NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

AND

MANAGEMENT INFORMATION CIRCULAR

May 11, 2020
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NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an annual and special meeting (the “Meeting”) of the holders of the common shares (collectively, the “Shareholders” or individually, a “Shareholder”) of Eve & Co Incorporated (the “Corporation”) will be held in a virtual only format, which will be conducted via live audio webcast, on June 25, 2020 at 11:00 a.m. (Toronto time) for the following purposes:

1. to receive the audited financial statements of the Corporation for the twelve month period ended December 31, 2019, together with the report of the auditor thereon;
2. to elect the directors of the Corporation;
3. to appoint Davidson & Company LLP, Chartered Professional Accountants, as auditor of the Corporation for the ensuing year and to authorize the directors of the Corporation to fix its remuneration;
4. to consider and, if thought appropriate, approve a resolution adopting the Corporation’s rolling stock option plan, as more fully described in the accompanying management information circular dated May 11, 2020 (the “Circular”);
5. to consider and, if thought appropriate, approve a special resolution (set out in Schedule “C” to the accompanying Circular) providing the Corporation’s board of directors with the authority, subject to regulatory approval, to file articles of amendment to consolidate the Corporation’s outstanding common shares at a share consolidation ratio to be determined by the board of directors within the range of one (1) new or “post-consolidation” Common Share for a minimum of two (2) and a maximum of ten (10) existing or “pre-consolidation” Common Shares, as more fully described in the Circular; and
6. to transact such other business as may properly be brought before the Meeting or any adjournment or postponement thereof.

Accompanying this Notice of Annual and Special Meeting of Shareholders is the Circular which provides information related to the matters to be addressed at the Meeting.

In order to mitigate any risks to the health and safety of our community, shareholders, employees and other stakeholders, and consistent with current social distancing recommendations, the Meeting will be held in virtual-only format, conducted via live audio webcast. Registered shareholders and duly appointed proxyholders will be permitted to attend the meeting and vote, all in real time, provided they are connected to the internet and have logged in through their web browser at: https://web.lumiagm.com/201000707 (password is EVE2020). You have to be connected to the internet at all times to be able to vote – it’s your responsibility to make sure you stay connected for the entire meeting. Please refer to the enclosed instructions to gain access to the Meeting through your web browser.

A Shareholder wishing to be represented by proxy at the Meeting or any adjournment or postponement thereof must deposit his, her or its duly executed form of proxy with the Corporation’s transfer agent and registrar, TSX Trust Company, Suite 301, 100 Adelaide Street West, Toronto, Ontario, M5H 4H1, on or before 11:00 a.m. on June 23, 2020.

Given that the Meeting will be conducted virtually, Shareholders are urged to sign, date and return the enclosed form of proxy in the envelope provided for that purpose. The record date for the determination of those Shareholders entitled to receive the Notice of Annual and Special Meeting of Shareholders and to vote at the Meeting was the close of business on May 11, 2020.
DATED at Toronto, Ontario this 11th day of May, 2020.

BY ORDER OF THE BOARD

“Melinda Rombouts”

Melinda Rombouts
President, Chief Executive Officer and Director
FORWARD-LOOKING STATEMENTS

Certain statements contained in this Circular (as defined below) constitute “forward-looking information” and “forward-looking statements”. All statements other than statements of historical fact contained in this Circular, including, without limitation, those regarding the plans, objectives, goals, targets and future developments of the Corporation (as defined below) in the markets where the Corporation participates or is seeking to participate, and in particular statements related to the proposed share consolidation and the reasons thereof, the potential considerations of the Board in determining the share consolidation ratio (if any), certain risks and the anticipated principal effects of the proposed consolidation and the implementation thereof, and any statements preceded by, followed by or that include the words “believe”, “expect”, “aim”, “intend”, “plan”, “continue”, “will”, “may”, “would”, “anticipate”, “estimate”, “forecast”, “predict”, “project”, “seek”, “should” or similar expressions or the negative thereof, or by discussions of strategy are forward-looking statements. The forward-looking statements included in this Circular are made only as of the date of this Circular and the Corporation assumes no obligation to update or revise them to reflect subsequent information, events or circumstances or otherwise, except as required by law.

Forward-looking statements in the Circular are not guarantees of future performance and involve assumptions, risks and uncertainties that are difficult to predict. Therefore, actual results may differ materially from what is expressed, implied or forecasted in such forward-looking statements. Management has provided such forward-looking statements because it believes they provide useful information to shareholders in considering the matters set forth in this Circular, and cautions readers that the information may not be appropriate for other purposes.

Some of the risks which could affect future results and could cause results to differ materially from those expressed in the forward-looking statements contained herein include the following:

- the Corporation’s reliance on licence and regulatory approvals to conduct its business as currently operated and as proposed;
- changes in laws, regulations and guidelines applicable to the Corporation and its subsidiaries;
- access to capital;
- limited operating history;
- vulnerability to supply chain disruptions, major health issues or pandemics and COVID-19;
- retention and acquisition of skilled personnel;
- demand for product and negative consumer perception;
- meeting consumer demand;
- product liability;
- product recalls or returns;
- environmental regulations and risks;
- results of future clinical research;
- insurance coverage;
- regulatory or agency proceedings, investigations, inspections and audits;
- litigation;
- uninsurable risks;
- history of losses;
- intellectual property;
- financial performance of subsidiary;
- market price volatility and potential impact on share price;
- lack of analyst coverage; and
- factors described from time to time in the documents filed by the Corporation with the securities regulators in Canada available at www.sedar.com, including the Corporation’s most recent Management’s Discussion & Analysis under the heading “Risks and Uncertainties”.

Other factors not currently viewed as material could cause actual results to differ materially from those described in the forward-looking statements. Although the Corporation has attempted to identify important risks, uncertainties and factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other risks, uncertainties and factors that cause actions,
events or results not to be anticipated, estimated or intended. Accordingly, readers should not place any undue reliance on forward-looking statements.
MANAGEMENT INFORMATION CIRCULAR

SOLICITATION OF PROXIES

This management information circular (the “Circular”) is furnished in connection with the solicitation of proxies by the management of Eve & Co Incorporated (the “Corporation”) for use at the annual and special meeting (the “Meeting”) of holders (collectively, the “Shareholders” or individually, a “Shareholder”) of common shares in the capital of the Corporation (“Common Shares”) to be held at the time and place and for the purposes set forth in the attached Notice of Annual and Special Meeting of Shareholders (the “Notice”). The solicitation will be primarily by mail, but proxies may also be solicited personally or by telephone by regular employees of the Corporation. The cost of solicitation will be borne by the Corporation.

NOTICE-AND-ACCESS

The Corporation has elected to use the notice and access procedure (“Notice and Access”) available in National Instrument 51-102 – Continuous Disclosure Obligations (“NI 51-102”) and National Instrument 54-101 – Communication with Beneficial Owners of Securities of a Reporting Issuer (“NI 54-101”), for the delivery of meeting materials to shareholders for the Meeting to be held on June 25, 2020. Under Notice and Access provisions, Shareholders will receive a notice (“Notice and Access Notice”) containing information on how they can access the Corporation’s Notice and Information Circular (collectively, the “Meeting Materials”) electronically instead of receiving a printed copy, and if a Shareholder wishes, how to receive a printed copy of the Meeting Materials. Together with the Notice and Access Notice, Shareholders will receive a proxy, in the case of Registered Shareholders, enabling them to vote at the Meeting. The Meeting Materials will be posted on the Corporation’s website at www.evecannabis.ca as of May 25, 2020, and will remain on the website for one year. The Meeting Materials will also be available on the Corporation’s corporate profile at www.sedar.com as of May 25, 2020. All Registered and Beneficial Shareholders will receive a Notice and Access Notice.

The Corporation has distributed or made available for distribution, copies of the Meeting Materials and form of proxy or voting instruction form (if applicable) to clearing agencies, securities dealers, banks and trust companies or their nominees (collectively, the “Intermediaries”) for distribution to Beneficial Shareholders (as defined below) whose Common Shares are held by or in custody of such Intermediaries. Such Intermediaries are required to forward such documents to Beneficial Shareholders unless a Beneficial Shareholder has waived the right to receive them. The Corporation has elected to pay for the delivery of the Meeting Materials and form of proxy or voting instruction form (if applicable) to objecting Beneficial Shareholders by the Intermediaries. The Corporation is sending proxy-related materials directly to non-objecting Beneficial Shareholders, through the services of its transfer agent and registrar, TSX Trust Company. The solicitation of proxies from Beneficial Shareholders will be carried out by the Intermediaries or by the Corporation if the names and addresses of the Beneficial Shareholders are provided by Intermediaries. The Corporation will pay the permitted fees and costs of Intermediaries incurred in connection with the distribution of the Meeting Materials and form of proxy or voting instruction form (if applicable). The Corporation is relying on the notice-and-access provisions of securities laws for delivery of the Meeting Materials to registered Shareholders or Beneficial Shareholders.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are officers and/or directors of the Corporation. A Shareholder has the right to appoint a person (who need not be a Shareholder) to attend and act for such Shareholder and on his, her or its behalf at the Meeting other than the persons designated in the enclosed form of proxy. Such right may be exercised by inserting in the blank space provided for that purpose the name of the desired person or by completing another proper form of proxy and, in either case, delivering the completed and executed proxy to the Corporation’s transfer agent and registrar, TSX Trust Company, Suite 301, 100 Adelaide Street West, Toronto, Ontario, M5H 4H1 not later than 11:00 a.m. on June 23, 2020. Any person appointed as proxy by the Shareholder must contact TSX Trust Company at TMXEInvestorServices@tmx.com to request a control number to be represented or voted at the Meeting. It is the responsibility of the Shareholder to advise their proxy to contact TSX Trust Company at the above address.
Company to request such a control number. Without the control number, proxyholders will not be able to participate at the Meeting. A proxy must be executed by the registered Shareholder or his, her or its attorney duly authorized in writing or, if the Shareholder is a corporation, by an officer or attorney thereof duly authorized. The chair of the Meeting may waive or extend the proxy cut-off without notice.

Proxies given by Shareholders for use at the Meeting may be revoked prior to their use:

(a) by depositing an instrument in writing executed by the Shareholder or by such Shareholder’s attorney duly authorized in writing or, if the Shareholder is a corporation, by an officer or attorney thereof duly authorized indicating the capacity under which such officer or attorney is signing:

   (i) at the registered office, 181 Bay Street, Suite 1800, Toronto, Ontario, M5J 2T9, at any time up to and including June 24, 2020 (or the last business day preceding the date of any adjourned or postponed Meeting); or

   (ii) with the chair of the Meeting on the day of the Meeting or any adjournment or postponement thereof; or

(b) in any other manner permitted by law.

EXERCISE OF DISCRETION BY PROXIES

The persons named in the accompanying form of proxy will vote the Common Shares in respect of which they are appointed in accordance with the direction of the Shareholders appointing them. In the absence of such direction, such Common Shares will be voted in favour of the passing of the matters set out in the Notice. The form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice and with respect to other matters which may properly come before the Meeting or any adjournment or postponement thereof.

At the time of the printing of this Circular, the management of the Corporation knows of no such amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice. However, if any other matters which at present are not known to the management of the Corporation should properly come before the Meeting, the proxy will be voted on such matters in accordance with the best judgment of the named proxies.

ADVICE TO BENEFICIAL SHAREHOLDERS

Shareholders should note that only proxies deposited by Shareholders whose names appear on the records of the Corporation as the registered holders of Common Shares, or non-objecting beneficial owners whose names has been provided to the Corporation’s registrar and transfer agent, can be recognized and acted upon at the Meeting. The information set forth in this section is therefore of significant importance to a substantial number of Shareholders who do not hold their Common Shares in their own name (referred to in this section as “Beneficial Shareholders”). If Common Shares are listed in an account statement provided to a Shareholder by an Intermediary, then in almost all cases those Common Shares will not be registered in such Shareholder’s name on the records of the Corporation. Such Common Shares will more likely be registered under the name of the Shareholder’s Intermediary or an agent of that Intermediary. In Canada, the vast majority of such Common Shares are registered under the name of CDS & Co., as nominee for CDS Clearing and Depository Services Inc., which acts as a depository for many Canadian Intermediaries. Common Shares held by Intermediaries or their nominees can only be voted for or against resolutions upon the instructions of the Beneficial Shareholder. Without specific instructions, Intermediaries are prohibited from voting Common Shares for their clients.

Applicable regulatory policy requires Intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholders’ meetings. Every Intermediary has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. Often the form of proxy supplied to a Beneficial Shareholder by its Intermediary is identical to the form of proxy provided by the Corporation to the Intermediaries. However, its purpose is limited to instructing the Intermediary how to vote on behalf of
the Beneficial Shareholder. The majority of Intermediaries now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("Broadridge"). Broadridge typically mails the voting instruction forms or proxy forms to the Beneficial Shareholders and asks the Beneficial Shareholders to return the voting instruction forms or proxy forms to Broadridge. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting. A Beneficial Shareholder receiving a proxy or voting instruction form from Broadridge cannot use that proxy to vote Common Shares directly at the Meeting - the proxy must be returned to Broadridge well in advance of the Meeting in order to have the Common Shares voted.

Although Beneficial Shareholders may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of their Intermediary, a Beneficial Shareholder may attend the Meeting as proxyholder for the Intermediary and vote their Common Shares in that capacity. Beneficial Shareholders who wish to attend the Meeting and indirectly vote their own Common Shares as proxyholder for the Intermediary should enter their own names in the blank space on the management form of proxy or voting instruction form provided to them and return the same to their Intermediary (or the agent of such Intermediary) in accordance with the instructions provided by such Intermediary or agent well in advance of the Meeting. Beneficial Shareholders should carefully follow the instructions of their Intermediaries and their service companies.

All references to shareholders in this Circular and the accompanying form of proxy and Notice are to Shareholders of record unless specifically stated otherwise.

NOTE TO NON-OBJECTING BENEFICIAL OWNERS

The Meeting Materials are being sent to both registered and Beneficial Shareholders. If you are a Beneficial Shareholder, and the Corporation or its agent has sent the Meeting Materials directly to you, your name and address and information about your holdings of Common Shares, have been obtained in accordance with applicable securities regulatory requirements from the Intermediary holding on your behalf. By choosing to send the Meeting Materials to you directly, the Corporation (and not the Intermediary holding on your behalf) has assumed responsibility for (i) delivering the Meeting Materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The Corporation has fixed the close of business on May 11, 2020 as the record date (the “Record Date”) for the purposes of determining Shareholders entitled to receive the Notice and vote at the Meeting. As at the Record Date, 287,867,172 Common Shares carrying the right to one vote per share at the Meeting were issued and outstanding.

To the knowledge of the directors and executive officers of the Corporation, as at the date of this Circular, the only persons who beneficially own, or control or direct, directly or indirectly, voting securities of the Corporation carrying 10% or more of the voting rights attached to the Common Shares are as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of Shares Owned (Percentage of Class and Type of Ownership)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Melinda Rombouts</td>
<td>58,018,668</td>
</tr>
</tbody>
</table>
EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The general objectives of the Corporation’s compensation strategy are to: (a) compensate management in a manner that encourages and rewards a high level of performance and outstanding results with a view to increasing long-term shareholder value; (b) align management’s interests with the long-term interests of shareholders; and (c) attract and retain highly qualified executive officers.

Elements of Compensation

1. **Base Salary**

Each Named Executive Officer (as such term is defined below) receives a base salary, which constitutes a significant portion of the Named Executive Officer’s compensation package. Base salary is recognition for discharging day-to-day duties and responsibilities and reflects the Named Executive Officer’s performance over time, as well as that individual’s particular experience and qualifications. A Named Executive Officer’s base salary is reviewed by the board of directors of the Corporation (the “Board”) on an annual basis and may be adjusted to take into account performance contributions for the year and to reflect sustained performance contributions over a number of years.

2. **Stock Option Plans**

The Corporation’s stock option plan (the “Stock Option Plan”) is intended to reinforce commitment to long-term growth in profitability and shareholder value by encouraging share ownership and entrepreneurship on the part of the senior management and other employees. The Board believes that the Stock Option Plan aligns the interests of the Named Executive Officers and the Board with Shareholders by linking a component of executive compensation to the longer-term performance of the Common Shares.

Officers, directors, employees and consultants are eligible under the Stock Option Plan to receive grants of stock options. The Stock Option Plan is an important part of the Corporation’s long-term incentive strategy for its officers, directors, employees and consultants, permitting them to participate in appreciation of the market value of the Common Shares over a stated period of time. The Stock Option Plan is intended to reinforce commitment to long-term growth in profitability and shareholder value. The size of the stock option grants to officers, directors, employees and consultants is dependent on each such person’s level of responsibility, authority and position with the Corporation and to the degree to which such person’s long term contribution to the Corporation will be key to its long term success.

Options are granted by either the Board or the Compensation Committee of the Corporation (the “Compensation Committee”). In monitoring or adjusting the option allotments, the Board or the Compensation Committee, as the case may be, takes into account its own observations on individual performance (where possible) and its assessment of individual contribution to shareholder value, previous option grants and the objectives set for the Named Executive Officers. The scale of options is generally commensurate to the appropriate level of base compensation for each level of responsibility. The Board or the Compensation Committee will make these determinations subject to and in accordance with the provisions of the Stock Option Plan. See “Particulars of Matters to be Acted Upon – Approval of Stock Option Plan” below for further details regarding the Stock Option Plan.

As at the date of this Circular, a total of 11,816,717 Common Shares were available for grant and 16,970,000 Common Shares were issuable pursuant to options granted under the Stock Option Plan, representing approximately 5.90% of the issued and outstanding Common Shares.

Compensation of Directors

The following table illustrates the compensation structure for the non-executive directors as of December 31, 2019. The directors may also be reimbursed for out-of-pocket expenses incurred in carrying out their duties as directors in addition to the compensation as set out below.
<table>
<thead>
<tr>
<th>Annual Retainer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chair of the Board</td>
</tr>
<tr>
<td>Non-executive director</td>
</tr>
<tr>
<td>Chair of the Audit Committee</td>
</tr>
</tbody>
</table>

Notes:
\(^1\) As of the date of the Circular, the Chair of the Board and the Chair of the Audit Committee receive no additional remuneration beyond any remuneration received in the capacity of a non-executive director.
\(^2\) As of the date of the Circular, the annual retainer for a non-executive director is $50,000.

Officers of the Corporation who also act as directors will not receive any additional compensation for services rendered in such capacity, other than as paid by the Corporation in their capacity as officers.

**Compensation Risk**

The Board and, as applicable, the Compensation Committee, considers and assesses the implications of risks associated with the Corporation’s compensation policies and practices and devotes such time and resources as is believed to be necessary in the circumstances. The Corporation’s practice of compensating its officers primarily through a mix of salary, bonus and stock options is designed to mitigate risk by: (i) ensuring that the Corporation retains such officers; and (ii) aligning the interests of its officers with the short-term and long-term objectives of the Corporation and its shareholders. As at the date of this Circular, the Board had not identified risks arising from the Corporation’s compensation policies and practices that are reasonably likely to have a material adverse effect on the Corporation.

**Financial Instruments**

Pursuant to the terms of the Corporation’s Insider Trading Policy, the Corporation’s officers and directors are prohibited from purchasing financial instruments, such as prepaid variable forward contracts, equity swaps, collars or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by an officer or director.

