

# **NOVA**

## **CANNABIS INC.**

**ANNUAL INFORMATION FORM**

**For the Year Ended December 31, 2021**

March 18, 2022

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# 1. CURRENCY

All dollar amounts in this Annual Information Form are in Canadian dollars unless otherwise stated.

# 2. DOCUMENTS INCORPORATED BY REFERENCE

Certain provisions of the Management's Discussion and Analysis of Nova Cannabis Inc. ("**Nova**" or, the "**Company**") for the year-ended December 31, 2021 (the "**MD&A**") are incorporated herein by reference, to the extent specified herein. The MD&A has been prepared by the Company and is available on SEDAR under the Company's profile at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.novacannabis.ca](http://www.novacannabis.ca).

# 3. FORWARD LOOKING STATEMENTS

This Annual Information Form contains forward-looking statements or information (collectively, "**forward-looking statements**") within the meaning of the "safe harbour" provisions of applicable securities legislation. All statements and information other than statements of historical fact contained in this Annual Information Form are forward-looking statements. In particular, this Annual Information Form contains forward-looking statements regarding, without limitation:

- the Company's cannabis strategy;
- government regulation of the recreational cannabis retail industry;
- the impact of the legalization of recreational cannabis in Canada;
- the execution of the Company's discount cannabis strategy; and
- the Company's financial position and future prospects.

Prospective investors can identify many of these statements by looking for words such as "believes", "may", "expects", "will", "intends", "projects", "anticipates", "estimates", "continues" or similar words and the negative thereof.

Forward-looking statements reflect the Company's current plans, intentions and expectations, and are based on Management's perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate in the circumstances. The Company's plans, intentions and expectations are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events and as such, are subject to change. There is no assurance that the plans, intentions or expectations upon which these forward-looking statements are based will occur. Forward-looking statements are subject to risks, uncertainties and assumptions, including, but not limited to, those discussed elsewhere in this Annual Information Form and in the MD&A. Although Management believes that the plans, intentions and expectations represented in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct and such forward-looking statements included in this Annual Information Form should not be unduly relied upon.

Some of the factors that could affect future results and could cause results to differ materially from those expressed in the forward-looking statements contained herein include, but are not limited to:

- risks relating to the COVID-19 pandemic, governmental responses thereto, the Company's continuous monitoring thereof and measures taken in response thereto, and the impact thereof on the local and global economies, the cannabis industry, and on the Company generally;
- risks relating to federal, provincial and municipal government cannabis regulations and changes thereto;
- competition;
- the state of the economy, including general economic conditions in Canada (including the Provinces of Alberta, Ontario and Saskatchewan);
- uncertainty surrounding the go-forward relationship with Alcanna Inc. (including pursuant to the comprehensive management and administrative services agreement made effective March 22, 2021);
- the unpredictability and volatility of the share price of the Company's common shares;

## FORWARD LOOKING STATEMENTS

- the potential lack of an active trading market for the Company's common shares;
- dilution and future sales of the Company's common shares or securities convertible into common shares;
- the Company's ability to continually meet the listing requirements to maintain the listing of the Company's common shares on the TSX;
- the availability of sufficient financial resources to fund the Company's capital expenditures and strategies;
- changes in commodity tax rates and government mark-ups or other taxes that impact the price of cannabis products;
- risks relating to any disposition of recreational cannabis stores in Alberta, Ontario or Saskatchewan, and any transitional periods in connection therewith during which the Company's assets, including intellectual property, may be permitted to be used by a purchaser of its stores;
- risks relating to future acquisitions and dispositions, including the risk that future acquisitions may involve financings or other transactions involving the issuance of securities which may be dilutive;
- risks relating to potential conflicts of interest that may arise in connection with future acquisitions or new business;
- risks relating to the development of new cannabis stores;
- risks relating to commercial leases entered into by the Company;
- risks relating to the general performance of the recreational cannabis industry;
- risks relating to the Company's ability to continue to implement new and innovative strategies to increase market share;
- risks relating to potential product recalls or product liability of cannabis products;
- risks relating to potentially unfavourable publicity or consumer perception in connection with cannabis products;
- risks relating to operating risk and insurance coverage;
- the ability of Management to execute the Company's cannabis strategy;
- Nova's ability to locate and secure acceptable store sites and to adapt to changing market conditions;
- poor weather conditions and/or seasonal variations;
- dependence on key personnel;
- labour costs, shortages of labour and labour relations, including Nova's ability to hire and retain staff at current wage levels and the risk of possible future unionization;
- risks relating to the sale of goods that have a limited shelf life;
- interruption or delays in the supply of cannabis products;
- dependence on suppliers and wholesalers;
- reliance on information and control systems;
- risk of infringement of intellectual property rights;
- risk of a breach of a confidentiality agreement by a counterparty;
- risk of litigation against the Company;
- risk of theft from the Company's stores;
- risks relating to cybersecurity;
- risks relating to political uncertainty in North America, and elsewhere in the world, that may affect access to goods and services required for operations;
- income tax changes;
- leverage and restrictive covenants in any agreements relating to the future indebtedness of Nova;
- credit risks arising from operations; and
- risks that the forward-looking information may prove to be inaccurate, as it involves the reliance on numerous assumptions, known and unknown risks and uncertainties, that could cause actual results to differ materially from those suggested by the forward-looking information.

These factors should not be construed as exhaustive. The information contained in this Annual Information Form, and as disclosed in other filings made by the Company with Canadian securities regulatory authorities and available on SEDAR at [www.sedar.com](http://www.sedar.com), identifies additional factors that could affect Nova's business, financial condition, liquidity or results of operations. The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this Annual Information Form are made as of the date of this Annual Information Form and Nova assumes no obligation to update or revise them to reflect new events or circumstances, except as expressly required by applicable securities legislation.

## 4. EFFECTIVE DATE OF INFORMATION

Except where otherwise indicated, the information in this Annual Information Form is presented as at the end of Nova's most recently completed financial year, being December 31, 2021.

## 5. CORPORATE STRUCTURE

### A. NAME, ADDRESS AND INCORPORATION

The Company was incorporated pursuant to the provisions of the *Business Corporations Act* (British Columbia) on September 8, 1987. The Company continued from British Columbia to Alberta under the *Business Corporations Act* (Alberta) on January 4, 2019. The Company changed its name from "Aldershot Resources Ltd." to "Solo Growth Corp." on January 7, 2019, and to "YSS Corp." on May 29, 2019.

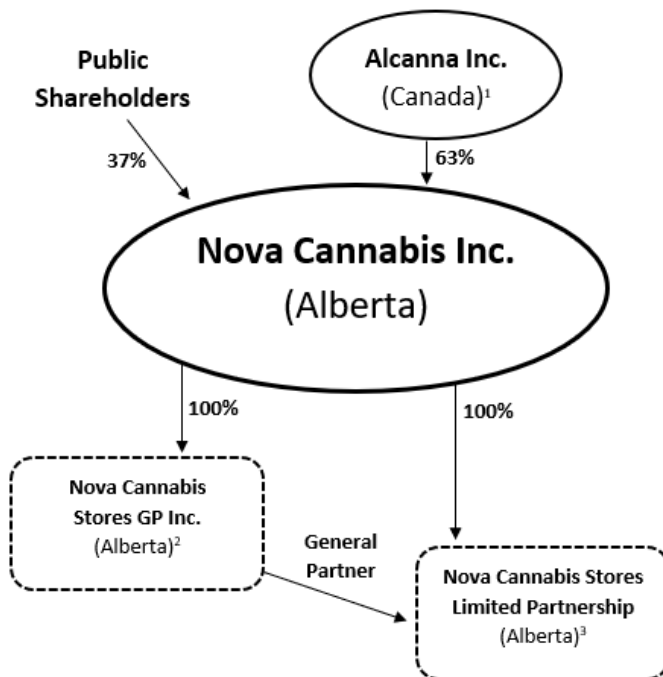
On March 22, 2021, the Company completed the previously announced business combination agreement with Alcanna Inc. (TSX: CLIQ) ("**Alcanna**"), whereby Alcanna spun-out its retail cannabis business, comprised of its wholly-owned subsidiary, Alcanna Cannabis Stores Limited Partnership ("**ACS LP**") and its general partner, Alcanna Cannabis Stores GP Inc. ("**ACS GP**" and together with ACS LP, the "**ACS Entities**"), and combined with YSS Corp. ("**YSS**") to form a new discount-focused cannabis retailer, Nova Cannabis Inc. (the "**Alcanna BCA**"). The Alcanna BCA was an all-stock transaction that resulted in the reverse take-over ("**Reverse Take-Over**") of YSS by Alcanna (as majority shareholder), the creation of Nova Cannabis Inc., a common share consolidation and a further share issuance. Upon closing of the Alcanna BCA on March 22, 2021, the ACS Entities underwent a name change to Nova Cannabis Stores Limited Partnership ("**NCS LP**") and Nova Cannabis Stores GP Inc. ("**NCS GP**" and together with NCS LP, the "**NCS Entities**"). In connection with the Reverse Take-Over, the Company completed a share consolidation of the Company's common shares at a ratio of 18.353 pre-consolidation common shares (the "**YSS Common Shares**") to one post-consolidation common share (each a "**Nova Common Share**"). On July 15, 2021, the Nova Common Shares began trading on the Toronto Stock Exchange ("**TSX**") under the ticker "NOVC". In connection with the TSX listing, the Nova Common Shares were concurrently delisted from the TSX Venture Exchange ("**TSXV**").

The Company's corporate services office is located at Suite 101, 17220 Stony Plain Road, Edmonton, Alberta, T5S 1K6, and its registered office is located at Suite 4500, 855 – 2<sup>nd</sup> Street S.W., Calgary, Alberta, T2P 4K7.

At the 2021 annual general and special meeting of the shareholders of the Company, Nova adopted a New By-Law No. 1 to, among other things: (i) reflect recent amendments to the *Business Corporations Act* (Alberta) (the "**ABCA**"); (ii) authorize the Directors to set the size of the board of directors; (iii) modernize the by-laws; (iv) simplify provisions for ease of understanding and application; and (v) add the Advance Notice Provision, which sets a deadline by which such Shareholders must notify the Company of an intention to nominate directors prior to any meeting of Shareholders at which directors are to be elected and specifies the information that a nominating Shareholder must include in the notice in order for director nominees to be eligible for nomination and election at the meeting. A copy of New By-Law No. 1 is included in Nova's management information circular for its most recent annual meeting which may be found on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.novacannabis.ca](http://www.novacannabis.ca).

**B. INTERCORPORATE RELATIONSHIPS**

The following chart lists, as of the date hereof: (i) the intercorporate relationships of Nova and its material subsidiaries; (ii) the percentage of voting securities of the subsidiaries owned, controlled or directed by Nova; and (iii) the governing jurisdiction of incorporation or formation of these corporations and partnerships.



**Notes:**

- (1) Alcanna acquired 63% of the Nova Common Shares in connection with the Reverse Take-Over. See “*General Development of the Business – Recent Developments*”.
- (2) NCS GP is the general partner of NCS LP and holds a general partnership interest in NCS LP.
- (3) As of the date hereof, NCS LP owns and operates a total of 78 recreational cannabis retail stores; 57 in the Province of Alberta, 20 in the Province of Ontario, and 1 in the Province of Saskatchewan.

## 6. GENERAL DEVELOPMENT OF THE BUSINESS

The following is a description of the general development of Nova's business over the three (3) most recently completed financial years.

### A. RECENT DEVELOPMENTS

On October 7, 2021, Alcanna and Sundial Growers Inc. ("**Sundial**") entered into an arrangement agreement, which was subsequently amended on January 6, 2022 (collectively, the "**Arrangement Agreement**"), to complete a plan of arrangement (the "**Arrangement**"). Pursuant to the Arrangement Agreement and the amended terms of the plan of arrangement attached thereto, Sundial has agreed to acquire all of the issued and outstanding common shares of Alcanna from the Alcanna shareholders. Upon completion of the Arrangement, Alcanna, an approximately 63% shareholder in the Company, will become a wholly-owned subsidiary of Sundial, and as a result, Sundial will indirectly become the majority shareholder of the Company.

