2021
Delta – Cultivation	June 12, 2017	January 19, 2021
Delta – Processing	June 12, 2017	January 19, 2021
Delta – Medical Sales	May 18, 2018	January 19, 2021
Delta – Recreational Sales	November 8, 2018	January 19, 2021
Stellarton – Cultivation	March 1, 2019	March 1, 2022

Zenabis has applied or expects to imminently apply for the following licenses from Health Canada for its facilities:

- Zenabis Delta – analytical testing
- Zen Craft Grow – Grower 1
- Zen Craft Grow – Grower 2
- Zen Craft Grow – Grower 3
- Zenabis Stellarton – sales license
- Research License – Validating methods for analytical testing
- Research License – Sensory Testing

License	**Application Submission Date**	**Description**
Craft Grow – Grower 1	July 2019	Permits cultivation of cannabis under 200 m2
Delta – Analytical Testing	May 2019	Permits the ability to conduct any analytical testing on cannabis as an independent third party
Craft Grow – Grower 2	December 2019	Permits cultivation of cannabis under 200 m2
Langley – Industrial Hemp	February 19, 2019	Permits the cultivation of hemp for industrial purposes and seed production.
Stellarton – Sales License	October 2019	Permits the sale of dried cannabis, fresh cannabis, cannabis topicals, cannabis extracts and edibles to the recreational market
Research License – Validated Methods	November 2019	Permits the validation of analytical testing method prior to the issuance of the analytical testing license
Research License – Sensory Testing	March 2020	Permits sensory testing including palatability to be conducted on cannabis products produced by product development

Zenabis is currently completing the European Union ("**EU**") GMP certification process for Zenabis Delta. Once Zenabis Delta is EU GMP certified, Zenabis intends to pursue EU GMP certification at Zenabis Atholville. Timing on certification for both facilities is uncertain at this time. Zenabis believes that EU GMP certification is required to ship products to certain parties internationally.

Products

Zenabis currently produces and markets seven strains of dried cannabis for sale to the medical and adult-use recreational cannabis markets under the "Zenabis" brand (medical), "Namaste" and “Re-üp” brands (adult-use recreational) in Canada (*Daytime CBD, Durga Mata 2, MK Ultra, Sensi Star, Shiskaberry, Ultra Sour and Wappa*). These strains are available in whole flower and are generally available online and through provincial and privately licensed retail locations.

Zenabis also offers multiple oil-based cannabis products for sale to medical and adult-use recreational markets. Products are available in oil, soft gel capsule, and sublingual spray forms. Edible-based products are also being developed for the cannabis-based food and drink market in Canada. For example, Zenabis is currently working with True Buch to develop a CBD-based kombucha intends on selling THC-based beverages in Canada in conjunction with its partner, HYTN beverages. Additionally, Zenabis has begun producing and selling vape cartridges for the PAX Labs Inc. Era vapourizer device range.

The following table provides an overview of Zenabis' current and planned products:

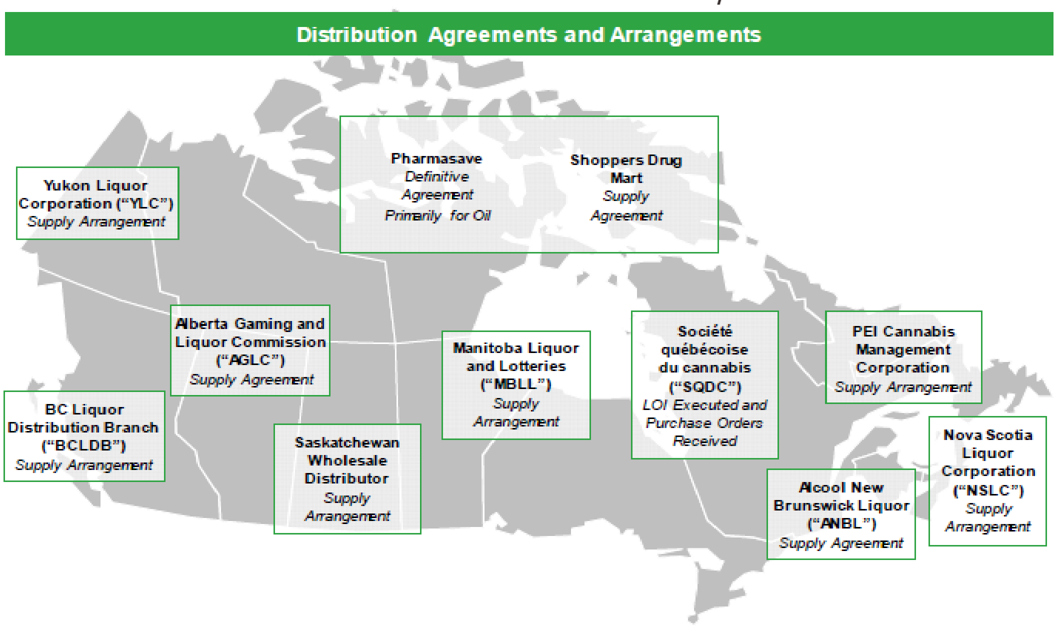
Product	Status	Product Type with Cannabis	Product Type without Cannabis
Dried Flower	Currently offered	Medical and recreational	N/A
Pre-Rolls	Currently offered	Medical and recreational	N/A
Oral Oil Droppers	Currently offered	Medical and recreational	N/A
Softgel Capsules	Currently offered	Medical and recreational	N/A
Sublingual Sprays	Currently offered	Medical	N/A
Vapes and Concentrates	Currently offered	Recreational	N/A
Health and Beauty Products	Future offering	Recreational	N/A
Topicals	Future offering	Recreational	N/A
Edibles	Future offering	Medical and recreational	N/A
Flavoured Water	In development	Recreational	N/A
Sparkling Water	In development	Recreational	N/A
Kombucha	Currently offered	Recreational	Standard kombucha
Non-Alcoholic Beverages	Future offering	Recreational	N/A

Zenabis continues to coordinate the manufacturing of, and intends to sell, other cannabis related products including paraphernalia, stash jars, grinders, rolling papers, and water bottles.

Key Brands and Distribution

Zenabis has four established brands and one brand in development: the "Zenabis" brand serves the medical market, and the "Namaste", “Blazery” and “Re-üp” brands serves the adult-use recreational market. Other brands in development, including "Founders Reserve", are intended to appeal to a wide range of customers in both niche and mass markets.

The Company's "Namaste" brand is similar to that of another organization that participates in the Canadian cannabis sector. That other organization is seeking to cause the Company to cease using the "Namaste" brand. Should the Company be required to cease using the "Namaste" brand, or should the actions of that other organization adversely impact on the "Namaste" brand, this could have an impact on the Company's branding strategy.



Province or Territory	Description
Quebec	Non-binding supply arrangement, purchase orders received, and product shipments completed to date. Pricing is determined based on mutual determination by the Parties with consideration to the available market information, and remains in effect for a set period of time.
Alberta	Supply agreement, purchase orders received, and product shipments completed to date. Pricing is determined based on mutual determination by the Parties with consideration to the available market information, and remains in effect until otherwise negotiated. During an annual line review, there will be the opportunity to negotiate the pricing charged to Alberta Gaming Liquor

	and Cannabis Commission. Purchase orders may be terminated prior to shipment upon mutual agreement between the parties.
British Columbia	Supply agreement in place, purchase orders received, and product shipments completed to date. Pricing is determined based on mutual determination by the Parties with consideration to the available market information. This agreement will automatically renew for successive 12-month periods, unless either party provides a notice of non-renewal at least 120 days before the end of then-current term.
Ontario	Supply agreement in place, purchase orders received, and product shipments completed to date. Pricing is determined based on mutual determination by the Parties with consideration to the available market information. Agreement has a term of 1 year with renewal on 180 days notice.
Nova Scotia	Non-binding supply arrangement, purchase orders received, and product shipments completed to date. Pricing is determined based on mutual determination by the Parties with consideration to the available market information, and remains in effect for a set period of time.
New Brunswick	Supply agreement, purchase orders received, and product shipments completed to date. Pricing is determined based on mutual determination by the Parties with consideration to the available market information, and remains in effect for a set period of time. The term of the agreement is twelve months, and will automatically renew for successive twelve-month periods, unless either party provides a notice of non-renewal at least 120 days before the end of then-current term. Pricing may be renegotiated by the parties at the time of renewal or base on mutual determination by the Parties with consideration to the available market information.
Saskatchewan	Non-binding supply arrangement with Saskatchewan-based distributors NCD (Kiaro) and Wiid Running Leaf; successfully completed process to become an authorized licensed producer to sell in Saskatchewan; purchase orders received, and product shipments delivered to date. Pricing is determined based on mutual determination by the Parties with consideration to the available market information, and remains in effect for a set period of time.
Manitoba	Non-binding supply arrangement, purchase order received, and product shipments completed to date. Pricing is determined based on mutual determination by the Parties with consideration to the available market information, and remains in effect for a set period of time.
Prince Edward Island	Non-binding supply arrangement, purchase order received, and product shipments completed to date. Pricing is determined based on mutual determination by the Parties with consideration to the available market information, and remains in effect for a set period of time.
Yukon	Supply arrangement, purchase orders received, and product shipments completed to date. Pricing is determined based on mutual determination by the Parties with consideration to the available market information, and remains in effect for a set period of time.

Specialized Skills and Knowledge

The nature of growing cannabis is not substantially different from the nature of growing other agricultural products. Variables such as temperature, humidity, lighting, air flow, watering and feeding cycles are meticulously defined and controlled to produce consistent product and to avoid contamination. The product is cut, sorted and dried under defined conditions that are established to protect the activity and purity of the product. Once processing is complete, each and every processed batch is subjected to full testing against stringent quality specifications set for activity and purity. The Company has recruited a production team with specialized skill sets unique to indoor agricultural cultivation and processing of cannabis plants and products at industrial scale.

The Company also requires customer care staff, the need of which will increase as the business expands. Customer care staff is a skill set that is generally available in the market. The Company believes that it has currently recruited the necessary customer care staff.

In addition, the Company's licensed facilities are required to be in compliance with the *Cannabis Act* and any directives issued by Health Canada, which includes, strict security measures, equipment required to manage production, HVAC systems, odour control systems and laboratory equipment or outsourcing arrangements to monitor and test product quality. In order to ensure compliance with all of the Health Canada regulatory requirements, the Company must employ a number of regulatory, consulting and government relations personnel. While a background in the cannabis industry is not necessary for these purposes, experience in other regulated industries will assist the Company to remain compliant with the complex and rapidly evolving regulations in the industry. Individuals with this experience and skill are available to the Company and the Company believes that it has successfully recruited the necessary personnel with this skill set.

The Company's management includes individuals who have extensive expertise in the cannabis industry. In addition, the Board is constituted by experienced professionals from various relevant industries.

Competitive Conditions

On October 17, 2018, the *Cannabis Act* and the *Cannabis Regulations* came into force, legalizing the sale of cannabis for adult recreational use. Canada became the first major industrialized nation to legalize adult-use cannabis at the federal level. With the Canadian adult-use recreational market expanding to include novel products such as vapes, edibles, tinctures and topicals, strong consumer demand for adult-use cannabis products in the Canadian market is expected to continue.

Notwithstanding the above, the growth in the Canadian adult-use recreational market has grown more slowly than anticipated due mainly to slower than expected build-out of provincial distribution capabilities. The Company believes that, with a significant number of additional retail store openings planned for Ontario, British Columbia and other provinces in 2020, the growth of the market will accelerate in the near-term.

Our primary competition in the Canadian adult-use market is from other licensed producers under the *Cannabis Act*, including existing licensed producers and new entrants who receive licenses from Health Canada. We continue to expect new entrants to the industry to meet the demand for adult-use cannabis. Zenabis expects to compete with other licensed producers on the basis of factors such as quality, brand recognition, consumer trust and price.

Internationally, Zenabis expects to compete with a wide range of companies looking to address the same set of customers and patient motivations, including other cannabis producers, vitamin and supplement producers and pharmaceutical companies. Zenabis plans to continue work to develop key relationships with other industry players and regulators to become a recognized and trusted producer in these markets. As the competitive landscape of the cannabis industry evolves, the Company will need to continue to evolve our business, which may require approvals from Health Canada and regulators in international markets and the investment of significant additional capital.

The Company believes that its leadership team, brand strategy, commitment to high quality competitively priced strains, and outstanding client service will enable the Company to establish a leadership position in the market. The Company competes aggressively in terms of product quality, variety and price to differentiate its products, and maintains a focus on client services to retain a solid and sustainable position in the market.

New Products

The Company is currently developing new and innovative medical and recreational cannabis products, including oral, topical, and ingestible products including beverages and edibles. The Company intends to, subject to applicable regulatory approvals and provincial listings, bring a variety of other cannabis-based products to market. Such products are at various stages of development. These products require 60 day advance new product notifications to be submitted to Health Canada before they can be offered. No assurance can be given that the Company will be successful in bringing these products to the market.

Components

In the cultivation process, obtaining seeds for growing cannabis must be done in accordance with the *Cannabis Act*. Seeds can be obtained from Health Canada, imported from a jurisdiction for medical purposes, or acquired from another License Holder. An authorization from Health Canada may be required to conduct such a transaction depending on its nature.

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

Intangible Properties

Zenabis' brand portfolio includes the following existing brands and brands in development that are intended to appeal to mass market and niche market customers:

Brand	Status	Description
Zenabis	Existing Brand	• Pharmaceutical-grade medical cannabis and cannabis derivatives • Products sold online through our online channel and retail partners online channels with a prescription • Distribution across Canada through direct home delivery through Zenabis and partners' online portals
Namaste	Existing Brand	• Premium adult-use recreational cannabis, cannabis derivatives and accessories • Products sold online and in brick-and-mortar locations • Distribution through provincial wholesalers and retailers
Re-Up	Existing Brand	• Low cost, high value cannabis with low to mid THC levels • Products will include dried flower and pre rolls • Currently only brand selling in larger quantities of 15g & 28g
Blazery	Existing Brand	• Social brand targeting experienced users with high THC products • Planned products will include pre-rolls & flower with custom branded strain names
Founders Reserve	Brand in Development	• Cannabis connoisseur brand targeting consumers searching for unique strains from the legacy market • Planned products will include dried flower, pre-rolls, concentrates and edibles

Economic Dependence

The Company's supply contracts with the various Canadian provinces are a critical element of the Company's current revenues. If any of the larger Canadian provinces change the material terms of such agreement or otherwise alter the supply arrangement with the Company, such a change may have a material adverse effect on the Company's revenue.