**Compensation Governance**

In order to assist the Board in fulfilling its oversight responsibilities with respect to compensation matters, the Board has established the Compensation Committee and has reviewed and approved the Compensation Committee’s Charter. The Compensation Committee is composed of Yasir Naqvi, Melinda Rombouts and Ravi Sood, of whom Mr. Naqvi is independent as such term is defined in National Instrument 52-110 – Audit Committees. Mr. Sood is not considered independent as his consulting company received certain compensation from NMC in connection with the Qualifying Transaction that closed in 2018 and Ms. Rombouts is not considered independent because of her role as Chief Executive Officer. Given the currently reduced Board size of three (3) directors, Ms. Rombouts sits on the Compensation Committee but does not participate in any meetings of the committee that relate to her compensation as an executive of the Corporation or any related matters.

The Compensation Committee meets on compensation matters as and when required with respect to executive compensation. The primary goal of the Compensation Committee as it relates to compensation matters is to ensure that the compensation provided to the Named Executive Officers and the Corporation’s other senior officers is determined with regard to the Corporation’s business strategies and objectives, such that the financial interest of the senior officers is aligned with the financial interest of shareholders, and to ensure that their compensation is fair and reasonable and sufficient to attract and retain qualified and experienced executives. The Compensation Committee is given the authority to engage and compensate any outside advisor that it determines to be necessary to carry out its duties.
As a whole, the members of the Compensation Committee have direct experience and skills relevant to their responsibilities in executive compensation, including with respect to enabling the Compensation Committee in making informed decisions on the suitability of the Corporation’s compensation policies and practices. Each of the members of the Compensation Committee has experience on the board of directors and related committees of other public companies, as described under “Particulars of Matters to be Acted Upon – Election of Directors” in this Circular.

Executive Compensation-Related Fees

No executive compensation-related fees were paid to any consultants in 2017, 2018 or 2019.

Summary Compensation Table – Named Executive Officers

The following table sets forth the compensation paid or awarded to the following individuals: (i) the President and Chief Executive Officer; (ii) the former Chief Financial Officer; and (iii) the Vice President, Government Relations and Business Development (collectively, the “Named Executive Officers”) for the twelve month period ended December 31, 2019, the fourteen month period ended December 31, 2018. For the financial year ended October 31, 2017, the Corporation had not yet completed a qualifying transaction (the “Qualifying Transaction”) pursuant to the TSX Venture Exchange (the “Exchange”) Policy 2.4 (the “Capital Pool Company Policy”). The Capital Pool Company Policy prohibits the remuneration of directors and officers of a capital pool company (“CPC”) prior to the completion of a Qualifying Transaction. Accordingly, Amar Bhalla, the sole executive officer of the Corporation while the Corporation was a CPC, was not paid any compensation during the financial year ended October 31, 2017.

<table>
<thead>
<tr>
<th>Name and principal position</th>
<th>Year</th>
<th>Salary/Fee ($)</th>
<th>Option-based awards ($)</th>
<th>Non-equity incentive plan compensation ($)</th>
<th>All other compensation ($)</th>
<th>Total compensation ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Melinda Rombouts</td>
<td>2019</td>
<td>259,368</td>
<td>867,000</td>
<td>-</td>
<td>-</td>
<td>1,126,368</td>
</tr>
<tr>
<td>President and Chief Executive Officer</td>
<td>2018</td>
<td>174,168</td>
<td>558,806</td>
<td>-</td>
<td>-</td>
<td>732,974</td>
</tr>
<tr>
<td></td>
<td>2017</td>
<td>127,418</td>
<td>NIL</td>
<td>-</td>
<td>-</td>
<td>127,418</td>
</tr>
<tr>
<td>Landon Roedding</td>
<td>2019</td>
<td>249,753</td>
<td>289,000</td>
<td>-</td>
<td>-</td>
<td>538,753</td>
</tr>
<tr>
<td>Former Chief Financial Officer</td>
<td>2018</td>
<td>39,903</td>
<td>232,700</td>
<td>-</td>
<td>-</td>
<td>272,603</td>
</tr>
<tr>
<td>Ivan Ross Vrána</td>
<td>2019</td>
<td>97,634</td>
<td>72,250</td>
<td>-</td>
<td>-</td>
<td>169,884</td>
</tr>
<tr>
<td>Vice President, Government Relations and Business Development</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes:

1. On June 28, 2018, Melinda Rombouts was appointed as President and Chief Executive Officer of the Corporation.
2. Prior to June 28, 2018, Melinda Rombouts was President and Chief Executive Officer of 1600978 Ontario Inc. operating as Natural MedCo (“NMC”). In connection with the Qualifying Transaction, NMC became a wholly-owned subsidiary of the Corporation. The salaries above include those paid to Ms. Rombouts by both the Corporation and NMC.
3. Mr. Roedding was appointed as Chief Financial Officer of the Corporation on October 23, 2018 and resigned from the Corporation on March 27, 2020.
4. On May 27, 2019, Ivan Ross Vrána joined the Corporation as Vice-President, Government Relations and Business Development.
5. Calculated based on the Black-Scholes model for option valuation.
6. The Corporation does not have any non-equity based award programs.
Incentive Plan Awards – Named Executive Officers

Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth all share-based and option-based awards outstanding for the Named Executive Officers as of December 31, 2019:

<table>
<thead>
<tr>
<th>Name</th>
<th>Option-Based Awards</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of securities underlying unexercised options (#)</td>
<td>Option exercise price ($)</td>
<td>Option expiration date</td>
<td>Value of unexercised in-the-money options ($)</td>
</tr>
<tr>
<td>Melinda Rombouts</td>
<td>3,000,000 3,000,000</td>
<td>0.25 0.405</td>
<td>June 28, 2028 May 23, 2024</td>
<td>-</td>
</tr>
<tr>
<td>Landon Roedding</td>
<td>1,000,000 1,000,000</td>
<td>0.31 0.405</td>
<td>October 23, 2028 May 23, 2024</td>
<td>-</td>
</tr>
<tr>
<td>Ivan Ross Vrána</td>
<td>250,000</td>
<td>0.405</td>
<td>May 23, 2024</td>
<td>-</td>
</tr>
</tbody>
</table>

Notes:
(1) The “value of unexercised in-the-money options” is calculated based on the difference between the closing price of $0.19 for the Common Shares on the Exchange on December 31, 2019 (the last trading day of the year ended December 31, 2019) and the exercise price of the options, multiplied by the number of unexercised options.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth the value of all incentive plan awards vested or earned for each Named Executive Officer during the twelve months ended December 31, 2019:

<table>
<thead>
<tr>
<th>Name</th>
<th>Option-based awards – Value vested during the year ($)</th>
<th>Non-equity incentive plan compensation – Value earned during the year ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Melinda Rombouts</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Landon Roedding</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Ivan Ross Vrána</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Management Contracts – Termination and Change of Control Benefits

Melinda Rombouts – President and CEO

Ms. Rombouts, the Corporation and NMC entered into an employment agreement effective as of the closing of the Qualifying Transaction which was amended on December 17, 2018. The agreement provides for an annual base salary of $275,000 and standard non-competition, non-solicitation and confidentiality clauses. Ms. Rombouts will be eligible for an annual bonus at the sole discretion of the Compensation Committee from time to time. The employment of Ms. Rombouts will be indefinite until
terminated in accordance with the terms of the agreement. NMC may at any time during the term, without notice or pay in lieu of such notice, terminate Ms. Rombouts’ employment, with or without cause. Upon termination without cause, Ms. Rombouts is entitled to two years’ salary. Further, if within 90 days of a Change in Control (as such term is defined in the employment agreement), Ms. Rombouts is terminated without cause or her position is changed to become one of less responsibility, importance or scope and she provides notice of termination, Ms. Rombouts will be entitled to 24 months’ salary and the immediate vesting of her options.

*Rory Taylor – Interim CFO*

Mr. Taylor entered into a consulting agreement with the Corporation effective as of April 1, 2020 to act in the role of interim CFO. The agreement provides for a base monthly consulting fee of $15,000 and may be terminated by Mr. Taylor or the Corporation with one month’s notice. The consulting agreement will remain in force until a permanent CFO of the Corporation is formally appointed.

*Ivan Ross Vrána – Vice- President, Governmental Relations and Business Development*

Mr. Vrána and NMC entered into entered into an employment agreement effective as of May 27, 2019. The agreement provides for an annual base salary of $175,000 and standard non-competition, non-solicitation and confidentiality clauses. Mr. Vrána will be eligible for an annual bonus at the sole discretion of the Compensation Committee from time to time. The employment of Mr. Vrána will be indefinite until terminated in accordance with the terms of the agreement. NMC may at any time during the term, without notice or pay in lieu of such notice, terminate Mr. Vrána’s employment, with or without cause. Upon termination without cause, Mr. Vrána is entitled to severance in accordance with the Ontario Employment Standards Act, 2000.

*Landon Roedding – Former CFO*

Mr. Roedding and the Corporation entered into an employment agreement effective as of October 23, 2018. The agreement provided for an annual base salary of $250,000 and standard non-competition, non-solicitation and confidentiality clauses. Mr. Roedding was eligible for an annual bonus at the sole discretion of the Compensation Committee from time to time, and the agreement provided for various entitlements upon termination of employment. Mr. Roedding departed the Corporation on March 27, 2020.

**Director Compensation**

The following table sets forth all amounts of compensation provided to the directors of the Corporation (other than directors who are also Named Executive Officers) during the twelve month period ended December 31, 2019:

<table>
<thead>
<tr>
<th>Name</th>
<th>Fees Earned ($)</th>
<th>Option-based awards ($)</th>
<th>All other compensation ($)</th>
<th>Total ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alice Murphy</td>
<td>49,699</td>
<td>289,000</td>
<td>-</td>
<td>330,151</td>
</tr>
<tr>
<td>Ravi Sood</td>
<td>20,000</td>
<td>144,500</td>
<td>-</td>
<td>164,500</td>
</tr>
<tr>
<td>Clark Moeller</td>
<td>24,274</td>
<td>144,500</td>
<td>-</td>
<td>164,500</td>
</tr>
<tr>
<td>Shari Mogk-Edwards</td>
<td>24,110</td>
<td>242,000</td>
<td>-</td>
<td>261,836</td>
</tr>
<tr>
<td>Mehraneh Ebrahimi</td>
<td>8,658</td>
<td>-</td>
<td>-</td>
<td>8,658</td>
</tr>
</tbody>
</table>

Notes:

(1) Mrs. Murphy was appointed to the Board on April 22, 2019 and resigned from the Board on April 1, 2020.

(2) Mr. Moeller was appointed to the Board on June 28, 2018 and resigned from the Board on April 1, 2020.
Incentive Plan Awards - Outstanding Share-Based Awards and Option-Based Awards

The following table sets forth all awards outstanding for each of the directors of the Corporation (other than directors who are also Named Executive Officers) as of December 31, 2019:

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of securities underlying unexercised options (#)</th>
<th>Option exercise price ($)</th>
<th>Option expiration date</th>
<th>Value of unexercised in-the-money options ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alice Murphy(2)</td>
<td>1,000,000</td>
<td>0.405</td>
<td>April 1, 2021</td>
<td>-</td>
</tr>
<tr>
<td>Ravi Sood</td>
<td>500,000, 500,000</td>
<td>0.25, 0.405</td>
<td>June 28, 2028, May 23, 2024</td>
<td>-</td>
</tr>
<tr>
<td>Clark Moeller(3)</td>
<td>500,000, 500,000</td>
<td>0.25, 0.405</td>
<td>April 1, 2021, April 1, 2021</td>
<td>-</td>
</tr>
<tr>
<td>Shari Mogk-Edwards(4)</td>
<td>500,000, 500,000</td>
<td>0.26, 0.405</td>
<td>January 3, 2019, April 1, 2021</td>
<td>-</td>
</tr>
</tbody>
</table>

Notes:
1. The “value of unexercised in-the-money options” is calculated based on the difference between the closing price of $0.19 for the Common Shares on the Exchange on December 31, 2019 (the last trading day of the year ended December 31, 2019) and the exercise price of the options, multiplied by the number of unexercised options. All options granted to directors (other than directors who are also Named Executive Officers) of the Corporation during the fourteen-month period ended December 31, 2018 vested immediately on the grant date. 2,500,000 options with an expiry date of May 23, 2024, which were granted to directors of the Corporation (other than directors who are also Named Executive Officers) during the financial year ended December 31, 2019, vest on the one year anniversary of the grant date. 500,000 options with an expiry date of January 3, 2024, which were granted to the directors of the Corporation (other than directors who are also Named Executive Officers) during the financial year ended December 31, 2019, vested on April 1, 2020.

2. Mrs. Murphy was appointed to the Board on April 22, 2019 and resigned from the Board on April 1, 2020.

3. Mr. Moeller resigned from the Board on April 1, 2020.

4. Mrs. Mogk-Edwards was appointed to the Board on January 3, 2019 and resigned from the Board on April 1, 2020.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth the value of all incentive plan awards vested or earned by each director of the Corporation (other than directors who are also Named Executive Officers) during the year ended December 31, 2019:
SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table provides information regarding the number of Common Shares to be issued upon exercise of outstanding options pursuant to the Stock Option Plan as at December 31, 2019:

<table>
<thead>
<tr>
<th>Plan Category</th>
<th>Number of securities to be issued upon exercise of outstanding options (a)</th>
<th>Weighted-average exercise price of outstanding options (b)</th>
<th>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity compensation plans approved by security holders</td>
<td>16,570,000</td>
<td>$0.34</td>
<td>12,216,717</td>
</tr>
<tr>
<td>Equity compensation plans not approved by security holders</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>16,570,000</td>
<td>$0.34</td>
<td>12,216,717</td>
</tr>
</tbody>
</table>

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

As at the date of this Circular, no individual who is an executive officer, director, employee or former executive officer, director or employee of the Corporation or any of its subsidiaries is indebted to the Corporation or any of its subsidiaries pursuant to the purchase of securities or otherwise.

No individual who is, or at any time during the twelve month period ended December 31, 2019 was, a director or executive officer of the Corporation, a proposed management nominee for election as a director of the Corporation, or an associate of any such director, executive officer or proposed nominee, was indebted to the Corporation or any of its subsidiaries during the fourteen month period ended December 31, 2019 or as at the date of this Circular in connection with security purchase programs or other programs.

REPORT ON CORPORATE GOVERNANCE

Maintaining a high standard of corporate governance is a priority for the Board and the Corporation’s management as both believe that effective corporate governance will help create and maintain shareholder value in the long term. A description of the Corporation’s corporate governance practices, which addresses the matters set out in National Instrument 58-101 – Disclosure of Corporate Governance Practices, is set out at Schedule “A” to this Circular.
AUDIT COMMITTEE DISCLOSURE

Audit Committee’s Charter
The charter (the “Audit Committee Charter”) of the Corporation’s Audit Committee is reproduced as Schedule “D”.

Composition of Audit Committee
As at December 31, 2019, the Audit Committee was composed of Alice Murphy (Chair), Ravi Sood and Clark Moeller, each of whom was a director of the Corporation. In accordance with Exchange Policy 3.1, the majority of the Audit Committee were not employees, Control Persons (as defined by the rules and policies of the Exchange) or officers of the Corporation.

A majority of the members of the Audit Committee in 2019 were “independent” as such term is defined in National Instrument 52-110 Audit Committees (“NI 52-110”). Mr. Sood is not considered independent as his consulting company received certain compensation from NMC in connection with the Qualifying Transaction in 2018.

The Audit Committee is currently composed of Mr. Sood, Mr. Naqvi and Ms. Rombouts. Given the currently reduced Board size of three (3) directors, Ms. Rombouts sits on the Audit Committee but does not participate in any meetings of the committee that relate to the financial oversight of management or certain engagement with the external auditor of the Corporation in accordance with the mandate of the Audit Committee.

In accordance with the mandate of the Audit Committee, a majority of the members of the committee are not employees, “control persons” (as defined in the mandate) or officers of the Corporation. The Corporation is of the opinion that each of Mr. Sood, Mr. Naqvi and Ms. Rombouts are “financially literate” as such term is defined in NI 52-110.

Relevant Education and Experience
All the members of the Audit Committee have the education and/or practical experience required to understand and evaluate financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation’s financial statements.

Ravi Sood is the managing director of Signal 8 Limited. Mr. Sood has been a founder of and the principal investor in several businesses in emerging markets and currently serves as Executive Chairman and Director of Galane Gold Ltd. (TSXV:GG) and Jade Power Trust (TSXV:JPWR). He was the founder and Chief Executive Officer of Navina Asset Management Inc., a global asset management firm headquartered in Toronto, Canada. Mr. Sood led the investment activities of Navina and its predecessor company, Lawrence Asset Management Inc., from its founding in 2001 until he sold the firm in 2010. Mr. Sood was educated at the University of Waterloo (B. Mathematics) where he was a Descartes Fellow and the recipient of numerous national awards.

Melinda Rombouts is the Chief Executive Officer of the Corporation. Ms. Rombouts is the founder of NMC and has previously operated large-scale businesses producing agricultural food and pharmaceutical related products. Ms. Rombouts received her B Sc. and BA from the University of Waterloo with a specialization in Plant Biology and Microbiology and has also completed various specialized training courses related to GMP.

Yasir Naqvi is the Chief Executive Officer of the Institute for Canadian Citizenship (ICC), Canada’s leading voice on citizenship and inclusion. Prior to joining the ICC, Mr. Naqvi served as a Member of Provincial Parliament for almost 11 years and during his tenure served as the Attorney General of Ontario, Government House Leader, the Minister of Labour, and the Minister of Community Safety and Correctional Services. Mr. Naqvi was also a member of the Treasury Board and Management Board of Cabinet. Before being elected, Mr. Naqvi was the Associate Director and International Trade Counsel at the Centre for Trade Policy and Law and also practiced international trade, competition, regulatory and administrative law with major law firms in Ottawa.
Audit Committee Oversight
At no time since the commencement of the Corporation’s most recently completed financial year have any recommendations by the Audit Committee respecting the nomination and/or compensation of the Corporation’s external auditors not been adopted by the board of directors.

Reliance on Certain Exemptions
At no time since the commencement of the Corporation’s most recently completed financial year has the Corporation relied on exemptions in relation to “De Minimis Non-audit Services” or any exemption provided by Part 8 of NI 52-110.

Pre-Approval Policies and Procedures
Pursuant to the terms of the Audit Committee Charter, the Audit Committee shall pre-approve all non-audit services to be provided to the Corporation or its subsidiary entities by the Corporation’s external auditor.

External Auditor Service Fees (By Category)
Audit Fees – The Corporation’s external auditor invoiced approximately $85,000 for the year ended December 31, 2019 and $95,000 for the fourteen-month period ended December 31, 2018.

Audit-Related Fees – The Corporation’s external auditor invoiced approximately $30,000 for the year ended December 31, 2019 and $34,500 for the fourteen-month period ended December 31, 2018. For the year ended December 31, 2019, these fees related to a review of the Corporation’s quarterly reporting submissions while for the fourteen-month period ended December 31, 2018, these fees related to work performed in relation to the Corporation’s Qualifying Transaction.

Tax Fees – The Corporation’s external auditor invoiced approximately $Nil for year ended December 31, 2019 and $Nil for the fourteen-month period ended December 31, 2018.

All Other Fees – The Corporation’s external auditor invoiced $2,800 for the year ended December 31, 2019 and $1,159 for the fourteen-month period ended December 31, 2018. These fees related to the external auditor’s Canadian Public Accountability Board participation and were passed on to the Corporation.

Venture Issuer Exemption
The Corporation is relying upon the exemption in section 6.1 of NI 52-110.