Completion of the Arrangement remains subject to certain customary closing conditions as further described in the Arrangement Agreement, including the receipt of certain regulatory approvals required under applicable provincial liquor and cannabis legislation. The parties expect that the Arrangement will close on or before April 30, 2022. For more information on the Arrangement, a copy of the arrangement agreement is available on each of Alcanna's and Sundial's SEDAR profile at [www.sedar.com](http://www.sedar.com).

As of the date hereof, Nova operates seventy-eight (78) recreational cannabis retail stores; 57 in the Province of Alberta and 20 in the Province of Ontario under the "Value Buds" banner, and 1 in the Province of Saskatchewan under the "Sweet Tree" banner.

### B. THREE YEAR HISTORY

#### CALENDAR YEAR ENDED DECEMBER 31, 2021

On January 18, 2021, YSS and Alcanna announced the execution of the Alcanna BCA, pursuant to which Alcanna would spin-out its cannabis retail business and combine with YSS to launch a new discount-focused cannabis retailer known as "Nova Cannabis Inc." in an all-stock transaction that would result in the reverse take-over of YSS by Alcanna.

On January 25, 2021, YSS completed the issuance of 1,875,000 YSS Common Shares pursuant to the definitive agreement entered into between YSS and Sweet Tree Modern Apothecary Ltd. ("**Sweet Tree**") on June 13, 2019 (the "**Sweet Tree Acquisition Agreement**"). The Sweet Tree Acquisition Agreement provided YSS with a call right payable to Sweet Tree (the "**Sweet Tree Call Right**") on all the voting shares of Sweet Tree for aggregate consideration of \$1.5 million cash and 22.5 million YSS Common Shares, plus contingent consideration of up to an additional 8.7 million YSS Common Shares. YSS also entered into a perpetual licensing agreement to rebrand and operate the stores under the YSS or Sweet Tree banner (together with the Sweet Tree Call Right, the "**Sweet Tree Acquisition**"). On June 13, 2019, upon closing the Sweet Tree Acquisition, YSS paid \$1.5 million cash and issued an aggregate of 4.5 million YSS Common Shares in accordance with the terms of the Sweet Tree Acquisition Agreement. YSS exercised the Sweet Tree Call Right, for no additional consideration, in connection with the Reverse Take-Over.

On March 22, 2021, Alcanna and YSS jointly announced the successful closing of the Reverse Take-Over, pursuant to which, among other things: (a) YSS acquired all of the issued and outstanding securities of the ACS Entities; (b) YSS completed the consolidation of the YSS Common Shares at a ratio of 18.353 pre-consolidation YSS Common Shares to one post-consolidation Nova Common Share; (c) in consideration for the acquisition of the ACS Entities, YSS issued 35,750,000 post-consolidation Nova Common Shares to Alcanna at a deemed price of \$3.00 per post-consolidation Nova Common Share; and (d) YSS changed its name to Nova Cannabis Inc. Upon closing the Reverse Take-Over, YSS Corp. was renamed "Nova Cannabis Inc." and the ACS Entities were renamed the "NCS Entities" to reflect the independent operations under the Nova umbrella.

## GENERAL DEVELOPMENT OF THE BUSINESS

In connection with the Reverse Take-Over, Eight Capital, Cormark Securities Inc. and Hyperion Capital Inc. were engaged by Alcanna and Alcanna Cannabis Stores Finance Ltd. ("**ACS FinCo**") to lead a private placement of subscription receipts of ACS FinCo (each, a "**Subscription Receipt**") at a price of \$3.00 per Subscription Receipt for aggregate gross proceeds to ACS FinCo of approximately \$40.0 million (the "**Concurrent Financing**"). The Concurrent Financing closed on February 10, 2021, resulting in each Subscription Receipt automatically converting into one common share of ACS FinCo (each, an "**ACS FinCo Share**"). Concurrent with the closing of the Reverse Take-Over, ACS FinCo and 2316416 Alberta Ltd., a wholly-owned subsidiary of YSS, amalgamated (the "**Amalgamation**") pursuant to the Alcanna BCA. Pursuant to the Amalgamation, each holder of ACS FinCo Shares issued upon the conversion of the Subscription Receipts received one post-consolidation Nova Common Share for each ACS FinCo Share held.

As a result of closing the Reverse Take-Over, Alcanna owns approximately 63% of the Nova Common Shares. Upon closing the Reverse Take-Over, Nova operated a consolidated cannabis retail business with 53 locations in the Provinces of Alberta, Saskatchewan and Ontario. With respect to its substantial equity interest in Nova, Alcanna and Nova entered into an investor rights agreement dated March 22, 2021 (the "**Investor Rights Agreement**") which includes a two year lock-up period, during which period Alcanna is restricted from selling or otherwise disposing of the Nova Common Shares, and provides Alcanna with, among other things, certain nomination rights to the board of directors of Nova (the "**Board**"), demand and piggy-back registration rights, and pre-emptive rights, so long as Alcanna holds a certain percentage of Nova Common Shares.

Upon completion of the Reverse Take-Over: (i) Mr. Darren Karasiuk was named President and Chief Executive Officer of Nova; (ii) Mr. David Gordey was named Chief Financial Officer; (iii) Ms. Marcie Kiziak was named Chief Operating Officer; (iv) Mr. Matthew Hewson was named Corporate Secretary; (v) all officers of YSS resigned; and (vi) all directors of YSS resigned except for Mr. Ron Hozjan who continues to serve on the Board. In connection with his appointment as an officer of Nova, Mr. Karasiuk resigned from the board of directors of Alcanna on March 20, 2021. Upon closing of the Reverse Take-Over, the Board was composed of Mr. James Burns, as chair, Mr. Thomas Bitove, as lead independent director, Mr. Ron Hozjan, Mr. Darren Karasiuk and Mr. Ross Sinclair.

Effective March 22, 2021, Nova entered into a comprehensive management and administrative services agreement with Alcanna (the "**Management Services Agreement**"), in which Alcanna agreed to provide certain services (including finance, marketing, reporting, legal, human resources and corporate) to Nova for an annual fee, plus adjustments and expenses. It is anticipated that Alcanna will provide certain services to Nova for at least two years following the completion of the Reverse Take-Over. In connection with the Reverse Take-Over, Alcanna has also provided lease guarantees for Nova, and has made available to Nova an uncommitted revolving credit facility with an aggregate principal amount not to exceed \$5.0 million (the "**Alcanna LOC**"), unless increased to a maximum revolving facility amount of \$10.0 million upon prior written notice to, and approval from, Alcanna, to be used to grow the business of Nova, including the acquisition and development of new stores and for general corporate purposes.

In April of 2021, the Company retained Loderock Advisors Inc. to provide strategic investor relations and capital markets communications services to the Company.

On May 11, 2021, Nova completed the acquisition of the "Nova Cannabis" branded store located at 499 Queen Street West, Toronto, which was previously operated under an agreement between a subsidiary of the Company and the license holder who obtained one of the first 25 Retail Store Authorizations ("**RSAs**") in Ontario via the Ontario lottery process (the "**Applicant**"). On November 9, 2020, the Applicant exercised its option to require Nova to purchase the assets of the store for \$1.0 million, plus customary adjustments. On May 14, 2021, the Company converted the store to the "Value Buds" banner.



On May 17, 2021, the Company's board of directors (the "**Board**") adopted a new equity incentive plan (the "**2021 Equity Incentive Plan**"). The purpose of the 2021 Equity Incentive Plan is to develop senior management's interests in the Company's growth by providing them with an opportunity to acquire proprietary interests in Nova, to attract and retain valuable individuals to the Company using a competitive method of compensation, and to align the interests of senior management with the interests of Shareholders by applying a compensation mechanism which will promote maximized distributions to Shareholders and long-term growth. The maximum number of Nova Common Shares available for issuance from treasury pursuant to the exercise or redemption, as applicable, of awards granted under the 2021 Equity Incentive Plan, together with Nova Common Shares issuable pursuant to all other security-based compensation arrangements of the Company, shall not exceed 10% of the total issued and outstanding Nova Common Shares (calculated on a non-diluted basis). The 2021 Equity Incentive Plan was approved and ratified by the Shareholders at the annual and special meeting of Shareholders held on June 22, 2021 (the "**2021 AGM**"). A copy of the 2021 Equity Incentive plan is included in Nova's management information circular for its most recent annual meeting which can be found on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.novacannabis.ca](http://www.novacannabis.ca).

On June 1, 2021, Nova entered into two asset purchase agreements to acquire a total of six retail store locations in Ontario from two separate entities. All six of the stores have received RSAs from the Alcohol and Gaming Commission of Ontario ("**AGCO**").

On June 22, 2021, at the 2021 AGM, the Company passed the following resolutions: (i) Mr. Burns, Mr. Bitove, Mr. Hozjan, Mr. Karasiuk, Mr. Sinclair and Mr. Marvin Singer were elected to the Board; (ii) PricewaterhouseCoopers LLP ("**PWC**") was re-appointed as the auditors of the Company; (iii) New By-Law No.1 was confirmed as a by-law of the Company; and (iv) the 2021 Equity Incentive Plan was approved and ratified by the Shareholders.

On July 15, 2021, the Nova Common Shares began trading on the TSX under the ticker "NOVC". In connection with the TSX listing, the Nova Common Shares were concurrently delisted from the TSXV.

On August 12, 2021, the Company announced that it had completed the conversion of thirty-six (36) of its recreational cannabis retail stores from legacy banners to the "Value Buds" banner. Store conversions are part of the Company's goal of disrupting the cannabis retail market by offering a wide range of high-quality cannabis products at every-day best value prices.

#### **CALENDAR YEAR ENDED DECEMBER 31, 2020**

In January of 2020, YSS opened YSS 4<sup>th</sup> Ave and Sweet Tree Calgary – 17<sup>th</sup> Ave. In accordance with the terms and conditions of the Sweet Tree Acquisition Agreement, YSS issued an additional aggregate of 4.75 million YSS Common Shares in connection with the issuance of the retail license for the Sweet Tree Calgary – 17<sup>th</sup> Ave store.

On January 15, 2020, Shahin Mottahed resigned as a director of YSS.

On March 12, 2020, YSS exercised its call right (the "**Red Deer Call Right**") pursuant to the definitive agreement YSS entered into on March 20, 2019, to purchase 2102012 Alberta Ltd. (the "**Red Deer Corporation**") in exchange for \$2.6 million dollars. The Red Deer Corporation operated a licensed retail store in Red Deer, Alberta. The Red Deer Call Right was exercised for no additional consideration and as a result the Red Deer Corporation became a wholly-owned subsidiary of YSS.

On March 13, 2020, YSS Ontario Inc. was issued a retail operator license from the AGCO. In addition, members of YSS' management team were issued manager licenses from the AGCO.

On April 21, 2020, YSS launched an online ordering platform by way of click-and-collect, for YSS' licensed retail stores in Alberta and Saskatchewan. The click-and-collect platform enabled prospective customers to browse and filter YSS' inventory of cannabis products and accessories by each licensed retail store and to reserve cannabis products and accessories to be purchased and picked up by the customer at the selected licensed retail store.

On December 10, 2020, YSS closed the acquisition of 102014474 Saskatchewan Inc. ("**Swift Current Corp.**"), and issued 5 million YSS Common Shares to the vendor in connection with the acquisition.

On December 11, 2020, Jason Balakas was appointed to the board of directors of YSS, and the YSS Common Shares commenced trading on the OTCQB Venture Market in the United States under the symbol "YSSCF".

## GENERAL DEVELOPMENT OF THE BUSINESS

### CALENDAR YEAR ENDED DECEMBER 31, 2019

On January 3, 2019, the TSXV granted final approval of YSS' "Change of Business". In connection with the Change of Business, YSS (i) changed its name from "Aldershot Resources Ltd." to "Solo Growth Corp.", (ii) continued from British Columbia to Alberta under the ABCA; and (iii) adopted new bylaws. The YSS Common Shares commenced trading on the TSXV as a Tier 2 Life Sciences Issuer under the name "Solo Growth Corp.", with the trading symbol "SOLO", at the market opening on January 7, 2019.