Employees

As of December 31, 2019, the Company employed approximately 740 full-time employees in its cannabis business.

Foreign Operations

The Company's international expansion strategy is dependent on its foreign operations and the success thereof, as well as legislative developments in each of those countries.

While cannabis continues to be subject to a number of legal restrictions and is heavily regulated in jurisdictions where it is legal, an increasing number of countries are legalizing cannabis, both for medical and adult-use purposes. As such, Zenabis is exploring expansion into international markets, primarily in Europe and Latin America, through partnerships and new licenses. The following is a summary of Zenabis' current international arrangements:

Region	Description
Malta	Zenabis has formed a joint venture, ZenPharm Limited, with a local pharmaceutical processing and distribution company for the purpose of providing refined cannabis products to the EU pharmaceutical market. Zenabis will initially supply approximately 2,400 kg of dried cannabis per year.

2. Propagation Segment

Summary

Zenabis operates a propagation business through a wholly-owned subsidiary Bevo Farms Ltd. ("**Bevo Farms**") in the Lower Mainland of British Columbia, whose main activity is the propagation of vegetable plants (such as tomatoes, peppers and cucumbers) and the cultivation of other plants (such as bedding plants, flowers and poinsettias).

Production and Services

Bevo Farms provides greenhouses, field farms, nurseries and wholesalers across the continent with healthy, vigorous and pest and disease-free plants for food production and resale. Since incorporation in 1989, Bevo Farms has expanded to become one of the largest suppliers of propagated plants in North America. The management team of Bevo Farms has more than 100 years of cumulative growing experience that brings a wealth of knowledge to drive continual improvement in Zenabis' cannabis cultivation operations.

Competitive Conditions

Competition in the propagation business is quite limited with very few plant propagator competitors in Western Canada/USA.

Components

Raw materials for the propagation business include plant materials, substrates and fertilizers and other growing compounds. These are sourced from Canada, USA and Europe. Pricing is competitive and there is ample availability of these materials.

Cycles

Due to growing seasons and the types of plants that Bevo grows, the revenue of Bevo Farms is very seasonal with, on average, approximately 50% of annual revenue generated in the second quarter of each year.

Economic Dependence

Bevo's revenue is highly dependent on a relatively few number of customers. Approximately 85% of its annual revenue is with its top ten customers.

Employees

As of December 31, 2019, the Company employed approximately 60 full-time employees and contract workers in its propagation business.

3. Other Segment

Summary

The Other Segment consists of the Company' majority investment in Hillsboro Corporation Inc. (doing business as "True Büch"), its investment in ZenPharm Limited and the Company's Vancouver, B.C. head office.

Production and Services

True Büch produces and distributes cultured tea beverages (kombucha) from its production facilities in Calgary, Alberta. Zen Pharm is a partnership between the Company and local partners and is located in Malta for the purposes of providing medical cannabis and cannabis products to the European pharmaceutical market. The Company's head office provides financial, administrative and other support functions to the Company's operating divisions including the Cannabis and Propagation segments.

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

Development of the Business Prior to Completion of the RTO

Willcrest Resources Ltd. was incorporated on July 9, 1985 in British Columbia and subsequently changed its corporate name to Trincana Resources Ltd. on November 8, 1994. Trincana Resources Ltd. acquired Bevo Farms Ltd. ("**Bevo Farms**"), and its wholly-owned subsidiary, Bevo Farm (U.S.A.) Inc. on July 11, 2000. Trincana Resources changed its name to Bevo Agro Inc. on July 11, 2000.

Bevo Farms Ltd.

Bevo Farms, incorporated in 1988, was founded as a propagation business based out of British Columbia. In 1987, Bevo Farms established its first greenhouse covering 2.5 acres on 26 acres of land in Langley, British Columbia. In 1996, the company expanded its greenhouse space by 2 acres, followed by another expansion of 5 acres in 1998. Bevo Farms supplied propagated agricultural plants to growers across North America and delivered well rooted, healthy plants grown under stringent conditions. At the time of acquisition in 1999, Bevo Farms was North America's leading supplier of propagated agricultural plants to growers in Canada, the United States, and Mexico.

Bevo Agro Inc.

In 2000, Bevo Agro, then named Trincana Resources Ltd., acquired Bevo Farms and subsequently rebranded itself under the name Bevo Agro Inc. In 2000, Bevo Agro expanded its Langley site to a total of 15 acres and purchased 160 acres of land in Willcox, Arizona. Bevo Agro was able to leverage its large growing facilities to secure a $5m contract with Eurofresh greenhouses to expand the company's international reach. In 2001, Bevo Agro shipped a total of 2 million plants around the world.

Bevo Agro continued to expand its greenhouse space and had a total of 34 acres of covered greenhouse growing space by 2005. In 2006, Bevo Agro signed a commitment for a new credit facility totaling $25m with a Canadian chartered bank. In 2007, Bevo Agro was awarded the showcase farm of the year from the British Columbia Agricultural Council. In 2011, Bevo Agro expanded its greenhouse space to 40 acres.

In 2014, Bevo Agro expanded its growing space by purchasing 20 acres of land, including 5 acres of greenhouse space, from Kanaka Greenhouses in Pitt Meadows, British Columbia. In 2016, Bevo Agro provided equity financing totaling $60,000 for CubicFarms. Bevo Agro invested an additional $50,000 in CubicFarms in a subsequent round Bevo Agro currently owns an approximately 41% equity stake in CubicFarms.

In 2016, Bevo Agro expanded its greenhouse space to 53 acres.

On October 4, 2018, Bevo Agro and Sun Pharm entered into the Arrangement Agreement with respect to the spin-out of Bevo Agro's interest in CubicFarms and subsequent reverse take-over of Bevo Agro by Sun Pharm.

Development of the Business of Zenabis Since Completion of the RTO

On January 8, 2019, Sun Pharm amalgamated with a wholly-owned subsidiary of Bevo Agro, with Sun Pharm shareholders receiving Common Shares in exchange for their shares of Sun Pharm. Bevo Agro changed its name to Zenabis Global Inc. and the reverse take-over of Bevo Agro by Sun Pharm was completed, forming Zenabis. Zenabis carries on the businesses of both Sun Pharm and Bevo Farms as they existed prior to the RTO.

Since the completion of the RTO, the business of Zenabis has developed as follows:

- On January 21, 2019, the Company, through its subsidiary Bevo Farms, entered into a credit agreement with a major Canadian chartered bank under which credit facilities of an aggregate of $51,000,000 are available (the "Facilities"). The Facilities are available as a $46,700,000 term loan; $2,000,000 revolving line of credit; $2,000,000 hedging facility; and $300,000 credit card.

- On January 22, 2019, the Company, through its subsidiary Bevo Farms, completed the acquisition of Topgro Holdings Ltd. ("**Topgro**") for consideration of $12 million. The Topgro acquisition included 10.4 acres of greenhouse on 50 acres of land in Aldergrove, British Columbia, which Zenabis intends to use for vegetable and floral propagation.

- On January 22, 2019, the Company completed the acquisition of 51% of Hillsboro Corp Inc. ("**True Buch**"), a kombucha company with expertise in the creation of cultured tea beverages. Zenabis acquired 51% of True Buch in consideration of, among other things, the issuance to the True Buch shareholders of 455,947 Common Shares.

- On March 4, 2019, the Company received approval to cultivate and grow cannabis at its 255,000 square foot facility in Stellarton, Nova Scotia, which represented the third Zenabis facility in Canada licensed to grow cannabis, adding design capacity of 18,500 kilograms of dried cannabis per year.

- On March 18, 2019, the Company announced the receipt of its license to process and sell cannabis oil products in Canada. The license enables Zenabis to sell cannabis oil produced at its Atholville, New Brunswick facility.

- On March 27, 2019, the Company closed a bought deal private placement of 15,000 unsecured convertible debentures of the Company, at a price of $1,000 per convertible debenture for gross proceeds of $15,000,000. In connection with the convertible debentures, 55 warrants of the Company, each exercisable to purchase one Common Share at an exercise price of $3.62 per Common Share for a period of 30 months, (each a "Debenture Share") were issued to the purchasers for each convertible debenture purchased. The Company also entered into an Investment Agreement with three institutional investors (the "**Subscribers**"), and an Agency Agreement with Eight Capital, pursuant to which Eight Capital has agreed to offer for sale, and the Subscribers have agreed to purchase, an additional 60,000 convertible debentures at a price of $1,000 per convertible debenture, for additional gross proceeds of $60,000,000. The additional debentures will be issuable in four tranches of $15,000,000, at the option of the Company.

- On April 17, 2019, the Company closed a fully-marketed, "best efforts" offering of 12,777,777 units of the Company (each, a "**Unit**"), each Unit consisting of one Common Share and one Listed Warrant, at a price of $2.25 per Unit, for aggregate gross proceeds to the Company of approximately $28.75 million.

- On April 29, 2019, the Company entered into a binding term sheet for a three-year supply arrangement with leading German pharmaceutical research company Farmako GmbH ("**Farmako**") for: (1) the supply of biosynthetically produced pure CBD isolate oil (99.9%) from Farmako to Zenabis for sale in Canada; and (2) the supply of European Union Good Manufacturing Practices certified cannabis cultivated in Zenabis' indoor facilities in Canada for sale by Farmako to the German medical market.

- On May 24, 2019, the Company received final approval for the listing of the Common Shares and Listed Warrants on the Toronto Stock Exchange.

- On July 2, 2019, the Company, through its wholly-owned subsidiary, Zenabis Ltd., entered into an agreement with High Park Holdings Ltd. ("**High Park**"), a wholly-owned subsidiary of Tilray, Inc., pursuant to which High Park will advance $30 million to the Company in return for a supply of dried cannabis.

- On July 22, 2019, the Company, through its wholly-owned subsidiary, Zenabis Ltd. entered into an agreement with Starseed Medicinal Inc. ("**Starseed**"), pursuant to which Starseed will advance $10 million to the Company in return for the Company supplying dried cannabis flower and trim.

- On August 6, 2019, the Company received its cultivation license from Health Canada for the Zenabis Langley facility.

- On August 21, 2019, the Company entered into an agreement with respect to $25,000,000 (the "**New Senior Debt**") in new senior secured debt financing (the "**Financing**") from R.C. Morris Capital Management Ltd. ("**RCM**"). The Financing was effected by way of amending and restating the debenture representing senior secured debt in the principal amount of $25,000,000 provided by the existing senior lender (the "**Original Senior Debt**", and together with the New Senior Debt, the "**Senior Debt**"), such that the amended and restated debenture, in which RCM is now one of the lenders, now represents $50,000,000 in senior secured debt.

- On August 21, 2019, the holders of the subordinated secured convertible notes (the "**Convertible Notes**") of the Company agreed to extend the maturity date of the Convertible Notes to June 30, 2020 and subordinate the Convertible Notes to the New Senior Debt, and the conversion price of the Conversion Notes was reduced.

- On November 27, 2019, the Company announced the closing of its over-subscribed rights offering. On the closing date, the Company issued 139,086,624 Common Shares at a price of $0.15 per Common Share for gross proceeds of $20,862,993.60.

- On December 16, 2019, the Company received its license amendment for its Zenabis Langley facility, which increased the Zenabis Langley facility's licensed annual cultivation capacity by approximately 400% to 49,300 kg and the Company's total annual capacity to 96,400 kg.

- In December, 2019, the Company signed a definitive agreement with HYTN Beverages Inc. to produce a range of cannabis-infused sparkling water beverages under the HYTN brand.

- On January 16, 2020, the holders of the Convertible Notes of the Company agreed to partially convert the Convertible Notes, at a price of $0.155 per Common Share, for an aggregate $6,040,176 of the principal amount of the Convertible Notes. An aggregate of 38,968,874 Common Shares were issued pursuant to the partial conversion.

- On March 15, 2020, the Company executed a third amendment to the debenture representing senior secured debt in the principal amount of $50,000,000 provided by the existing senior such that the amended and restated debenture now represents $57,000,000 in senior secured debt.

RISK FACTORS

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

Risks Related to Zenabis' Cannabis Business and the Cannabis Industry

Cannabis for adult use only recently became legal in Canada. As a result, the industry and the regulations governing the industry are rapidly developing, and if they develop in ways that differ from the Company's expectations, the Company's business and results of operations may be adversely impacted.

Bill C-45, *An Act respecting cannabis and to amend the Controlled Drugs and Substances Act, the Criminal Code and other Acts*, or the *Cannabis Act*, federally legalized adult-use (non-medical) cannabis in Canada effective as of October 17, 2018. Under the *Cannabis Act*, each province and territory of Canada has the ability to separately regulate the distribution and sale of cannabis within such province or territory, and the laws (including associated regulations) adopted by each province and territory may vary significantly. Each Canadian province and territory has enacted and implemented regulatory regimes for the distribution and sale of cannabis for adult use; however, there is no guarantee that provincial and territorial legislation regulating the distribution and sale of cannabis for adult use, or the application and enforcement of such legislation, will not change in the future. Any such change could result in significant additional compliance or other costs and may make participation in such markets uneconomical. Since cannabis was only recently legalized in Canada, there may be inconsistencies in the interpretation and enforcement of the *Cannabis Act* and the *Cannabis Regulations* (SOR/ 2018-144), or the *Cannabis Regulations*, and associated provincial and territorial rules and regulations. Additional inconsistencies, changes or delays could have a material adverse effect on the Company's business and results of operations.

In addition, regulations are continuing to be developed for different aspects of the adult-use cannabis industry in Canada. For example, on June 26, 2019, Health Canada published amendments to the *Cannabis Regulations* to expand the permitted formats for products that contain or are derived from cannabis to include edible cannabis, cannabis extracts and cannabis topicals. These regulations came into force on October 17, 2019 and sales of edible cannabis, cannabis extracts and cannabis topicals began on December 16, 2019. While the Company intends to offer edible cannabis products, the regulations and market for such products and adult-use cannabis generally may not develop, or may not develop as the Company expects or on the timeline that the Company expects, which could have a material adverse effect on the Company's business and results of operations.