DIRECTORS’ AND OFFICERS’ INSURANCE AND INDEMNIFICATION
The Corporation had purchased insurance for the benefit of the directors and officers of the Corporation and its subsidiaries against any liability incurred by them in their capacity as directors and officers, subject to certain limitations contained in the Business Corporations Act (Ontario) (“OBCA”).

The Corporation’s insurance coverage extends to its obligation to indemnify directors as required by law or as provided by the Corporation as permitted by law.

The aggregate insurance premium for the policy year July 2019 to June 2020 is $180,000.

INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS
Other than as disclosed herein, no “informed person” (as such term is defined in National Instrument 51-102 – Continuous Disclosure Obligations (“NI 51-102”)) or proposed nominee for election as a director of the Corporation or any associate or affiliate of the foregoing has any material interest, direct or indirect, in any transaction in which the Corporation has participated since the commencement of the Corporation’s most recently completed financial year or in any proposed transaction which has materially affected or will materially affect the Corporation.
PARTICULARS OF MATTERS TO BE ACTED UPON

1. Election of Directors

Management of the Corporation has nominated three directors for election at the Meeting, namely, Yasir Naqvi, Melinda Rombouts and Ravi Sood. Each director elected will hold office until the next annual meeting of shareholders or until his or successor is duly elected or appointed pursuant to the by-laws of the Corporation. The enclosed form of proxy permits Shareholders to vote for all nominees together or for each nominee on an individual basis.

COMMON SHARES REPRESENTED BY PROXIES IN FAVOUR OF MANAGEMENT NOMINEES WILL BE VOTED IN FAVOUR OF EACH OF THE PROPOSED NOMINEES UNLESS A SHAREHOLDER HAS SPECIFIED IN HIS, HER OR ITS PROXY THAT HIS, HER OR ITS COMMON SHARES ARE TO BE WITHHELD FROM VOTING IN RESPECT OF ANY PARTICULAR NOMINEE OR NOMINEES. MANAGEMENT DOES NOT CONTEMPLATE THAT ANY OF THE NOMINEES WILL BE UNABLE TO SERVE AS DIRECTORS. HOWEVER, IF FOR ANY REASON, ANY OF THE PROPOSED NOMINEES DO NOT STAND FOR ELECTION OR ARE UNABLE TO SERVE AS SUCH, PROXIES IN FAVOUR OF MANAGEMENT NOMINEES WILL BE VOTED FOR ANOTHER NOMINEE IN THEIR DISCRETION UNLESS THE SHAREHOLDER HAS SPECIFIED IN HIS, HER OR ITS PROXY THAT HIS, HER OR ITS COMMON SHARES ARE TO BE WITHHELD FROM VOTING IN RESPECT OF ANY PARTICULAR NOMINEE OR NOMINEES.

Advance Notice Requirement

The Corporation’s By-Law No. 2, as amended pursuant to By-Law No. 2A, contains a requirement providing for advance notice of nominations of directors (the “Advance Notice Requirement”) in certain circumstances where nominations for election to the Board are made by Shareholders. For an annual meeting of Shareholders, notice to the Corporation must be provided not less than 30 and not more than 65 days prior to the date of the annual meeting; save and except where the annual meeting is to be held on a date less than 50 days after the date on which the first public announcement of the date of such annual meeting was made, in which event notice may be given not later than the close of business on the 10th day following such public announcement. For a special meeting of Shareholders (that is not also an annual meeting), notice to the Corporation must be given not later than the close of business on the 15th day following the day on which the first public announcement of the date of such special meeting was made. The Corporation’s By-Law No. 2, as amended by By-Law No. 2A, is available under the Corporation’s profile on SEDAR at www.sedar.com.

Director Nominee Profiles

The following tables set out certain information as of the date of this Circular (unless otherwise indicated) with respect to the persons being nominated at the Meeting for election as directors. Information regarding Common Shares owned by each director of the Corporation is presented to the best knowledge of management of the Corporation and has been furnished to management of the Corporation by such directors. Information regarding Board and committee meeting attendance is presented for meetings held during the year ended December 31, 2019.
Yasir Naqvi is the Chief Executive Officer of the Institute for Canadian Citizenship (ICC), Canada’s leading voice on citizenship and inclusion. Prior to joining the ICC, Mr. Naqvi served as a Member of Provincial Parliament for almost 11 years, representing a downtown, urban and diverse community in Ottawa, Ontario. In that time, he served as the Attorney General of Ontario, Government House Leader, the Minister of Labour, and the Minister of Community Safety and Correctional Services. Mr. Naqvi was also a member of the Treasury Board and Management Board of Cabinet. Before being elected, Mr. Naqvi was the Associate Director and International Trade Counsel at the Centre for Trade Policy and Law, a non-profit think-tank affiliated with Carleton University and the University of Ottawa. He also practiced international trade, competition, regulatory and administrative law with major law firms in Ottawa. In addition, he has served as a part-time professor at the University of Ottawa Faculty of Law and a guest lecturer at Carleton University and Algonquin College. Mr. Naqvi is recognized by his peers as a strong community leader and involved resident of Ottawa. He has been cited as a "Community Builder" by United Way Ottawa and listed as one of the "Top 50 People in the Capital" by Ottawa Life magazine. In 2018, he was named on Canadian Lawyer’s "Top 25 Most Influential" list for advancing technological modernization in Ontario’s justice system. Most recently, Mr. Naqvi received the Lincoln Alexander Award by the Law Society of Ontario.

<table>
<thead>
<tr>
<th>Current Board/Committee Membership¹</th>
<th>Attendance</th>
<th>Attendance (Total)</th>
<th>Other Public Board Memberships</th>
</tr>
</thead>
<tbody>
<tr>
<td>Member of the Board</td>
<td>-</td>
<td>-</td>
<td>None</td>
</tr>
<tr>
<td>Member of the Audit Committee</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Member of the Compensation Committee</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Member of the Corporate Governance and Nominating Committee</td>
<td>-</td>
<td>-</td>
<td>Nil</td>
</tr>
</tbody>
</table>

Notes:

(1) Mr. Naqvi was appointed to the Board on April 1, 2020 and was not a director during the year ended December 31, 2019.
**MELINDA ROMBOOUTS**

**Principal Occupation and Biographical Information**

Ontario, Canada  
Director Since: June 28, 2018

Prior to founding NMC, Ms. Rombouts was the president, manager and owner of numerous large-scale businesses producing agricultural food and pharmaceutical related products. Through this experience, she has gained extensive plant knowledge crucial to the growth of a healthy plant and essential to producing a high-quality product free of pests, contamination and disease. Ms. Rombouts has grown hundreds of varieties of plants and has superior knowledge in terms of pest identification, fertilizer usage, alternative pest control, plant handling and care. She has experience with quality assurance program development, implementation and improvement with strict adherence to the regulations governing the pharmaceutical industry and the development, implementation and improvement of Good Manufacturing Practices (“GMP”) program for the production of Spirulina by LG Ranch and plant products by MND Greenhouses. Ms. Rombouts received her Bsc. and BA from the University of Waterloo with a specialization in Plant Biology and Microbiology and has also completed various specialized training courses related to GMP. In 2019, Ms. Rombouts was awarded the Ones to Watch Award at the 2019 RBC Canadian Women Entrepreneur Awards, presented by Women of Influence.

<table>
<thead>
<tr>
<th>Current Board/Committee Membership</th>
<th>Attendance</th>
<th>Attendance (Total)</th>
<th>Other Public Board Memberships</th>
</tr>
</thead>
<tbody>
<tr>
<td>Member of the Board</td>
<td>16 of 16</td>
<td>16 of 16</td>
<td>100%</td>
</tr>
<tr>
<td>Member of the Corporate Governance and Nominating Committee</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Member of the Disclosure Committee</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Member of the Technical Committee</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

**Number of Common Shares Beneficially Owned, Controlled or Directed**

58,018,668

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**RAVI SOOD**

**Principal Occupation and Biographical Information**

Ontario, Canada  
Director Since: June 6, 2014

Mr. Sood is managing director of Signal 8 Limited based in Toronto, Canada. Mr. Sood has been a founder of and the principal investor in several businesses in emerging markets and currently serves as Executive Chairman of Galane Gold Ltd. and Blockchain Power Trust. He was the founder and Chief Executive Officer of Navina Asset Management Inc., a global asset management firm headquartered in Toronto, Canada. Mr. Sood led the investment activities of Navina and its predecessor company, Lawrence Asset Management Inc., from its founding in 2001 until he sold the firm in 2010. Mr. Sood was educated at the University of Waterloo (B.Mathematics) where he was a Descartes Fellow and the recipient of numerous national awards. Mr. Sood is a resident of Ontario, Canada.
<table>
<thead>
<tr>
<th>Current Board/Committee Membership</th>
<th>Attendance</th>
<th>Attendance (Total)</th>
<th>Other Public Board Memberships</th>
</tr>
</thead>
<tbody>
<tr>
<td>Member of the Board</td>
<td>11 of 16</td>
<td>11 of 16 69%</td>
<td>Galane Gold Ltd. (TSX-V)</td>
</tr>
<tr>
<td>Member of the Audit Committee</td>
<td>3 of 4</td>
<td>3 of 4 75%</td>
<td>Jade Power Trust (TSX-V)</td>
</tr>
<tr>
<td>Member of the Compensation Committee</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Member of the Corporate Governance and Nominating Committee</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Member of the Disclosure Committee</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Member of the Technical Committee</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Number of Common Shares Beneficially Owned, Controlled or Directed</strong></td>
<td><strong>573.979</strong></td>
<td><strong>573.979</strong></td>
<td><strong>573.979</strong></td>
</tr>
</tbody>
</table>

**Corporate Cease Trade Orders**

Except as disclosed herein, to the knowledge of the Corporation, no proposed director is, as at the date of this Circular, or has been, within 10 years before the date of this Circular, a director, chief executive officer or chief financial officer of any company (including the Corporation) 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 applicable securities legislation, and which in all cases was in effect for a period of more than 30 consecutive days (an “Order”), which Order was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer of such company; or

(b) was subject to an Order that was issued after the proposed director 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 of such company.

Ravi Sood was a director of TriNorth Capital Inc. (now Difference Capital Financial Inc.), a reporting issuer that became subject to a cease trade order issued by the Ontario Securities Commission on May 19, 2010 as a result of the failure to file audited annual financial statements for the financial year ended December 31, 2009, the related management’s discussion and analysis and the certification of the foregoing filings when due as required by National Instrument 52-109 Certification of Disclosure in Issuers’ Annual and Interim Filings. The order was revoked on July 6, 2010.

Mr. Sood is a director of Galane Gold Ltd. (“Galane”), a reporting issuer that was dual listed on the TSXV and Botswana Stock Exchange (the “BSE”), which was delisted from the BSE effective August 14, 2017 for failure to pay certain fees required by the BSE’s listing requirements. The delisting of Galane from the BSE followed a temporary suspension of Galane’s listing on the BSE that was imposed on July 13, 2017.

The foregoing information, not being within the knowledge of the Corporation, has been furnished by the proposed directors.

**Bankruptcies, or Penalties or Sanctions**

To the knowledge of the Corporation, no proposed director:

(a) is, as at the date of this Circular, or has been within 10 years before the date of this Circular, a director or executive officer of any company (including the Corporation) 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;

(b) has, within 10 years before the date of this Circular, 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 his assets;

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

(d) has been subject to any penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

The foregoing information, not being within the knowledge of the Corporation, has been furnished by the proposed directors.

2. Appointment of Auditor

Davidson & Company LLP (“Davidson”) have been the auditors of the Corporation since March 13, 2019. At the Meeting, Shareholders will be requested to reappoint Davidson as auditors of the Corporation to hold office until the next annual meeting of Shareholders or until a successor is appointed, and to authorize the directors to fix the auditors’ remuneration. In order for the resolution to be passed, approval by the majority of the Common Shares voted in respect thereof at the Meeting is required.

Management proposes to nominate Davidson as auditor of the Corporation to hold office until the next annual meeting of Shareholders. An affirmative vote of a majority of the votes cast at the Meeting is sufficient for the appointment of the auditor.

COMMON SHARES REPRESENTED BY PROXIES IN FAVOUR OF MANAGEMENT NOMINEES WILL BE VOTED IN FAVOUR OF THE APPOINTMENT OF DAVIDSON & COMPANY LLP, CHARTERED PROFESSIONAL ACCOUNTANTS, AS AUDITOR OF THE CORPORATION AND THE AUTHORIZING OF THE DIRECTORS TO FIX ITS REMUNERATION, UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS, HER OR ITS COMMON SHARES ARE TO BE WITHHELD FROM VOTING IN RESPECT THEREOF. AN AFFIRMATIVE VOTE OF A MAJORITY OF THE VOTES CAST BY SHAREHOLDERS AT THE MEETING IS SUFFICIENT FOR THE APPOINTMENT OF THE AUDITORS AND TO AUTHORIZE THE DIRECTORS TO FIX ITS REMUNERATION.

3. Approval of Stock Option Plan

Summary of Stock Option Plan

The Stock Option Plan provides that the Board may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants of the Corporation and its affiliates, non-transferable options to purchase Common Shares for a period of up to ten years from the date of grant, provided that the number of Common Shares reserved for issuance may not exceed 10% of the total issued and outstanding Common Shares at the date of the grant.

The purpose of the Stock Option Plan, pursuant to which the Corporation may grant incentive stock options, is to promote the profitability and growth of the Corporation by facilitating the efforts of the Corporation to obtain and retain key individuals. The Stock Option Plan provides an incentive for and encourages ownership of the Common Shares by its key individuals so that they may increase their stake in the Corporation and benefit from increases in the value of the Common Shares. Pursuant to the Stock Option Plan, the maximum number of Common Shares reserved for issuance in any 12-month period to any one optionee other than a consultant may not exceed 5% of the issued and outstanding Common Shares at the date of the grant. The maximum number of Common Shares reserved for issuance in any 12 month period
to any consultant may not exceed 2% of the issued and outstanding Common Shares at the date of the grant and the maximum number of Common Shares reserved for issuance in any 12 month period to all persons engaged in investor relations activities may not exceed 2% of the issued and outstanding number of Common Shares at the date of the grant. Incentive stock options may be exercised until the earlier of: (a) the expiry time of such option; and (b) 90 days (or such other period as may be determined by the Board, provided such period is not more than one year) following the date the optionee ceases to be a director, officer or employee of the Corporation or its affiliates or a consultant or a management company employee, provided that if the cessation of such position or arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option.

Notwithstanding the foregoing, in the event of termination for cause, all options held by such terminated optionee will be cancelled immediately. In the event that the Corporation becomes listed on the Toronto Stock Exchange, the Stock Option Plan provides that the Board may grant options which allow an optionee to elect to exercise its option on a “cashless basis”, whereby the optionee, instead of making a cash payment for the aggregate exercise price, shall be entitled to be issued such number of Common Shares equal to the number which results when: (i) the difference between the aggregate Fair Market Value of the Common Shares underlying the option and the aggregate exercise price of such option is divided by (ii) the Fair Market Value of each Common Share. “Fair Market Value” as defined in the Stock Option Plan means the closing price as reported by the Toronto Stock Exchange (in the event that the Corporation becomes listed on the Toronto Stock Exchange) on the last trading day immediately preceding the exercise date. Options may be granted with a maximum expiry term of 10 years.

As at the date of this Circular, a total of 11,816,717 Common Shares were available for grant and 16,970,000 Common Shares were issuable pursuant to options granted under the Stock Option Plan, representing approximately 5.90% of the issued and outstanding Common Shares.

Approval of the Stock Option Plan

As the Stock Option Plan provides for a rolling maximum number of Common Shares which may be issuable upon the exercise of options granted under the Stock Option Plan, Exchange Policy 4.4 requires that the Stock Option Plan receive shareholder approval each year at the annual shareholders’ meeting. Accordingly, Shareholders will be asked to consider and, if thought appropriate, pass a resolution approving the Stock Option Plan. A copy of the Stock Option Plan is attached as Schedule “B” to this Circular.

The Board has unanimously approved the Stock Option Plan and recommends that Shareholders vote FOR the resolution regarding the Stock Option Plan. An affirmative vote of a majority of the votes cast at the Meeting is sufficient to pass the resolution approving the resolution regarding the Stock Option Plan.

The complete text of the resolution which management intends to place before the Meeting for approval, confirmation and adoption, with or without modification, is as follows:

“WHEREAS the policies of the TSX Venture Exchange require annual shareholder approval for the continuation of the rolling stock option plan of the Corporation (the “Stock Option Plan”);

RESOLVED THAT:

1. the Stock Option Plan, in the form attached as Schedule “B” to the management information circular of the Corporation dated May 11, 2020, is hereby authorized and approved; and

2. any one officer and director of the Corporation be and is hereby authorized for and on behalf of the Corporation to execute and deliver all such instruments and documents and to perform and do all such acts and things as may be deemed advisable in such individual’s discretion for the purpose of giving effect to this resolution, the execution of any such document or the doing of any such other act or thing being conclusive evidence of such determination.”

COMMON SHARES REPRESENTED BY PROXIES IN FAVOUR OF MANAGEMENT NOMINEES WILL BE VOTED IN FAVOUR OF THE RESOLUTION TO APPROVE THE
STOCK OPTION PLAN IN THE ABSENCE OF DIRECTION TO THE CONTRARY FROM THE SHAREHOLDER APPOINTING THEM. AN AFFIRMATIVE VOTE OF A MAJORITY OF THE VOTES CAST BY SHAREHOLDERS AT THE MEETING IS SUFFICIENT FOR THE APPROVAL OF THE STOCK OPTION PLAN.

4. Proposed Share Consolidation

Management believes that the current relatively large number of outstanding Common Shares is inconsistent with the size, assets and structure of the Corporation at this time. The Board has determined that at this time, having the authority to effect a share consolidation if and when determined by the Board, is in the best interests of the Corporation. The share consolidation would, if implemented, reduce the number of Common Shares outstanding in order to increase the Corporation’s flexibility with respect to potential business transactions such as equity financings.

Shareholders are being asked to consider and, if deemed appropriate, approve a special resolution substantially in the form attached as Schedule “C” hereto (the “Consolidation Resolution”) authorizing the Board, in its sole discretion, to file articles of amendment of the Corporation to consolidate the outstanding Common Shares on the basis of one (1) new or “post-consolidation” Common Share for a minimum of two (2) and up to a maximum of ten (10) existing or “pre-consolidation” Common Shares then outstanding (the “Consolidation”), with the final such ratio to be determined by the Board. Notwithstanding the approval of the Consolidation Resolution by shareholders, the Board may, in its sole discretion, revoke the Consolidation Resolution, and abandon the Consolidation without further approval or action by or prior notice to shareholders. Prior to effecting the Consolidation, the Corporation shall first be required to obtain any and all applicable regulatory approvals, including the approval of the TSXV. If the necessary approvals are obtained and the Board determines to proceed with the Consolidation, the Corporation will issue a press release announcing the timing and details related to the implementation of the Consolidation.

Reasons for the Consolidation

The Board believes that shareholder approval of a range for the potential consolidation ratio (rather than a single consolidation ratio) provides the Board with maximum flexibility to achieve the desired results of the Consolidation, and to ensure that the Corporation remains in compliance with applicable shareholder distribution requirements of its stock exchange listing. If the Consolidation Resolution is approved, the Consolidation will be implemented, if at all, only upon a determination by the Board that the Consolidation is in the best interests of the Corporation and its shareholders at that time. In connection with any determination to implement a Consolidation, the Board will set the timing for the Consolidation and select the specific ratio from within the range for a ratio set forth in the Consolidation Resolution.