On March 12, 2019, Theodore Zurich was promoted to the position of President and Chief Executive Officer of YSS and appointed to the YSS board of directors. Concurrent with Mr. Zurich's appointment, Pali Bedi resigned as President, Chief Executive Officer and director of YSS and Jasbir Hans resigned as Vice President, Operations.

On May 29, 2019, at YSS' annual shareholder meeting, Michael Stark did not stand for re-election to the YSS board of directors.

Also on May 29, 2019, YSS changed its name to "YSS Corp."

On June 4, 2019, the YSS Common Shares began trading on the TSXV under the new name and new stock symbol, "YSS".

On June 17, 2019, YSS consolidated all of the YSS Common Shares on the basis of one (1) post-consolidation YSS Common Share for each six (6) pre-consolidation YSS Common Shares.

In July 2019, YSS opened two additional licensed recreational cannabis retail stores: (i) Sweet Tree Calgary – Sunridge; and (ii) Sweet Tree High River. In accordance with the terms and conditions of the Sweet Tree Acquisition Agreement, YSS issued an additional 9.5 million YSS Common Shares in connection with the issuance of the retail licenses for these locations.

In August 2019, YSS opened five additional licensed recreational cannabis retail stores: (i) YSS Calgary – Woodbine; (ii) YSS Stony Plain; (iii) YSS Vermillion; (iv) YSS Vegreville; and (v) YSS Spruce Grove.

In September 2019, YSS opened two additional licensed recreational cannabis stores: (i) YSS Lloydminster; and (ii) YSS Edmonton – NW Landing.

On October 16, 2019, YSS executed a definitive agreement to acquire Swift Current Corp., a privately-held company that was issued a retail permit from the Saskatchewan Liquor and Gaming Authority ("**SLGA**") for a retail store in Swift Current, Saskatchewan, for aggregate consideration of \$675,000, payable at closing in cash, YSS Common Shares or a mix of cash and YSS Common Shares, at the sole discretion of YSS, plus additional consideration ranging from \$475,000 to \$675,000, payable in cash or YSS Common Shares, based on the future cash flow of the Swift Current location.

On December 6, 2019, YSS opened the Sweet Tree store in Okotoks, Alberta. In accordance with the terms and conditions of the Sweet Tree Acquisition Agreement, YSS issued an additional aggregate of 1.875 million YSS Common Shares in connection with the issuance of the retail license for this location.

As at December 31, 2019, YSS operated 14 licensed recreational cannabis retail stores across Alberta and Saskatchewan under the YSS and Sweet Tree banners.

# 7. DESCRIPTION OF THE BUSINESS

## A. THE COMPANY'S RECREATIONAL CANNABIS RETAIL BUSINESS

### PRE-REVERSE TAKE-OVER

#### **YSS**

Since its launch as a cannabis company in June of 2018, YSS' objective was to become a premier cannabis retailer, and the trusted destination, for recreational cannabis in Canada. As of December 31, 2020, YSS had 19 recreational cannabis stores in operation across Alberta and Saskatchewan, under the brand names "YSS" and "Sweet Tree", with plans to expand its presence in those provinces, and to develop additional stores in Ontario and other Canadian markets.

During 2020, YSS focused on growing an organization operating in an early stage industry with significant future potential. Throughout 2020, YSS demonstrated the ability to pivot as needed, to move aggressively or defensively depending on market conditions, and was able to maintain a strong cash position that would enable it to weather both short-term and long-term uncertainty.

YSS' retail principles were based on a traditional retail model. The Sweet Tree Brand, which also focused on prime location and exceptional customer service, aligned with YSS' strategy to offer customers a trusted retail experience. YSS' retail strategy was based on its five fundamental pillars: (i) convenience; (ii) value; (iii) selection; (iv) team; and, above all else, (v) trust.

#### **THE ACS ENTITIES**

Alcanna opened its first five recreational cannabis retail stores on October 17, 2018. By December 31, 2019, Alcanna, through the ACS Entities, was operating 21 cannabis retail stores in Alberta, and one cannabis retail store in Ontario, under the brand names "Nova Cannabis" and "Deep Discount Cannabis". By December 31, 2020, the number of recreational cannabis retail stores operated by the ACS Entities in Alberta had increased to 33 stores. In January of 2021, the Company announced its plan to rebrand its retail stores to "Value Buds" to target value-conscious consumers. The ACS Entities' "Value Buds" stores began offering the same quality products at discount prices believed to be lower than those offered by either the illicit market or other legal retailers.

### NOVA: POST-REVERSE TAKE-OVER

As a result of the successful closing of the Reverse Take-Over on March 22, 2021, YSS acquired all of the cannabis operations of Alcanna, including 34 recreational cannabis stores operating in the Provinces of Alberta and Ontario, in exchange for approximately 63% of the Nova Common Shares.

Nova is dedicated to providing high-quality customer service in its cannabis business through its employees who are highly knowledgeable and trained via both the Company's internally developed immersive and interactive training program and each Province's regulatory employment training requirements. The Company's store managers are required to undergo up to 60 hours of training and all customer experience representatives are provided training on an ongoing basis to stay informed with the constantly changing product mix and availability. Staff are trained to have strong product knowledge that can be shared with customers to overcome the information gap caused by regulatory constraints on advertising and promotion.

#### **NOVA'S BRANDS**

As of the date hereof, the Company has seventy-eight (78) stores open, an increase of fifty-nine (59) stores since December 31, 2020. Nova currently operates under the brand "Value Buds" for its retail locations in Alberta and Ontario, and under the brand name "Sweet Tree Cannabis Co." for its retail location in Saskatchewan. The Company is focused on developing a market-leading cannabis business within the regulatory frameworks of the Provinces of Alberta, Ontario and Saskatchewan. In accordance with the rules of the AGLC in Alberta, the AGCO in Ontario, and the SLGA in Saskatchewan, Nova offers those cannabis products for sale which are permitted to be sold in recreational cannabis retail stores in each respective Province.

Recreational cannabis retail stores are subject to strict design, product management and storage requirements. Nova's stores are designed to be welcoming, educational and allow for customer interaction with staff and product displays, all while optimizing in-store traffic flow.

## DESCRIPTION OF THE BUSINESS

### LOCATION

Nova's business model involves targeting highly visible and accessible store locations where access to customers would be maximized, such as near grocery stores or on main arteries in or near residential areas.

The following table shows the number of recreational cannabis retail stores: (i) operated by the ACS Entities as at January 1, 2021; (ii) operated by YSS and thus acquired in connection with the Reverse Take-Over; (iii) operated by Nova as at December 31, 2021; (iv) opened or acquired by Nova in 2021; and (v) operated by Nova as of March 18, 2022.

January 1, 2021 to March 18, 2022					
	Stores Operated by the ACS Entities as at 1-Jan-21	YSS Stores acquired in connection with the Reverse Take-Over on 22-Mar-21	Other Stores Opened or Acquired by Nova in 2021	NOVA Stores operating as at 31-Dec-21	NOVA Stores operating as at March 18, 2022 <sup>(3)</sup>
Alberta					
Edmonton <sup>(1)</sup>	14	4	4	22	22
Calgary <sup>(1)</sup>	8	9	2	19	19
Other	11	5	–	16	16
Ontario					
Toronto <sup>(2)</sup>	1	–	5	6	6
Other	–	–	10	10	14
Saskatchewan					
Swift Current	–	1	–	1	1
<b>Total</b>	<b>34</b>	<b>19</b>	<b>21</b>	<b>74</b>	<b>78</b>

#### Notes:

- (1) References to Edmonton and Calgary include stores located in or near those urban centres.
- (2) References to Toronto includes stores located in or near the urban centre.
- (3) Nova opened four (4) additional stores in Ontario between December 31, 2021 and March 18, 2022.

### STORE LEASES

Nova does not own any real property; the Company leases its corporate services office in Calgary and all of its retail store premises. A typical Nova retail store lease has a five to 10 year initial term with numerous five year options to renew, which may extend the lease a further 10 to 20 years. As of the date hereof, the average time to expiration of the Company's leases, including renewals, is approximately 14.65 years.

### MAINTENANCE AND CAPITAL EXPENDITURES

Nova's expenditures on facilities and equipment fall into three categories: (i) repairs and maintenance; (ii) renovations and replacements; and (iii) growth. Repairs and maintenance expenditures are budgeted in operations and expensed in the year incurred. Renovation and replacement expenditures, which are made to renovate stores and replace equipment, are capitalized. Growth expenditures, which include the costs of building new stores, acquiring and renovating existing stores and purchasing new equipment, are also capitalized.

### SEASONALITY

The effect of seasonality on recreational cannabis retail sales since legalization have been difficult to measure as sales have been affected largely by: (i) the legalized retail cannabis industry in Canada being a relatively new and growing industry; (ii) the opening of new cannabis stores; (iii) occasional shortages in the supply of cannabis products; and (iv) the COVID-19 pandemic. These factors have made it difficult to accurately predict any seasonality in the demand of cannabis products to date; however, prolonged poor weather conditions in both the summer and winter months may reduce overall customer traffic in the Company's stores.

## EMPLOYEES

Nova had 548 full and part-time employees as of December 31, 2021, of which 528 were employed at the Company's recreational cannabis retail stores, and 20 were head office employees. The Company has no unionized employees. Nova's Management team, certain head-office employees, store managers and some assistant managers are salaried.

## DEPENDENCE ON FOREIGN OPERATIONS

As at December 31, 2021, and as of the date hereof, Nova has no operations outside of Canada.

## CORPORATE SOCIAL RESPONSIBILITY

As a retailer of highly regulated controlled substances, the Company is devoted to responsibly performing every transaction and consumer interaction that occurs inside its retail stores and considering impacts outside of them. Nova places an emphasis on regulatory compliance and, when the Company believes it is in the public interest, the Company often goes beyond what laws and regulations require, including: (i) requesting ID from all customers who appear to be under 40 years of age; (ii) requiring employees to undergo extensive training beyond regulatory requirements; (iii) offering employee assistance programs; and (iv) being a market leader in anti-theft programs and technology. In accordance with the Management Services Agreement, Nova utilizes Alcanna's sophisticated loss prevention team that performs: (1) audits; (2) floor-walking stings; and (3) post-incident case management, and provides: (A) employee training; and (B) assistance with store emergencies. The objective of Nova's social responsibility initiatives is to improve the safety and experience of our customers and staff. Nova also encourages its employees to volunteer for various charitable programs and organizations.

Nova has entered into an agreement with a local Alberta company, Re[Waste], to provide recycling services to the majority of the Company's retail stores in Alberta. The cannabis regulatory framework in Canada places strict requirements on the packaging cannabis suppliers use for their cannabis products, which often results in an excessive amount of plastic being used. Re[Waste] collects cannabis packaging from the Company's cannabis stores, and breaks down the plastic by shredding it into plastics flakes, which it then uses to produce new products, such as tote bags, coasters, and accessories.

Nova continues to work closely with customers, government officials, team members and business partners to respond to the COVID-19 pandemic. The Company has implemented comprehensive measures in all of its stores to reduce health risks to its customers and team members, including: (i) instituting enhanced cleaning and disinfecting protocols; (ii) installing plexiglass shields at check-out tills; (iii) making hand sanitizer available to customers and employees; and (iv) installing directional signage inside retail stores to promote physical distancing.

## MANAGEMENT INFORMATION SYSTEMS

Nova utilizes Alcanna's management information systems in accordance with the Management Services Agreement. Alcanna's new enterprise resource planning ("**ERP**") information technology system was designed to: (i) improve business operations; (ii) enhance inventory management and procurement to further reduce capital invested in inventory and improve purchasing decisions; (iii) enhance internal data management; (iv) provide significant insight into customer shopping behaviours; and (v) provide a scalable growth platform.