The federal and provincial or territorial legislation and regulatory regimes for cannabis products also include excise duties payable by licensed cannabis producers on adult-use cannabis products, in addition to goods and services tax or harmonized sales tax in certain provinces and territories. The rate of the excise duties for cannabis products varies by province and territory. Any significant increase in the rate of excise duties on cannabis products in the future could reduce consumer demands for cannabis products and adversely impact the adult-use cannabis industry and market in general. In addition, any increase in the rate of excise duties on cannabis products in the future could reduce margins and profitability in the event that the Company could not or chose not to pass along such increases to consumers.

Zenabis is dependent upon regulatory approvals and licenses for its ability to grow, process, package, store, sell and export cannabis and other products derived therefrom, and these regulatory approvals are subject to ongoing compliance requirements, reporting obligations and fixed terms requiring renewal.

Zenabis' ability to grow, process, package, store and sell dried cannabis and cannabis extracts, including both bottled oil and capsules, in Canada is dependent on its licenses covering the Zenabis Atholville, Zenabis Langley, Zenabis Stellarton and Zenabis Delta facilities. These licenses allow Zenabis to produce dried cannabis at Zenabis Atholville, Zenabis Langley, Zenabis Stellarton and Zenabis Delta, and to sell and distribute dried cannabis in Canada.

Any future cannabis production facilities that Zenabis operates in Canada will be subject to the licensing requirements under the *Cannabis Act*. Although Zenabis believes that it will meet the requirements of the *Cannabis Act* for future renewals of the licenses, and grants and permits of such licenses, and to obtain corresponding licenses for future facilities in Canada, there can be no assurance that the licenses will be renewed or new licenses obtained on the same or similar terms as the existing licenses.

Further, Zenabis is subject to ongoing inspections by Health Canada to monitor compliance with its licensing requirements. Zenabis' existing licenses and any new licenses that Zenabis may obtain in the future in Canada or other jurisdictions may be revoked or restricted at any time if Zenabis is found not to be in compliance. If Zenabis fails to comply with the applicable regulatory requirements or with conditions set out under its licenses, if its licenses not be renewed when required, or if they are renewed on different terms, or if its licenses are revoked, Zenabis may not be able to continue producing or distributing cannabis in Canada or other jurisdictions.

In addition, Zenabis may be subject to enforcement proceedings resulting from a failure to comply with applicable regulatory requirements in Canada or other jurisdictions, which could result in damage awards, a suspension of its existing approvals, a withdrawal of its existing approvals, the denial of the renewal of its existing approvals or any future approvals, recalls of products, product seizures, the imposition of future operating restrictions on its business or operations or the imposition of civil or criminal fines or penalties against Zenabis, its officers and directors and other parties. These enforcement actions could delay or entirely prevent Zenabis from continuing the production, testing, marketing, sale or distribution of Zenabis' products and divert management's attention and resources away from Zenabis' business operations.

The laws, regulations and guidelines generally applicable to the cannabis industry in Canada and other countries may change in ways that impact Zenabis' ability to continue its business as currently conducted or proposed to be conducted.

The successful execution of the cannabis business objectives of Zenabis is contingent upon compliance with all applicable laws and regulatory requirements in Canada and other jurisdictions, including the requirements of the *Cannabis Act*, and obtaining all other required regulatory approvals for the sale, import and export of its cannabis products. The commercial cannabis industry is a relatively new industry in Canada and the *Cannabis Act* has only been in effect since October 17, 2018. The effect of Health Canada's administration, application and enforcement of the regime established by the *Cannabis Act* on Zenabis and its business in Canada, or the administration, application and enforcement of the laws of other countries by the appropriate regulators in those countries, may significantly delay or impact Zenabis' ability to participate in the Canadian cannabis market or cannabis markets outside Canada, to develop cannabis products and produce and sell these cannabis products.

Further, Health Canada or the regulatory authorities in other countries in which Zenabis plans on operating or to which Zenabis plans on exporting cannabis products to may change their administration, interpretation or application of the applicable regulations or their compliance or enforcement procedures at any time. Any such changes could require Zenabis to revise its ongoing compliance procedures, requiring Zenabis to incur increased compliance costs and expend additional resources. There is no assurance that Zenabis will be able to comply or continue to comply with applicable regulations.

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

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

Government Supply Agreements and Other Customer Relationships

Zenabis expects to derive a significant portion of its future revenues from the recently legalized adult-use cannabis industry and market in Canada, including through its agreements with various Canadian provinces and territories. These agreements do not contain purchase commitments or otherwise obligate the purchaser to buy a minimum or fixed volume of products from Zenabis. The amount of cannabis that provinces and territories may purchase under Zenabis' agreements with them may therefore vary from what Zenabis expects or has planned for. As a result, Zenabis' revenues could fluctuate materially in the future and could be materially and disproportionately impacted by the purchasing decisions of provinces and territories. If one or more of the provinces or territories decide to purchase lower volumes of products from Zenabis than Zenabis expects, alters its or their purchasing patterns at any time or decides not to continue to purchase Zenabis' cannabis products at all, Zenabis' revenues could be materially adversely affected, which could have a material adverse effect on Zenabis' business, prospects, financial condition and results of operations.

Violations of U.S. laws and regulations could result in legal repercussions

In the United States, despite cannabis having been legalized at the state level for medical use in many states and for adult use in a number of states, cannabis continues to be categorized as a Schedule I controlled substance under the federal Controlled Substances Act (the "**CSA**") and subject to the Controlled Substances Import and Export Act (the "**CSIEA**"). Zenabis does not produce or distribute cannabis products in the United States. Therefore, Zenabis believes that it is not subject to the CSA or CSIEA. Nonetheless, violations of any U.S. federal laws and regulations, such as the CSA and the CSIEA, could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings initiated by either the U.S. federal government or private citizens or criminal charges, including, but not limited to, disgorgement of profits, cessation of business and activities or divestiture.

The cannabis industry and market are relatively new in Canada and this industry and market may not continue to exist or develop as anticipated or Zenabis may not ultimately be unable to succeed in this industry and market.

Zenabis is operating its current business in a relatively new cannabis industry and market, and success depends on its ability to attract and retain customers. In addition to being subject to general business risks applicable to a business involving an agricultural product and a regulated consumer product, Zenabis needs to continue to build brand awareness of the Zenabis, Namaste and Re-üp brands in the cannabis industry and make significant investments in its business strategy and production capacity. These investments include introducing new products into the markets in which Zenabis operates, adopting quality assurance protocols and procedures, building out an international presence and undertaking regulatory compliance efforts. These activities may not promote the products of Zenabis as effectively as intended, or at all, and it is expected that competitors will undertake similar investments to compete for market share. Competitive conditions, consumer preferences and spending patterns in this industry and market are relatively unknown and may have unique circumstances that differ from other existing industries and markets and that cause efforts to further the business of Zenabis to be unsuccessful or to have undesired consequences. As a result, Zenabis may not be successful in its efforts to attract and retain customers or to develop new cannabis products and produce and distribute these cannabis products to the markets in which it operates or to which it exports in time to be effectively commercialized, or these activities may require significantly more resources than Zenabis currently anticipate in order to be successful.

Zenabis competes for market share with other companies, including other producers licensed by Health Canada, some of which have longer operating histories and more financial resources and manufacturing and marketing experience than Zenabis has.

Zenabis faces, and expects to continue to face, intense competition from other cannabis license holders and other potential competitors, some of which have longer operating histories and more financial resources and manufacturing and marketing experience than Zenabis. In addition, it is possible that the cannabis industry will undergo consolidation, creating larger companies with financial resources, manufacturing and marketing capabilities and product offerings that are greater than Zenabis. As a result of this competition, Zenabis may be unable to maintain its operations or develop them as currently proposed, on terms it considers acceptable, or at all. No assurances can be provided that Zenabis will be able to compete successfully against current and future competitors in the cannabis industry.

The number of licenses granted under the *Cannabis Act*, and ultimately authorized, by Health Canada could have an adverse impact on Zenabis' ability to compete for market share in Canada's cannabis industry. Zenabis expects to face additional competition from new market entrants that are granted licenses under the *Cannabis Act*. If a significant number of new licenses are granted by Health Canada, Zenabis may experience increased competition for market share and may experience downward price pressure on its cannabis products as new entrants increase production.

Zenabis also faces competition from unlicensed and unregulated market participants, including individuals or groups that are able to produce cannabis without a license similar to that under which Zenabis currently produces and illegal dispensaries and black market participants selling cannabis and cannabis-based products in Canada. These competitors may be able to offer products with higher concentrations of active ingredients than Zenabis is authorized to produce and sell and using delivery methods, including edibles, concentrates and extract vaporizers, that Zenabis is currently prohibited from offering to individuals in Canada. The competition presented by these participants, and any unwillingness by consumers currently utilizing these unlicensed distribution channels to begin purchasing from cannabis license holders for any reason, or any inability of law enforcement authorities to enforce existing laws prohibiting the unlicensed cultivation and sale of cannabis and cannabis-based products, could adversely affect Zenabis' market share, result in increased competition through the black market for cannabis or have an adverse impact on the public perception of cannabis use and licensed cannabis producers and dealers.

In addition, the *Cannabis Act* permits individuals in Canada to produce a limited amount of cannabis for their own personal uses. Widespread reliance upon this allowance could reduce the current or future consumer demand for Zenabis' cannabis products. If the number of users of cannabis in Canada increases, the demand for products will increase. This could result in the competition in the cannabis industry becoming more intense as current and future competitors begin to offer an increasing number of diversified cannabis products. Conversely, if there is a contraction in the market for cannabis in Canada, resulting from the legalization of adult-use cannabis or otherwise, competition for market share may increase. To remain competitive, Zenabis intends to continue to invest in research and development and sales; however, it may not have sufficient resources to maintain research and development and sales efforts on a competitive basis.

In addition to the foregoing, the legal landscape for cannabis use is changing internationally. Zenabis currently has a partnership with parties located in Malta to serve the EU medical cannabis market and intends on having additional operations outside of Canada in jurisdictions where medical and/or adult-use recreational cannabis is legally permitted. This may be affected as other countries develop, adopt and change their cannabis laws. Increased international competition, including competition from suppliers in other countries who may be able to produce at lower cost and limitations placed on Zenabis by Canadian or other regulations, might lower the demand for its cannabis products on a global scale.

The adult-use recreational cannabis market in Canada may become oversupplied with the implementation of the Cannabis Act and the related legalization of cannabis for adult use.

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

The cannabis business of Zenabis has little operating history and profitability cannot be assured.

The limited operating history of Zenabis' cannabis business makes it difficult for investors to evaluate its medium to long term prospects for success. Prospective investors should consider the risks and difficulties Zenabis might encounter, especially given its limited operating history, and there is no assurance that Zenabis will be successful.

The likelihood of success must be considered in light of Zenabis' relatively early stage of operations in the cannabis industry.

Uncertainty about Zenabis' ability to continue as a going concern.

Zenabis is still in the development stage and may seek additional capital, mergers, acquisitions, joint ventures, partnerships and other business arrangements to expand its product offerings in the cannabis industry and grow its revenue. Zenabis' ability to continue as a going concern is dependent upon its ability in the future to grow its revenue and achieve profitable operations. External financing, predominantly by the issuance of equity and debt, will be sought to finance the expansion of operation; however, there can be no certainty that such funds will be available at terms acceptable to Zenabis, or at all. Additionally, the Company currently has debt instruments maturing within the next twelve months and the extension or refinancing of these debt instruments are not assured. These conditions indicate the existence of material uncertainties that may cast significant doubt about Zenabis' ability to continue as a going concern.

Joint Venture and Strategic Alliance Risks

Zenabis has entered into, and intends to enter into in the future, joint ventures and strategic alliances with third parties that it believes will complement or augment Zenabis' existing business. Joint ventures and strategic alliances could present unforeseen obstacles or costs, may not enhance Zenabis' business and may involve risks that could adversely affect Zenabis, including: (i) Zenabis may not control the joint ventures or strategic alliances; (ii) where Zenabis does not have substantial decision-making authority, it may experience impasses or disputes with its joint venture or strategic alliance partners on certain decisions, which could require Zenabis to expend additional resources to resolve such impasses or disputes, including litigation or arbitration; (iii) joint venture or strategic alliance partners may become insolvent or bankrupt, fail to fund their share of required capital contributions or fail to fulfil their obligations as partners; (iv) joint venture or strategic alliance partners may have business or economic interests that are inconsistent with Zenabis' and may take actions contrary to Zenabis' interests; (v) Zenabis may suffer losses as a result of actions taken by its joint venture or strategic alliance partners with respect to joint venture investments or strategic alliances; and (vi) it may be difficult for Zenabis to exit a joint venture or strategic alliance if an impasse arises or if Zenabis desires to sell its interest for any reason. In addition, Zenabis' ability to enter into or complete future joint ventures or strategic alliances is dependent upon, and may be limited by, the availability of suitable candidates and capital and there can be no assurance that Zenabis will be able to consummate any future joint venture or strategic alliance on satisfactory terms, or at all, or such future joint venture or strategic alliance will achieve the desired benefits. Any of the foregoing risks and uncertainties could have a material adverse effect on Zenabis' business, prospects, financial condition and results of operations.

There are no assurances that Zenabis will be able to turn profits, generate immediate revenues, or pay dividends.

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

The actual financial position and results of operations of Zenabis may differ materially from the expectations of management.

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

Zenabis expects to incur significant ongoing costs and obligations related to its investment in infrastructure, growth, regulatory compliance and operations.

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

There are factors which may prevent Zenabis from the realization of growth targets.