In determining the consolidation ratio, following receipt of shareholder approval, the Board may consider, among other things:

- the historical prices and trading volume of the Common Shares;
- the then-prevailing trading price and trading volume of the Common Shares and the anticipated impact of the Consolidation on the trading market for the Common Shares;
- the outlook for the trading price of the Common Shares;
- threshold prices of brokerage houses or institutional investors that could impact their ability to invest or recommend investments in the Common Shares;
- the Corporation’s ability to maintain compliance with ongoing listing requirements of the TSXV; and
- prevailing general market and economic conditions.

The Board intends to select a share consolidation ratio that it believes would be most likely to achieve the anticipated benefits of the share consolidation.
Certain Risks Associated with the Consolidation

There can be no assurance that the total market capitalization of the Shares (the aggregate value of all Shares at the then market price) immediately after the Consolidation will be equal to or greater than the total market capitalization immediately before the Consolidation. In addition, there can be no assurance that the per-share market price of the Shares following the Consolidation will be higher than the per-share market price immediately before the Consolidation or that it will equal or exceed the direct arithmetical result of the Consolidation. In addition, a decline in the market price of the Shares after the Consolidation may result in a greater percentage decline than would occur in the absence of a Consolidation and the liquidity of the Shares could be adversely affected. Further, there can be no assurances, if the Consolidation is implemented, that either the margin terms associated with the purchase of Shares will improve, that the Corporation will be successful in receiving increased attention from institutional investors, or that the Corporation will be successful in completing any business transaction or equity financing.

Principal Effects of the Consolidation

As at the Record Date, the Corporation had 287,867,172 issued and outstanding Common Shares. Following the completion of the proposed Consolidation, the number of Common Shares issued and outstanding will depend on the ratio selected by the Board. For illustration, if the Board determined, in its sole discretion, to select the maximum ratio available of 10:1 and implemented the Consolidation (assuming the same number of shares outstanding immediately prior was the same as at the Record Date), the number of issued and outstanding Shares following the Consolidation would be 28,786,717 or 1/10th of the number that were issued and outstanding prior to the Consolidation.

The Consolidation will not have any effect on the number of Common Shares that remain available for future issuances. The Shares reserved for issuance pursuant to the Plan and any other outstanding convertible securities will be adjusted proportionately.

The Consolidation may result in some shareholders owning “odd lots” of less than 100 Common Shares on a post-Consolidation basis. Odd lots may be more difficult to sell, or require greater transaction costs per share to sell, than shares in “board lots” of even multiples of 100 shares. Brokerage commissions and other costs of transactions in odd lots are often higher than the costs of transactions in “round lots” of even multiples of 100 shares.

If approved and effected, the Consolidation would be realized simultaneously and in the same ratio for all Shareholders. Except as described in respect of fractional shares, the Consolidation will affect all holders of Common Shares uniformly.

Fractional Shares

No fractional Shares will be issued upon the Consolidation. All fractions of post-Consolidation Shares will be rounded down to the next lowest whole number.

Percentage Shareholdings

The Consolidation will not affect any shareholder’s percentage ownership in the Corporation, even though such ownership will be represented by a smaller number of Shares. Instead, the Consolidation will reduce proportionately the number of Shares held by all shareholders to the same extent.

Implementation

If the Consolidation Resolution is approved by shareholders at the Meeting, if and when the Consolidation is implemented, the Corporation will publicly announce the effective date of the Consolidation and the share consolidation ratio selected. Following such announcement, the Corporation will send letters of transmittal to registered holders of the Common Shares for use in transmitting their share certificates to the Corporation’s transfer agent in order to exchange old certificates for new certificates representing the number of the Common Shares to which such shareholder is entitled as a result of the Consolidation. No
delivery of new certificates to a shareholder will be made until registered shareholders have surrendered their current issued certificates. Until surrendered, each share certificate formally representing old Common Shares shall be deemed for all purposes to represent the number of new Common Shares to which the holder is entitled as a result of the Consolidation.

If the Consolidation is implemented, the Corporation will file articles of amendment with the Director under the OBCA. The Consolidation will become effective upon such filing of the articles of amendment (or at such later time as may be set forth in the articles of amendment). If the Consolidation Resolution is approved, no further action on the part of shareholders would be required to either effect or abandon the Consolidation.

In connection with the Consolidation, the CUSIP for the Common Shares will change. This new CUSIP number will appear on any new share certificates issued representing post-consolidation common shares.

The implementation of the Consolidation is conditional upon the Corporation obtaining the necessary regulatory consents. The Consolidation Resolution provides that the Board is authorized, in its sole discretion, to determine not to proceed with the proposed Consolidation, without further approval of the Corporation’s shareholders. In particular, the Board may determine not to present the Consolidation Resolution to the Meeting or, if the Consolidation Resolution is presented to the Meeting and approved, may determine after the Meeting not to proceed with completion of the proposed Consolidation.

Effect on Non-Registered Shareholders

Non-registered shareholders holding their Common Shares through a bank, broker or other intermediary should note that such intermediaries may have different procedures for processing the Consolidation than those that will be put in place by the Corporation for registered shareholders. At such time that the Consolidation is implemented, any non-registered holders of Common Shares are encouraged to contact their intermediaries if they have any questions.

No Dissent Rights

Under the OBCA, shareholders are not entitled to dissent rights with respect to the Consolidation.

Vote Required and Recommendation of the Board

Approval of the Consolidation Resolution will be obtained if 66\(\frac{2}{3}\)% of the votes cast are in favour thereof.

COMMON SHARES REPRESENTED BY PROXIES IN FAVOUR OF MANAGEMENT NOMINEES WILL BE VOTED IN FAVOUR OF THE SPECIAL RESOLUTION TO APPROVE THE CONSOLIDATION RESOLUTION IN THE ABSENCE OF DIRECTION TO THE CONTRARY FROM THE SHAREHOLDER APPOINTING THEM. AN AFFIRMATIVE VOTE OF 66 \(\frac{2}{3}\)% OF THE VOTES CAST BY SHAREHOLDERS AT THE MEETING IS SUFFICIENT FOR THE APPROVAL OF THE CONSOLIDATION RESOLUTION.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

No person or company who has been a director or executive officer of the Corporation at any time since the beginning of the Corporation’s last completed financial year, no proposed nominee for election as a director of the Corporation and no associate or affiliate of any of the foregoing persons has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting other than the election of directors.

ADDITIONAL INFORMATION

Additional information relating to the Corporation is available under the Corporation’s profile on SEDAR at www.sedar.com. Financial information is provided in the Corporation’s audited financial statements and Management’s Discussion and Analysis (“MD&A”) for the twelve month period ended December 31,
2019. In addition, copies of the Corporation’s annual financial statements and MD&A and this Circular may be obtained upon request to the Corporation at 2941 Napperton Drive, Strathroy, Ontario N7G 3H8 or invest@naturalmedco.ca. The Corporation may require the payment of a reasonable charge if the request is made by a person who is not a shareholder of the Corporation.
APPROVAL OF BOARD OF DIRECTORS

The contents and distribution of this Circular have been unanimously approved by the directors of the Corporation.


"Melinda Rombouts"

Melinda Rombouts
President, Chief Executive Officer and Director
## SCHEDULE "A"
### STATEMENT OF GOVERNANCE PRACTICES

<table>
<thead>
<tr>
<th>Governance Disclosure Requirement</th>
<th>Comments</th>
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<tbody>
<tr>
<td><strong>Board of Directors</strong></td>
<td><strong>The proposed Board shall consist of three directors, one of whom is considered “independent” in accordance with applicable regulatory requirements. Ms. Rombouts is not considered independent as she is an executive officer of the Corporation. Mr. Sood is not considered independent as his consulting company received compensation from NMC in connection with the Qualifying Transaction in 2018. Other than in respect of such historical payment in 2018, the Board considers Mr. Sood to be independent and able to exert independent oversight of management.</strong></td>
</tr>
<tr>
<td>1. Board of Directors—Disclose how the board of directors (the “Board”) of Eve &amp; Co Incorporated (the “Corporation”) facilitates its exercise of independent supervision over management, including (i) the identity of directors that are independent, and (ii) the identity of directors who are not independent, and the basis for that determination.</td>
<td><strong>Given the currently reduced Board size of three (3) directors, Mr. Sood and Mr. Naqvi act as independent directors. Ms. Rombouts does not participate in any part of meetings of the Board or its committees (as applicable) that relate to the independent oversight of management.</strong></td>
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<td>2. Directorships—If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.</td>
<td><strong>Please refer to the accompanying management information circular dated May 11, 2020 (the “Circular”) under the heading “Particulars of Matters to be Acted Upon - Election of Directors”.</strong></td>
</tr>
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<td><strong>Orientation and Continuing Education</strong></td>
<td><strong>Each director ultimately assumes responsibility for keeping himself or herself informed about the Corporation’s business and relevant developments outside the Corporation that affect its business. Management assists directors by providing them with regular updates on relevant developments and other information that management considers of interest to the Board. Directors may also attend other Board committee meetings if they are not active members, to broaden their knowledge base and receive additional information on the Corporation’s business and developments in areas where they are not commonly exposed.</strong></td>
</tr>
<tr>
<td>3. Describe what steps, if any, the Board takes to orient new Board members, and describe any measures the Board takes to provide continuing education for directors.</td>
<td><strong>Each director ultimately assumes responsibility for keeping himself or herself informed about the Corporation’s business and relevant developments outside the Corporation that affect its business. Management assists directors by providing them with regular updates on relevant developments and other information that management considers of interest to the Board. Directors may also attend other Board committee meetings if they are not active members, to broaden their knowledge base and receive additional information on the Corporation’s business and developments in areas where they are not commonly exposed.</strong></td>
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### Ethical Business Conduct

4. Describe what steps, if any, the Board takes to encourage and promote a culture of ethical business conduct.

The Board is responsible for promoting an ethical business culture and fostering an environment that places an emphasis on compliance. The Board monitors compliance, including through receipt by the Audit Committee of reports of unethical behaviour. To ensure that an ethical business culture is maintained and promoted, directors are encouraged to exercise their independent judgment. If a director has a material interest in any transaction or agreement that the Corporation proposes to enter into, such director is expected to disclose such interest to the Board in compliance with the applicable laws, rules and policies which govern conflicts of interest in connection with such transaction or agreement. Further, any director who has a material interest in any proposed transaction or agreement will be excluded from the portion of the Board meeting concerning such matters and will be further precluded from voting on such matters.

### Governance Disclosure Requirement


<table>
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<tr>
<th>Nomination of Directors</th>
<th>Comments</th>
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<tr>
<td>5. Disclose what steps, if any, are taken to identify new candidates for Board nomination, including: (i) who identifies new candidates, and (ii) the process of identifying new candidates.</td>
<td>The Board is responsible for the identification and assessment of potential directors. While no formal nomination procedures are currently in place to identify new candidates, the Board does review the experience and performance of nominees for election to the Board. Members of the Board are canvassed with respect to the qualifications of a prospective candidate and each candidate is evaluated with respect to his or her experience and expertise, with particular attention paid to those areas of expertise that could complement and enhance current management. The Board also assesses any potential conflicts, independence or time commitment concerns that the candidate may present. The Board will consider adding an additional independent director in due course upon identification of a qualified candidate.</td>
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</table>

#### Compensation

6. Disclose what steps, if any, are taken to determine compensation for the directors and officers, including: (i) who determines compensation, and (ii) the process of determining compensation.

The process undertaken by the Board and the Compensation Committee in respect of compensation is more fully described in the “Compensation Discussion and Analysis” section of the accompanying Circular.

#### Other Board Committees

7. If the Board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.

The Board does not have any standing committees other than the Corporate Governance and Nominating Committee, the Compensation Committee, the Audit Committee and the Disclosure Committee.
<table>
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<tr>
<th>Assessments</th>
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<td>8. Disclose what steps, if any, that the Board takes to satisfy itself that the Board, its committees, and its individual directors are performing effectively.</td>
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<tr>
<th>Assessments</th>
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<tbody>
<tr>
<td>The Board is currently responsible for assessing the effectiveness of the Board, the individual directors and the functioning of the Board’s committees. This is done regularly and informally through ongoing assessment to ensure effective performance.</td>
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</table>
SCHEDULE "B"
STOCK OPTION PLAN

1. Purpose of the Plan

The purpose of the Plan is to provide the Participants with an opportunity to purchase Common Shares and benefit from the appreciation thereof. This proprietary interest in the Corporation will provide an increased incentive for the Participants to contribute to the future success and prosperity of the Corporation, thus enhancing the value of the Common Shares for the benefit of all the shareholders and increasing the ability of the Corporation and its Subsidiaries to attract and retain individuals of exceptional skill.

2. Defined Terms

2.1. Where used herein, the following terms shall have the following meanings (all other capitalized terms used and not defined herein shall have the meanings ascribed to them in the TSX Venture Exchange Corporate Finance Manual):

(a) “Acceleration Right” means the Participant’s right, in certain circumstances, to exercise its outstanding Option as to all or any of the Common Shares in respect of which such Option has not previously been exercised and which the Participant is entitled to exercise, including in respect of Common Shares not otherwise vested at such time;

(b) “Board” means the board of directors of the Corporation;

(c) “Business Day” means each day other than a Saturday, Sunday or statutory holiday in Ontario, Canada;

(d) “Common Shares” means the common shares in the capital of the Corporation or, in the event of an adjustment contemplated by Article 8 hereof, such shares to which a Participant may be entitled upon the exercise of an Option as a result of such adjustment;

(e) “Corporation” means Eve & Co Incorporated, and includes any successor corporation thereof;

(f) “Exchange” means the TSX Venture Exchange or, if the Common Shares are not then listed and posted for trading on the TSX Venture Exchange, then on any stock exchange in Canada on which such shares are listed and posted for trading or any other regulatory body having jurisdiction as may be selected for such purpose by the Board;

(g) “Exercise Notice” means the notice in writing signed by the Participant or the Participant’s legal personal representatives addressed to the Corporation specifying an intention to exercise all or a portion of the Option;

(h) “Expiry Time” means the time at which the Options will expire, being 4:00 p.m. (Toronto time) on a date to be fixed by the Board at the time the Option is granted, which date will not be more than ten years from the date of grant;

(i) “Fair Market Value” means, for the purposes of Sections 4.5 and 9.4 hereof, at any date in respect of the Common Shares, the closing price of the Common Shares as reported by the Toronto Stock Exchange on the last trading day immediately preceding such date or, if the Common Shares are not listed on any stock exchange, a price determined by the Board;
(j) “Insider” has the meaning ascribed thereto in the Exchange Corporate Finance Manual;

(k) “Option” means an option to purchase Common Shares from treasury granted by the Corporation to a Participant, subject to the provisions contained herein;

(l) “Option Price” means the price per share at which Common Shares may be purchased under the Option, as the same may be adjusted herein;

(m) “Participants” means the directors, officers and employees of, and consultants to, the Corporation or its Subsidiaries, as defined by the relevant Exchange and, subject to compliance with the applicable requirements of the Exchange, the Personal Holding Companies of such persons, to whom an Option has been granted by the Board pursuant to the Plan and which Option or a portion thereof remains unexercised;

(n) “Personal Holding Company” means a company of which 100% of the voting shares are beneficially owned, directly or indirectly, by a director, officer or employee of, or consultant to, the Corporation or its Subsidiaries and such entity shall be bound by the Plan in the same manner as if the Options were held directly;

(o) “Plan” means this stock option plan of the Corporation, as the same may be amended or varied from time to time;

(p) “Subsidiary” means any corporation that is a subsidiary of the Corporation, as such term is defined under the Business Corporations Act (Ontario), as such provision is from time to time amended, varied or re-enacted, or a “related entity” as defined in section 2.22 of National Instrument 45-106; and

(q) “Take-Over Bid” has the meaning ascribed thereto in the Securities Act (Ontario), as such provision is from time to time amended, varied or re-enacted.

3. **Administration of the Plan**

3.1. The Board shall administer this Plan. Options granted under the Plan shall be granted in accordance with determinations made by the Board pursuant to the provisions of the Plan as to: (a) the Participants to whom and the time or times at which the Options will be granted; the number of Common Shares which shall be the subject of each Option; (b) any vesting provisions attaching to the Option; and (c) the terms and provisions of the respective stock option agreements, provided however, that each director, officer, employee or consultant shall have the right not to participate in the Plan and any decision not to participate therein shall not affect the employment by or engagement with the Corporation. The Board shall ensure that Participants under the Plan are eligible to participate under the Plan, and, if required by the Exchange, shall represent and confirm that the Participant is a bona fide employee, consultant or management company employee (as defined in the policies of the Exchange).

3.2. The Board may, from time to time, adopt such rules and regulations for administering the Plan as it may deem proper and in the best interests of the Corporation and may, subject to applicable law, delegate its powers hereunder to administer the Plan to a committee of the Board (the “Committee”). The Committee shall be comprised of two or more members of the Board who shall serve at the pleasure of the Board. Vacancies occurring on the Committee shall be filled by the Board.
3.3. The Committee (or the Board where the Committee has not been constituted) shall have the power to delegate to any member of the Board or officer so designated (the “Administrator”), the power to determine which Participants are to be granted Options and to grant such Options, the number of Common Shares purchasable under each Option, the Option Price and the time or times when and the manner in which Options are exercisable, and the Administrator shall make such determinations in accordance with the provisions of this Plan and with applicable securities and stock exchange regulatory requirements, subject to final approval by the Committee or Board.

4. Granting of Options

4.1. Participants may be granted Options from time to time. The grant of Options will be subject to the conditions contained herein and may be subject to additional conditions determined by the Board from time to time. Each Option granted hereunder shall be evidenced by an agreement in writing, signed on behalf of the Corporation and by the Participant, in such form as the Board shall approve from time to time. Each such agreement shall recite that it is subject to the provisions of this Plan.

4.2. The aggregate number of Common Shares of the Corporation allocated and made available to be granted to Participants under the Plan shall not exceed 10% of the issued and outstanding Common Shares of the Corporation as at the date of grant (on a non-diluted basis). Any issuance of Common Shares from treasury pursuant to the exercise of Options shall automatically replenish the number of Common Shares available for Option grants under the Plan. Common Shares in respect of which Options are cancelled or not exercised prior to expiry, for any reason, shall be available for subsequent Option grants under the Plan. No fractional shares may be purchased or issued hereunder.

4.3. The Corporation shall at all times, during the term of the Plan, reserve and keep available such number of Common Shares as will be sufficient to satisfy the requirements of the Plan.