## DATA SECURITY

Nova currently utilizes Alcanna's data security systems in accordance with the Management Services Agreement. Alcanna has a comprehensive data security program whereby Alcanna's Senior Vice President and Chief Information Officer ("**CIO**") oversees the Company's data security practice. Nova's Audit Committee is responsible for reviewing the internal controls over the Company's information systems, including those controls provided by Alcanna pursuant to the Management Services Agreement.

## DESCRIPTION OF THE BUSINESS

### PRIVACY

Nova has adopted privacy policies, which outline the Company's responsibilities and practices regarding the protection of personal information of our customers and employees while fostering a culture of responsible data use. A new Disclosure & Confidentiality Policy was adopted by the Company on June 26, 2021, which has been uploaded to the Company's website. In keeping with Nova's responsibility to protect customer privacy, Nova complies with all relevant legal and regulatory requirements in the jurisdictions in which Nova operates. Nova also includes privacy and security clauses in contracts with third parties that handle personal information that the Company has collected. All employees receive privacy training and guidance through Nova's privacy policies, with employees who have access to store video footage being required to comply with the terms of Nova's video surveillance access policy. Since 2018, there have been no privacy findings against Nova by regulators in any of the jurisdictions in which the Company operates.

### INTANGIBLE PROPERTY

The Company places a high value on its intangible property, which includes trademarks, branding and licenses. The Company has formalized Canadian trademark applications for several of its trade names, including "Nova Cannabis", "Value Buds", "Sweet Tree Modern Apothecary" and "Buddy's". The Company works diligently to ensure all recreational cannabis licenses are obtained prior to store openings, and are maintained in good standing throughout the term of each store lease. The Company actively defends against each unauthorized use of its intangible property of which it becomes aware.

## B. THE RECREATIONAL CANNABIS RETAIL INDUSTRY

### CANNABIS SALES IN CANADA

According to Statistics Canada, in the 12-month period from January 1, 2021 to December 31, 2021, retail sales of recreational cannabis in the legal market were:

- in Canada, approximately \$3.92 billion; an average of approximately \$327 million per month;
- in Alberta, approximately \$716.7 million; an average of approximately \$59.7 million per month; and
- in Ontario, approximately \$1.47 billion; an average of approximately \$122.7 million per month.

Retail sales of recreational cannabis in Canada increased by approximately 58% in 2021, compared to 2020 sales, with increases of approximately 32% in Alberta, and 120% in Ontario. See <https://www150.statcan.gc.ca/> for more information.

### COMPETITION IN THE CANNABIS MARKET

The recreational cannabis retail market in Alberta is highly competitive. As of December 31, 2021, there were 753 recreational cannabis retail licenses granted in the Province of Alberta.<sup>(1)</sup> With 57 licensed recreational cannabis retail stores, Nova holds approximately 8% of the recreational cannabis retail licenses granted in the Province of Alberta.

As of March 1, 2022, a total of 1,470 recreational cannabis retail stores have been authorized to open in Ontario by the AGCO.<sup>(2)</sup> As of the date hereof, there are now more licensed cannabis retailers in Ontario than there are in Alberta. The number of RSAs granted in Ontario has grown consistently since January, 2020, when the AGCO removed the cap on the number of recreational cannabis retail licenses that would be granted in the Province of Ontario. On February 16, 2021, the AGCO announced that the pace of store authorizations had increased to 30 RSAs per week. As of March 1, 2022, the AGCO had received over 1,900 RSA applications, and had issued 1,470 RSAs.<sup>(3)</sup> See "*Description of the Business – Cannabis Industry Regulation – The Ontario Recreational Cannabis Regulatory Environment*" for more information.

#### Notes:

(1) Source: AGLC Website: <https://aglc.ca/cannabis/retail-cannabis/cannabis-licensee-search>

(2) Source: AGCO Website: <http://www.agco.ca/status-current-cannabis-retail-store-applications>

(3) Source: AGCO Website: <https://www.agco.ca/blog/cannabis/feb-2021/agco-now-issuing-30-cannabis-retail-store-authorizations-week>

### C. CANNABIS INDUSTRY REGULATION

On July 11, 2018, the Government of Canada published certain regulations to support the *Cannabis Act* (Canada), including the Cannabis Regulations (Canada), the new Industrial Hemp Regulations, amendments to the Narcotic Control Regulations and certain regulations under the *Food and Drugs Act* (Canada) (collectively, the "**Federal Regulations**"). The Federal Regulations, among other things, outline the rules for the legal cultivation, processing, research, testing, distribution, sale, importation and exportation of cannabis in Canada. The Federal Regulations also include strict specifications for the plain packaging and labelling of all cannabis products.

On October 17, 2018, the *Cannabis Act* (Canada) and the Federal Regulations came into force with the effect of legalizing the adult recreational use of cannabis across Canada and regulates the production, distribution and sale of recreational cannabis and related oil extracts in Canada, for both recreational and medical purposes.

On October 17, 2019, the *Cannabis Act* (Canada) and the Federal Regulations were amended to legalize the sale of edible cannabis (which includes cannabis beverages), cannabis topicals and cannabis extracts ("**Cannabis 2.0 Products**") in cannabis retail stores across Canada. All licensed producers who intended to produce Cannabis 2.0 Products were required to provide 60 days' prior notice to Health Canada; for this reason, Cannabis 2.0 products were not available for sale in recreational cannabis retail stores until mid-December, 2019. During 2020, the supply of Cannabis 2.0 Products stabilized, as there are now a number of licensed producers who have been authorized by Health Canada to supply these products. As of the date hereof, there is a steady supply of Cannabis 2.0 Products available to be purchased by recreational cannabis retailers; however, in Nova's experience, the most desirable Cannabis 2.0 Products are still occasionally in short supply.

Pursuant to the *Cannabis Act* (Canada), the Federal Regulations, and subject to provincial regulations, individuals over the age of 18 are able to purchase cannabis, dried cannabis, cannabis oil, cannabis plants or seeds, edible cannabis, cannabis topicals and cannabis extracts. Individuals who are of legal age to purchase cannabis in their respective province are able to legally possess up to 30 grams of dried cannabis, or the equivalent amount in fresh cannabis, cannabis oil, cannabis plants and seeds or cannabis edibles, liquids and concentrates. The Government of Canada rules for the advertising and promotion of cannabis include no promotion, packaging or labelling of cannabis which may be considered appealing to young people and other rules that generally mirror the rules in place for the advertising and packaging of tobacco products. On October 17, 2019, the Federal Regulations further restricted cannabis branding on promotional materials, by permitting only one brand element to be displayed on a promotional item, such as a hat, t-shirt, or sign, with the promotional item not to be promoted in a public place frequented mainly by young persons or visible from such a place.

The *Cannabis Act* (Canada) also provides provincial and municipal governments the authority to prescribe regulations regarding retail sale and distribution, as well as the ability to alter some of the existing baseline requirements of the *Cannabis Act* (Canada), such as increasing the minimum age for purchase and consumption. Provinces are also able to implement stricter minimum requirements for advertising and promotion. Each province and territory has a different regulatory environment for the retail sale of recreational cannabis. Set forth below is a summary of the regulatory regime for the sale of recreational cannabis in Alberta, Ontario and Saskatchewan.

While the *Cannabis Act* (Canada), together with various provincial and municipal laws and regulations have now been in force for over three years, the impact of any potential future regulatory changes on Nova's business is unknown, and any proposed regulatory changes may not be implemented at all. See "Risk Factors" in our MD&A, incorporated by reference in this Annual Information Form and filed on SEDAR at [www.sedar.com](http://www.sedar.com).

#### **THE ALBERTA RECREATIONAL CANNABIS REGULATORY ENVIRONMENT**

On October 17, 2018, the *Gaming, Liquor and Cannabis Act* (Alberta) ("**GLCA**") and the *Gaming, Liquor and Cannabis Regulation* (Alberta) ("**GLCR**") came into force. The *GLCA* confirms that the AGLC is responsible for managing oversight and compliance functions for the provincial recreational cannabis retail industry, including wholesaling, distribution and licensing. Federally-licensed producers are required to sell cannabis directly to the AGLC, who will then sell cannabis to licensed private retailers for sale to the public. The AGLC is given authority to oversee the provincial licensing process undertaken in the Province of Alberta, policies related to advertising and promotion of the sale of cannabis and allowing an AGLC inspector to review and temporarily remove any records, documents, books of account and receipts relating to cannabis, a cannabis license or licensed premises in the course of an inspection.

In the Province of Alberta, the AGLC licensing application process began on March 6, 2018. The application process requires retailers and associated persons to submit criminal background checks, as licenses will not be issued to anyone with links to organized crime or with a history of drug trafficking. However, an applicant will not be automatically disqualified

## DESCRIPTION OF THE BUSINESS

due to a minor cannabis possession conviction. A corporation must also be registered or incorporated in Alberta. In addition, the retail store for which the license is applied for must have a point-of sale area, a shipping/receiving area that is separate from other businesses, a secure storage area, an alarm system, a video surveillance system, and a secure product display. Municipal approval for the location is also required before the AGLC will issue a license. Final approval of an AGLC license will be provided once a copy of the municipal business license has been received.

### ALBERTA CANNABIS STORE OPERATIONS

Individuals that work for recreational cannabis retailers in the Province of Alberta must: (i) be at least 18 years of age; (ii) have successfully completed training requirements set by the AGLC; and (iii) have passed a criminal background check. Anyone who attempts to buy cannabis at a recreational cannabis retail store who appears to be 25 years of age (or younger) will be requested to show proof of age. Cannabis suppliers and their representatives cannot offer, nor can recreational cannabis retail licensees accept, perks such as loans, money, rebates, concessions, discounts, furnishing, storage equipment, fixtures, decorations, signs, supplies or anything of value.

Provincial regulations provide that recreational cannabis retail stores in Alberta cannot be built within 100 metres of schools or healthcare facilities. Municipalities then have the ability to impose additional setbacks regarding the proximity of recreational cannabis retail stores to certain types of facilities, including libraries, parks and other cannabis retail stores, to best suit their communities. Cannabis retail stores are allowed to open between 10 a.m. and 2 a.m., mirroring liquor store hours, subject to restrictions imposed by each respective municipality, and subject to temporary restrictions imposed by provincial health authorities in connection with the COVID-19 pandemic. The AGLC licensing process can occur simultaneously with the municipal business license application process. Final approval of an AGLC license will be provided once a copy of the municipal business license has been received.

### ALBERTA CANNABIS SUPPLY

Cannabis is purchased by the AGLC from federally-licensed producers under the *Cannabis Act* (Canada). The AGLC has agreements with various licensed producers to supply cannabis. The AGLC leverages its current liquor warehousing and distribution system with CLS to provide retailers with cannabis. All recreational cannabis retail licensees in Alberta must purchase their cannabis inventory directly from the AGLC.

### ALBERTA CANNABIS WHOLESALE AND DELIVERY PRICING SYSTEM

Federally-licensed producers are required to sell cannabis directly to the AGLC, with the AGLC then distributing cannabis to licensed private retailers or to the online government-run cannabis store, for sale to the public. There is not to be any preferential distribution to any retailer based on location. The distribution system is similar to the system Alberta currently has in place for liquor. Also, as with liquor, AGLC sets the wholesale price of cannabis, while retailers set the retail price of cannabis. The AGLC may establish a minimum price for cannabis sold in a cannabis retail store. Licensees are not permitted to sell below the minimum price or provide cannabis to customers free of charge.

### ALBERTA ONLINE RECREATIONAL CANNABIS RETAIL SALES

As of March 8, 2022, licensed cannabis retailers in Alberta are permitted to offer online sales, and provide delivery, of cannabis products to consumers in Alberta. In connection with this change, the AGLC no longer offers online cannabis sales directly to public consumers. As of the date hereof, the Company does not offer sale and delivery of cannabis products from its website; however, customers are able to shop on the Company's website and pickup their purchase from a retail store.