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

- delays in obtaining, or conditions imposed by, regulatory approvals;
- facility design errors;
- environmental pollution;
- non-performance by third party contractors;
- increases in materials or labour costs;
- construction performance falling below expected levels of output or efficiency;
- breakdown, aging or failure of equipment or processes;
- contractor or operator errors;
- operational inefficiencies;
- labour disputes, disruptions or declines in productivity;
- obsolescence of technologies, process and formulations;
- skilled labour retention;
- inability to attract sufficient numbers of qualified workers;
- disruption in the supply of energy and utilities; and
- major incidents and/or catastrophic events such as fires, explosions, pandemics or storms.

Valuation of biological assets

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

Macroeconomic and other geo-political risks

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

Zenabis is subject to changes in laws, regulations and guidelines which could adversely affect Zenabis' future business, prospects, financial condition and results of operations.

The *Cannabis Act* and *Cannabis Regulations* came into force on October 17, 2018. The *Cannabis Act* and *Cannabis Regulations* prohibit testimonials, lifestyle branding and packaging that is appealing to youth. The restrictions on advertising, marketing and the use of logos and brand names could have a material adverse effect on the Company's business, prospects, financial condition and results of operations. The legislative framework pertaining to the Canadian adult-use cannabis market is uncertain.

The legislative and operational framework of the provinces and territories and international governments pertaining to the distribution of cannabis varies among jurisdictions and has resulted in additional regulations, creating additional compliance and other costs and/or limitations on the Company's ability to participate in such markets. There is no guarantee that jurisdiction legislation regulating the distribution and sale of cannabis for adult-use or medical purposes, as applicable, will be enacted according to all the terms announced by such jurisdictions, or at all, or that any such legislation, if enacted, will create the growth opportunities that the Company currently anticipates. While the impact of any new legislative framework for the regulation of the adult-use cannabis market or medical market, as applicable, is uncertain, any of the foregoing could result in a material adverse effect on the Company's business, prospects, financial condition and results of operations.

The Company anticipates that regulations governing the industry are subject to change as the Government of Canada, the governments of individual provinces and territories and other governments, monitor operating licenced producers. The operations of the Company will be subject to a variety of laws, regulations, guidelines and policies relating to the manufacture, processing, extraction, import, export, management, packaging/labelling, advertising, sale, transportation, storage and disposal of cannabis but also laws and regulations relating to drugs, controlled substances, health and safety, land use, the conduct of operations and the protection of the environment. While to the knowledge of management, the Company is currently in compliance with all such laws, any changes to such laws, regulations, guidelines and policies may have a material adverse effect on its business, prospects, financial condition and results of operations. No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail the Company's ability to distribute or produce cannabis. Amendments to current laws and regulations governing the distribution, transportation and/or production of cannabis, or more stringent implementation thereof, could cause increases in expenses, capital expenditures or production costs or reduction in levels of production or require abandonment or delays in development, which could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

Zenabis may not be able to develop new products, which could has an adverse effect on revenue growth

If Zenabis cannot successfully develop, manufacture and distribute new products, it may not be able to develop new market-ready commercial products at acceptable costs, which would adversely affect its ability to grow revenues in the future.

Zenabis may be forced to litigate to defend its intellectual property rights or to defend against third party claim relating to intellectual property rights.

Zenabis may be forced to litigate to enforce or defend its intellectual property rights, to protect its trade secrets or to determine the validity and scope of other parties' proprietary rights. Any such litigation could be very costly and could distract management from focusing on operating the business. The existence and/or outcome of any such litigation could harm Zenabis' business.

Zenabis may become subject to litigation, including for possible product liability claims, which may have a material adverse effect on its reputation, business, prospects, results from operations, and financial condition.

Zenabis may be named as a defendant in a lawsuit or regulatory action. Zenabis may also incur uninsured losses for liabilities which arise in the ordinary course of business, or which are unforeseen, including, but not limited to, employment liability and business loss claims. Any such losses could have a material adverse effect on Zenabis' business, results of operations, sales, cash flow or financial condition. Further, the production of substances for use or consumption by humans can result in product liability claims by consumers. Product liability claims can be expensive, difficult to defend and may result in large judgments or settlements against Zenabis. Zenabis may not be able to obtain or maintain adequate insurance or other protection against potential liabilities arising from product sales. Product liability claims could also result in negative perception of Zenabis' products or other reputational damage which could have a material adverse effect on its business, results of operations, sales, cash flow or financial condition.

Zenabis' operations are subject to environmental regulation in the various jurisdictions in which it operates.

These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require more strict standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect Zenabis' operations. Government environmental approvals and permits are currently, and may in the future be required in connection with Zenabis' operations. To the extent such approvals are required and not obtained, Zenabis may be curtailed or prohibited from its proposed business activities or from proceeding with the development of its operations as currently proposed. Failure to comply with applicable environmental laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Zenabis may be required to compensate those suffering loss or damage due to its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

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

Zenabis' success has depended and continues to depend upon its ability to attract and retain key management, including its management, technical experts and sales personnel. Zenabis will attempt to enhance its management and technical expertise by continuing to recruit qualified individuals who possess desired skills and experience in certain targeted areas. An inability to retain employees and attract and retain sufficient additional employees or engineering and technical support resources could have a material adverse effect on Zenabis' business, results of operations, sales, cash flow or financial condition. Shortages in qualified personnel or the loss of key personnel could adversely affect the financial condition, results of operations and could limit Zenabis' ability to develop and market its cannabis-related products. The loss of any senior management or key employees could materially adversely affect Zenabis' ability to execute its business plan and strategy, and Zenabis may not be able to find adequate replacements on a timely basis, or at all. Zenabis does not maintain key person life insurance policies on any of its employees.

Key personnel, officers and directors may be required to obtain security clearance from Health Canada, and the failure of such personnel to obtain such clearances may adversely impact Zenabis' operations.

Under the *Cannabis Act*, an individual with security clearance must be physically present in any space where other individuals are conducting activities with cannabis. Furthermore, under the *Cannabis Act*, a security clearance cannot be valid for more than five years and must be renewed before the expiry of a current security clearance. There is no assurance that any of Zenabis' existing personnel, or its directors or officers, who presently or may in the future require a security clearance will be able to obtain or renew such clearances or that new personnel who require a security clearance will be able to obtain one. A failure by an individual in a key operational position, or by any director or officer, to maintain or renew his or her security clearance could result in a reduction or complete suspension of Zenabis' operations. Currently, all required security clearances are in place to enable the Company to carry on operations; however, if an individual in a key operational position leaves Zenabis, and Zenabis is unable to find a suitable replacement who is able to obtain a security clearance required by the *Cannabis Act* in a timely manner, or at all, Zenabis may not be able to conduct its operations at planned production volume levels or at all.

Risks Associated with Packaging, Labelling and Advertising Cannabis Products

The *Cannabis Regulations* set out requirements pertaining to the packaging and labelling of cannabis products which are intended to promote informed consumer choice and allow for the safe handling and transportation of cannabis, while also reducing the appeal of cannabis to youth and promoting safe consumption. These requirements prescribe plain packaging for cannabis products, including strict requirements for logos, colours and branding, as well as packaging that is tamper-proof and child-resistant. The *Cannabis Regulations* further require mandatory health warnings, standardized cannabis symbols and specific product information. Cannabis package labels must include specific information, such as: (i) product source information, including the class of cannabis and the name, phone number and email of the cultivator; (ii) a mandatory health warning, rotating between Heath Canada's list of standard health warnings; (iii) the Health Canada standardized cannabis symbol; and (iv) information specifying THC and CBD content. The *Cannabis Act* also introduces restrictions regarding the promotion and advertising of cannabis products. Subject to a few exceptions, all promotions and advertising of cannabis products are prohibited unless authorized by the *Cannabis Act*. Any failure by the Company to comply with the *Cannabis Regulations* in respect of the packaging, labelling and advertising of its cannabis products could result in Health Canada taking enforcement action against the Company, including the suspension or revocation of the Company's licenses, which could have a material and adverse effect on the Company's business, prospects, financial position and results of operations.

Legal Challenges to the Company's Brands

The Company's "Namaste" brand is similar to that of another organization that participates in the Canadian cannabis sector. Accordingly, any act, omission or occurrence which negatively effects the reputation of goodwill associated with that other organization may have a commensurate impact on the "Namaste" brand and the Company. The Company does not control or otherwise exert any influence upon that other organization and has no effective means of mitigating such risks. In addition, that other organization is seeking to cause the Company to cease using the "Namaste" brand. Should the Company be required to cease using the "Namaste" brand, or should the actions of that other organization adversely impact on the "Namaste" brand, this could have an impact on the Company's branding strategy and recognition in the adult-use recreational cannabis market, which in turn could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

Maintaining and Promoting the Company's Brand and Reputation

Management believes that maintaining and promoting the Company's brand and reputation is critical to expanding its customer base. Maintaining and promoting the Company's brand and reputation will depend largely on the Company's ability to continue to provide quality, reliable and innovative products, which it may not do successfully. The Company may introduce new products that its customers do not like or accept, which may negatively affect the Company's brand and reputation. Maintaining and enhancing the Company's brand and reputation may require it to make substantial investments, and these investments may not achieve the desired goals. If the Company fails to successfully develop, promote and maintain its brand and reputation, or if it incurs excessive expenses in this effort, its business, financial position and results of operations could be materially adversely affected.

Transportation Disruptions Could Adversely Impact the Business

The ability to obtain secure, speedy, cost-effective and efficient transport services of our cannabis products is critical to the Company's business and operations. In addition, the Company's distribution of adult-use recreational cannabis will take various forms on a province-by-province basis. Any prolonged disruption of third-party transportation services could have a material adverse effect on our sales volumes or our end users' satisfaction with our services. Rising costs associated with third-party transportation services used by us to ship our products may also adversely impact our profitability, and more generally our business, prospects, financial condition and results of operations.

In addition, the security of our cannabis products during transportation to and from our facilities is of the utmost importance. A breach of security during transport or delivery could have a material adverse effect on our business, prospects, financial condition and results of operations. Any breach of the security measures during transport or delivery, including any failure to comply with recommendations or requirements of Health Canada, could also have an impact on our ability to continue operating under our licences or on the Company's ability to maintain or renew its licences. Should the Company be unable to source such transportation for prolonged periods of time or at all, or if there is any security breach in the transport of the Company's products, it could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

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

The cannabis industry is experiencing rapid growth and consolidation that may cause Zenabis to lose key relationships and intensify competition.

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

Certain directors and officers of Zenabis may be subject to conflicts of interest

All decisions to be made by the directors and officers involving the Company are required to be made in accordance with their fiduciary duties and obligations to act honestly and in good faith with a view to the best interests of the Company. However, certain of the Company's directors and officers may be engaged in other activities, on their own behalf and on behalf of other companies, and situations may arise where the directors and officers, through the other companies in which they are involved, may be in conflict with the business strategy of the Company or which could result in conflicts of interest between their duties to the Company and their duties to or interests in such other companies or enterprises. Consequently, there exists the possibility for such directors and officers to be in a position of conflict with their duties to the Company and their decisions may not be in the best interests of the Company and its shareholders.

Conflicts of interest, if any, that arise will be subject to and governed by procedures prescribed by the BCBCA, which require a director or officer of a corporation who is a party to, or is a director or an officer of or has a material interest in any person who is a party to, a material contract or proposed material contract with the Company to disclose his or her interest and, in the case of directors, to refrain from voting on any matter in respect of such contract unless otherwise permitted under the BCBCA. Any conflict of interest which materializes could, if not appropriately managed, have a material adverse impact on the Company and/or its business, prospects, financial condition and results of operations.

Reliance on Zenabis Atholville, Zenabis Stellarton and Zenabis Langley Production Facilities

At present, Zenabis' production activities are carried out at its Zenabis Atholville, Zenabis Stellarton and Zenabis Langley facilities in Atholville, New Brunswick, Stellarton, Nova Scotia and Langley, British Columbia, respectively. Adverse changes or developments affecting any of these facilities including but not limited to changes to municipal laws regarding zoning, facility design errors, environmental pollution, non-performance by third party contractors, increases in materials or labour costs, labour disputes or disruptions, inability to attract sufficient numbers of qualified workers, productivity inefficiencies, equipment or process failures, production errors, disruption in the supply of energy and utilities and major incidents and/or catastrophic events such as disease or infestation of its crops, fires, explosions, earthquakes or storms, would have a material and adverse effect on Zenabis' business, prospects, financial condition, results of operations and prospects. In addition, Zenabis bears all of the costs of maintenance and upkeep of the Atholville, Stellarton and Langley facilities. Zenabis' operations and financial performance may be adversely affected if it is unable to keep up with maintenance requirements. Because of the nature of Zenabis' products and the limited legal channels for distribution, Zenabis is subject to the risk of theft of its product and other security breaches. A security breach at any of Zenabis Atholville, Zenabis Stellarton or Zenabis Langley could result in a significant loss of available product, expose Zenabis to additional liability under applicable regulations and to potentially costly litigation or increase expenses relating to the resolution and future prevention of similar thefts, any of which could have an adverse effect on Zenabis' business, prospects, financial condition, results of operations and prospects. A significant failure of Zenabis' site security measures and other facility requirements, including any failure to comply with regulatory requirements under the *Cannabis Act* could have an impact on its ability to continue operating under its licenses or the prospects of renewing such licenses, and could also result in a suspension or revocation of the licenses. As Zenabis currently produces cannabis products at the Zenabis facilities, any event impacting Zenabis' ability to continue production at Zenabis, or requiring the delay of production, may prevent Zenabis from continuing to operate its business until operations at the Zenabis facilities could be resumed, or until Zenabis is able to commence production at another facility.

Zenabis or the cannabis industry more generally, may receive unfavorable publicity or become subject to negative consumer or investor perception.

Perception of the cannabis industry and 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 Canada and in other countries relating to the consumption of cannabis products, including unexpected safety or efficacy concerns arising with respect to cannabis products or the activities of 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 cannabis market or any particular cannabis product or will be consistent with earlier 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 Zenabis' cannabis products. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis, or its current or future products specifically, or associating the consumption of cannabis with illness or other negative effects or events, could adversely affect Zenabis. This adverse publicity could arise even if the adverse effects associated with cannabis products resulted from consumers' failure to use such products legally, appropriately or as directed.

Certain events or developments in the cannabis industry more generally may impact Zenabis' reputation.