4.4. Any grant of Options under the Plan shall be subject to the following restrictions:

(a) the aggregate number of Common Shares reserved for issuance pursuant to Options granted to any one Participant, other than a consultant, in any 12 month period may not exceed 5% of the Corporation’s total issued and outstanding Common Shares, unless disinterested shareholder approval is obtained;

(b) the aggregate number of Common Shares issuable pursuant to Options granted to Insiders pursuant to the Plan and other security based compensation arrangements may not exceed 10% of the Corporation’s total issued and outstanding Common Shares, unless disinterested shareholder approval is obtained;

(c) the aggregate number of Common Shares issued to Insiders pursuant to the Plan and other security based compensation arrangements in any 12 month period may not exceed 10% of the Corporation’s total issued and outstanding Common Shares, unless disinterested shareholder approval is obtained;

(d) no more than 2% of the total issued and outstanding Common Shares at the time of grant may be granted to any one consultant in any 12 month period; and

(e) no more than an aggregate of 2% of the total issued and outstanding Common Shares at the time of grant may be granted to all persons engaged to conduct Investor Relations Activities in any 12 month period.
4.5. Provided that the Corporation is listed on the Toronto Stock Exchange (the “TSX”) and is in compliance with applicable TSX requirements, the Board may grant Options which allow a Participant to elect to exercise its Option on a “cashless basis”, whereby the Participant, instead of making a cash payment for the aggregate exercise price, shall be entitled to be issued such number of Common Shares equal to the number which results when: (i) the difference between the aggregate Fair Market Value of the Common Shares underlying the Option and the aggregate exercise price of such Option is divided by (ii) the Fair Market Value of each Common Share. For greater certainty, the Options may not be exercised on a “cashless basis” while the Common Shares are listed on the Exchange.

4.6. All Options granted pursuant to this Plan shall be subject to rules and policies of the Exchange and any other regulatory body having jurisdiction.

4.7. A Participant who has been granted an Option may, if otherwise eligible, and if permitted under the policies of the Exchange, be granted an additional Option if the Board so determines.

5. Option Price

5.1. Subject to applicable Exchange approval, the Option Price shall be fixed by the Board at the time the Option is granted to a Participant. In no event shall the price be less than the Discounted Market Price (as defined in the policies of the Exchange). If a press release fixing the price is not issued, the Discounted Market Price is the closing price per Common Share on the Exchange on the last trading day preceding the date of grant on which there was a closing price (less the applicable discount) or, if the Common Shares are not listed on any stock exchange, a price determined by the Board; provided that, if the Board, in its sole discretion, determines that the closing price on the last trading day preceding the date of grant would not be representative of the market price of the Common Shares, then the Board may base the price on the greater of the closing price and the weighted average price per share for the Common Shares for five (5) consecutive trading days ending on the last trading day preceding the date of grant on which there was a closing price on the Exchange. The weighted average price shall be determined by dividing the aggregate sale price of all Common Shares sold on the Exchange during the said five (5) consecutive trading days, by the total number of Common Shares so sold.

5.2. Once the Option Price has been determined by the Board, accepted by the Exchange and the Option has been granted, if the Participant is an Insider, the Option Price may only be reduced if disinterested shareholder approval is obtained; provided that such disinterested shareholder approval is then a requirement of the Exchange or other regulatory body having jurisdiction.

6. Term of Option

6.1. The term of the Option shall be a period of time fixed by the Board, not to exceed ten years from the date of grant. Unless the Board determines otherwise, Options shall be exercisable in whole or in part at any time during this period in accordance with such vesting provisions, conditions or limitations (including applicable hold periods) as are herein contained or as the Board may from time to time impose, or as may be required by the Exchange or under applicable securities law.

6.2. Each Option and all rights thereunder shall be expressed to expire at the Expiry Time but shall be subject to earlier termination in accordance with Section 11 hereof.
6.3. Subject to any specific requirements of the Exchange, the Board shall determine the vesting period or periods within the Option term, during which a Participant may exercise an Option or a portion thereof.

6.4. In addition to any resale restriction under securities laws, an Option may be subject to a four-month Exchange hold period commencing on the date the Option is granted.

6.5. Except in the case of a Participant’s Option that terminates pursuant to Section 11.3 below, in the event that the term of any Option expires within or immediately following a “blackout period” imposed by the Corporation, the Option shall expire on the date (the “Blackout Expiration Date”) that is ten Business Days following the end of such blackout period. The Blackout Expiration Date shall not be subject to the discretion of the Board.

7. Exercise of Option

7.1. Subject to the provisions of the Plan and the terms of any stock option agreement, an Option or a portion thereof may be exercised, from time to time, by delivery of the Exercise Notice to the Corporation’s principal office in Toronto, Ontario. The Exercise Notice shall state the intention of the Participant or the Participant’s legal personal representative to exercise the said Option or a portion thereof and specify the number of Common Shares in respect of which the Option is then being exercised, and shall be accompanied by the full purchase price of the Common Shares which are the subject of the exercise. Such Exercise Notice shall contain the Participant’s undertaking to comply, to the satisfaction of the Corporation, with all applicable requirements of the Exchange and any applicable regulatory authorities.

8. Adjustments in Shares

8.1. If the outstanding shares of the Corporation are increased, decreased, changed into or exchanged for a different number or kind of shares or securities of the Corporation through a re-organization, plan of arrangement, merger, re-capitalization, re-classification, stock dividend, subdivision or consolidation, an appropriate and proportionate adjustment shall be made by the Board, in its discretion, in the number or kind of shares optioned and the exercise price per share with respect to: (a) previously granted and unexercised Options or portions thereof; and (b) Options which may be granted subsequent to any such change in the Corporation’s capital.

8.2. Determinations by the Board as to what adjustments shall be made, and the extent thereof, shall be final, binding and conclusive. The Corporation shall not be obligated to issue fractional securities in satisfaction of any of its obligations hereunder.

9. Accelerated Vesting

9.1. In the event that certain events such as a liquidation or dissolution of the Corporation or a re-organization, plan of arrangement, merger or consolidation of the Corporation with one or more corporations, as a result of which the Corporation is not the surviving corporation, or the sale by the Corporation of all or substantially all of the property and assets of the Corporation to another corporation prior to the Expiry Time, are proposed or contemplated, the Board may, notwithstanding the terms of this Plan or any stock option agreements issued hereunder, exercise its discretion, by way of resolution, to permit accelerated vesting of Options on such terms as the Board sees fit at that time. If the Board, in its sole discretion, determines that the Common Shares subject to any Option granted hereunder shall vest on an accelerated basis, all Participants entitled to exercise an unexercised portion of Options then outstanding shall have the right at such time,
upon written notice being given by the Corporation, to exercise such Options to the extent specified and permitted by the Board and within the time period specified by the Board, which shall not extend past the Expiry Time.

9.2. An Option may provide that whenever the Corporation’s shareholders receive a Take-Over Bid and the Corporation supports this bid, pursuant to which the “offeror” would, as a result of such Take-Over Bid being successful, beneficially own in excess of 50% of the outstanding Common Shares, the Participant may exercise the Acceleration Right. The Acceleration Right shall commence on the date of the mailing of the Board circular recommending acceptance of the Take-Over Bid and end on the earlier of:

(a) the Expiry Time; and

(b) (i) in the event the Take-Over Bid is unsuccessful, the expiry date of the Take-Over Bid; and (ii) in the event the Take-Over Bid is successful, the tenth (10th) day following the expiry date of the Take-Over Bid.

9.3. At the time of the termination of the Acceleration Right, the original vesting terms of the Options shall be reinstated with respect to the Common Shares issuable thereunder which were not acquired by the holders of such Options pursuant to the terms thereof. Notwithstanding the foregoing, the Acceleration Right may be extended for such longer period as the Board may resolve.

9.4. Provided that the Corporation is listed on the TSX and is in compliance with applicable TSX requirements, the Corporation may satisfy any obligations to a Participant hereunder by paying to the Participant in cash the difference between the exercise price of all unexercised Options granted hereunder and the Fair Market Value of the Common Shares to which the Participant would be entitled upon exercise of all unexercised Options, regardless of whether all conditions of exercise relating to continuous employment have been satisfied.

10. **Decisions of the Board**

All decisions and interpretations of the Board respecting the Plan or Options granted thereunder shall be conclusive and binding on the Corporation and the Participants and their respective legal personal representatives and on all directors, officers, employees and consultants of the Corporation who are eligible to participate under the Plan.

11. **Ceasing to be a Director, Officer, Employee or Consultant**

11.1. Subject to the terms of the applicable stock option agreements and subject to Section 11.4 hereof, in the event of the Participant ceasing to be a director, officer, employee or consultant of the Corporation or a Subsidiary for any reason other than death, including the resignation or retirement of the Participant or the termination by the Corporation or a Subsidiary of the employment of the Participant, prior to the Expiry Time, such Option (including an Option held by a Participant’s Personal Holding Company) may be exercised as to such Common Shares in respect of which the Option has not previously been exercised (and as the Participant would have been entitled to exercise) at any time up to and including (but not after) the earlier of: (a) the Expiry Time; and (b) a date that is ninety (90) days (or such other period as may be determined by the Board, provided that such period is not more than one year) following the effective date of such resignation or retirement or a date that is ninety (90) days (or such other period as may be determined by the Board, provided that such period is not more than one year) following the date notice of termination of employment is given by the Corporation or a Subsidiary, whether such termination is with or
without reasonable notice, and subject to such shorter period as may be otherwise specified in the stock option agreement, after which date the Option shall forthwith expire and terminate and be of no further force or effect whatsoever.

11.2. In consideration of the Option hereby granted, in the event of the resignation or retirement of the Participant or the termination of employment by the Corporation without cause, the Participant hereby covenants not to sue the Corporation for damages arising from the loss of rights granted hereunder and releases the Corporation from any damages.

11.3. Notwithstanding the foregoing, in the event of termination for cause, such Option (including an Option held by a Participant’s Personal Holding Company) shall expire and terminate immediately at the time of delivery of notice of termination of employment for cause to the Participant by the Corporation or a Subsidiary and shall be of no further force or effect whatsoever as to the Common Shares in respect of which an Option has not previously been exercised.

11.4. In the event of the death of a Participant on or prior to the Expiry Time, such Option (including an Option held by a Participant’s Personal Holding Company) may be exercised as to such of the Common Shares in respect of which such Option has not previously been exercised (and as the Participant would have been entitled to purchase), by the legal personal representatives of the Participant at any time up to and including (but not after) a date one (1) year from the date of death of the Participant, after which date the Option shall forthwith expire and terminate and be of no further force or effect whatsoever.

11.5. Options shall not be affected by any change of employment of the Participant where the Participant continues to be employed by the Corporation or any of its Subsidiaries.

12. Transferability

All benefits, rights and options accruing to any Participant in accordance with the terms and conditions of the Plan shall not be transferable or assignable unless specifically provided herein or to the extent, if any, permitted by the Exchange.

13. Amendment or Discontinuance of Plan

13.1. (a) The approval of the Board and the requisite approval from the Exchange and the shareholders shall be required for any of the following amendments to be made to the Plan:

(i) any increase to the fixed maximum percentage of Common Shares issuable under the Plan;

(ii) a reduction in the exercise price or purchase price of an Option (other than for standard anti-dilution purposes) held by or benefiting an Insider;

(iii) an increase in the maximum number of Common Shares that may be issued to Insiders within any one year period or that are issuable to Insiders at any time;

(iv) an extension of the term of an Option held by or benefiting an Insider;

(v) any change to the definition of “Participants” which would have the potential of broadening or increasing Insider participation;
(vi) the addition of any form of financial assistance;

(vii) any amendment to a financial assistance provision which is more favourable to Participants;

(viii) provided that the Corporation is listed on the TSX, the addition of a cashless exercise feature, payable in cash or securities which does not provide for a full deduction of the number of underlying securities from the Plan reserve;

(ix) the addition of a deferred or restricted share unit or any other provision which results in Participants receiving securities while no cash consideration is received by the Corporation; and

(x) any other amendments that may lead to significant or unreasonable dilution in the Corporation’s outstanding securities or may provide additional benefits to Participants, especially Insiders, at the expense of the Corporation and its existing shareholders.

(b) The Board may, without shareholder approval but subject to receipt of requisite approval as required by the Exchange, in its sole discretion make all other amendments to the Plan that are not of the type contemplated in subsection 13.1 (a) above including, without limitation:

(i) amendments of a housekeeping nature;

(ii) a change to the vesting provisions of an Option or the Plan;

(iii) a change to the termination provisions of an Option or the Plan which does not entail an extension beyond the original expiry date, except as contemplated in Section 6.5 above; and

(iv) provided that the Corporation is listed on the TSX, the addition of a cashless exercise feature, payable in cash or securities, which provides for a full deduction of the number of underlying securities from the Plan reserve.

14. Participants’ Rights

14.1. A Participant shall not have any rights as a shareholder of the Corporation until the issuance of a certificate for Common Shares upon the exercise of an Option or a portion thereof, and then only with respect to the Common Shares represented by such certificate or certificates.

14.2. Nothing in the Plan or any Option shall confer upon any Participant any rights to continue in the employ of the Corporation or any Subsidiary or affect in any way the right of the Corporation or any such Subsidiary to terminate the employment of the Participant at any time; nor shall anything in the Plan or any Option be deemed or construed to constitute an agreement, or an expression of intent, on the part of the Corporation or any such Subsidiary to extend the employment of any Participant beyond the time such Participant would normally retire pursuant to the provisions of any present or future retirement plan of the Corporation or any Subsidiary, or beyond the time at which he would otherwise be retired pursuant to the provisions of any contract of employment with the Corporation or any Subsidiary.
15. Approvals

15.1. The Plan shall be subject, if applicable, to the approval of the Exchange or other regulatory body having jurisdiction at that time and, if so required thereby, to the approval of the shareholders of the Corporation.

15.2. Any Options granted prior to such approval and acceptance shall be conditional upon such approval and acceptance being given and no such Options may be exercised unless such approval and acceptance is given.

16. Government Regulation

16.1. The Corporation’s obligation to issue and deliver Common Shares under any Option is subject to:

(a) the satisfaction of all requirements under applicable securities laws in respect thereof and obtaining all regulatory approvals as the Corporation shall determine to be necessary or advisable in connection with the authorization, issuance or sale thereof;

(b) the admission of such Common Shares to listing on any stock exchange on which such Common Shares may then be listed; and

(c) the receipt from the Participant of such representations, warranties, agreements and undertakings as to future dealings in such Common Shares as the Corporation determines to be necessary or advisable in order to safeguard against the violation of the securities laws of any jurisdiction.

16.2. In this regard, the Corporation shall take all reasonable steps to obtain such approvals and registrations as may be necessary for the issuance of such Common Shares and for the listing of such Common Shares on the Exchange, in compliance with applicable securities laws. If any shares cannot be issued to any Participant for whatever reason, the obligation of the Corporation to issue such shares shall terminate and the Option Price paid to the Corporation will be returned to the Participant.

17. Costs

The Corporation shall pay all costs of administering the Plan.

18. Interpretation

This Plan shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

19. Compliance with Applicable Law

If any provision of the Plan or any Option contravenes any law or any order, policy, bylaw or regulation of any regulatory body or the Exchange, then such provision shall be deemed to be amended to the extent required to bring such provision into compliance therewith.
SCHEDULE "C"
CONSOLIDATION RESOLUTION

BE IT RESOLVED AS A SPECIAL RESOLUTION OF SHAREHOLDERS THAT:

1. The Corporation be authorized to file articles of amendment, if and when the Corporation’s board of directors (the “Board”) deems it appropriate to do so, to give effect to the consolidation of the issued and outstanding common shares in the capital of the Corporation on the basis of a consolidation ratio to be determined by the Board in accordance with the terms of this special resolution.

2. The Board is hereby authorized to determine the consolidation ratio for the share consolidation within the range of not less than one (1) new or “post-consolidation” common share for every two (2) existing or “pre-consolidation” common shares and not more than one (1) new or “post-consolidation” common share for every ten (10) existing or “pre-consolidation” common shares issued and outstanding, in each case immediately prior to the date that a Certificate of Amendment is issued pursuant to the Business Corporations Act (Ontario).

3. No fractional shares shall be issued in connection with the share consolidation and any fractional share resulting from the share consolidation will be rounded down to the next whole share, as more fully described in the management information circular of the Corporation dated May 11, 2020.

4. The Board, in its sole discretion, be and is hereby authorized to implement the share consolidation on the terms set forth in this special resolution.

5. Any director or officer of the Corporation is hereby authorized and directed, acting for, in the name of and on behalf of the Corporation, to execute or cause to be executed, under the seal of the Corporation or otherwise, and to deliver or to cause to be delivered, all such documents, agreements and instruments, and to do or to cause to be done all such other acts and things, as such person determines to be necessary or desirable or required by any regulatory authority in order to carry out the intent of this special resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing.

6. Notwithstanding the passing of this special resolution by the shareholders of the Corporation, the Board is hereby authorized and empowered without further notice to or approval of the shareholders of the Corporation not to proceed with the share consolidation or to revoke this special resolution at any time prior to the share consolidation becoming effective through the issuance of a Certificate of Amendment giving effect to the amendment of the Corporation’s articles of incorporation.
SCHEDULE "D"
AUDIT COMMITTEE CHARTER
(Implemented pursuant to National Instrument 52-110 Audit Committees)

National Instrument 52-110 Audit Committees (the “Instrument”) relating to the composition and function of audit committees was implemented for reporting issuers and, accordingly, applies to every TSX Venture Exchange listed company, including the Corporation. The Instrument requires all affected issuers to have a written audit committee charter which must be disclosed, as stipulated by Form 52-110F2, in the management information circular of the Corporation wherein management solicits proxies from the security holders of the Corporation for the purpose of electing directors to the board of directors. The Corporation, as a TSX Venture Exchange-listed company is, however, exempt from certain requirements of the Instrument.

This Charter has been adopted by the board of directors in order to comply with the Instrument and to more properly define the role of the Committee in the oversight of the financial reporting process of the Corporation. Nothing in this Charter is intended to restrict the ability of the board of directors or Committee to alter or vary procedures in order to comply more fully with the Instrument, as amended from time to time.

PART 1

Purpose:

The purpose of the Committee is to:

(a) improve the quality of the Corporation’s financial reporting;
(b) assist the board of directors to properly and fully discharge its responsibilities;
(c) provide an avenue of enhanced communication between the directors and external auditors;
(d) enhance the external auditor’s independence;
(e) increase the credibility and objectivity of financial reports; and
(f) strengthen the role of the directors by facilitating in depth discussions between directors, management and external auditors.

1. Definitions

“accounting principles” has the meaning ascribed to it in National Instrument 52-107 Acceptable Accounting Principles, Auditing Standards and Reporting Currency;

“Affiliate” means a Corporation that is a subsidiary of another Corporation or companies that are controlled by the same entity;

“audit services” means the professional services rendered by the Corporation’s external auditor for the audit and review of the Corporation’s financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements;

“Charter” means this audit committee charter;
“Committee” means the committee established by and among certain members of the board of directors for the purpose of overseeing the accounting and financial reporting processes of the Corporation and audits of the financial statements of the Corporation;

“Control Person” means any individual or company that holds or is one of a combination of individuals or companies that holds a sufficient number of any of the securities of the Corporation so as to affect materially the control of the Corporation, or that holds more than 20% of the outstanding voting shares of the Corporation except where there is evidence showing that the holder of those securities does not materially affect the control of the Corporation;

“financially literate” has the meaning set forth in Section 1.2;

“immediate family member” means a person’s spouse, parent, child, sibling, mother or father-in-law, son or daughter-in-law, brother or sister-in-law, and anyone (other than an employee of either the person or the person’s immediate family member) who shares the individual’s home;

“Instrument” means National Instrument 52-110 Audit Committees;

“MD&A” has the meaning ascribed to it in National Instrument 51-102;

“Member” means a member of the Committee;

“National Instrument 51-102” means National Instrument 51-102 Continuous Disclosure Obligations; and

“non-audit services” means services other than audit services.

2. Meaning of Financially Literate

For the purposes of this Charter, an individual is financially literate if he or she has 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 the issues that can reasonably be expected to be raised by the Corporation’s financial statements.

PART 2

1. Audit Committee

The board of directors has hereby established the Committee for, among other purposes, compliance with the Instrument.