### THE ONTARIO RECREATIONAL CANNABIS REGULATORY ENVIRONMENT

On September 8, 2017, the Province of Ontario announced its proposed plan to give the Liquor Control Board of Ontario the oversight of retail sales of recreational cannabis in the Province of Ontario and on December 12, 2017, the Province of Ontario passed the *Cannabis Control Act, 2017* (Ontario) (the "**Control Act (Ontario)**") which regulates certain aspects of the lawful use, sale and distribution of recreational cannabis. On August 13, 2018, the Province of Ontario announced its plan to change to a hybrid distribution model whereby online recreational cannabis may only be sold by the Ontario Cannabis Store (the "**OCS**") but introduced plans whereby a private retail model for recreational cannabis was to be established by April 1, 2019.



On October 17, 2018, Bill 36 came into force and amended certain aspects of the Province of Ontario's cannabis regulatory regime and further enacted the *Cannabis Act* (Ontario). The *Cannabis Act* (Ontario) sets out the licensing scheme for private recreational cannabis retail stores in Ontario as administered by AGCO, whereby licensees who were authorized to produce cannabis for commercial purposes, and their affiliates, were collectively limited to a single RSA. On November 14, 2018, the Province of Ontario enacted Ontario Regulation 468/18 under the *Cannabis Act* (Ontario) (the "**Ontario Regulations**"). The Ontario Regulations govern several elements of the framework for the licensing of private recreational cannabis retail stores in the Province of Ontario. The Ontario Regulations originally allowed applicants and their affiliates to hold up to 75 retail store licenses. Authorized recreational cannabis retail outlets would be allowed to sell cannabis accessories, such as certain smoking accessories, in the same location as cannabis is sold.

The AGCO initially planned on accepting applications for retail operator licenses by December 17, 2018 but changed plans on December 13, 2018 when the Province of Ontario set a temporary cap of only 25 RSAs to be issued until December 13, 2019 due to cannabis supply shortages. A lottery process, overseen by a third-party fairness operator, was conducted by the AGCO to select 25 applicants. AGCO received expressions of interest from interested applicants; the draw took place on January 11, 2019. Successful lottery winners who met the AGCO licensing requirements were expected to have their cannabis retail stores open and running by April 1, 2019, or else financial penalties would be imposed.

On July 3, 2019, the Government of Ontario announced its plans for a second allocation of cannabis RSAs. Ontario Regulations were amended again to allow for an additional 42 RSAs and to authorize 8 cannabis retail stores on First Nations reserves. For the 42 additional RSAs, the AGCO held a second lottery on August 20, 2019. Successful lottery winners were expected to have their cannabis retail stores opened beginning in October 2019.

For the RSAs that were granted through either the first or second lottery process, none of the RSAs were to be issued to a licensed producer, or an affiliate of a licensed producer and only one RSA was to be granted per person or per organization, including any affiliates of the organization. In addition, recreational cannabis retail stores could not be located in a municipality with a population of less than 50,000 or that opted out of having cannabis retail stores.

On December 12, 2019, the Government of Ontario announced that it would be further amending the Ontario Regulations to move to an open market for recreational cannabis retail stores, beginning in January 2020. The amendments included increasing the affiliation with a licensed producer percentage from 9.9% to 25%, effectively removing the restriction which had prevented the Company from independently opening any recreational cannabis retail stores in the Province of Ontario. The Government of Ontario removed further limitations by allowing retailers, without having to participate in a lottery process, to apply for a maximum of 10 recreational cannabis retail licenses between March 2, 2020 and August 31, 2020, with that number increasing to 30 on September 1, 2020, and to 75 on September 1, 2021.

## ONTARIO CANNABIS STORE OPERATIONS

The OCS, managed by the Ontario Cannabis Retail Corporation ("**OCRC**"), operates the only legal online store for recreational cannabis in Ontario which, until April 1, 2019, provided the only option for purchasing recreational cannabis in Ontario. Retailers who want to operate a cannabis store in Ontario must hold a general retail operator license, as well as a RSA for each premises. An applicant is not eligible to be issued a recreational cannabis retail license if there are reasonable grounds to believe that the applicant will not be financially responsible in the conduct of the retail business, will not carry on business in accordance with the law or with integrity, honesty or in the public interest, or if that person has been charged with an offence under the *Control Act* (Ontario) or the *Cannabis Act* (Canada). It is also prohibited for an applicant to be issued a retail store license if the individual or organization applying for the license has an association with organized crime.

The AGCO has published The Registrar's Standards for Private Retail Sale of Cannabis which establishes requirements for licensees in numerous areas, including standards for store premises, equipment and facilities, surveillance, security, protection of assets and prevention of unlawful activities, staff training and responsible use and sale of cannabis, and compliance with the federal cannabis tracking system and secure confidential record-keeping.

The AGCO announced that, commencing March 15, 2022, licensed cannabis retailers may offer delivery and curbside pickup services to customers. Delivery services will only be permitted to be performed by the RSA holder or their employees, and only during times when the physical cannabis retail store is open to the public. As of the date hereof, the Company offers curbside pickup options from its retail stores, but does not offer delivery services in Ontario.

## ONTARIO CANNABIS SUPPLY

As of the date hereof, the AGCO has signed contracts with 124 federally licensed producers of cannabis.

**ONTARIO CANNABIS WHOLESALE AND DELIVERY PRICING SYSTEM**

The OCRC, doing business as "OCS Wholesale", is the wholesaler of recreational cannabis for licensed retail stores, providing a catalogue of products available to be purchased by retailers, and providing delivery of recreational cannabis products to retail stores. The OCS operates the only legal online store for recreational cannabis sales in Ontario, with the support of Shopify, (<https://ocs.ca/>) with online deliveries for recreational cannabis being made through Canada Post. Cannabis accessories are supplied to private recreational cannabis retailers through OCS Wholesale; however, recreational cannabis retailers may also choose to purchase these products from other distributors and manufacturers provided that the accessories offered for sale meet the requirements of a federally defined cannabis accessory. OCS Wholesale may establish a minimum wholesale price for recreational cannabis that is distributed to private retailers. The regulations under the *Cannabis Act* (Ontario) may specify a minimum retail price for recreational cannabis to the holder of an RSA.

## 8. RISK FACTORS

For a review of the risks pertaining to Nova, please refer to our MD&A incorporated by reference in this Annual Information Form and filed on SEDAR at [www.sedar.com](http://www.sedar.com).

## 9. DIVIDENDS AND DISTRIBUTIONS

The Company's Articles and other constating documents permit the Company to issue dividends to its Shareholders, as and when declared by the Board. Notwithstanding the foregoing, the Company has not paid any dividends to date, and is not presently considering paying any dividends in the immediate future. The Board may determine, in its sole discretion, if and when dividends will be declared and paid in the future from funds properly applicable to the payment of dividends based on the Company's financial position at the time.

## 10. DESCRIPTION OF CAPITAL STRUCTURE

The authorized capital of Nova consists of an unlimited number of Nova Common Shares and an unlimited number of first preferred shares, issuable in series. The following is a summary of the rights, privileges, restrictions and conditions attaching to the share capital of Nova.

### A. COMMON SHARES

Each Nova Common Share entitles the holder to receive notice of, to attend, and to one vote at, all meetings of the Shareholders, except meetings of holders of another class of shares. The Shareholders will be, at the discretion of the Board and subject to the preferences accorded to any class of shares of Nova ranking senior to the Nova Common Shares from time to time with respect to the payment of dividends, entitled to receive any dividends declared by the Board on the Nova Common Shares. The Shareholders will also be entitled, subject to the preferences accorded to holders of any class of shares of Nova ranking senior to the Nova Common Shares from time to time, to share equally, share for share, in any distribution of the assets of Nova upon the liquidation, dissolution, bankruptcy or winding-up of Nova or other distribution of its assets among the Shareholders for the purpose of winding-up its affairs.

### B. FIRST PREFERRED SHARES

Each series of first preferred shares of Nova shall consist of such number of shares and having such rights, privileges, restrictions and conditions as may be determined by the Board prior to the issuance thereof. With respect to priority in payment of dividends and in the distribution of assets of the Company in the event of liquidation, dissolution or winding up of the Company, or other distribution of assets of the Company among its Shareholders for the purpose of winding up its affairs, whether voluntary or involuntary, each series of first preferred shares will rank on a parity with the first preferred shares of every other series, and are entitled to priority over the Nova Common Shares and any other shares ranking junior to the first preferred shares from time to time.

The first preferred shares of Nova are intended to provide future financing flexibility. There are currently no first preferred shares issued and outstanding.

**C. OTHER PROVISIONS AFFECTING THE RIGHTS OF SHAREHOLDERS**

Pursuant to the articles of incorporation of Nova, the Directors may, between annual and general meetings, appoint one or more additional directors of the Company to serve until the next annual general meeting, but the number of additional directors shall not at any time exceed one-third of the number of directors who held office at the expiration of the last annual meeting.

See "*Interests of Management and Others in Material Transactions*" for a description of the rights granted to Alcanna under the Investor Rights Agreement.

**D. MATERIAL DEBT**

In connection with the Reverse Take-Over, Alcanna provided Nova with the Alcanna LOC. In connection with the Alcanna LOC, Alcanna was granted a security interest in all present and after acquired personal property of the Company as of the effective date of the Alcanna LOC. The Alcanna LOC bears interest at the Canadian prime rate of interest, plus 2.75%, equating to 5.20% as at December 31, 2021. Interest is calculated and compounded monthly from the date of such advance on the principal sum remaining unpaid and outstanding. The principal and any accrued and unpaid interest payable balance outstanding is due and payable on October 31, 2022, or earlier upon demand by Alcanna for the principal, as permitted under the Alcanna LOC.

The Alcanna LOC is designed to provide access to capital to the Company's investment strategy which is focused on expanding the network of recreational cannabis retail locations in Alberta and Ontario, and for general corporate and working capital purposes. As at March 18, 2022 no amounts were drawn or outstanding on the Alcanna LOC.

# 11. MARKET FOR SECURITIES

## A. TRADING PRICE AND VOLUME

### COMMON SHARES

In 2020, the YSS Common Shares were listed and posted for trading on the TSXV under the symbol "YSS". The following table sets forth certain trading information for the YSS Common Shares from January 1, 2020 until March 22, 2021, as reported by the TSXV. On March 24, 2021, the Nova Common Shares began trading on the TSXV under the symbol "NOVC", and on July 15, 2021 began trading on the TSX under the symbol "NOVC". The information provided for March 24, 2021, until December 31, 2021, is provided for the post-consolidation Nova Common Shares, as reported by the TSX.

Period	High (\$)	Low (\$)	Volume
<b>2020</b>			
January	0.255	0.165	3,507,635
February	0.200	0.140	1,776,820
March	0.145	0.060	4,938,643
April	0.160	0.100	2,793,102
May	0.175	0.105	2,625,015
June	0.155	0.125	3,362,768
July	0.155	0.120	2,784,809
August	0.145	0.120	3,128,475
September	0.140	0.105	1,722,387
October	0.120	0.090	2,829,129
November	0.125	0.100	3,723,851
December	0.120	0.100	2,483,057
<b>2021</b>			
January	0.185	0.110	13,759,135
February	0.210	0.170	7,798,955
March 1-22	0.200	0.185	2,184,029
March 24-31	3.10	2.90	920,214
April	2.82	2.42	531,065
May	3.12	2.45	1,533,923
June	3.15	2.80	419,474
July	2.95	2.52	575,713
August	2.95	2.51	1,527,972
September	4.33	2.96	1,803,275
October	4.20	2.99	3,221,346
November	4.06	3.10	1,600,941
December	3.50	2.73	473,393

**B. PRIOR SALES**

The following table describes the outstanding securities of the Company that are not listed or quoted on a marketplace that were issued during the last completed financial year:

Date of Grant	Number and Type of Security	Issue Price per Security (\$) (on a 5-day volume weighted average trading price)
February 11, 2021	533,360 Agent Warrants <sup>(1)</sup>	3.00
March 31, 2021	1,619 DSUs <sup>(2)</sup>	3.01
June 30, 2021	15,047 DSUs	2.91
September 30, 2021	26,026 DSUs	4.06
December 31, 2021	15,656 DSUs	2.79

**Notes:**

- (1) The Company granted 533,360 warrants, on February 11, 2021, upon closing of the brokered private placement of subscription receipts as part of the Concurrent Financing which became immediately exercisable as approved by the Board (the "**Agent Warrants**"). Under the terms of the Agent Warrants, each warrant can be exercised for one Nova Share, within two years from the grant date, at an exercise price of \$3.00 per Nova Share. No Agent Warrants have been exercised as of December 31, 2021.
- (2) Deferred Share Units ("**DSUs**") are issued to members of the Board in accordance with the Company's equity award plan.