Damage to Zenabis' reputation can result from the actual or perceived occurrence of any number of events, including any negative publicity, whether true or not. As a producer and distributor of cannabis, which is a controlled substance in Canada that has previously been commonly associated with various other narcotics, violence and criminal activities, there is a risk that Zenabis' business might attract negative publicity. There is also a risk that the actions of other companies and service providers in the cannabis industry may negatively affect the reputation of the industry as a whole and thereby negatively impact Zenabis' reputation.

Zenabis does not ultimately have direct control over how it or the cannabis industry is perceived by others. Reputational issues may result in decreased investor confidence, increased challenges in developing and maintaining community relations and present an impediment to Zenabis' overall ability to advance its business strategy and realize on its growth prospects.

(a) **General Business Risks Related to Zenabis' Operations**

Ability to Secure Adequate Financing.

To date, Zenabis has had negative cash flow from operating activities. To fund its current operations possible future capacity expansions, additional funds may be required. If the Company continues to have negative cash flow into the future, the Company may need to allocate additional financing proceeds to funding this negative cash flow in addition to its operational expenses and possible capital expansions. Zenabis may require additional financing to fund its operations to the point where it is generating positive cash flows. Continued negative cash flow may restrict the

Company's ability to pursue its business objectives which could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

Additionally, the Company currently has debts that mature within the next twelve months. It is unlikely that cash flows generated from current operations will be sufficient to repay this debt when due. Therefore, this debt will need to be either extended or refinanced.

If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders (including prospective investors) could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Common Shares. In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to the Company's capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions.

Indebtedness and the Credit Facility

Risks associated with indebtedness could include risks that Zenabis' cash flows could be insufficient to satisfy required payments of principal and interest, exposure of Zenabis to the risk of increased interest rates as certain of Zenabis' borrowings could be at variable rates of interest, and enforcement risk in the event of default. It is also expected that credit facilities would contain covenants that would require Zenabis to maintain certain financial ratios. If Zenabis did not maintain such ratios, it could have consequences for the availability of credit under credit facilities or result in repayment requirements that Zenabis may not be able to satisfy. If Zenabis was unable to meet any required payments under existing or future credit facilities, the lenders could foreclose upon the Zenabis' facilities securing its obligations under existing or future credit facilities, appoint a receiver and receive an assignment of accounts or pursue other remedies generally available to secured creditors, all of which could result in a material adverse effect on Zenabis. Zenabis' ability to make scheduled payments of principal and interest on its indebtedness would depend on its future cash flow, which is subject to the financial performance of Zenabis' business, prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which would be beyond Zenabis' control.

Zenabis is exposed to risks arising from large shareholders.

The Chairman and a promoter of the Company, Mr. Monty Sikka, owns or controls an approximate 13.45% equity interest in the Company. A promoter of the Company, Mr. Mark Catroppa, also owns or controls an approximate 14.87% equity interest in the Company. If such shareholders were to act jointly or in concert in exercising their voting rights, such concentrated voting power could delay, defer, or prevent a change of control of the Company, arrangement or amalgamation involving the Company or sale of all or substantially all of the assets of the Company that its other shareholders support. Conversely, if such shareholders were to act jointly or in concert in exercising their voting rights, such concentrated voting power could allow such shareholders to cause the Company to consummate a transaction that the Company's other shareholders do not support, to potentially influence long-term strategic decisions of the Company or to cause the Company to take risks that may not be successful and may seriously harm the Company's business. If Health Canada determines that such shareholders exercise direct control over the Company's subsidiaries that hold licenses under the *Cannabis Act*, Health Canada could require them to apply for security clearances. In the past, Health Canada has indicated that it was inclined not to grant security clearances to such shareholders. Accordingly, if Health Canada requires security clearances from such persons, but determines not to grant them security clearance, Health Canada could suspend or revoke the Company's licenses under the *Cannabis Act*. Finally, such shareholders are engaged in other activities, on their own behalf and on behalf of other companies, some of which may be in the cannabis sector, and situations may arise where such shareholders may be in conflict with Zenabis, including situations where they may have the ability to use their voting power in order to prevent Zenabis from taking certain actions for the benefit of such other companies. See "*Description of the Business – Related Party Arrangements and Agreements*". Any conflict which materializes could, if not appropriately managed, have a material adverse impact on the Company and/or its business, prospects, financial condition and results of operations.

Zenabis may not be able to successfully identify and execute future acquisitions or dispositions or to successfully manage the impacts of such transactions on its operations.

The Company expects to selectively seek strategic acquisitions in the future. The ability to identify, consummate and integrate effectively any future potential acquisitions on terms that are favorable to the Company may be limited by the number of attractive acquisition targets, internal demands on our resources and, to the extent necessary, the ability to obtain financing on satisfactory terms, if at all. Any such activities may require, among other things, various regulatory approvals, licenses and permits and there is no guarantee that all required approvals, licenses and permits will be obtained in a timely fashion or at all. Acquisitions may expose the Company to additional risks including: difficulties in integrating administrative, financial reporting, operational and information systems; difficulties in managing newly acquired operations and improving their operating efficiency; difficulties in maintaining uniform standards, controls, procedures and policies through all our operations; difficulties entering into markets in which the Company has little or no direct experience; difficulties in retaining key employees of the acquired operations; and disruptions to the ongoing business. In addition, future acquisitions could result in the incurrence of additional debt, costs, and contingent liabilities. Zenabis may also incur costs for and divert management attention to potential acquisitions that are never consummated. For acquisitions that are consummated, expected synergies may not materialize.

Zenabis is required to comply concurrently with federal, state or provincial, and local laws in each jurisdiction where it operates or to which it exports its products.

Various federal, state or provincial and local laws govern Zenabis' business in the jurisdictions in which it operates or proposes to operate, or to which Zenabis exports or proposes to export its products, including laws and regulations relating to health and safety, conduct of operations and the production, management, transportation, storage and disposal of its products and of certain material used in its operations. Compliance with these laws and regulations requires concurrent compliance with complex federal, provincial or state and local laws. These laws change frequently and may be difficult to interpret and apply.

Compliance with these laws and regulations requires the investment of significant financial and managerial resources, and a determination that Zenabis are not in compliance with these laws and regulations could harm Zenabis' brand image and business.

Moreover, it is impossible to predict the cost or effect of such laws, regulations or guidelines upon Zenabis' future operations. Changes to these laws or regulations could negatively affect Zenabis' competitive position within its industry and the markets in which it operates, and there is no assurance that various levels of government in the jurisdictions in which Zenabis operates will not pass legislation or regulation that adversely impacts its business.

Zenabis is subject to risks inherent in an agricultural business, including the risk of crop failure.

Zenabis will grow cannabis, vegetables and flowers which is an agricultural process. As such, its business is subject to the risks inherent in the agricultural business, including risks of crop failure presented by weather, insects, plant diseases and similar agricultural risks. Although Zenabis currently grows its products indoors under climate-controlled conditions, there can be no assurance that natural elements, such as insects and plant diseases, will not entirely interrupt Zenabis' production activities or have an adverse effect on its business.

Although Zenabis attempts to minimize this risk through stringent control processes, there is no guarantee that it will not be subject to any crop failures.

Significant interruptions in Zenabis' access to certain key inputs such as raw materials, electricity, water and other utilities may impair its cannabis growing operations.

Zenabis' business is dependent on a number of key inputs and their related costs, including raw materials, supplies and equipment related to its operations, as well as electricity, water and other utilities. Any significant interruption, price increase or negative change in the availability or economics of the supply chain for key inputs and, in particular, rising or volatile energy costs could curtail or preclude Zenabis' ability to continue production. In addition, Zenabis' operations would be significantly affected by any prolonged power outage.

Zenabis' ability to compete and grow cannabis is dependent on it having access, at a reasonable cost and in a timely manner, to skilled labor, equipment, parts and components. No assurances can be given that Zenabis will be successful in maintaining its required supply of labor, equipment, parts and components.

Zenabis' cannabis products may be subject to recalls for a variety of reasons, which could require it to expend significant management and capital resources.

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, adulteration, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. Although Zenabis has detailed procedures in place for testing finished cannabis products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits, whether frivolous or otherwise. If any of the cannabis products produced by Zenabis are recalled due to an alleged product defect or for any other reason, Zenabis could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. As a result of any such recall, Zenabis may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention or damage Zenabis' reputation and goodwill or that of its products or brands.

Additionally, product recalls may lead to increased scrutiny of Zenabis' operations by Health Canada or other regulatory agencies, requiring further management attention, increased compliance costs and potential legal fees, fines, penalties and other expenses. Any product recall affecting the cannabis industry more broadly, whether or not involving Zenabis, could also lead consumers to lose confidence in the safety and security of the products sold by cannabis license holders generally, including products sold by Zenabis.

Zenabis may be unable to expand its operations quickly enough to meet demand or manage its operations beyond their current scale.

There can be no assurance that Zenabis will be able to manage its expanding operations, including any acquisitions, effectively, that Zenabis will be able to sustain or accelerate its growth or that such growth, if achieved, will result in profitable operations, that Zenabis will be able to attract and retain sufficient management personnel necessary for continued growth or that Zenabis will be able to successfully make strategic investments or acquisitions.

Demand for cannabis-based products is dependent on a number of social, political and economic factors that are beyond Zenabis' control. There is no assurance that an increase in existing demand will occur, that Zenabis will benefit from any such demand increase or that Zenabis' business will be profitable in that environment of increased demand. If Zenabis is unable to sustain profitability, the value of the Common Shares may significantly decrease.

Tax and accounting requirements may change in ways that are unforeseen to Zenabis and Zenabis may face difficulty or be unable to implement or comply with any such changes.

Zenabis is subject to numerous tax and accounting requirements, and changes in existing accounting or taxation rules or practices, or varying interpretations of current rules or practices, could have a significant adverse effect on its financial results, the manner in which Zenabis conduct its business or the marketability of any of its products. Zenabis currently plans to have international operations in the future. These operations, and any expansion thereto, will require Zenabis to comply with the tax laws and regulations of multiple jurisdictions, which may vary substantially. Complying with the tax laws of these jurisdictions can be time consuming and expensive and could potentially subject Zenabis to penalties and fees in the future if it were to fail to comply.

Zenabis may experience cybersecurity attacks or threats that impact the continuity of its business

The information systems maintained by Zenabis and any third-party service providers and vendors, are vulnerable to an increasing threat of continually evolving cybersecurity risks. These risks may take the form of malware, computer viruses, cyber threats, extortion, employee error, malfeasance, system errors or other types of risks, and may occur from inside or outside of the respective organizations. Cybersecurity risk is increasingly difficult to identify and quantify and cannot be fully mitigated because of the rapid evolving nature of the threats, targets and consequences.

Additionally, unauthorized parties may attempt to gain access to these systems through fraud or other means of deceiving third-party service providers, employees or vendors. Zenabis' operations depend, in part, on how well networks, equipment, IT systems and software are protected against damage from a number of threats. These operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. However, if Zenabis is unable or delayed in maintaining, upgrading or replacing IT systems and software, the risk of a cybersecurity incident could materially increase. Any of these and other events could result in information system failures, delays and/or increases in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact Zenabis' reputation and results of operations. In addition, Zenabis collects and stores certain personal information about patients who purchase its medical cannabis and is responsible for protecting that information from privacy breaches. A privacy breach may occur through procedural or process failure, information technology malfunction, or deliberate unauthorized intrusions. In addition, theft of data is an ongoing risk whether perpetrated via employee collusion or negligence or through deliberate cyber-attack. Any such privacy breach or theft could have a material adverse effect on Zenabis' business, prospects, financial condition, results of operations and prospects. In addition, there are a number of federal and provincial laws protecting the confidentiality of certain patient health information, including patient records, and restricting the use and disclosure of that protected information. In particular, the privacy rules under the Personal Information Protection and Electronics Documents Act (Canada) ("**PIPEDA**") and where applicable, provincial legislation governing personal health information, protect medical records and other personal health information by limiting their use and disclosure of health information to the minimum level reasonably necessary to accomplish the intended purpose. If Zenabis was found to be in violation of the privacy or security rules under PIPEDA or other laws protecting the confidentiality of medical cannabis patient health information, it could be subject to sanctions and civil or criminal penalties, which could increase its liabilities, harm its reputation and have a material adverse effect on the business, results of operations, prospects, financial condition and prospects of Zenabis.

Taxes and excise duties may impact demand and profit margins

The federal and provincial or territorial legislation and regulatory regimes for cannabis products also include excise duties payable by licenced cannabis producers on adult-use cannabis products, in addition to goods and services tax/harmonized sales tax in certain provinces and territories. The rate of the excise duties for cannabis products varies by province and territory. Any significant increase in the rate of excise duties on cannabis products in the future could reduce consumer demands for cannabis products and adversely impact the adult-use cannabis industry and market in general. In addition, any increase in the rate of excise duties on cannabis products in the future could reduce the Zenabis' margins and profitability in the event that Zenabis could not or chose not to pass along such increases to consumers. Any of the foregoing could result in a material adverse effect of the Zenabis' business, prospects, financial condition, results of operations and prospects.

Public Health Crises, Including COVID-19

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

(b) Risks Related to International Activities

Expansion into Foreign Jurisdictions

Zenabis' expansion into jurisdictions outside of Canada is subject to risks. In addition, in jurisdictions outside of Canada, there can be no assurance that any market for cannabis products will develop. Zenabis may face new or unexpected risks or significantly increase its exposure to one or more existing risk factors, including economic instability, changes in laws and regulations, and the effects of competition. These factors may limit Zenabis' ability to successfully expand its operations into such jurisdictions and may have a material adverse effect on its business, prospects, prospects, financial condition and results of operations.