2. Relationship with External Auditors

The Corporation will require its external auditor to report directly to the Committee and the Members shall ensure that such is the case.

3. Committee Responsibilities

1. The Committee shall be responsible for making the following recommendations to the board of directors:
(a) the external auditor to be nominated for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for the Corporation; and

(b) the compensation of the external auditor.

2. The Committee shall be directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditor regarding financial reporting. This responsibility shall include:

(a) reviewing the audit plan with management and the external auditor;

(b) reviewing with management and the external auditor any proposed changes in major accounting policies, the presentation and impact of significant risks and uncertainties, and key estimates and judgements of management that may be material to financial reporting;

(c) questioning management and the external auditor regarding significant financial reporting issues discussed during the fiscal period and the method of resolution;

(d) reviewing any problems experienced by the external auditor in performing the audit, including any restrictions imposed by management or significant accounting issues on which there was a disagreement with management;

(e) reviewing audited annual financial statements, in conjunction with the report of the external auditor, and obtaining an explanation from management of all significant variances between comparative reporting periods;

(f) reviewing the post-audit or management letter, containing the recommendations of the external auditor, and management’s response and subsequent follow up to any identified weakness;

(g) reviewing interim unaudited financial statements before release to the public;

(h) reviewing all public disclosure documents containing audited or unaudited financial information before release, including any prospectus, the annual report and management’s discussion and analysis;

(i) reviewing the evaluation of internal controls by the external auditor, together with management’s response;

(j) reviewing the terms of reference of the internal auditor, if any;

(k) reviewing the reports issued by the internal auditor, if any, and management’s response and subsequent follow up to any identified weaknesses; and

(l) reviewing the appointments of the chief financial officer and any key financial executives involved in the financial reporting process, as applicable.

3. The Committee shall pre-approve all non-audit services to be provided to the Corporation or its subsidiary entities by the issuer’s external auditor.
4. The Committee shall review the Corporation’s financial statements, MD&A, and annual and interim earnings press releases before the Corporation publicly discloses this information.

5. The Committee shall ensure that adequate procedures are in place for the review of the Corporation’s public disclosure of financial information extracted or derived from the Corporation’s financial statements and shall periodically assess the adequacy of those procedures.

6. When there is to be a change of auditor, the Committee shall review all issues related to the change, including the information to be included in the notice of change of auditor called for under National Instrument 51-102, and the planned steps for an orderly transition.

7. The Committee shall review all reportable events, including disagreements, unresolved issues and consultations, as defined in National Instrument 51-102, on a routine basis, whether or not there is to be a change of auditor.

8. The Committee shall, as applicable, establish procedures for:

   (a) the receipt, retention and treatment of complaints received by the issuer regarding accounting, internal accounting controls, or auditing matters; and

   (b) the confidential, anonymous submission by employees of the issuer of concerns regarding questionable accounting or auditing matters.

9. As applicable, the Committee shall establish, periodically review and approve the Corporation’s hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the issuer, as applicable.

10. The responsibilities outlined in this Charter are not intended to be exhaustive. Members should consider any additional areas which may require oversight when discharging their responsibilities.

4. **De Minimus Non-Audit Services**

The Committee shall satisfy the pre-approval requirement in subsection 2.3(3) if:

   (a) the aggregate amount of all the non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent of the total amount of fees paid by the issuer and its subsidiary entities to the issuer’s external auditor during the financial year in which the services are provided;

   (b) the Corporation or the subsidiary of the Corporation, as the case may be, did not recognize the services as non-audit services at the time of the engagement; and

   (c) the services are promptly brought to the attention of the Committee and approved by the Committee or by one or more of its members to whom authority to grant such approvals has been delegated by the Committee, prior to the completion of the audit.
5. **Delegation of Pre-Approval Function**

1. The Committee may delegate to one or more independent Members the authority to pre-approve non-audit services in satisfaction of the requirement in subsection 2.3(3).

2. The pre-approval of non-audit services by any Member to whom authority has been delegated pursuant to subsection 2.5(1) must be presented to the Committee at its first scheduled meeting following such pre-approval.

**PART 3**

3.1 **Composition**

1. The Committee shall be composed of a minimum of three Members.

2. Every Member shall be a director of the issuer.

3. The majority of Members shall not be employees, Control Persons or officers of the Corporation.

4. If practicable, given the composition of the directors of the Corporation, each Member shall be financially literate.

5. The board of directors of the Corporation shall appoint or re-appoint the Members after each annual meeting of shareholders of the Corporation.

**PART 4**

1. **Authority**

Until the replacement of this Charter, the Committee shall have the authority to:

(a) engage independent counsel and other advisors as it determines necessary to carry out its duties;

(b) set and pay the compensation for any advisors employed by the Committee;

(c) communicate directly with the internal and external auditors; and

(d) recommend the amendment or approval of audited and interim financial statements to the board of directors.

**PART 5**

5.1 **Disclosure in Information Circular**

If management of the Corporation solicits proxies from the security holders of the Corporation for the purpose of electing directors to the board of directors, the Corporation shall include in its management information circular the disclosure required by Form 52-110F2 (Disclosure by Venture Issuers).
PART 6

6.1 Meetings

1. Meetings of the Committee shall be scheduled to take place at regular intervals and, in any event, not less frequently than quarterly.

2. Opportunities shall be afforded periodically to the external auditor, the internal auditor and to members of senior management to meet separately with the Members.

3. Minutes shall be kept of all meetings of the Committee.
Audited Consolidated Financial Statements of

Eve & Co Incorporated

As at and for the year ended December 31, 2019 and the fourteen months ended December 31, 2018

(Expressed in Canadian Dollars)
INDEPENDENT AUDITOR’S REPORT

To the Shareholders of
Eve & Co Incorporated

Opinion

We have audited the accompanying consolidated financial statements of Eve & Co Incorporated (the “Company”), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of loss and other comprehensive loss, statements of changes in shareholders’ equity and cash flows for the year ended December 31, 2019 and the 14 months ended December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the periods then ended in accordance with International Financial Reporting Standards (“IFRS”).

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 of the consolidated financial statements, which indicates that the Company incurred a net loss of $5,706,489 during the year ended December 31, 2019 and, as of that date, the Company had a working capital deficit of $9,137,381. As stated in Note 2 these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management’s Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.
We obtained Management’s Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

**Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor’s report is Peter Maloff.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

April 15, 2020
Eve & Co Incorporated
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

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<td></td>
<td>Inventory</td>
<td>7 6,401,037</td>
</tr>
<tr>
<td></td>
<td>Total Current Assets</td>
<td>16,541,684</td>
</tr>
<tr>
<td></td>
<td>Property, Plant and Equipment</td>
<td>8 40,163,309</td>
</tr>
<tr>
<td></td>
<td>Total Non-Current Assets</td>
<td>40,163,309</td>
</tr>
<tr>
<td></td>
<td>Total Assets</td>
<td>$56,704,993</td>
</tr>
</tbody>
</table>

|       | Accounts Payable and Accrued Liabilities | $6,085,490 | $3,725,437 |
|       | Promissory Notes | 9 893,575 | 1,000,808 |
|       | Loans and Borrowings | 10 18,700,000 | - |
|       | Total Current Liabilities | 25,679,065 | 4,726,245 |
|       | Convertible Debentures | 10 - | 3,346,099 |
|       | Total Non-Current Liabilities | - | 3,346,099 |
|       | Total Liabilities | 25,679,065 | 8,072,344 |

|       | Share Capital | 10 43,788,808 | 23,447,576 |
|       | Contributed Surplus | 3,680,053 | 2,704,501 |
|       | Accumulated deficit | (16,442,933) | (10,736,444) |
|       | Total Equity | 31,025,928 | 15,416,033 |

|       | Total Liabilities and Equity | $56,704,993 | $23,488,377 |

Signed on behalf of the Board:

“Melinda Rombouts”
Director

“Ravi Sood”
Director

Nature of Operations, Note 1
Basis of Presentation and Going Concern, Note 2
Commitments and Contingencies, Note 16

The accompanying notes are an integral part of these consolidated financial statements.
Eve & Co Incorporated

CONSOLIDATED STATEMENTS OF LOSS AND OTHER COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

<table>
<thead>
<tr>
<th>Notes</th>
<th>Year Ended December 31</th>
<th>14 Months Ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td>Revenue</td>
<td>$3,706,722</td>
<td>$482,663</td>
</tr>
<tr>
<td>Excise Tax</td>
<td>(148,858)</td>
<td>-</td>
</tr>
<tr>
<td>Net revenue</td>
<td>$3,557,864</td>
<td>482,663</td>
</tr>
<tr>
<td>Inventory production costs expensed to cost of sales</td>
<td>7</td>
<td>(1,984,208)</td>
</tr>
<tr>
<td>Gross Margin before the undernoted</td>
<td>1,573,656</td>
<td>(722,215)</td>
</tr>
<tr>
<td>Realized fair value amounts included in inventory sold</td>
<td>7</td>
<td>(1,638,228)</td>
</tr>
<tr>
<td>Unrealized fair value gain on changes in biological assets</td>
<td>6</td>
<td>5,211,984</td>
</tr>
<tr>
<td>Inventory write-down</td>
<td>7</td>
<td>(4,760,411)</td>
</tr>
<tr>
<td>Gross Margin</td>
<td>$387,001</td>
<td>$2,408,434</td>
</tr>
</tbody>
</table>

Operating Expenses

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising &amp; Promotion</td>
<td>124,416</td>
<td>255,274</td>
</tr>
<tr>
<td>Amortization</td>
<td>85,852</td>
<td>123,013</td>
</tr>
<tr>
<td>Consulting and contract work</td>
<td>107,584</td>
<td>3,000,203</td>
</tr>
<tr>
<td>Finance Expenses</td>
<td>659,688</td>
<td>1,495,685</td>
</tr>
<tr>
<td>General and Administration</td>
<td>447,171</td>
<td>408,914</td>
</tr>
<tr>
<td>Management Wages</td>
<td>861,858</td>
<td>294,430</td>
</tr>
<tr>
<td>Operating Labour</td>
<td>877,703</td>
<td>616,402</td>
</tr>
<tr>
<td>Professional Fees</td>
<td>1,311,735</td>
<td>642,688</td>
</tr>
<tr>
<td>Stock-Based Compensation</td>
<td>1,529,916</td>
<td>1,576,553</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>6,005,923</td>
<td>8,413,162</td>
</tr>
</tbody>
</table>

Loss from Operations | (5,618,922) | (6,004,728) |

Other Income (Expense)

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Listing &amp; Transaction Costs</td>
<td>5</td>
<td>-</td>
</tr>
<tr>
<td>Other Income</td>
<td>85,433</td>
<td>15,672</td>
</tr>
</tbody>
</table>

Net Loss and Comprehensive Loss before Income Taxes | $5,533,489 | $7,822,075 |

Income Tax (Expense) Recovery | 13 | (173,000) | 173,000 |

Net Loss and Comprehensive Loss | $5,706,489 | $7,649,075 |

Net Loss per share

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic and Diluted</td>
<td>$(0.02)</td>
<td>$(0.04)</td>
</tr>
</tbody>
</table>

Weighted average of shares outstanding basic | 271,243,897 | 177,719,449 |

Weighted average of shares outstanding diluted | 271,243,897 | 177,719,449 |

The accompanying notes are an integral part of these consolidated financial statements.
### CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS’ EQUITY

(Expressed in Canadian dollars)

<table>
<thead>
<tr>
<th>Notes</th>
<th>Class A</th>
<th>Class B</th>
<th>Common Shares</th>
<th>Amount</th>
<th>Contributed Surplus</th>
<th>Convertible Debt</th>
<th>Deficit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at October 31, 2017</td>
<td>720</td>
<td>480</td>
<td>976,000</td>
<td>$900,128</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Issuance of Shares on RTO</td>
<td>5</td>
<td>(720)</td>
<td>(480)</td>
<td>146,360,000</td>
<td>1,590,000</td>
<td>161,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Exchange of shares for promissory note</td>
<td>9</td>
<td>-</td>
<td>-</td>
<td>(976,000)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Shares issued for Cash during the period</td>
<td>11</td>
<td>-</td>
<td>-</td>
<td>58,712,600</td>
<td>14,105,885</td>
<td>-</td>
<td>-</td>
<td>14,105,885</td>
</tr>
<tr>
<td>Shares issued for Debt during the period</td>
<td>11</td>
<td>-</td>
<td>-</td>
<td>4,455,500</td>
<td>1,113,875</td>
<td>-</td>
<td>-</td>
<td>1,113,875</td>
</tr>
<tr>
<td>Shares issued for Services during the period</td>
<td>11</td>
<td>-</td>
<td>-</td>
<td>1,615,914</td>
<td>403,979</td>
<td>-</td>
<td>-</td>
<td>403,979</td>
</tr>
<tr>
<td>Shares Issued on Exercise of Stock Options</td>
<td>11</td>
<td>-</td>
<td>-</td>
<td>980,000</td>
<td>373,469</td>
<td>-</td>
<td>-</td>
<td>280,334</td>
</tr>
<tr>
<td>Shares Issued on Conversion of Debentures</td>
<td>10, 11</td>
<td>-</td>
<td>-</td>
<td>19,999,999</td>
<td>5,290,790</td>
<td>-</td>
<td>(419,690)</td>
<td>4,871,100</td>
</tr>
<tr>
<td>Stock-Based Compensation</td>
<td>11</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,529,916</td>
<td>-</td>
<td>-</td>
<td>1,529,916</td>
</tr>
<tr>
<td>Compensation Options Issued</td>
<td>11</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(900,450)</td>
<td>679,000</td>
<td>-</td>
<td>(311,450)</td>
</tr>
<tr>
<td>Compensation Options Exercised</td>
<td>11</td>
<td>-</td>
<td>-</td>
<td>1,601,232</td>
<td>659,900</td>
<td>(366,925)</td>
<td>-</td>
<td>292,975</td>
</tr>
<tr>
<td>Convertible debentures issued</td>
<td>10</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>696,043</td>
<td>758,825</td>
<td>-</td>
<td>1,454,868</td>
</tr>
<tr>
<td>Convertible debenture fees</td>
<td>10</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(54,429)</td>
<td>(59,341)</td>
<td>-</td>
<td>(113,770)</td>
</tr>
<tr>
<td>Deferred tax on convertible debentures</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(173,000)</td>
<td>-</td>
<td>(173,000)</td>
</tr>
<tr>
<td>Net loss for the fourteen months then ended</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(7,649,075)</td>
</tr>
<tr>
<td>Balance as at December 31, 2018</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>233,725,245</td>
<td>23,447,576</td>
<td>2,598,107</td>
<td>106,794</td>
<td>$15,416,033</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Notes</th>
<th>Class A</th>
<th>Class B</th>
<th>Common Shares</th>
<th>Amount</th>
<th>Contributed Surplus</th>
<th>Convertible Debt</th>
<th>Deficit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as at December 31, 2018</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>233,725,245</td>
<td>23,447,576</td>
<td>2,598,107</td>
<td>106,794</td>
<td>$15,416,033</td>
</tr>
<tr>
<td>Shares Issued on Exercise of Stock Options</td>
<td>11</td>
<td>-</td>
<td>-</td>
<td>620,000</td>
<td>256,967</td>
<td>(119,966)</td>
<td>-</td>
<td>137,001</td>
</tr>
<tr>
<td>Shares Issued on Conversion of Debentures</td>
<td>10</td>
<td>-</td>
<td>-</td>
<td>13,333,333</td>
<td>3,724,036</td>
<td>-</td>
<td>(279,794)</td>
<td>3,444,242</td>
</tr>
<tr>
<td>Shares Issued on Exercise of Compensation Options</td>
<td>11</td>
<td>-</td>
<td>-</td>
<td>2,623,594</td>
<td>1,101,622</td>
<td>(329,057)</td>
<td>-</td>
<td>772,565</td>
</tr>
<tr>
<td>Shares Issued on Exercise of Warrants</td>
<td>11</td>
<td>-</td>
<td>-</td>
<td>16,665,000</td>
<td>6,153,558</td>
<td>(320,807)</td>
<td>-</td>
<td>5,832,751</td>
</tr>
<tr>
<td>Shares Issued on Exercise of Special Warrants</td>
<td>11</td>
<td>-</td>
<td>-</td>
<td>20,900,000</td>
<td>9,105,049</td>
<td>321,860</td>
<td>-</td>
<td>9,426,909</td>
</tr>
<tr>
<td>Stock-Based Compensation</td>
<td>11</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,529,916</td>
<td>-</td>
<td>-</td>
<td>1,529,916</td>
</tr>
<tr>
<td>Deferred tax on convertible debentures</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>173,000</td>
<td>-</td>
<td>173,000</td>
</tr>
<tr>
<td>Net loss for the year then ended</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(5,706,489)</td>
</tr>
<tr>
<td>Balance as at December 31, 2019</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>287,867,172</td>
<td>43,788,808</td>
<td>3,680,053</td>
<td>-</td>
<td>$31,025,928</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these consolidated financial statements.
## CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

<table>
<thead>
<tr>
<th>Notes</th>
<th>Year Ended December 31</th>
<th>14 Months Ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
</tr>
</tbody>
</table>

### Operating Activities

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Loss and Comprehensive Loss</td>
<td>$(5,706,489)</td>
<td>$(7,649,075)</td>
</tr>
<tr>
<td><strong>Items not affecting cash:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Realized fair value amounts included in inventory sold</td>
<td>7</td>
<td>339,218</td>
</tr>
<tr>
<td>Unrealized fair value gain on changes in biological assets</td>
<td>6</td>
<td>(3,469,867)</td>
</tr>
<tr>
<td>Inventory write-down</td>
<td>7</td>
<td>-</td>
</tr>
<tr>
<td>Deferred tax recovery (expense)</td>
<td>173,000</td>
<td>(173,000)</td>
</tr>
<tr>
<td>Amortization</td>
<td>308,637</td>
<td>200,934</td>
</tr>
<tr>
<td>Accretion expense and accrued interest on debt</td>
<td>9,10</td>
<td>340,297</td>
</tr>
<tr>
<td>Stock-based compensation</td>
<td>11</td>
<td>1,576,553</td>
</tr>
<tr>
<td>Non-cash transaction costs</td>
<td>5</td>
<td>1,751,000</td>
</tr>
<tr>
<td>Shares issued for services</td>
<td></td>
<td>403,979</td>
</tr>
<tr>
<td><strong>Changes in operating assets and liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>(497,767)</td>
<td>(167,234)</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>275,061</td>
<td>-</td>
</tr>
<tr>
<td>Harmonized Sales Tax Receivable</td>
<td>1,479,125</td>
<td>(2,358,210)</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>116,260</td>
<td>642,318</td>
</tr>
<tr>
<td>Inventory</td>
<td>(3,916,645)</td>
<td>(1,857,089)</td>
</tr>
<tr>
<td><strong>Net cash used by operating activities</strong></td>
<td>$(4,886,528)</td>
<td>$(10,420,176)</td>
</tr>
</tbody>
</table>

### Investing Activities

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payment for property, plant &amp; equipment</td>
<td>$(23,392,705)</td>
<td>$(10,678,247)</td>
</tr>
<tr>
<td><strong>Net cash used by investing activities</strong></td>
<td>$(23,392,705)</td>
<td>$(10,678,247)</td>
</tr>
</tbody>
</table>

### Financing Activities

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Draws against debt facility</td>
<td>$18,700,000</td>
<td>-</td>
</tr>
<tr>
<td>Issuance of common shares, net of share issuance costs</td>
<td>6,742,315</td>
<td>15,251,458</td>
</tr>
<tr>
<td>Issuance of special warrants</td>
<td>10,450,000</td>
<td>-</td>
</tr>
<tr>
<td>Issuance of convertible debentures</td>
<td>10,000,000</td>
<td>(16,687)</td>
</tr>
<tr>
<td>Advances to related parties</td>
<td></td>
<td>(1,523,861)</td>
</tr>
<tr>
<td>Repayment of debt</td>
<td>(1,023,091)</td>
<td>(1,665,713)</td>
</tr>
<tr>
<td>Special warrant and debt issuance costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net cash provided by financing activities</strong></td>
<td>$34,719,224</td>
<td>$22,045,197</td>
</tr>
<tr>
<td><strong>Net cash flows during the period</strong></td>
<td>$6,439,992</td>
<td>$946,774</td>
</tr>
</tbody>
</table>

### Cash

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash at beginning of period</td>
<td>$1,038,174</td>
<td>$91,400</td>
</tr>
<tr>
<td>Change in cash during the period</td>
<td>6,439,992</td>
<td>946,774</td>
</tr>
<tr>
<td><strong>Cash at end of period</strong></td>
<td>$7,478,166</td>
<td>$1,038,174</td>
</tr>
</tbody>
</table>

### Supplemental Disclosure of Cash Flow Information

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash paid</td>
<td>$474,986</td>
<td>$809,457</td>
</tr>
</tbody>
</table>

### Supplemental Disclosure of Non-Cash Flow Investing and Financing Activities

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conversion of debt</td>
<td>$3,724,036</td>
<td>$4,871,100</td>
</tr>
<tr>
<td>Non-Cash portion of debt repayment</td>
<td>-</td>
<td>1,113,875</td>
</tr>
<tr>
<td>Non-Cash fixed asset additions within accounts payable</td>
<td>4,702,414</td>
<td>2,483,428</td>
</tr>
<tr>
<td>Non-Cash portion of warrants exercised</td>
<td>320,807</td>
<td>-</td>
</tr>
<tr>
<td>Non-Cash portion of compensation options exercised</td>
<td>329,057</td>
<td>673,973</td>
</tr>
</tbody>
</table>

*The accompanying notes are an integral part of these consolidated financial statements*
Eve & Co Incorporated
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019 and the fourteen months ended December 31, 2018
(Expressed in Canadian dollars)

1. Nature of Operations

Eve & Co Incorporated (the "Company" or “Eve & Co”) is a publicly listed company on the TSX Venture Exchange ("TSX-V") and trades under the symbol “EVE”. The Company is also listed on the OTCQX venture market under the symbol “EEV.VF”. The registered head office of the Company is 2941 Napperton Drive, Strathroy, Ontario, Canada, N7G 3H8.