## 12. ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS ON TRANSFER

As of the date hereof, the following securities of the Company were subject to escrow or subject to a contractual restriction on transfer:

Designation of class	Number of securities held in escrow or that are subject to a contractual restriction on transfer	Percentage of class
Nova Common Shares	35,750,000 <sup>(1)(2)</sup>	Approximately 63%

**Notes:**

(1) Pursuant to the Alcanna BCA, Alcanna was issued 35,750,000 Nova Common Shares in exchange for all the issued and outstanding securities of the ACS Entities. The Nova Common Shares issued to Alcanna in connection with the Alcanna BCA are subject to a two-year contractual restriction on transfer pursuant to the Investor Rights Agreement, commencing March 22, 2021 (the "**Lock Up Period**"). The Lock Up Period restricting the transfer of the remaining Nova Common Shares will expire on March 22, 2023.

(2) In connection with the closing of the Reverse Take-Over, the Company entered into an Escrow Agreement Value Security on Form 5D dated March 22, 2021. Under that agreement, Odyssey Trust Company was appointed escrow agent. Alcanna deposited its 35,750,000 Nova Common Shares into escrow. 8,937,500 Nova Common Shares were released from escrow on March 22, 2021. An additional 8,937,500 Nova Common Shares were released from escrow on September 22, 2021. On March 22, 2022 and September 22, 2022, the final two tranches of 8,937,500 Nova Common Shares, respectively, will be released from escrow.

# 13. DIRECTORS AND EXECUTIVE OFFICERS

## A. NAMES, OCCUPATION AND SECURITY HOLDING

### DIRECTORS

The following table sets forth the name, province or state and country of residence and positions and offices held for each of the directors of Nova as at the date hereof, together with their principal occupations for the five preceding years. Biographies for each of the directors follow the table below. The term of office of the directors expires at the next annual general meeting of the Company.

Name and Jurisdiction of Residence	Position with Nova	Date Appointed as a Director	Principal Occupations in the Last 5 Years
James F.C. Burns Alberta, Canada	Chair and Director	March 22, 2021	Vice Chair and Chief Executive Officer of Alcanna (since December 2017); prior thereto was an independent businessman
Darren Karasiuk Ontario, Canada	Director, President and Chief Executive Officer	March 22, 2021	Corporate Director, Alcanna; Chief Commercial Officer, Aurora Cannabis; Senior Vice-President and General Manager of Recreational Cannabis, MedReleaf Corp.
Thomas Bitove <sup>(1)</sup> Ontario, Canada	Lead Independent Director	March 22, 2021	Chair of Citadel Capital Inc.; Owner of ColdHaus Direct Inc.
Ron Hozjan <sup>(2)</sup> Alberta, Canada	Director	June 28, 2018	Corporate Director, YSS Corp.; Vice President, Finance and Chief Financial Officer of Aureus Energy Services Inc.; Vice President, Finance and Chief Financial Officer of Tamarack Valley Energy Ltd.
Ross Sinclair <sup>(3)</sup> Ontario, Canada	Director	March 22, 2021	Senior Finance Consultant, Fengate Asset Management; Independent Corporate Director; Former Partner, PWC
Marvin Singer <sup>(4)</sup> Ontario, Canada	Director	June 22, 2021	Independent Business Consultant; Former Senior Partner, Norton Rose Fulbright Canada LLP

#### Notes:

- (1) Chair of Audit Committee and Compensation Committee Member.
- (2) Compensation Committee Member, Audit Committee Member and Governance Committee Member.
- (3) Chair of Compensation Committee and Governance Committee Member.
- (4) Chair of Governance Committee and Audit Committee Member.

The following are brief profiles of the directors of Nova:

#### **JAMES F.C. BURNS, CHAIR, DIRECTOR**

Mr. James Burns joined the Board in March 2021. He currently serves as the Vice Chair and Chief Executive Officer of Alcanna, having held this role since December 2017. Mr. Burns is a former private equity investor and former Partner at Gordon Investment Corporation and Gordon Capital Corporation based in Toronto, Ontario. Previously, Mr. Burns was managing director at CIBC Wood Gundy and served as co-owner, director and Chief Financial Officer of Scott's Restaurants located in Markham, Ontario. Mr. Burns also served 12 years in the Government of Canada where he held several positions, including Chief of Staff to the Deputy Prime Minister of Canada.

**DARREN KARASIUK, DIRECTOR, PRESIDENT AND CHIEF EXECUTIVE OFFICER**

Mr. Darren Karasiuk is President and CEO of the Company, and formerly served as a director of Alcanna from May 2019 to March 2021. Mr. Karasiuk previously served as the Chief Commercial Officer of Aurora Cannabis Inc. ("**Aurora**") from February 2019 until July 2020, where he had oversight of key customer facing functions including marketing, sales, insights and analytics, as well as customer service, and strategic linkages with product development and partnerships. Mr. Karasiuk joined Aurora through the acquisition of MedReleaf Corp., in July 2018, where he served as Senior Vice-President and General Manager of Recreational Cannabis from September 2016 to September 2018. Prior to joining MedReleaf, Mr. Karasiuk was Vice-President, Insights and Advisory at Deloitte from July 2014 to September 2016 where he was a leader in the firm's cannabis practice, co-authoring the firm's study, "Recreational Marijuana: Insights and Opportunities". Mr. Karasiuk has also been the Canadian associate for the Marijuana Policy Group, a leading Denver-based economic and policy consulting firm which helped shape the regulated medical and recreational cannabis markets. Mr. Karasiuk is a board member of the Canadian Cannabis Council, the national organization of Canada's licensed producers and holds an MA from Western University as well as an MBA from Kellogg-Schulich.

**THOMAS BITOVE, LEAD INDEPENDENT DIRECTOR**

Mr. Thomas Bitove has served as the Chair of Citadel Capital Inc. since July 1997 and is the exclusive distributor of Red Bull Energy Drink in Ontario and British Columbia and owner of ColdHaus Direct Inc, a major distributor of beer and wine in Ontario. Mr. Bitove has worked in many aspects of multi-unit operations for his entire career. Just a few of the businesses he has owned and operated, include: Hard Rock Café; a 32 store Big Boy chain; 35 separate restaurants and concessions at Toronto Pearson airport; and 17 Travel Centres along the 401 and 400 in Ontario. Mr. Bitove served 12 years on the board of Intrinsic Technologies, a TSX-listed public company, from December 2006 to May 2018. Mr. Bitove has been a member of the board of directors of the non-profit organization, ProAction, Cops and Kids, since 1996. In 2008, Mr. Bitove was invested into the Order of Ontario, Ontario's highest honour for a citizen. The award recognizes his charitable contributions to the people of Ontario and Canada as well as his business successes.

**RON HOZJAN, DIRECTOR**

Mr. Hozjan served as a director of YSS since June 2018 and continued as a director of the Company following the Reverse Take-Over. Mr. Hozjan became a director of Carbeeza Inc. (TSXV: AUTO.V) on June 30, 2021, and became a director of Target Capital Inc. (NEX: TCI.H) ("**Target Capital**") on September 16, 2020. Mr. Hozjan has also held the role of Vice President, Finance and Chief Financial Officer of Aureus Energy Services Inc. since January 2020. Prior thereto, he served as Vice President, Finance and Chief Financial Officer of Tamarack Valley Energy Ltd. (TSX: TVE) from June 2010 until January 2020. Mr. Hozjan has also served as a director of Aloha Brands Inc. since April 2019 and of Aither Ingredient Corp. since February 2020. Mr. Hozjan is a Chartered Professional Accountant with over 30 years of oil and gas experience and over 25 years of experience as a senior financial officer. Prior to working with Tamarack Valley Energy Ltd., Mr. Hozjan served as the Chief Financial Officer of Vaquero Resources Ltd., which was acquired by RMP Energy Ltd. Prior thereto, he was the Vice President, Finance and Chief Financial Officer at a predecessor firm, Vaquero Energy Ltd., which grew successfully before merging with Highpine Oil & Gas Limited. Previously, Mr. Hozjan held various senior finance positions at Storm Energy Ltd., Beau Canada Exploration Ltd. and Renaissance Energy Ltd.

**ROSS SINCLAIR, DIRECTOR**

Mr. Ross Sinclair currently works as a corporate director and a business consultant. Mr. Sinclair was formerly a partner with PWC from August 1981 until June 2020, with more than 25 years of experience as a partner. Mr. Sinclair has extensive experience with clients across several industries including consumer products, retail, real estate, health care, and private equity. Mr. Sinclair has served many clients advising on critical business issues, transactions, and restructurings in addition to his experience as a lead audit partner on both public and private enterprises. Mr. Sinclair's experience includes PWC Canada leadership roles as Income Trust and IPO Services Group Leader, as well as Retail & Consumer Products National and GTA Industry Leader. Mr. Sinclair has significant experience working with clients on their capital markets projects and needs, including numerous equity, debt, and initial public offering and reverse takeovers. Mr. Sinclair has also served as the overall audit engagement leader on several Canadian retailers and other public companies including both US GAAP, SEC, OSC, and IFRS reporting responsibilities. Mr. Sinclair was a designated Trustee on the Continuum REIT IPO in the fall of 2019, and a member of the board of directors from June 2019 until January 2020. Mr. Sinclair has been a member of the non-profit board of ProAction, Cops & Kids, since June 2000 and is an Advisory board member and investor in Arch Corporation.

## DIRECTORS AND EXECUTIVE OFFICERS

### MARVIN SINGER, DIRECTOR

Mr. Singer currently works as a corporate director and consultant. Mr. Singer has acted as a consultant to private and public companies since January 2020, after retiring from practicing corporate and securities law for 40 years, most recently as a senior partner in the international law firm of Norton Rose Fulbright Canada LLP from 2005 until 2019. Mr. Singer has extensive experience in equity and debt financings, corporate governance, and mergers and acquisitions. During his career, Mr. Singer has advised the boards of directors of public issuers on governance and other corporate matters. Mr. Singer is currently a director of Osino Resources Corp. (TSXV: OSI.V) and Psyence Group Inc. (CNSX: PSYG). Mr. Singer received an LL.B. degree from Osgoode Hall Law School, Toronto, Canada in 1976.

### BOARD COMMITTEES

The following table sets forth the membership of the Company's Board committees as of the date hereof. An "M" indicates that a director is a member of a committee, while a "C" indicates that the director is the chair of the committee.

Director	Independence	Governance	Compensation	Audit
James Burns				
Darren Karasiuk				
Thomas Bitove	✓		M	C
Ron Hozjan	✓	M	M	M
Ross Sinclair		M	C	
Marvin Singer	✓	C		M

As of the date hereof, Nova's Governance Committee is comprised of Mr. Singer (Chair), Mr. Hozjan and Mr. Sinclair. National Instrument 58-101F1 *Corporate Governance Disclosure* ("**NI 58-101F1**") requires issuers to disclose whether the board has a nominating committee composed entirely of independent directors or, if not, to describe what steps the board takes to encourage an objective nomination process. Nova does not have a nominating committee, instead designating the responsibility for identifying new candidates for board nomination to its Governance Committee. National Policy 58-201 *Corporate Governance Guidelines* ("**NP 58-201**") says an issuer's Governance Committee should have a majority of independent directors, with the remaining members being "non-management" directors. Nova's Governance Committee complies with NP 58-201, as all of the directors serving on the Governance Committee are "non-management" directors; Mr. Sinclair is the only non-independent director serving on the Governance Committee, and is only non-independent as a result of his spouse's role as a partner with the Company's external auditor, PWC. Notwithstanding that the Governance Committee is not entirely independent, the Company encourages an objective nomination process by: (a) maintaining a Governance Committee composed entirely of "non-management" directors; (b) publishing its Governance Committee Charter on the Company website; (c) annually reviewing the mandate, scope, duties and responsibilities of the Governance Committee, as well as the composition of the committee; (d) requiring all committee members to be free from any direct or indirect material relationship that could, in the view of the Board, be reasonably be expected to interfere with the exercise of a member's independent judgment; and (e) giving the Board the authority to replace any member of the Governance Committee at any time.