Zenabis will need to rely on international advisors and consultants

The legal and regulatory requirements in the foreign countries in which Zenabis plans on operating with respect to the cultivation and sale of cannabis, banking system and controls, as well as local business culture and practices will be different from those in Canada. The officers and directors of Zenabis must rely, to a great extent, on local legal counsel and local consultants retained by Zenabis in order to keep abreast of material legal, regulatory and governmental developments as they pertain to and affect its business operations, and to assist it with governmental relations. Zenabis must rely, to some extent, on those members of management and the Board who have previous experience working and conducting business in these countries, if any, in order to enhance its understanding of and appreciation for the local business culture and practices. Zenabis will also rely on the advice of local experts and professionals in connection with current and new regulations that develop in respect of the cultivation and sale of cannabis as well as in respect of banking, financing, labour, litigation and tax matters in these jurisdictions. Any developments or changes in such legal, regulatory or governmental requirements or in local business practices are beyond the control of Zenabis. The impact of any such changes may adversely affect the business of Zenabis.

Zenabis may expand into other geographic areas, which could increase its operational, regulatory and other risks

Zenabis may in the future expand into other geographic areas beyond its current partnership in Malta to serve the EU medical cannabis market. This could increase its operational, regulatory, compliance, reputational and foreign exchange rate risks. The failure of Zenabis' operating infrastructure to support such expansion could result in operational failures and regulatory fines or sanctions. Future international expansion could require Zenabis to incur a number of up-front expenses, including those associated with obtaining regulatory approvals, as well as additional ongoing expenses, including those associated with infrastructure, staff and regulatory compliance. Zenabis may not be able to successfully identify suitable acquisition and expansion opportunities or integrate such operations successfully with its existing operations.

(c) **Risks related to the securities of the Company**

Volatile Market Price of the Common Shares, Listed Warrants and other securities

The market price of the Common Shares, Listed Warrants and other publicly traded securities of the Company may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control. This volatility may affect the ability of holders of securities of the Company to sell their securities at an advantageous price. Market price fluctuations in securities of the Company may be due to the Company's operating results failing to meet expectations of securities analysts or investors in any period, downward revision in securities analysts' estimates, adverse changes in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the Company or its competitors, along with a variety of additional factors. These broad market fluctuations may adversely affect the market price of securities of the Company.

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

If the Company fails to meet applicable listing requirements, TSX may delist the Common Shares from trading, in which case the liquidity and market price of the Common Shares could decline.

The Company cannot guarantee that it will be able to meet the continued listing standards of the TSX in the future. If the Company fails to comply with the applicable listing standards and TSX delists the Common Shares, shareholders could face significant material adverse consequences, including:

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

If securities or industry analysts do not publish research, or publish inaccurate or unfavorable research, about the Company, the price and trading volume of the Common Shares and the Listed Warrants could decline.

The trading market for the Common Shares will depend, in part, on the research and reports that securities or industry analysts publish about the Company. The Company does not have any control over these analysts. If one or more of the analysts who cover the Company downgrade the Common Shares or publish inaccurate or unfavorable research about the Company, the price of the Common Shares would likely decline. In addition, if the operating results fail to meet the forecast of analysts, the price of the Common Shares would likely decline. If one or more of these analysts cease coverage of the Company or fail to publish reports regularly, demand for the Common Shares could decrease, which might cause the price and trading volume to decline.

Holders of Common Shares may be subject to dilution resulting from future offerings of common shares and the issuance of equity-based compensation.

The Company may raise additional funds in the future by issuing equity securities. Holders of Common Shares will have no preemptive rights in connection with such further issuances. The Board has the discretion to determine if an issuance of Common Shares is warranted, the price at which such issuance is affected and the other terms of any future issuance. In addition, additional Common Shares may be issued in connection with the exercise of options granted as part of an employee compensation plan or agreement. Such additional equity issuances could, depending on the price at which such securities are issued, substantially dilute the interests of the holders of Common Shares and may negatively impact the price of the Common Shares.

It is not anticipated that any dividends will be paid to holders of Common Shares for the foreseeable future.

No dividends on the Common Shares have been paid to date. The Company anticipates that, for the foreseeable future, it will retain future earnings and other cash resources for the operation and development of the business. Payment of any future dividends will be at the discretion of the Board after taking into account many factors, including earnings, operating results, financial condition and current and anticipated cash needs. In addition, the ability to pay cash dividends on the Common Shares is limited by the terms of the Company's financing arrangements. As a result, investors may not receive any return on an investment in the Common Shares unless they are able to sell their shares for a price greater than that which such investors paid for them.

DIVIDENDS AND DISTRIBUTIONS

As of the date of this Annual Information Form, Zenabis has no current intention to declare dividends on its Common Shares in the foreseeable future. Any decision to pay dividends on its Common Shares in the future will be at the discretion of the Board and will depend on, among other things, the Company's results of operations, current and anticipated cash requirements and surplus, financial condition, any future contractual restrictions and financing agreement covenants, solvency tests imposed by corporate law and other factors that the Board may deem relevant.

DESCRIPTION OF CAPITAL STRUCTURE

Equity Securities

The authorized capital of the Company consists of an unlimited number of Common Shares and an unlimited number of Class A preferred shares (issuable in series). As of the date of this Annual Information Form, there are 386,685,435 Common Shares issued and outstanding and no Class A preferred shares ("**Preferred Shares**") outstanding.

Common Shares

The holders of the Common Shares are entitled to one vote per share at all meetings of the shareholders of the Company either in person or by proxy. The holders of Common Shares are also entitled to dividends, if and when declared by the Board, and the distribution of the residual assets of the Company in the event of a liquidation, dissolution or winding up of the Company.

The Common Shares rank equally as to all benefits which might accrue to the holders thereof, including the right to receive dividends, voting powers, and participation in assets and in all other respects, on liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other disposition of the assets of the Company among its shareholders for the purpose of winding up its affairs after the Company has paid out its liabilities. The Common Shares are not subject to call or assessment rights or any pre-emptive or conversion rights. There are no provisions for redemption, purchase for cancellation, surrender or purchase of funds.

Preferred Shares

The Company may issue Preferred Shares from time to time in one or more series. The Board is authorized to fix the number of Preferred Shares of each series, and to determine for each series, the designation, rights, privileges, restrictions and conditions, including dividend rates, redemption prices, conversion rights and other matters. Among other things, each series of Preferred Shares, upon determination by the Board, may or may not carry voting rights and may or may not be convertible into another class or series of shares of the Company.

So long as any Preferred Shares are outstanding, the holders of the Preferred Shares of each series shall rank both with regard to dividends and return of capital in priority to the holders of the Common Shares and in priority to any other shares ranking junior to the Preferred Shares, and the holders of the Preferred Shares of each series may also be given such other preference over the holders of the Common Shares and any other shares ranking junior to the holders of the Preferred Shares as may be determined as to the respective series authorized to be issued. 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 return of capital in the event of any distribution of assets of the Company among its shareholders arising on the liquidation, dissolution or winding up of the Company.

Outstanding Debt

The following table provides a brief description of the terms of the issued and outstanding debt of the Company. All amounts represent the cash principal outstanding. The figures in the following table have not been audited or reviewed by the Company's auditors:

Security	Principal Amount (unaudited)	Notes	Interest Rate/Maturity
Term Loan	$44,020,000	Fully drawn	Interest payable quarterly at a rate of prime plus an applicable margin based on grid pricing. The term facility matures on January 21, 2022.
Line of Credit	Nil	$2,000,000 undrawn	Interest payable quarterly at a

			rate of prime plus an applicable margin based on grid pricing. The term facility matures on January 21, 2022.
RDC Mortgage	$2,000,000	Mortgage on Zenabis Atholville.	The mortgage has an interest rate of 6.0% and matures on August 31, 2027.
Secured Debenture	$57,000,000	N/A	$25,000,000 of this facility accrues interest at a rate equal to the greater of prime plus 9.0% and 12.95%; the remaining $32,000,000 of this facility accrues interest at a rate of 14%. The facility matures on June 30, 2020.
Secured Convertible Notes	$11,364,783	These notes may be converted into Common Shares at $1.17 per share; this would result in 9,713,566 additional Common Shares.	The notes accrue interest at 11.0% and mature on June 30, 2020.
Unsecured Convertible Debentures	$15,000,000	These debentures may be converted into Common Shares at approximately $2.6087 per share; this would result in 5,749,990 additional Common Shares.	The facility accrues interest at 6.0% and mature on September 27, 2021.
Unsecured Convertible Notes	$11,913,451	These notes may be converted into Common Shares at approximately $1.9067 per share; this would result in 6,248,204 additional Common Shares.	The notes accrue interest at 6.0% and mature on October 17, 2020.

Omnibus Incentive Plan

The shareholders of the Company adopted an omnibus incentive plan (the "**Omnibus Incentive Plan**") at the annual and special meeting of shareholders held on June 25, 2019 under which the Company is authorized to grant stock options, deferred share units and restricted share units (collectively, "**Awards**") to directors, officers, employees, and/or consultants enabling them to acquire Common Shares of the Company. The maximum number of Common Shares reserved for issuance of Awards that may be granted under the Omnibus Incentive Plan is 10% of the issued and outstanding Common Shares of the Company. The term and vesting of each Award is determined and approved by the Board upon the grant of the Award, subject to a maximum term of 10 years. The exercise price of each Award is determined and approved by the Board but may not be less than the market price of the Common Shares on the date of the grant. As of December 31, 2019, there are 13,556,921 options outstanding to purchase Common Shares with a weighted average exercise price of $2.18 and expiring between 2020 and 2024**.** The Company may grant an additional 21,214,735 Awards under the Omnibus Incentive Plan.

Warrants

In addition, the Company currently has outstanding:

(i) 825,000 warrants, each exercisable to purchase one (1) Common Share at a price of $2.6788 per Common Share at any time on or before September 27, 2021;

(ii) 6,009,615 warrants, each exercisable for one (1) Common Share at a price of $2.08 per Common Share at any time on or before July 5, 2020;

(iii) 1,373,712 warrants, each exercisable for one (1) Common Share at a price of $1.82 per Common Share at any time on or before August 21, 2022;

(iv) 902,514 warrants, each exercisable for one (1) Common Share at a price of $1.38502 per Common Share at any time on or before August 21, 2022;

(v) 12,777,777 warrants listed for trading on the TSX (the "**Listed Warrants**"), each exercisable to purchase 1.3888 Common Shares at a price of $2.75 per 1.3888 Common Shares, for an aggregate of 17,745,776 Common Shares; and

(vi) 20,129,338 warrants, each exercisable for one (1) Common Share are a price of $0.20 per Common Share at any time on or before January 27, 2023.

MARKET FOR SECURITIES

Trading Price and Volume

(a) Common Shares

Common Shares are listed and traded on the TSX under the trading symbol "ZENA". Prior to May 27, 2019, the Common Shares were traded on the TSXV under the symbol "ZENA". Prior to January 10, 2019, the outstanding Common Shares traded on the TSXV under the trading symbol "BVO". The following tables set forth the reported intraday high and low prices and monthly trading volumes of the Common Shares for the 12-month period prior to the date of this Annual Information Form:

Zenabis (TSX)			
Period	**High Trading Price**	**Low Trading Price**	**Volume**
December 2019	$0.21	$0.175	36,743,959
November 2019	$0.255	$0.17	71,251,865
October 2019	$0.98	$0.225	56,305,131
September 2019	$1.23	$0.91	8,070,533
August 2019	$1.55	$0.98	20,476,316
July 2019	$2.23	$1.44	13,369,314
June 2019	$1.90	$1.42	7,200,975
May 27-31, 2019	$1.78	$1.60	2,142,090

Zenabis (TSXV)			
Period	High Trading Price	Low Trading Price	Volume
May 1-24, 2019	$1.93	$1.48	13,161,030
April 2019	$3.25	$1.62	23,427,880
March 2019	$3.95	$2.88	4,841,500
February 2019	$4.86	$3.17	2,746,230
January 10 – 31, 2019	$6.25	$3.90	1,820,910

Bevo			
Period	High Trading Price	Low Trading Price	Volume
January 1- 9, 2019	$6.17	$5.50	242,790

(b) Warrants

The 12,777,777 Listed Warrants are listed and traded on the TSX under the trading symbol "ZENA.WT". The Listed Warrants were issued pursuant to a fully-marketed, "best efforts" offering of units completed on April 17, 2019 and each Listed Warrant allows the holder to purchase 1.3888 Common Shares per Listed Warrant at a price of $2.75 at any time on or prior to April 18, 2022. Prior to May 27, 2019, the Warrants were traded on the TSXV under the symbol "ZENA.WT". The Warrants began trading on the TSXV on April 22, 2019. As such, the following tables set forth the reported intraday high and low prices and monthly trading volumes of the Warrants for the months in which the Warrants were listed on an exchange in the 12-month period prior to the date of this Annual Information Form:

ZENA.WT (TSX)			
Period	High Trading Price	Low Trading Price	Volume
December 2019	$0.08	$0.04	3,661,339
November 2019	$0.10	$0.03	2,082,446
October 2019	$0.25	$0.03	4,847,982
September 2019	$0.40	$0.21	1,334,627
August 2019	$0.50	$0.30	1,549,136

ZENA.WT (TSX)			
Period	High Trading Price	Low Trading Price	Volume
July 2019	$0.73	$0.395	2,168,687
June 2019	$0.60	$0.45	1,274,516
May 27-31, 2019	$0.63	$0.55	646,600

ZENA.WT (TSXV)			
Period	High Trading Price	Low Trading Price	Volume
May 1-24, 2019	$0.71	$0.50	4,153,144
April 22-30, 2019	$0.83	$0.26	8,810,507

Prior Sales

The following table sets forth the details regarding all issuances of securities that are not listed or quoted on a marketplace, during the 12-month period before the date of this Annual Information Form:

Date of issuance	Security	Number of securities	Issuance/Exercise price per security
January 8, 2019	Series 1 Class A Preferred Shares	17,860[(1)]	N/A
January 21, 2019	Stock Options	750,000	$4.25
February 1, 2019	Stock Options	805,000	$4.16
February 5, 2019	Stock Options	150,000	$4.45
February 18, 2019	Stock Options	300,000	$3.55
February 19, 2019	Warrants	2,593,283	$4.02
March 6, 2019	Stock Options	125,000	$3.33
March 27, 2019	Convertible Debentures	15,000	$1,000
March 27, 2019	Warrants	825,000	$3.62
April 2, 2019	Stock Options	530,000	$3.13

Date of issuance	Security	Number of securities	Issuance/Exercise price per security
May 2, 2019	Stock Options	3,755,511	$1.91
July 5, 2019	Warrants	6,009,615	$2.08
August 21, 2019	Warrants	902,514	$1.38502
August 21, 2019	Warrants	1,373,712	$1.82
January 27, 2020	Warrants	20,129,338	$0.20

Notes:

(1) Issued in connection with the closing of the RTO. All Series 1 Class A Preferred Shares were converted into Common Shares on March 5, 2019, in accordance with their terms.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

Any securities issued pursuant to exemptions from prospectus are subject to the regulatory four (4) month hold period.