The Company was incorporated under the Business Corporations Act (Ontario) on June 6, 2014 and carries on the business of the cultivation and sale of cannabis through its wholly owned subsidiary, Natural MedCo Ltd. (“NMC”). NMC was licensed to produce and sell cannabis under the federal Access to Cannabis for Medical Purposes Regulations.

Effective October 17, 2018, NMC is licensed to produce and sell cannabis under the Cannabis Act (Canada), with the license for the Company’s current operating facility effective to July 22, 2020 and subject to renewal thereafter.

The consolidated financial statements of the Company are comprised of the Company and its wholly owned subsidiaries NMC and Eve & Co International Holdings Ltd, which are located in Canada. These consolidated financial statements were authorized for issue by the Board of Directors on April 15, 2020.

The Company does not engage in any U.S. cannabis-related activities as defined in Canadian Securities Administrators Staff Notice 51-352.

2. Basis of Presentation and Going Concern

a. Statement of Compliance and Going Concern

The consolidated financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) in accordance with the going concern assumption, which assumes the Company will be able to continue operations and realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Company incurred a net loss of $5,706,489 for the year ended December 31, 2019 (fourteen months ended December 31, 2018 – $7,649,075) and has a working capital deficit of $9,137,381 as at December 31, 2019 (December 31, 2018 – working capital surplus of $3,901,877).

These material uncertainties may cast significant doubt upon the Company’s ability to continue as a going concern. The Company’s ability to realize its assets and discharge its liabilities is dependent upon its ability to continually refinance current obligations and/or raise additional financing and, ultimately, achieve profitable operations.
Although management is assessing various opportunities for debt or equity financing and/or refinancing and is also pursuing cash-generating sales opportunities to increase profitability, there are no assurances that the Company will be successful and there may be an adverse effect on the financial position of the Company should these efforts be unsuccessful. These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. These adjustments may be material. Refer to Note 12 for further discussion on liquidity risks.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak and any related adverse public health developments may adversely affect workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or results of operations at this time.

The preparation of the consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are described further below (note 4).

On June 28, 2018, the Company changed its fiscal year-end from October 31 to December 31. The first year-end after the change was as at and for the fourteen months ended December 31, 2018. The comparative disclosures as presented in these consolidated financial statements reflect the change in the year-end. Certain comparative amounts have also been reclassified to conform with the current year’s presentation.

b. Basis of presentation

These financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value and biological assets that are measured at fair value less cost to sell, as detailed in the Company’s accounting policies.

Historical cost is the fair value of the consideration given in exchange for goods and services based upon the fair value at the time of the transaction of the consideration provided.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these annual consolidated financial statements is determined on such a basis, except for share based payment
transactions that are within the scope of IFRS 2, Share-Based Payment, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2, Inventories.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 – inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 – inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 – inputs are unobservable inputs for the asset or liability.

The preparation of these annual consolidated financial statements requires the use of certain critical accounting estimates, which requires management to exercise judgment in applying the Company’s accounting policies.

c. Functional and presentation currency

The functional currency of the Company and its subsidiaries, as determined by management, is the Canadian dollar. These financial statements are presented in Canadian dollars.

3. Recent accounting pronouncements

Accounting standards and amendments adopted during the year ended December 31, 2019

IFRS 9, Financial Instruments (“IFRS 9”)
IFRS 9 replaced IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”) and all previous versions of IFRS 9. The Company adopted IFRS 9 using the retrospective approach where the cumulative impact of adoption, if any, would have been recognized in the accumulated loss as at January 1, 2018. The impact of adoption was $Nil and the comparatives were not restated.

IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or at fair value. The classification and measurement of financial assets is based on the Company’s business models for managing its financial assets and whether the contractual cash flows represent solely payments of principal and interest (“SPPI”).

Financial assets are initially measured at fair value and are subsequently measured at either (i) amortized cost; (ii) fair value through other comprehensive income (“FVTOCI”), or (iii) at fair value through profit or loss (“FVTPL”). Consistent with IAS 39, financial liabilities under IFRS 9 are generally classified and
measured at fair value at initial recognition and subsequently measured at amortized cost. The change
did not impact the carrying amounts of any of our financial assets and liabilities on the adoption date.

The following table summarizes the classification of the Company’s financial instruments under IAS 39
and IFRS 9:

<table>
<thead>
<tr>
<th>Instrument</th>
<th>IAS 39 Classification</th>
<th>Level</th>
<th>IFRS 9 Classification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>FVTPL</td>
<td>Level 1</td>
<td>FVTPL</td>
</tr>
<tr>
<td>Accounts and Other Receivables</td>
<td>Loans and receivables</td>
<td>N/A</td>
<td>Amortized cost</td>
</tr>
<tr>
<td>Accounts Payable and Accrued Liabilities</td>
<td>Other financial liabilities</td>
<td>N/A</td>
<td>Amortized cost</td>
</tr>
<tr>
<td>Convertible Debentures</td>
<td>Other financial liabilities</td>
<td>N/A</td>
<td>Amortized cost</td>
</tr>
<tr>
<td>Promissory Note</td>
<td>Other financial liabilities</td>
<td>N/A</td>
<td>Amortized cost</td>
</tr>
<tr>
<td>Loans and Borrowings</td>
<td>Other financial liabilities</td>
<td>N/A</td>
<td>Amortized cost</td>
</tr>
</tbody>
</table>

The adoption of IFRS 9 did not have a material impact on the Company’s classification and measurement
of financial assets and liabilities.

IFRS 9 uses an expected credit loss impairment model as opposed to an incurred credit loss model under
IAS 39. The impairment model is applicable to financial assets measured at amortized cost where any
expected future credit losses are provided for, irrespective of whether a loss event has occurred as at the
reporting date.

For trade accounts receivable, the Company utilized a provision matrix, as permitted under the simplified
approach, and has measured the expected credit losses based on lifetime expected credit losses taking
into consideration historical credit loss experience and financial factors specific to debtors and other
relevant factors. The carrying amount of trade receivables is reduced for any expected credit losses
through the use of an allowance for doubtful accounts ("AFDA") provision.

Changes in the carrying amount of the AFDA provision are recognized in the statement of comprehensive
income. When the Company determines that no recovery of the amount owing is possible, the amount is
deemed irrecoverable and the financial asset is written off. The adoption of the new expected credit loss
impairment model has not had a material impact on the carrying amounts of financial assets recognized
at amortized cost.

IFRS 15, Revenue from contracts with customers ("IFRS 15")

IFRS 15 specifies how and when revenue should be recognized based on a five-step model, which is
applied to all contracts with customers. The Company has applied IFRS 15 retrospectively and determined
that there is no change to the comparative periods or transitional adjustments required as a result of the
adoption of this standard. Please see Note 4i.
IFRS 16, Leases ("IFRS 16")

IFRS 16 was issued by the IASB in January 2016 and brings most leases onto the statement of financial position for lessees under a single model, eliminating the distinction between operating and finance leases. Under IFRS 16, a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly, and the liability accrues interest.

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease or an entity's incremental borrowing rate if the implicit rate cannot be readily determined. Lessees are permitted to make an election for leases with a term of 12 months or less, or where the underlying asset is of low value and not recognize lease assets and lease liabilities.

The expense associated with these leases can be recognized on a straight-line basis over the lease term or on another systematic basis. A lessee will apply IFRS 16 to its leases either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying IFRS 16 being recognized at the date of initial application.

IFRS 16 is effective for the Company for the financial year beginning January 1, 2019. The impact of its adoption on the Company’s financial position and financial performance is $nil.

Accounting standards and amendments issued but not yet adopted

Amendments to IFRS 3, Business Combinations ("IFRS 3")

In October 2018, the IASB issued “Definition of a Business (Amendments to IFRS 3)”. The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendment provides an assessment framework to determine when a series of integrated activities is not a business. The amendments are effective for business combinations and asset acquisitions occurring on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and the Company will adopt the amendment to IFRS 3 on January 1, 2020.

IFRIC 23 Uncertainty over income tax treatments ("IFRIC 23")

IFRIC 23 clarifies the application of recognition and measurement requirement in IAS 12, Income Taxes, when there is uncertainty over income tax treatments. It specifically addresses whether an entity considers each tax treatment independently or collectively, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax credits and tax rates, and how an entity considers changes in facts and circumstances. IFRIC 23 is effective for the Company’s first annual reporting period beginning on or after
4. **Summary of significant accounting policies**

The significant accounting policies used in the preparation of these consolidated financial statements are as follows:

a. **Principles of consolidation**

   The financial statements of the Company consolidate the accounts of Eve & Co and its subsidiaries. All intercompany transactions, balances, and unrealized gains and losses from intercompany transactions are eliminated on consolidation. The Company’s most significant wholly owned subsidiaries are presented below:

   NMC (Canada)
   Eve & Co International Holdings Ltd (Canada)

   Subsidiaries are entities controlled by the Company. Control exists when the Company has power over an investee, when the Company is exposed – or has rights – to variable returns from the investee and when the Company has the ability to affect those returns through its power over the investee. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are de-consolidated from the date that control ceases.

b. **Foreign Currency Translation**

   Foreign currency transactions are translated into Canadian dollars at exchange rates in effect on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the consolidated statement of financial position date are translated to Canadian dollars at the foreign exchange rate applicable at that date. Realized and unrealized exchange gains and losses are recognized through loss or profit.

   Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

c. **Cash**

   Cash is comprised of cash and highly liquid investments that are readily convertible into known amounts of cash. The Company does not have any cash equivalents.

d. **Biological Assets**

   The Company’s biological assets consist of cannabis plants. The Company capitalizes all the direct and indirect costs as incurred that relate to the biological transformation of the biological assets between the point of initial recognition and the point of harvest including labour related costs, grow
consumables, materials, utilities, facilities costs, quality and testing costs, and production related
depreciation. The Company then measures the biological assets at fair value less cost to sell up to the
point of harvest; this becomes the basis for the initial deemed cost of finished goods inventories after
harvest. Costs to sell include post-harvest production, shipping and fulfillment costs.

The net unrealized gains or losses arising from changes in fair value less cost to sell during the period
are separately identified and included in the Consolidated Statements of Loss and Comprehensive
Loss on the line “unrealized fair value gain on biological assets”.

e. Inventory

Inventories of harvested work-in-process and finished goods are valued at the lower of cost and net
realizable value. Inventories of harvested cannabis are transferred from biological assets at their fair
value less cost to sell up to the point of harvest, which becomes the initial deemed cost. All subsequent
direct and indirect post-harvest costs are capitalized to inventory as incurred, including labour-related
costs, consumables, materials, packaging supplies, utilities, facilities costs, quality and testing costs,
and production-related amortization. Net realizable value is determined as the estimated selling price
in the ordinary course of business less the estimated costs of completion and the estimated costs
necessary to make the sale.

Inventories for resale and supplies and consumables are valued at the lower of cost and net realizable
value, with cost determined using the weighted average cost basis. The line item “Inventory
production costs expensed to cost of sales” in the Consolidated Statement of Loss and Comprehensive
Loss excludes the fair value adjustment and is comprised of the cost of inventories expensed in the
period and the direct and indirect costs of shipping and fulfillment including labour related costs,
materials, shipping costs, customs and duties, utilities, facilities costs, and shipping and related
amortization.

f. Property, Plant and Equipment

Property, plant and equipment is measured at cost less accumulated amortization and impairment
losses. Amortization is provided using the following terms and method:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Method</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>Not amortized</td>
<td>n/a</td>
</tr>
<tr>
<td>Buildings</td>
<td>Declining balance</td>
<td>4%</td>
</tr>
<tr>
<td>Machinery and Equipment</td>
<td>Declining balance</td>
<td>20%</td>
</tr>
<tr>
<td>Computers and Technology</td>
<td>Declining balance</td>
<td>20%</td>
</tr>
<tr>
<td>Construction-in-Progress</td>
<td>Not amortized</td>
<td>n/a</td>
</tr>
</tbody>
</table>

An asset’s residual value, useful life and amortization method is reviewed at each financial year end
and adjusted if appropriate. When parts of an item of property, plant and equipment have different
useful lives, they are accounted for as separate items (major components) of property, plant and
equipment.
Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the item of property, plant and equipment and are recognized in profit or loss.

Items of property, plant and equipment included within construction-in-progress are transferred to the relevant categories within property, plant and equipment when the assets are ready and available for their intended use and amortization of the assets commences immediately upon transfer.

g. Impairment of long-lived assets

Long-lived assets, including property, plant and equipment, are reviewed for impairment at the end of each financial reporting period or whenever events or changes in circumstances indicate that the carrying amount of such assets exceeds their recoverable amount.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or “CGU”). The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal, and its value-in-use. If the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized immediately in profit or loss.

Impairment losses are evaluated for potential reversals when events or circumstances warrant such consideration. Where an impairment loss is subsequently reversed, the amount of such reversal is limited such that, the revised carrying amount of the asset or CGU does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in the prior years. A reversal of an impairment loss is recognized into profit or loss immediately.

h. Convertible debentures (with warrants)

The Company has previously issued debt that in some cases included issuance of separate warrants to the lenders, or conversion features. Debt with warrants and convertible debt issued by the Company are compound financial instruments which are accounted for separately according to their components, those being a financial liability and an equity instrument.

The financial liability component is initially recognised at the fair value of a similar liability that does not have an equity conversion option or accompanying warrants. The equity component, consisting of the conversion option or the accompanying warrant, is initially recognised as the difference between the fair value of the compound financial debt instrument as a whole and the fair value of the liability component.
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Subsequent to initial recognition, the liability component is measured at amortized cost using the effective interest method. The equity component is not re-measured. No gain or loss is recognised at maturity or early conversion of the debt.

i. Revenue Recognition

The Company follows a five-step model to determine the amount and timing of revenue to be recognized:

1. Identifying the contract with a customer;
2. Identifying the performance obligations within the contract;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations;
5. Recognizing revenue when/as performance obligation(s) are satisfied.

Revenue from the sale of cannabis to medical and recreational customers is recognized when the Company transfers control of the good to the customer. In some cases, judgement is required in determining whether the customer is a business or the end consumer. This evaluation is made on the basis of whether the business obtains control of the product before transferring to the end consumer. Control of the product transfers at a point in time either upon shipment to or receipt by the customer, depending on the contractual terms.

The Company recognizes revenue in an amount that reflects the consideration that the Company expects to receive, taking into account any variation that may result from rights of return.

With effect from October 17, 2018, the Canada Revenue Agency ("CRA") began levying an excise tax on the sale of medical and consumer cannabis products. The Company becomes liable for these excise duties when its cannabis products are delivered to the customer. The excise taxes payable is the higher of (i) a flat-rate duty which is imposed when the cannabis product is packaged, and (ii) an ad-valorem duty that is imposed when the cannabis product is delivered to the customer.

Where the excise tax has been billed to its customers, the Company has reflected the excise tax as part of revenue in accordance with IFRS 15. Net revenue from the sale of goods – as presented on the consolidated statement of loss and other comprehensive loss – represents revenue from the sale of goods less applicable excise taxes. Given that the excise tax payable / paid to the CRA cannot be reclaimed and is not always billed to customers, the Company recognizes that the excise tax is an operating cost that impacts gross profit (loss) to the extent that it is not recovered from its customers.

j. Income Taxes

The Company uses the liability method to account for income taxes. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the
carrying amounts of existing assets and liabilities for accounting purposes, and the irrespective tax bases. Deferred income tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted and applied to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The effect on deferred income tax assets and liabilities of a change in statutory tax rates is recognized in profit or loss in the year of change. Deferred income tax assets are recorded when their recoverability is considered probable; these deferred income tax assets are reviewed at the end of each reporting period.

k. Share-based payments

The Company has an employee stock option plan. The Company measures equity-settled share-based payments based on their fair value at the grant date and recognizes compensation expense over the vesting period based on the Company’s estimate of equity instruments that will eventually vest. Forfeitures are adjusted for on an actual basis. The impact of the revision of the original estimate is recognized in profit or loss such that the cumulative expense reflects the revised estimate.

The number of vested options ultimately exercised by holders does not impact the expense recorded in any period. For stock options granted to non-employees, the compensation expense is measured at the fair value of goods and services received except where the fair value cannot be estimated, in which case it is measured at the fair value of the equity instruments granted.

The fair value of share-based compensation to non-employees is periodically remeasured until counterparty performance is complete, and any change therein is recognized over the period and in the same manner as if the Company had paid cash instead of paying with or using equity instruments.