As of the date hereof, Nova's Compensation Committee is comprised of Mr. Sinclair (Chair), Mr. Bitove and Mr. Hozjan. NI 58-101F1 requires issuers to disclose whether the board has a compensation committee composed entirely of independent directors or, if not, to describe what steps the board takes to ensure an objective process for determining the compensation for the issuer's directors and officers. Nova's Compensation Committee is not composed entirely of independent directors, as a result of Ross Sinclair's membership on the committee. Ross Sinclair is a "non-management" director who is only non-independent as a result of his spouse's role as a partner with the Company's external auditor, PWC. Mr. Sinclair is not, and at no time has been, involved in any way in the management of the Company. Ross has been chosen by the Board to sit on the Compensation Committee because of his financial experience as a chartered professional accountant, and because there are only six directors serving on the Board, two of which are management directors. Notwithstanding that the Compensation Committee is not entirely independent, the Company ensures an objective process for determining the compensation of its directors and officers by: (a) maintaining a Compensation Committee composed entirely of "non-management" directors; (b) publishing its Compensation Committee Charter on the Company website; (c) annually reviewing the mandate, scope, duties and responsibilities of the Compensation Committee, as well as the composition of



the committee; (d) requiring all committee members to be free from any direct or indirect material relationship that could, in the view of the Board, be reasonably be expected to interfere with the exercise of a member's independent judgment; and (e) giving the Board the authority to replace any member of the Compensation Committee at any time.

As of the date hereof, Nova's Audit Committee is comprised of Mr. Bitove (Chair), Mr. Hozjan and Mr. Singer. For more information on the Company's Audit Committee, see "Audit Committee" in this Annual Information Form.

**EXECUTIVE OFFICERS**

Name and Jurisdiction of Residence	Position with Alcanna	Executive Since	Principal Occupations in the Last 5 Years
Darren Karasiuk Ontario, Canada	Director, President and Chief Executive Officer	March 22, 2021	Director of Alcanna (May 2019 to March 2021); Chief Commercial Officer of Aurora (February 2019 to July 2020); Senior Vice-President and General Manager of Recreational Cannabis of MedReleaf Corp. (September 2016 to September 2018); prior thereto was the Vice-President, Insights and Advisory at Deloitte.
David Gordey Alberta, Canada	Chief Financial Officer	March 22, 2021	Executive Vice President – Corporate Services and Chief Financial Officer of Alcanna (April 2018 to Present); Executive Vice President and Chief Operating Officer of Alcanna (December 2017 to April 2018); Executive Vice President and Chief Operating Officer, Canada of Alcanna (July 2016 to December 2017); prior thereto was Chief Financial Officer of Alcanna.
Marcie Kiziak Alberta, Canada	Chief Operating Officer	March 22, 2021	President, Cannabis of Alcanna (July 2018 to March 2021); Senior Vice President, Human Resources of Alcanna (February 2018 to July 2018); prior thereto was the Vice President of Human Resources and Safety for Corrosion and Abrasion Solutions Ltd.
Matthew Hewson Alberta, Canada	Corporate Secretary	March 22, 2021	General Counsel & Senior Vice President, Regulatory Affairs and Human Resources of Alcanna (February 2020 to Present); Vice President, General Counsel of Alcanna (April 2016 to February 2020); prior thereto was Director, Legal Affairs of Alcanna.

**COMMON SHARE OWNERSHIP**

As at the date hereof, the directors and executive officers of Nova, as a group, own beneficially, or control or direct, directly or indirectly, an aggregate of 396,042 Nova Common Shares, representing approximately 0.69% of the issued and outstanding Nova Common Shares.

## DIRECTORS AND EXECUTIVE OFFICERS

### B. CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

To the knowledge of Nova, no director or executive officer of Nova (nor any personal holding company of any of such persons) is, as of the date of this Annual Information Form, or was within ten years before the date of this Annual Information Form, a director, chief executive officer or chief financial officer of any company (including Nova), that:

- (a) was subject to 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 (each, an "**Order**") that was issued while that 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.

To the knowledge of Nova, except as disclosed below, no director or executive officer of Nova (nor any personal holding company of any of such persons), or a shareholder holding a sufficient number of securities of Nova to affect materially the control of Nova:

- (a) is, as of the date of this Annual Information Form, or has been within the 10 year period before the date of this Annual Information Form, a director or executive officer of any company (including Nova) 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 ten (10) years before the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or Shareholder.

James Burns was a director and President of Niagara's Best Beer Ltd., an Ontario corporation involved in the craft brewery business. On October 1, 2010, Niagara's Best Beer Ltd. was placed into receivership and PricewaterhouseCoopers Inc. was appointed as receiver of Niagara's Best Beer Ltd.'s assets, which were subsequently liquidated, and the proceeds were distributed to Niagara's Best Beer Ltd.'s secured creditor. PricewaterhouseCoopers Inc. was discharged as receiver on November 5, 2012.

Mr. Hozjan was appointed as a director of Target Capital on September 16, 2020. On September 15, 2020, the Alberta Securities Commission ("**ASC**"), as principal regulator, issued a management cease trade order against Target Capital's CEO and CFO for failure to file the required period disclosure, being annual filings for the financial year ended March 31, 2020. On November 5, 2020, due to the continued delay in respect of such filings, the ASC issued a cease trade order against Target Capital, replacing the management cease trade order. On April 16, 2021, Target Capital's CEO and CFO resigned and were replaced with new interim officers and a refreshed board of directors, which includes Mr. Hozjan, appointed to restore public reporting. The cease trade order remains in effect pending filing of the required period disclosure.

To the knowledge of Nova, no director or executive officer of Nova (nor any personal holding company of any of such persons), or a shareholder holding a sufficient number of securities of Nova to affect materially the control of Nova, 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.

### C. CONFLICTS OF INTEREST

In accordance with the ABCA, directors who have a material interest in a material contract or material transaction, whether made or proposed with Nova are required, subject to certain exceptions, to disclose that interest and abstain from voting on any resolution to approve that contract or transaction. In addition, the directors are required to act honestly and in good faith with a view to the best interests of Nova.

As of the date of this Annual Information Form, there are no existing material conflicts of interest between Nova or its subsidiaries and any director or officer of Nova or its subsidiaries. Because certain directors and officers of the Company act as officers for both Nova and Alcanna, there is the potential for a conflict of interest to arise; however, the Company does not consider there to be any material risk as of the date hereof.

## 14. LEGAL PROCEEDINGS AND REGULATORY ACTIONS

There are no legal proceedings that Nova is or was a party to, or that any of Nova's property is or was the subject of, during the most recently completed financial year, that were or are material to Nova, and there are no such material legal proceedings that Nova knows to be contemplated. For the purposes of the foregoing, a legal proceeding is not considered to be "material" if it involves a claim for damages and the amount involved, exclusive of interest and costs, does not exceed ten percent (10%) of Nova's current assets, provided that if any proceeding presents in large degree the same legal and factual issues as other proceedings pending or known to be contemplated, Nova has included the amount involved in the other proceedings in computing the percentage.

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

## 15. INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Nova is not aware of any material interest, direct or indirect, of any director or executive officer of Nova, or person or company that beneficially owns, or controls, or directs, directly or indirectly, more than 10% of the voting rights attached to all outstanding voting securities of Nova, or any of their respective associates or affiliates, in any transaction since the commencement of Nova's most recently completed financial year, or in any proposed transaction, that has materially affected or would materially affect Nova, except for the following:

- Pursuant to the Reverse Take-Over, Alcanna, which owns 35,750,000 Nova Common Shares, representing approximately 63% of the Nova Common Shares, has the following rights under the Investor Rights Agreement: (i) the right to nominate four Alcanna nominees to the Board, at least two of which must be independent; (ii) anti-dilution rights allowing it to maintain its shareholdings at a ratio equal to the percentage of Nova Common Shares it held before Nova undertakes any share issuance; (iii) demand qualification rights allowing Alcanna to demand that Nova file a prospectus allowing Alcanna to distribute a portion of its Nova Common Shares for a price not exceeding \$15 million; and (iv) piggy-back rights entitling Alcanna to distribute its Nova Common Shares where Nova proposes to file a preliminary prospectus or prospectus supplement under applicable securities laws in connection with a distribution by way of a public offering, or where Alcanna undergoes a change of control through which an acquiror would control a majority of Alcanna's voting shares. At its current level of ownership in Nova Common Shares, Alcanna has the right to designate four director nominees. Alcanna exercised this right in part, by nominating Mr. Burns, Mr. Bitove and Mr. Sinclair to the Board. In the event that Alcanna holds less than 10% of the Nova Common Shares, Alcanna is disentitled of all of the above rights. The Investor Rights Agreement is available on SEDAR at [www.sedar.com](http://www.sedar.com).
- Mr. James Burns, who serves as Chair of the Company, also serves as Vice Chair and CEO of Alcanna.
- Mr. David Gordey, who serves as CFO of the Company, also serves as Executive Vice President, Corporate Services, and CFO, of Alcanna.
- Mr. Matthew Hewson, who serves as Corporate Secretary of the Company, also serves as General Counsel and Senior Vice President, Regulatory Affairs and HR, of Alcanna.

## 16. TRANSFER AGENT AND REGISTRAR

The Company's transfer agent and registrar of the Nova Common Shares is Odyssey Trust Company at its principal offices in Calgary, Alberta.

## 17. MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only contracts that are material to Nova and that were entered into by Nova or one of its subsidiaries within the most recently completed financial year or before the most recently completed financial year, but which are still material and are still in effect, are the following:

- the Sweet Tree Acquisition Agreement, described under "*General Development of the Business - Three Year History*";
- the Alcanna BCA, in connection with the Reverse Take-Over of YSS by Alcanna, described under "*General Development of the Business – Three Year History*";
- the Investor Rights Agreement with Alcanna, described under "*General Development of the Business – Three Year History*" and "*Interests of Management and Others in Material Transactions*"; and
- the Management Services Agreement with Alcanna, described under "*General Development of the Business – Three Year History*".

## 18. INTERESTS OF EXPERTS

Other than as set forth below, there is no person or company who is named as having prepared or certified a report, valuation, statement or opinion described or included in a filing, or referred to in a filing, made under National Instrument 52-102 *Continuous Disclosure Obligations* ("**NI 51-102**") by Nova during, or related to, its most recently completed financial year and whose profession or business gives authority to such report, valuation, statement or opinion made by such person or company.

KPMG LLP, Nova's auditor for the year ended December 31, 2020, was independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants, Alberta.

PricewaterhouseCoopers LLP, Nova's auditor for the year ended December 31, 2021, was appointed auditor of the Company on April 28, 2021 in connection with the Reverse Take-Over and is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants, Alberta.

In addition, none of the aforementioned persons or companies, nor any director, officer or employee of any of the aforementioned persons or companies, is or is expected to be elected, appointed or employed as a director, officer or employee of the Company or any associate or affiliate of the Company.

# 19. AUDIT COMMITTEE

## AUDIT COMMITTEE CHARTER

Nova's Audit Committee Charter is attached as Schedule "B" hereto.

## COMPOSITION OF THE AUDIT COMMITTEE

Members of the Audit Committee are Thomas Bitove (Chair), Ron Hozjan and Marvin Singer. All members of the Audit Committee are "financially literate" and all are "independent" within the meaning of National Instrument 52-110 *Audit Committees* ("**NI 52-110**").