DIRECTORS AND OFFICERS

Name, Occupation and Security Holding

The following table sets out the names of the persons who are directors and officers of the Company, the province in which each person is ordinarily resident, the positions and offices which each presently holds with the Company, the period of time for which each person has been a director of the Company, the respective principal occupations or employment during the past five years if such nominee is not presently an elected director and the number of Common Shares which each beneficially owns, directly or indirectly, or over which control or direction is exercised as of the date of this Annual Information Form.

Name, Province or State and Country of Residence, and Position with the Company(1)	Present and Former Principal Occupation, Business or Employment(1)	Date Served as Director/Officer Since	No. of Common Shares Beneficially Owned, or Controlled or Directed, Directly or Indirectly(1)
Kevin Coft British Columbia, Canada Chief Executive Officer and Director	Mr. Coft was one of Zenabis' founding members, having previously acted as CEO when it was a part of the Sun Pharm group, and before the amalgamation with Bevo Agro that created Zenabis Global Inc. Mr. Coft is an operational and supply chain professional with over 30 years of international procurement, facility operations, and managerial experience. Previously, he held senior roles at IHL Group and Buy-Low Foods.	December 10, 2019	3,834,941 1.0%

Name, Province or State and Country of Residence, and Position with the Company(1)	Present and Former Principal Occupation, Business or Employment(1)	Date Served as Director/Officer Since	No. of Common Shares Beneficially Owned, or Controlled or Directed, Directly or Indirectly(1)
Eric Rasmussen British Columbia, Canada Chief Financial Officer and Director	Mr. Rasmussen has extensive senior management experience in publicly-listed companies, both in North America and Europe. Mr. Rasmussen has been a strategic consultant for Canadian large- and mid-size clients, advising on corporate strategic and financial planning, post-merger integration and business process optimization. Mr. Rasmussen holds a Master of Science (International Finance) from University of London; as well as Designations as CIA, CPA, CMA.	January 1, 2020	Nil
Andrew Grieve British Columbia, Canada Director	Mr. Grieve is an experienced financial executive, entrepreneur, and principal investor. Mr. Grieve is a co-founder and former Co-head of Advisory at Agentis Capital, where he advised on more than $20 billion of completed acquisition, financing, and project development transactions across a wide range of sectors. Mr. Grieve has served as an officer in the Canadian Armed Forces for 15 years, where he is currently a Major.	January 22, 2019	271,365 (5) 0.07%
Leo Benne British Columbia, Canada Chief Growing Officer and Director	Prior to the completion of the RTO, Mr. Benne was the Vice-President, General Manager and Secretary of the Company. Mr. Benne is also the General Manager of Bevo Farms Ltd., a wholly owned subsidiary of the Company.	July 11, 2000	13,238,304 3.42%
Manoj (Monty) Sikka (2)(3)(4) British Columbia, Canada Chairman and Director	Mr. Sikka, co-founder of Zenabis, has had a successful career of start-up companies in the technology sector over the past two decades. He has extensive experience in e-commerce, marketing and finance sectors. As President of the Monark Group, a group of companies he co-founded in 2001, Mr. Sikka has grown the business into a multi-million-dollar, multi-faceted corporation.	January 8, 2019	46,771,936 (6) 12.09%

Name, Province or State and Country of Residence, and Position with the Company[1]	Present and Former Principal Occupation, Business or Employment[1]	Date Served as Director/Officer Since	No. of Common Shares Beneficially Owned, or Controlled or Directed, Directly or Indirectly[1]
Daniel Burns[2][3][4] British Columbia, Canada Independent Director Chair of the Audit, Compensation and Corporate Governance and Nomination Committees	Daniel Burns, J.D., MBA, CPA, CMA, ICD.D, A.C.C., is a lawyer, accountant and entrepreneur. He is currently the President and CEO of NDC Solutions Inc. He is an experienced director in the fields of financial services, investment management, insurance and mining. He is currently a director of Rubicon Minerals Inc, a TSX listed issuer, where he chairs the Audit, Compensation and Governance Committees. In addition, Mr Burns is a director of Cubic Farm Systems Corp, a TSXV listed issuer, where he chairs the Audit and Compensation Committees. He is a former Chair of the World Council of Credit Unions (Washington, DC), director of the Cooperators Insurance Group and member of the Desjardins Group Advisory Committee. Mr. Burns was formerly the Chair of Credit Union Central of Canada and Chair of Central 1 Credit Union , a director of Addenda Capital Inc., Coast Capital Savings and the Nature Conservancy of Canada. Mr. Burns completed the International Company Directors Course (Australian Institute of Company Directors) and holds the ICD.D (Institute of Corporate Directors) and A.C.C. (The Directors College) designations. He has Bachelor of Arts, Economics from Western University and a Juris Doctor J.D. from the University of British Columbia. He graduated the Omnium Global MBA program, receiving an MBA from the Rotman School of Management at the University of Toronto and a global executive MBA from St. Gallen University, Switzerland. He is a member of the Law Society of British Columbia, Chartered Professional Accountant and Certified Management Accountant.	January 8, 2019	666,666 0.17%

Name, Province or State and Country of Residence, and Position with the Company(1)	Present and Former Principal Occupation, Business or Employment(1)	Date Served as Director/Officer Since	No. of Common Shares Beneficially Owned, or Controlled or Directed, Directly or Indirectly(1)
Natascha Kiernan(2) British Columbia, Canada Independent Director	Ms. Kiernan is an experienced international finance and M&A attorney who has held senior positions at several prominent international law firms including Skadden, Arps, Slate, Meagher & Flom LLP. Ms. Kiernan and has represented Fortune 500 companies, financial institutions and international governments in complex corporate finance and M&A transactions. Ms. Kiernan holds a J.D. from Columbia University School of Law and is qualified to practice law in New York and England & Wales. She serves as an independent director on the boards of several educational and non-profit organizations. Ms Kiernan has approximately 15 years experience proving legal and strategic advice to clients on significant public offerings and other major financial transactions. As part of her legal and professional training she has taken a number of courses on financial statement analysis and she participates in continuing education programs for audit committee members. Ms Kiernan also holds a CDI.D designation from Corporate Directors International.	May 20, 2019	Nil
Vincent Quan British Columbia, Canada Independent Director	Mr. Quan currently serves as the Vice President of Finance for the Richberry Group of Companies, a national agribusiness enterprise with operations in British Columbia and Quebec, and Canada's largest grower-owner of Ocean Spray Cranberries. With over 17 years of experience providing effective financing structures with engaging mid-market companies, he has extensive knowledge of the North American agriculture and greenhouse sectors. Working previously for Farm Credit Canada, Canada's largest agriculture lender, he oversaw a team of lending professionals across British Columbia managing a portfolio in excess of $1 billion. Mr. Quan holds a Bachelor of Science (Honours) degree in Agriculture Economics from the University of British Columbia.	November 20, 2019	650,768 0.17%

Notes:

(1) The information as to the province and country of residence, principal occupation and shares beneficially owned or over which a director exercises control or direction, not being within the knowledge of the Company, has been furnished by the respective directors or officers individually as of the date of this Annual Information Form.
(2) Member of the Audit Committee.
(3) Member of the Compensation Committee.
(4) Member of the Corporate Governance and Nominating Committee.
(5) Mr. Grieve has control and direction over the 271,365 Common Shares held by 0889703 B.C. Ltd.
(6) Mr. Sikka owns 250,566 Common Shares in his personal capacity. Mr. Sikka has control and direction over the voting rights attached to 46,521,370 Common Shares held by Bluecore Medical Partnership.
(7) Mr. Spears has control and direction over the 583,333 Common Shares held by Ace148 Incorporated.

(8) The term of each director of Zenabis will expire on the date of the next annual meeting of shareholders of Zenabis.
(9) Mr. Coft has control and direction over the 3,834,941 Common Shares held by Nuovo Enterprises Ltd.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of Zenabis, no director or executive officer of Zenabis is, as at the date of this Annual Information Form, or has been, within the 10 years before the date of this Annual Information Form, a director, chief executive officer or chief financial officer of any company that:

(a) was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or

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

For the purposes of the above paragraph, "order" means a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case, that was in effect for a period of more than 30 consecutive days.

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

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

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

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

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

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

Conflicts of Interest

The Company's directors and officers may serve as directors or officers, or may be associated with, other reporting companies, or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the transaction. If a conflict of interest arises, the Company will follow the provisions in accordance with the applicable laws dealing with conflict of interest. In particular, in the event that such a conflict of interest arises at a meeting of our directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms unless otherwise permitted. In accordance with the laws of the Province of British

Columbia, the directors and officers of the Company are required to act honestly, in good faith, and the best interest of the Company. The following are all of the potential or existing material conflicts of interest between the Company and the directors and officers of the Company.

PROMOTERS

The following persons may be considered to have been promoters within the two most recent years:

Name, municipality of residence	Zenabis Common Shares beneficially owned or over which control or direction is exercised		Value of other consideration received from Zenabis
	Number	Percentage(2)	
Manoj (Monty) Sikka, White Rock, British Columbia	46,771,936(1)(3)	13.45%	Nil
Mark Catroppa, Surrey, British Columbia	51,704,776(1)(4)	14.87%	Nil

(1) On a non-diluted basis.
(2) Based on 386,685,435 Common Shares outstanding as of the date of this Annual Information Form
(3) Mr. Sikka owns 250,566 Common Shares in his personal capacity. Mr. Sikka has control and direction over the voting rights attached to 46,521,370 Common Shares held by Bluecore Medical Partnership.
(4) Mr. Catroppa owns 536,233 Common Shares in his personal capacity. Mr. Catroppa has control and direction over the voting rights attached to 51,102,497 Common Shares held by Blue Samurai Medical Partnership and 66,046 Common Shares held by 1015359 B.C. Ltd.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Zenabis is currently not aware of any legal proceedings to which it is a party, or by which any of its property is subject, which would be material to it and are not aware of any such proceedings being contemplated. The Company is, from time to time, involved in legal proceedings of a nature considered normal to its business. The Company believes that none of the litigation in which it is currently involved, or has been involved since the beginning of the most recently completed financial year, individually or in the aggregate, is material to its consolidated financial condition or results of operations.

Zenabis is not aware of any penalties or sanctions imposed against the Company by, or settlement agreements entered into before, a court relating to securities legislation or by a securities regulatory authority during the most recently completed financial year. Zenabis is not aware of any other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor making an investment decision.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Upon completion of the RTO (described in detail under the "Corporate Structure" section), a success fee was payable to Agentis Capital Partners, of which Mr. Andrew Grieve, the CEO of the Company during part of the most recently completed financial year and a director of the Company, is a partner, in the amount of $3,822,403.65. The financial advisory agreement pursuant to which this success fee was payable was entered into between Bevo and Agentis prior to Mr. Grieve becoming the CEO and a director of the Company.

The Company agreed to a 'success fee' based strategic services agreement with a business affiliated with Mr. Grieve in October 2018. Under this agreement, a success fee was payable upon the successful completion of the $51,000,000 financing in January 2019. $382,500 was paid under this contract in 2019.

The Company agreed to a strategic consulting services agreement in October 2018, under which a business affiliated with Mr. Grieve dedicated the services of certain of its personnel to the Company based on fixed monthly rates for individuals of various levels. $768,873 was paid by the contract in 2019. This contract ended in 2019.

The Company commenced utilizing HR and recruitment services in the fourth quarter of 2018 from a company affiliated with Mr. Grieve to implement the Company's rapid expansion during the first and second quarters 2019, during which period employee headcount at the Company's Cannabis segment increased from approximately 200 as at December 31, 2018, to 489 as at June 30, 2019. Amounts paid under this contract totaled $976,357 in 2019. This contract ended in 2019.

Employees were contracted to Zenabis from a company owned by the Company's Chairman, Mr. Monty Sikka, to facilitate Zenabis' rapid production expansion. Amounts paid under this arrangement totaled $308,616 in 2019 and $1,133,872 in 2018. All contractors have now either been hired by the Company or replaced through in-sourcing the related activities.

Except as disclosed above or elsewhere in this Information Circular, none of:

(a) the directors or executive officers, or any associate or affiliate thereof, of the Company; or

(b) any person or company, or associate or affiliate thereof, that beneficially owns, or controls or directs, directly or indirectly, more than 10 percent of any class or series of the Company's outstanding voting securities,

has any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Company or any subsidiary of the Company.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar of the Company is Computershare Trust Company of Canada at its offices in Vancouver, British Columbia.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only material contracts entered into by the Company during the 12 month period since the beginning of the last financial year before the date of this Annual Information Form, or entered into prior to such date but which contract is still in effect, are:

- the common share purchase warrant indenture dated April 17, 2019 and the first supplemental common share purchase warrant indenture dated as of November 28, 2019 (together, the "**Warrant Indenture**") between the Company and Computershare Trust Company of Canada, as warrant agent, pursuant to which the warrant agent holds all rights, interests and benefits contained therein for and on behalf of those persons who from time to time becomes holders of the Listed Warrants issued pursuant to the Warrant Indenture;

- an agency agreement dated April 12, 2019 between the Company, Eight Capital, GMP Securities L.P., Canaccord Genuity Corp., Haywood Securities Inc. and Laurentian Bank Securities Inc., as agents, pursuant to which the agents agreed to offer for sale 11,111,111 units, at a price of $2.25 per unit, for aggregate gross proceeds of $25,000,000;

- an underwriting agreement dated March 27, 2019 between the Company, and Eight Capital, whereby Eight Capital acted as underwriter for a bought deal private placement of 15,000 unsecured convertible debentures of the Company, at a price of $1,000 per debenture, for gross proceeds of $15,000,000;

- an agency agreement dated March 27, 2019 between the Company and Eight Capital, pursuant to which Eight Capital offered for sale, an additional 60,000 convertible debentures, issuable in tranches, at a price of $1,000 per debenture, for potential gross proceeds of $60,000,000;

- License No. LIC-HY146R3MKV-2018 issued to Zenabis Ltd. by Health Canada in respect of Zenabis Atholville, dated effective as of November 9, 2018;

- License No. LIC-JZ05C40GE2-2018 issued to Zenabis Ltd. by Health Canada in respect of Zenabis Delta, dated effective as of November 8, 2018;

- License No. LIC-CXXOOUTB08-2019 issued to Vida Cannabis (Canada) Ltd. by Health Canada in respect of Zenabis Stellarton, dated effective as of March 1, 2019.

Copies of these agreements are available under the Company's SEDAR profile at *www.sedar.com*.

AUDIT COMMITTEE INFORMATION

The Audit Committee (the "Committee") is a committee of the board of directors (the "Board") of Zenabis Global Inc. (the "Company") the primary function of which is to assist the Board in its oversight of the nature and scope of the annual audit, management's reporting on internal accounting standards and practices, financial information and accounting systems and procedures, controls around releases containing financial information, financial reporting and statements and to recommend, for approval of the Board, or to approve, the audited financial statements and interim financial statements. The primary objectives of the Committee are as follows:

(a) To assist directors in meeting their responsibilities (especially for accountability) in respect of the preparation and disclosure of the financial statements of the Company and related matters;

(b) To oversee the work of the external auditors;

(c) To provide better communication between directors and external auditors;

(d) To enhance the external auditors' independence;

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

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

The Audit Committee's mandate sets out its responsibilities and duties, qualifications for membership, procedures for committee member removal and appointments and reporting to the Board. The Audit Committee's charter is attached hereto as Schedule "A".

As of the date of this Annual Information Form, the Audit Committee of the Company is comprised of Daniel Burns, Natascha Kiernan and Monty Sikka.

The Board has determined that the former all three members of the Audit Committee are independent and that all three members financially literate within the meaning of National Instrument 52-110 – *Audit Committees*. Each of the members of the Audit Committee have the education and/or practical experience required to understand and evaluate financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements.

Audit Committee Oversight

At no time since the commencement of the Company's most recently completed financial year, has any recommendation of the Audit Committee to nominate or compensate an external auditor not been adopted by the Company on behalf of the Board.

Pre-Approval Policies and Procedures

Pursuant to the terms of the Audit Committee's mandate, the Audit Committee must pre-approve all non-audit services to be provided to the Company or its subsidiaries by the Company's external auditor.

Reliance on Certain Exemptions

At no time has the Company relied on an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

External Auditor Service Fees

The following table sets forth, by category, the fees (including estimates) for all services rendered by the Company's external auditors, KPMG LLP, for the period ending December 31, 2019.

	Year Ended December 31, 2019
Audit Fees(1)	$1,348,348
Audit Related Fees(2)	418,315
Tax Fees(3)	67.669
All Other Fees	Nil

Notes:

(1) Includes fees necessary to perform the annual audit and quarterly reviews of the Company's financial statements. Audit Fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.

(2) Includes services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.

INTERESTS OF EXPERTS

The financial statements of the Company for the fiscal year ended December 31, 2019 have been audited by KPMG LLP which is independent within the meaning of the Code of Professional Conduct of the Chartered Professional Accountants of British Columbia.

ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at http://www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, is contained in the Company's information circular for its most recent annual meeting of shareholders. Additional financial information is provided in the Company's financial statements and management discussion and analysis for the most recently completed financial year which will be made available on the Company's SEDAR profile at *www.sedar.com*.

AUDIT COMMITTEE CHARTER

1. PURPOSE

The Audit Committee (the "**Committee**") is a committee of the Board of Directors (the "**Board**") of Zenabis Global Inc. (the "**Company**") the primary function of which is to assist the Board in its oversight of the nature and scope of the annual audit, management's reporting on internal accounting standards and practices, financial information and accounting systems and procedures, controls around releases containing financial information, financial reporting and statements and to recommend, for approval of the Board, or to approve, the audited financial statements and interim financial statements.

The primary objectives of the Committee are as follows:

(a) To assist directors in meeting their responsibilities (especially for accountability) in respect of the preparation and disclosure of the financial statements of the Company and related matters;

(b) To oversee the work of the external auditors;

(c) To provide better communication between directors and external auditors;

(d) To enhance the external auditors' independence;

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

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

2. RESPONSIBILITY OF MANAGEMENT AND EXTERNAL AUDITORS

The Committee's role is one of oversight. Management is responsible for preparing the Company's financial statements and other financial information and for the fair presentation of the information set forth in the financial statements in accordance with the standards and interpretations adopted by the International Accounting Standards Board from time to time or other applicable generally accepted accounting principles ("**IFRS**"). Management is also responsible for establishing internal controls and procedures and for maintaining the appropriate accounting and financial reporting principles and policies designed to assure compliance with accounting standards and all applicable laws and regulations.

The external auditors' responsibility is to audit the Company's financial statements and provide their opinion, based on their audit conducted in accordance with generally accepted auditing standards, that the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Company in accordance with IFRS.

3. MEMBERSHIP AND ORGANIZATION

(a) **Composition:** The Committee shall be comprised of not less than three independent members of the Board.

(b) **Independence:** The Committee shall be composed entirely of "independent" directors, as such term is defined in National Instrument 52-110 and any applicable stock exchange rules, each as may be amended or replaced from time to time. In addition, none of the members of the Committee may have participated in the preparation of the financial statements of the Company or any current subsidiary of the Company during the past three years.

(c) **Appointment and Removal of Committee Members:** Each member of the Committee shall be appointed by the Board on an annual basis and shall serve at the pleasure of the Board or until the earlier of: (i) the close of the next annual meeting of the shareholders of the Company at which the member's term of office expires; (ii) the death of the member; or (iii) the resignation, disqualification or removal of the member from the Committee or from the Board. The Board may fill any vacancy in the membership of the Committee.

(d) **Financial Literacy:** All of the members of the Committee shall be "financially literate" within the meaning used in National Instrument 52-110 or a member who is not financially literate must become so within a reasonable period of time following his or her appointment.

(e) **Chair:** At the time of the annual appointment of the members of the Committee, the Board shall appoint a Chair of the Audit Committee. The Chair shall be a member of the Committee, preside over all Committee meetings, coordinate the Committee's compliance with this Charter, work with management to develop the Committee's annual work plan and provide reports of the Committee to the Board. The Chair may vote on any matter requiring a vote. In the case of an equality of votes, the Chair shall be entitled to a second or casting vote. The Chair shall report to the Board, as required by applicable law or as deemed necessary by the Committee or as requested by the Board, on matters arising at Committee meetings and, where applicable, shall present the Committee's recommendation to the Board for its approval.

(f) **Meeting Procedures:** A majority of the members of the Committee shall constitute a quorum for the transaction of business and the act of the majority of those present at any meeting at which there is a quorum shall be the act of the Committee.

4. FUNCTIONS AND RESPONSIBILITIES

The Committee shall have the functions and responsibilities set out below as well as any other functions that are specifically delegated to the Committee by the Board. In addition to these functions and responsibilities, the Committee shall perform the duties required of an audit committee by the relevant provincial corporations act, by any requirements of stock exchanges on which the securities of the Company are listed, and all other applicable laws.

(a) **Oversee External Auditors:** The Committee shall oversee the work of the external auditors, including reviewing any significant disagreements between management and the external auditors in connection with the preparation of financial statements.

(b) **Internal Controls:** The Committee shall monitor the system of internal control. The Committee shall require management to implement and maintain appropriate systems of internal control in accordance with applicable laws, regulations and guidance, including internal control over financial reporting and disclosure and to review, evaluate and approve these procedures. At least annually, the Committee shall consider and review with management and the external auditors:

(i) the effectiveness of, or weaknesses or deficiencies in: the design or operation of the Company's internal controls (including computerized information system controls and security); the overall control environment for managing business risks; and accounting, financial and disclosure controls (including, without limitation, controls over financial reporting), non-financial controls, and legal and regulatory controls and the impact of any identified weaknesses in internal controls on management's conclusions.

(ii) any significant changes in internal control over financial reporting that are disclosed, or considered for disclosure, including those in the Company's periodic regulatory filings;

(iii) any material issues raised by any inquiry or investigation by the Company's regulators; and

(iv) any related significant issues and recommendations of the external auditors together with management's responses thereto, including the timetable for implementation of recommendations to correct weaknesses in internal controls over financial reporting and disclosure controls.

(c) **Review Financial Statements:** The Committee shall review the annual and interim financial statements of the Company and related management's discussion and analysis ("**MD&A**") prior to their approval. The process should include but not be limited to:

(i) reviewing changes in accounting principles and policies, or in their application, which may have a material impact on the current or future years' financial statements;

(ii) reviewing significant accruals, reserves or other estimates;

(iii) reviewing any "related party" transactions, with related party having the meaning ascribed to it by Canadian securities regulations;

(iv) reviewing accounting treatment of unusual or non-recurring transactions;

(v) ascertaining compliance with covenants under loan agreements;

(vi) reviewing disclosure requirements for commitments and contingencies;

(vii) reviewing unresolved differences between management and the external auditors;

(viii) obtain explanations of significant variances with comparative reporting periods; and

(ix) reviewing any legal matters which could significantly impact the financial statements as reported on by the legal counsel and meet with outside counsel whenever deemed appropriate.

(d) **Public Disclosure:** The Committee shall review the financial statements, MD&A, annual information forms, management information circulars and any prospectuses as well as all public disclosure containing audited or unaudited financial information before release and prior to Board approval.

(e) **Interim Financial Statements:** The Committee shall review the interim financial statements and disclosures, and obtain explanations from management as required. After completing its review of the interim financial statements, if advisable, the Committee shall, if so authorized by the Board, approve the interim financial statements and the related MD&A, or if not so authorized by the Board, then approve and recommend them for approval by the Board.

(f) **Hiring Policies:** The Committee shall review and approve the Company's hiring policies regarding the hiring of partners, employers and former partners and employees of the present and former external auditors of the Company.

(g) **Appointment of External Auditors**: With respect to the appointment of external auditors by the Board, the Committee shall:

(i) recommend to the Board the appointment of the external auditors for approval by the shareholders at the Company's annual meeting of shareholders;

(ii) recommend to the Board the terms of engagement of the external auditor, including the compensation of the auditors and a confirmation that the external auditors shall report directly to the Committee;

(iii) on an annual basis, obtain from the external auditors a formal written statement delineating all relationships between the auditor and the Company, consistent with Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees). Review and discuss with the external auditors all significant relationships such auditors have with the Company to determine the auditors' independence;

(iv) review the performance of the external auditors;

(v) when there is to be a change in auditors, review the issues related to the change and the information to be included in the required notice to securities regulators of such change; and

(vi) review and approve in advance any non-audit services to be provided to the Company or its subsidiaries by the external auditors and consider the impact on the independence of such auditors, including reviewing the range of services provided in the context of all consulting services bought by the Company. The Committee may delegate to one or more members the authority to approve non–audit services, provided that the member report to the Committee at the next scheduled meeting such pre–approval and the member comply with such other procedures as may be established by the Committee from time to time.

(h) **Evaluation and Rotation of Lead Partner:** At least annually, the Committee shall review the qualifications and performance of the lead partners of the external auditors. The Committee shall obtain a report from the external auditors annually verifying that the lead partner of the external auditors has served in that capacity for no more than five fiscal years of the Company and that the engagement team collectively possesses the experience and competence to perform an appropriate audit.

(i) **Review with External Auditors:** Review with external auditors (and internal auditor if one is appointed by the Company) their assessment of the internal controls of the Company, their written reports containing recommendations for improvement, and management's response and follow-up to any identified weaknesses. The Committee shall also review annually with the external auditors their plan for their audit and, upon completion of the audit, their reports upon the financial statements of the Company and its subsidiaries.

(j) **Risk Policies and Procedures:** The Committee shall review risk management policies and procedures of the Company (e.g. hedging, litigation and insurance), regarding current areas of great financial risk and whether management is managing these effectively.

(k) **Treatment of Complaints/Submissions:** The Committee shall review and approve the establishment by management of procedures for the receipt, retention and treatment of complaints received by the Company from employees or others, regarding accounting, internal accounting controls, or auditing matters. The procedures will provide for the confidential, anonymous submission by the Company employees of concerns regarding questionable accounting or auditing matters.

(l) **Investigations:** The Committee shall have the authority to investigate any financial activity of the Company. All employees of the Company are to cooperate as requested by the Committee.

(m) **Retain Experts:** The Committee may retain independent counsel, persons having special expertise and/or obtain independent professional advice to assist in filling their responsibilities at the expense of the Company without any further approval of the Board. The Committee has the authority to set, and have the Company, pay the compensation for any such persons engaged by the Committee.

(n) **Advising Board:** The Committee shall ensure that the Board is aware of matters which may significantly impact the financial condition or affairs of the business.

(o) **Updates to Charter:** The Committee shall annually review and recommend to the Board any updates to the Audit Committee Charter. All changes to the Audit Committee Charter shall be approved by the Board.

(p) **Legal Compliance:** The Committee share confirm that the Company's management has the proper review system in place to ensure that the Company's financial statements, reports, press releases and other financial information satisfy legal requirements. The Committee will review with the Company's legal counsel any legal matter that the Committee understands could have a significant impact on the Company's financial statements.

(q) **Fraud Prevention and Detection:** The Committee shall have the authority to oversee and assess management's controls and processes to prevent and detect fraud; receiving periodic reports on findings of fraud as well as significant findings regarding the design and/or operation of internal controls and management processes.

5. LIMITATION OF RESPONSIBILITY

While the Audit Committee has the responsibilities and powers provide by this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with IFRS. This is the responsibility of management (with respect to whom the Audit Committee performs an oversight function) and the external auditors.

6. ADOPTION OF THE AUDIT COMMITTEE CHARTER

This Charter was adopted and approved by the Board effective January 7, 2019 and most recently approved on March 27, 2020.