## RELEVANT EDUCATION AND EXPERIENCE

Members	Independent	Financially Literate	Relevant Education and Experience
Thomas Bitove	Y	Y	Mr. Bitove has served as the Chair of Citadel Capital Inc. since July 1997. Mr. Bitove formerly served as a member of the board of directors of Intrinsic Technologies Inc. from December 2006 until May 2018, serving on the company's compensation and corporate governance committee.
Ron Hozjan	Y	Y	Mr. Hozjan has been the Vice President, Finance, and Chief Financial Officer at Aureus Energy Services since January 2020, a director of Carbeeza Inc. since June 2021, a director of Target Capital since September 2020, a director of Aloha Brands Inc. since April 2019, and a director of Aither Ingredient Corp. since February 2020. Mr. Hozjan was the Vice President, Finance, and Chief Financial Officer of Tamarack Valley Energy Ltd. from June 2010 until January 2020. Mr. Hozjan is a chartered professional accountant with over 25 years of experience as a senior financial officer.
Marvin Singer	Y	Y	Mr. Singer is currently a director of Osino Resources Corp. and Psyence Group Inc. Mr. Singer has acted as a consultant to private and public companies since January 2020, after retiring from practicing corporate and securities law for 40 years, most recently as a senior partner in the international law firm of Norton Rose Fulbright Canada LLP from 2005 until 2019. Mr. Singer has extensive experience in equity and debt financings, corporate governance, and mergers and acquisitions. During his career, Mr. Singer has advised the boards of directors of public issuers on governance and other corporate matters.

## RELIANCE ON EXEMPTIONS

At no time since the commencement of Nova's most recently completed financial year has Nova relied on any of the exemptions contained in Sections 2.4, 3.2, 3.3(2), 3.4, 3.5, 3.6 or 3.8 of NI 52-110, or an exemption from NI 52-110, in whole or in part, granted under Part 8 thereof.

## AUDIT COMMITTEE OVERSIGHT

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

## PRE-APPROVAL POLICIES AND PROCEDURES

The Audit Committee Charter provides that the Audit Committee approves in advance all permitted non-audit services to be provided to Nova or any of its affiliates by the external auditors or any of their affiliates, subject to any *de minimus* exception allowed by applicable law. The Audit Committee is permitted to delegate approval of non-audit services provided by external auditors for individual engagements with estimated fees of \$25,000 and under to the Chair of the Audit Committee.

## EXTERNAL AUDITOR SERVICE FEES

The following table summarizes the fees paid by the Company to its external auditors for external audit and other services during the periods indicated.

Fee Description	2021 (\$)	2020 (\$)
Audit Fees <sup>(1)</sup>	219,000	175,266
Audit-related Fees <sup>(2)</sup>	—	1,076
Tax Fees <sup>(3)</sup>	66,700	5,618
All Other Fees <sup>(4)</sup>	55,000	—
Total	340,700	181,960

## Notes:

- (1) "Audit fees" means the aggregate fees billed for audit services, including the annual audit and quarterly reviews of the Company's financial statements.
- (2) "Audit-related fees" means the aggregate fees billed for assurance and related services that were reasonably related to the performance of the audit or review of the Company's financial statements and were not reported under "Audit Fees" in the table above.
- (3) "Tax fees" means the aggregate fees billed for professional services related to tax compliance, tax advice and tax planning, including the preparation of corporate tax returns for the Company's reporting entities.
- (4) "All other fees" means the aggregate fees billed, other than the services reported under "Audit fees", "Audit-related fees" and "Tax fees" in the table above. In the 2021 fiscal year, these fees were related to the Alcanna BCA.

## 20. ADDITIONAL INFORMATION

Additional information relating to Nova may be found on SEDAR at [www.sedar.com](http://www.sedar.com) and on Nova's website at [novacannabis.ca](http://novacannabis.ca).

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Nova's securities and securities authorized for issuance under equity compensation plans, is contained in Nova's management information circular for its most recent annual meeting which may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

Additional financial information is provided in Nova's Financial Statements and MD&A for its most recently completed financial year, which documents may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

# SCHEDULE "A"

## NOVA CANNABIS INC. – AUDIT COMMITTEE CHARTER

Effective as and from May 17, 2021

### ROLE AND OBJECTIVE

The Audit Committee (the "**Committee**") is a committee of the board of directors (the "**Board**") of Nova Cannabis Inc. (the "**Corporation**") to which the Board has delegated its responsibility for 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, financial reporting and statements and recommending, for Board approval, the audited financial statements and other mandatory disclosure releases containing financial information. The objectives of the Committee, with respect to the Corporation and its subsidiaries, are as follows:

- to assist directors to meet their responsibilities in respect of the preparation and disclosure of the financial statements of the Corporation and related matters;
- to provide better communication between the Board and external auditors;
- to ensure the external auditors' independence;
- to review management's implementation and maintenance of an effective system of internal control over financial reporting and disclosure control over financial reporting;
- to increase the credibility and objectivity of financial reports; and
- to facilitate in-depth discussions between directors on the Committee, the officers of the corporation ("**management**"), and external auditors.

The primary responsibility for the financial reporting, information systems, risk management and internal and disclosure controls of the Corporation is vested in management and overseen by the Board. At each meeting, the Committee may meet separately with management and will meet in separate, closed sessions with the external auditors and then with the independent directors in attendance.

### MANDATE AND RESPONSIBILITIES OF COMMITTEE

#### Financial Reporting and Related Public Disclosure

1. It is a primary responsibility of the Committee to review and recommend for approval to the Board the annual and quarterly financial statements of the Corporation. The Committee is also to review and recommend to the Board for approval the financial statements and related information included in prospectuses, management discussion and analysis, financial press releases, information circular-proxy statements and annual information forms, including financial outlooks and future-oriented financial information included therein. The process should include but not be limited to:
  - a. reviewing changes in accounting principles, or in their application, which may have a material impact on the current or future years' financial statements;
  - b. reviewing significant management judgments and estimates that may be material to financial reporting including alternative treatments and their impacts;

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- c. reviewing the presentation and impact of any significant risks and uncertainties that may be material to financial reporting including alternative treatments and their impacts;
  - d. reviewing accounting treatment of significant, unusual or non-recurring transactions;
  - e. reviewing adjustments raised by the external auditors, whether or not included in the financial statements;
  - f. reviewing unresolved differences between management and the external auditors;
  - g. determining through inquiry if there are any related party transactions and ensure the nature and extent of such transactions are properly disclosed; and
  - h. reviewing all financial reporting relating to risk exposure including the identification, monitoring and mitigation of business risk and its disclosure.
2. The Committee shall satisfy itself that adequate procedures are in place for the review of the Corporation's public disclosure of financial information from the Corporation's financial statements and periodically assess the adequacy of those procedures.

### **Internal Controls Over Financial Reporting and Information Systems**

1. It is the responsibility of the Committee to satisfy itself on behalf of the Board with respect to the Corporation's internal control over financial reporting and information systems. The process should include but not be limited to:
  - a. inquiring as to the adequacy and effectiveness of the Corporation's system of internal controls over financial reporting and review the evaluation of internal controls over financial reporting by external auditors;
  - b. establishing procedures for the confidential, anonymous submission by employees of the Corporation of concerns relating to accounting, internal control over financial reporting, auditing or Code of Business Conduct and Ethics matters and periodically review a summary of complaints and their related resolution; and
  - c. establishing procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters.

### **External Auditors**

1. With respect to the appointment of external auditors by the Board, the Committee shall:
  - a. be directly responsible for overseeing the work of the external auditors engaged for the purpose of issuing an auditors' report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditors regarding financial reporting;
  - b. review the terms of engagement of the external auditors, including the appropriateness and reasonableness of the auditors' fees;
  - c. review and evaluate annually the external auditors' performance, and periodically (at least every five years) conduct a comprehensive review of the external auditors;
  - d. recommend to the Board appointment of external auditors and the compensation of the external auditors;
  - e. 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;



- f. review and approve any non-audit services to be provided by the external auditors' firm and consider the impact on the independence of the auditors; between scheduled meetings, the Chair of the Committee (the "**Committee Chair**") is authorized to approve all audit related services and non-audit services provided by the external auditors for individual engagements with estimated fees of \$25,000 and under; and shall report all such approvals to the Committee at its next scheduled meeting;
  - g. inquire as to the independence of the external auditors and obtain, at least annually, a formal written statement delineating all relationships between the external auditors and the Corporation as contemplated by Independence Standards Board Standard No. 1 – Independence Discussions with Audit Committees;
  - h. review the Annual Report of the Canadian Public Accountability Board ("**CPAB**") concerning audit quality in Canada and discuss implications for the Corporation;
  - i. review any reports issued by CPAB regarding the audit of the Corporation; and
  - j. discuss with the external auditors, without management being present, the quality of the Corporation's financial and accounting personnel, the completeness and accuracy of the Corporation's financial statements and elicit comments of senior management regarding the responsiveness of the external auditors to the Corporation's needs.
2. The Committee shall review with the external auditors (and the internal auditor if one is appointed by the Corporation) their assessment of the internal control over financial reporting of the Corporation, their written reports containing recommendations for improvement of internal control over financial reporting and other suggestions as appropriate, and management's response and follow-up to any identified weaknesses.
  3. The Committee shall also review and approve annually with the external auditors their plan for their audit and, upon completion of the audit, their reports upon the financial statements of the Corporation and its subsidiaries.

### **Compliance**

1. It is the responsibility of the Committee to review management's process for the certification of annual and interim financial reports in accordance with required securities legislation.
2. It is the responsibility of the Committee to ascertain compliance with covenants under loan agreements.
3. The Committee shall review the Corporation's compliance with all legal and regulatory requirements as it pertains to financial reporting, taxation, internal control over financial reporting and any other area the Committee considers to be appropriate relative to its mandate or as may be requested by the Board.

### **Other Matters**

1. It is the responsibility of the Committee to review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and external auditors of the Corporation.
2. The Committee may also review any other matters that the Committee feels are important to its mandate or that the Board chooses to delegate to it.
3. The Committee shall undertake annually a review of this mandate and make recommendations to the Chair of the Board, or to any special governance committee established by the Board, as to any proposed changes.



### COMPOSITION

1. This Committee shall be composed of at least three individuals appointed by the Board from amongst its members, all of whom shall be independent (within the meaning of section 1.4 and 1.5 of National Instrument 52-110 *Audit Committees* ("**NI 52-110**") unless the Board determines to rely on an exemption in NI 52-110.
2. The Committee Chair shall be appointed by the Board.
3. A quorum shall be a majority of the members of the Committee.
4. All of the members must be financially literate (within the meaning of section 1.6 of NI 52-110) unless the Board has determined to rely on an exemption in NI 52-110. Being "financially literate" means members have the ability to read and understand a set of 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 Corporation's financial statements.

### MEETINGS

1. The Committee shall meet at least four times per year and/or as deemed appropriate by the Committee Chair.
2. The Committee shall meet not less than quarterly with the auditors, independent of the presence of management.
3. Agendas, with input from management, shall be circulated to Committee members and relevant management personnel along with background information on a timely basis prior to the Committee meetings.
4. The chief executive officer and the chief financial officer of the Corporation or their designates shall be available to attend at all meetings of the Committee upon the invitation of the Committee.
5. Other staff shall attend meetings upon invitation by the Committee should the Committee deem them necessary for the provision of information.

### REPORTING / AUTHORITY

1. Following each meeting, in addition to a verbal report, the Committee will report to the Board by way of providing copies of the minutes of such Committee meeting at the next Board meeting after a meeting is held (these may still be in draft form).
2. Supporting schedules and information reviewed by the Committee shall be available for examination by any director.
3. The Committee shall have the authority to investigate any financial activity of the Corporation and to communicate directly with the internal and external auditors. All employees are to cooperate as requested by the Committee.
4. The Committee may retain, and set and pay the compensation for, persons having special expertise and/or obtain independent professional advice to assist in fulfilling its duties and responsibilities at the expense of the Corporation.
5. The Committee shall annually review this mandate and make recommendations to the Corporate Governance and Compensation Committee as to proposal changes.