Consideration paid by employees or non-employees on their exercise of stock options is recorded as share capital and the related share-based compensation is transferred from contributed surplus to share capital.

l. Loss per Share

Loss per common share represents loss for the period attributable to common shareholders divided by the weighted average number of common shares outstanding during the year. Diluted loss per common share is calculated by dividing the applicable loss for the year by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued during the year. For the periods presented, this calculation proved to be anti-dilutive.
m. Borrowing Costs

Borrowing costs attributable to the acquisition or construction of qualifying assets (such as those included within Construction-in-Progress) that take a substantial period of time to make ready for their intended use are added to the cost of the assets, until such time as the assets are substantially complete and ready for their intended use. The amount of borrowing costs capitalized cannot exceed the actual amount of borrowing costs incurred in a period. All other borrowing costs are expensed in the period in which they are incurred.

Borrowing costs that related to the issue of convertible debentures have been allocated to the financial liability and equity components in proportion to the allocation of the gross proceeds. Borrowing costs relating to the equity component have been recognized directly in equity. Borrowing costs relating to the financial liability component have been included in the carrying amount of the financial liability component and amortized over the term of the convertible debentures using the effective interest method.

All other borrowing costs are recognized in profit or loss in the period which they are incurred.

n. Financial Instruments

The following financial instruments accounting policies have been applied as of January 1, 2018 upon adoption of IFRS 9, Financial Instruments (“IFRS 9”). Prior to January 1, 2018, the Company applied financial instruments policies aligned with IAS 39, Financial Instruments Recognition and Measurement. The Company recognizes financial assets and liabilities on the consolidated statement of financial position when the Company becomes party to the contractual provisions of the instrument.

Cash

Cash includes cash on hand and other short-term highly liquid investments with original maturities of three months or less. The Company does not have any cash equivalents. Cash is classified as a financial asset and is subsequently measured at FVTPL.

Accounts receivable, other receivables, accounts payable and accrued liabilities

Accounts receivable, other receivables, accounts payable and accrued liabilities are non-interest bearing and are initially measured at fair value, subsequently recorded at amortized cost which approximates fair value due to the short term to maturity. Where necessary, accounts receivable are stated net of expected credit losses. Accounts receivable are classified as financial assets subsequently measured at amortized cost and accounts payable and accrued liabilities are classified as financial liabilities subsequently measured at amortized cost.
Debt

The Company initially recognizes all financial liabilities at fair value and classifies them as subsequently measured at amortized cost, as appropriate. For debt subsequently measured at amortized cost, the effective interest rate method is used.

Derivative instruments

Derivative instruments, including embedded derivatives, would be recorded at FVTPL and accordingly recorded on the consolidated statement of financial position date at fair value. Unrealized gains and losses on derivatives held for trading would be recorded as part of other gains or losses in earnings. Fair values for derivative instruments would be determined using valuation techniques, using assumptions based on market conditions existing at the consolidated statement of financial position date.

Impairment of financial assets

At each reporting date, the Company measures the loss allowance for the financial asset held at amortized cost at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If, at the reporting date, the credit risk on the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve months of expected credit losses.

Derecognition of financial assets

Financial assets are derecognized when the investments mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized within other non-operating income. Accumulated gains or losses on financial assets classified as fair value through OCI remain within accumulated other comprehensive income.

o. Significant Accounting Estimates and Judgments

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.
Management has applied significant estimates, judgements and assumptions relating to the following:

**Biological Assets and Inventory**

Management is required to make estimates in calculating the fair value of biological assets and harvested cannabis inventory. These estimates include several assumptions, such as estimating the stage of growth of the cannabis inventory, harvesting costs, sales price and expected yields.

Further, when costs are incurred, management must use judgement to determine if they relate to the production of inventory. Costs that are considered expenses are recognized in the statements of loss and other comprehensive loss. Costs that relate to inventory are capitalized to inventory and are recognized in cost of goods sold when inventory is sold.

**Property, plant and equipment**

The Company is required to monitor its property, plant and equipment for indicators of impairment. Where indicators are present, the Company is required to perform an impairment test. The Company did not find any indicators of impairment as at December 31, 2019 and 2018. Significant judgement is utilized in the assessment of whether indicators are present.

At December 31, 2019, a significant component of the Company’s property, plant, and equipment is considered construction in progress. As this construction in progress becomes ready for use, capitalized costs will be recognized within the relevant equipment categories and amortization will be charged at rates consistent with the Company’s significant accounting policy for property, plant, and equipment. Significant judgement is used to determine that construction in progress is not yet ready for use.

The estimated useful life and amortisation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

**Share-based compensation**

In calculating the share-based compensation expense, key estimates such as the rate of forfeiture of options granted, the expected life of the option, the volatility of the trading price of the Company’s common shares, the vesting period of the option and the risk-free interest rate are used.

**Warrants**

In calculating the value of the warrants, the Company includes key estimates such as the volatility of the Company’s stock price, the value of the Common Share, and the risk-free interest rate.

**Amortization**

Amortization rates are dependent upon estimates of useful lives, which are determined through the exercise of judgement. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that consider factors such as economic and market conditions and the useful lives of assets.
Convertible debentures

The identification of the convertible debenture components has been based on interpretations of the substance of the contractual arrangement and therefore requires judgement from management. The separation of the components has affected the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability has been based on a number of assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.

5. Reverse Takeover

On December 18, 2017, Carlaw Capital V Corp. ("Carlaw") announced that it had entered into a definitive agreement with NMC (the "RTO") pursuant to which Carlaw would acquire all of the issued and outstanding common shares of NMC ("NMC Shares").

Carlaw had 6,360,000 common shares outstanding prior to the completion of the RTO. At the date of closing of the RTO, there were 204,784,014 NMC Shares issued and outstanding. In exchange for the NMC Shares, the Company issued 204,784,014 common shares at a ratio of one share of Carlaw for each NMC Share. These Carlaw shares were valued at $0.25 per share, and the transaction resulted in a reverse takeover of the Company by NMC's shareholders. On closing of the RTO, there were 211,144,014 common shares outstanding.

Since the Company did not meet the definition of a business under IFRS 3 Business Combinations, the RTO was accounted for as a purchase of the Company's assets. The value of the consideration paid, determined as equity-settled share-based payments under IFRS 2 Share-based payments, was based on the fair value of the common shares on the date of closing of the RTO of $0.25 per common share. This valuation is consistent with the most recent equity raise completed just prior to the RTO.

The value of the stock options granted on the closing of the RTO was based on a Black Scholes calculation and utilised the following assumptions:

- risk-free rate of 2.06%;
- expected life of 6.6 years;
- volatility of 103% based on comparable companies;
- forfeiture rate of 0%;
- dividend yield of nil; and,
- exercise price of $0.10.

The Company recorded the excess of the consideration over the net assets of Carlaw as listing and transaction fees of $1,833,019 in the consolidated financial statements for the fourteen months ended December 31, 2018.
Eve & Co Incorporated
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019 and the fourteen months ended December 31, 2018
(Expressed in Canadian dollars)

The net assets of the Company were included at their carrying value of $168,628, which approximated their fair value as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>December 31, 2018</th>
<th>December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying amount, beginning of period</td>
<td>$ 2,912,369</td>
<td>$ 2,912,369</td>
</tr>
<tr>
<td>Production costs capitalized</td>
<td>1,969,667</td>
<td>5,184,053</td>
</tr>
<tr>
<td>Changes in fair value less costs to sell due to biological transformation</td>
<td>3,469,867</td>
<td>5,211,984</td>
</tr>
<tr>
<td>Transferred to inventory upon harvest</td>
<td>(2,527,165)</td>
<td>(11,991,716)</td>
</tr>
<tr>
<td>Carrying amount, end of period</td>
<td>$ 1,316,690</td>
<td>$ 1,316,690</td>
</tr>
</tbody>
</table>

The net assets of the Company were included at their carrying value of $168,628, which approximated their fair value as follows:

<table>
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<tr>
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<th>December 31, 2018</th>
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<tbody>
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<tr>
<td>Transferred to inventory upon harvest</td>
<td>(2,527,165)</td>
<td>(11,991,716)</td>
</tr>
<tr>
<td>Carrying amount, end of period</td>
<td>$ 1,316,690</td>
<td>$ 1,316,690</td>
</tr>
</tbody>
</table>

On June 28, 2018, Carlaw changed its name to Eve & Co Incorporated. For the purposes of accounting, these consolidated financial statements reflect a continuation of the financial position, operating results and cash flows of the NMC.

6. Biological Assets

As at December 31, 2019 the ending balance of Biological Assets was comprised of a cash component relating to production costs capitalized of $523,858 (December 31, 2018 - $1,142,272) and a fair value component related to changes in fair value less costs to sell due to biological transformation of $792,832 (December 31, 2018 - $1,770,097). Biological Assets as at December 31, 2019 included capitalized amortization of $22,322 (December 31, 2018 - $36,805).

The fair value of biological assets is determined using a valuation model to estimate expected harvest yield per plant applied to the estimated price per gram less post-harvest costs. Only when there is a material change from the expected fair value used for cannabis does the Company make any adjustment to the fair value used.

The Company's estimates, by their nature, are subject to changes that could result from volatility of market prices, unanticipated regulatory changes, harvest yields, loss of crops, changes in estimates and other uncontrollable factors that could significantly affect the future fair value of biological
In determining the fair value of biological assets, management has made the following estimates in their valuation model:

- A sales price of $1.66 per gram (December 31, 2018 – $2.98 per gram);
- Harvest yield of 25.41 grams per plant (December 31, 2018 – 48.87 grams per plant);
- Post-harvest costs of $0.04 per plant (December 31, 2018 – $0.20 per plant); and
- A weighted-average growing cycle length of 98 days (December 31, 2018 – 98 days).

The sales price used in the valuation of biological assets is based on the weighted-average selling price of all cannabis products and can vary based on different strains being grown as well as the proportion of sales derived from wholesale compared to retail. Expected harvest yields per cannabis plant represent the expected grams of dry cannabis to be harvested from a cannabis plant, based on the weighted average historical yields by plant strain and are also subject to a variety of factors, such as strains being grown, length of growing cycle, and space allocated for growing.

Post-harvest costs represent the estimated cost to process a gram of harvested cannabis, consisting of the direct and indirect cost of materials, labour, utilities and amortization of the equipment. A processed gram is a gram of cannabis that has completed drying, curing, testing, and packaging. The post-harvest costs reflect an average of the costs expected to be incurred to prepare the product into its saleable state based on the expected sales channels for the product. Management reviews all significant inputs based on historical information obtained as well as based on planned production schedules.

All biological assets are classified as current assets on the consolidated statement of financial position and are considered Level 3 fair value estimates. The valuation of biological assets is based on an income approach in which the fair value at the point of harvesting is estimated based on selling prices less the costs to sell. For in-process biological assets, the fair value at point of harvest is adjusted based on the stage of growth at period end. Stage of growth is determined by reference to the plant’s life relative to the stages within the harvest cycle.

Management has quantified the sensitivity of the inputs and determined the following:

- Selling price per gram – an increase / decrease in the weighted-average selling price per gram by 10% would result in the fair value of the biological assets increasing / decreasing by $159,569 (December 31, 2018 – $292,479);
- Harvest yield per plant – an increase / decrease in the harvest yield per plant of 10% would result in the biological asset fair value increasing / decreasing by $131,230 (December 31, 2018 – $272,549);
• Post-harvest costs – an increase / decrease in the post-harvest costs per gram by 10% would result in the biological asset fair value increasing / decreasing by $1,968 (December 31, 2018 – $22,799); and
• Growth length – an increase / decrease in the growing cycle length by 10% would result in the biological fair value increasing / decreasing by $119,699 (December 31, 2018 – $50,623).

7. Inventory

The capitalized cost of inventory expensed to inventory production costs in cost of sales for the year ended December 31, 2019 was $1,984,208 (fourteen months ended December 31, 2018 – $1,204,878). The fair value cost of inventory expensed to Realized Fair Value amounts included in inventory sold was $1,638,228 for the year ended December 31, 2019 (fourteen months ended December 31, 2018 – $339,218). Also included in this amount was capitalized amortization of $70,137 for the year ended December 31, 2019 (fourteen months ended December 31, 2018 – $3,335).

As at December 31, 2019 the ending balance of inventory was comprised of a cash component relating to production costs capitalized of $4,518,788 (December 31, 2018 - $714,816) and a fair value component related to changes in fair value less costs to sell due to biological transformation of $1,769,814 (December 31, 2018 - $1,360,552). Included in inventory as at December 31, 2019 was capitalized amortization of $189,207 (December 31, 2018 - $21,174).

During the year ended December 31, 2019, the Company recorded an inventory write-down of $4,760,411 (fourteen months ended December 31, 2018 - $Nil).
8. Property, Plant and Equipment

<table>
<thead>
<tr>
<th>Cost</th>
<th>Balance at December 31, 2018</th>
<th>Additions</th>
<th>Adjustments</th>
<th>Balance at December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$160,000</td>
<td>-</td>
<td>-</td>
<td>$160,000</td>
</tr>
<tr>
<td>Building</td>
<td>4,028,153</td>
<td>605,331</td>
<td>107,519</td>
<td>4,741,003</td>
</tr>
<tr>
<td>Machinery and Equipment</td>
<td>670,029</td>
<td>205,630</td>
<td>193,353</td>
<td>1,069,012</td>
</tr>
<tr>
<td>Technology and Computers</td>
<td>568,883</td>
<td>41,648</td>
<td>55,310</td>
<td>665,841</td>
</tr>
<tr>
<td>Construction in Progress</td>
<td>10,636,318</td>
<td>24,759,082</td>
<td>(356,182)</td>
<td>35,039,218</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$16,063,383</td>
<td>$25,611,691</td>
<td>-</td>
<td>$41,675,074</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Accumulated Amortization</th>
<th>Balance at December 31, 2018</th>
<th>Amortization</th>
<th>Adjustments</th>
<th>Balance at December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building</td>
<td>$574,724</td>
<td>159,611</td>
<td>-</td>
<td>734,335</td>
</tr>
<tr>
<td>Machinery and Equipment</td>
<td>376,763</td>
<td>82,533</td>
<td>-</td>
<td>459,296</td>
</tr>
<tr>
<td>Technology and Computers</td>
<td>251,641</td>
<td>66,493</td>
<td>-</td>
<td>318,134</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1,203,128</td>
<td>$308,637</td>
<td>-</td>
<td>1,511,765</td>
</tr>
</tbody>
</table>

| Net Book Value             | $14,860,255                   | $25,303,054  | -           | $40,163,309                  |

<table>
<thead>
<tr>
<th>Cost</th>
<th>Balance at October 31, 2017</th>
<th>Additions</th>
<th>Adjustments</th>
<th>Balance at December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$160,000</td>
<td>-</td>
<td>-</td>
<td>$160,000</td>
</tr>
<tr>
<td>Building</td>
<td>1,834,128</td>
<td>1,429,078</td>
<td>764,947</td>
<td>4,028,153</td>
</tr>
<tr>
<td>Machinery and Equipment</td>
<td>397,553</td>
<td>188,615</td>
<td>83,861</td>
<td>670,029</td>
</tr>
<tr>
<td>Technology and Computers</td>
<td>510,026</td>
<td>58,856</td>
<td>-</td>
<td>568,883</td>
</tr>
<tr>
<td>Construction in Progress</td>
<td>-</td>
<td>11,485,126</td>
<td>(848,808)</td>
<td>10,636,318</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$2,901,707</td>
<td>$13,161,876</td>
<td>-</td>
<td>$16,063,383</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Accumulated Amortization</th>
<th>Balance at October 31, 2017</th>
<th>Amortization</th>
<th>Adjustments</th>
<th>Balance at December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building</td>
<td>$477,071</td>
<td>97,653</td>
<td>-</td>
<td>574,724</td>
</tr>
<tr>
<td>Machinery and Equipment</td>
<td>342,805</td>
<td>33,958</td>
<td>-</td>
<td>376,763</td>
</tr>
<tr>
<td>Technology and Computers</td>
<td>182,318</td>
<td>69,323</td>
<td>-</td>
<td>251,641</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1,002,194</td>
<td>$200,934</td>
<td>-</td>
<td>1,203,128</td>
</tr>
</tbody>
</table>

| Net Book Value             | $1,899,514                   | $12,960,741  | -           | $14,860,255                  |

Adjustments presented in the tables above reflect either the activation of an asset’s useful life, transitioning from construction in progress to the appropriate property, plant and equipment category or reclassifications.

As at December 31, 2019, there was $4,702,414 relating to property, plant and equipment acquisitions outstanding in accounts payable and accrued liabilities (December 31, 2018 - $2,483,428). For the year ended December 31, 2019, $474,986 of borrowing costs on the Construction Facility were capitalized to Construction in Progress (fourteen months ended December 31, 2018 – $Nil). For the year ended December 31, 2019 amortization of $184,220 was capitalized to biological assets and inventory (fourteen months ended December 31, 2018 – $61,314).

On February 7, 2020, the Company commenced utilizing the facility as it became ready for its intended use and $34,025,368 was reclassified from Construction in Progress and capitalized to Buildings ($33,845,723) and Technology and Computers ($179,645).
9. Related Parties and Promissory Notes

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly. The key management personnel of the Company are the members of the Company’s executive management team and Board of Directors. The transactions are conducted at arm’s length and in the normal course of operations.

During the year ended December 31, 2019 the officers and directors of the Company were granted options to purchase up to 7,000,000 (fourteen months ended December 31, 2018: 7,500,000) common shares with a fair value of $1,976,000 (fourteen months ended December 31, 2018: $1,443,446) (note 11).

The land on which the Company’s greenhouse facility is situated is subject to an option to purchase held by Melinda Rombouts, the President and CEO and a director of the Company, and David Burch, a significant shareholder of the Company and a director of NMC. Upon exercise of the option and the payment of $976,000, the option holders must immediately grant the Company a lease over the land, with such lease: (i) being for a term of 20 years, with four 5-year renewals; (ii) having monthly net rent not exceeding $6,100 throughout the term and renewals; (iii) having such terms and conditions that are in form and substance satisfactory to the Company, acting reasonably; and (iv) having no terms or conditions that are materially unusual or adverse to the Company in the opinion of its board, acting reasonably. The option may not be exercised, however, until NMC obtains all requisite regulatory approvals required for a change of ownership of the land, as may be required from time to time by Health Canada.

Ms. Rombouts and Mr. Burch are also the holders of promissory notes (the “Promissory Notes”) issued by NMC with an aggregate principal amount of $976,000, of which $150,000 was repaid on March 29, 2019 as per the terms of the notes with the remainder of such principal becoming due and payable within 30 days of demand.

In connection with the Company entering into the $18,700,000 Construction Facility on March 19, 2019 (note 10) Ms. Rombouts and Mr. Burch agreed to a postponement of their right to demand repayment until such time as all the obligations owed to the Lender have been repaid. These Promissory Notes bear interest at 5% per annum, calculated monthly. As at December 31, 2019 the amount owing to Ms. Rombouts and Mr. Burch is $826,000 of the principal amount and $67,575 of accrued interest (December 31, 2018: $976,000 and $24,807 respectively). See Note 10.
10. Loans and Borrowings

The following table provides a summary of the Company’s loans and borrowings:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan Facility</td>
<td>$18,700,000</td>
<td>$-</td>
</tr>
<tr>
<td>Convertible Debentures</td>
<td>-</td>
<td>3,346,099</td>
</tr>
<tr>
<td>Less current portion</td>
<td>(18,700,000)</td>
<td>-</td>
</tr>
<tr>
<td>Non-current loans and borrowings</td>
<td>$-</td>
<td>$3,346,099</td>
</tr>
</tbody>
</table>

The changes in debt balances in the year ended December 31, 2019 and fourteen months ended December 31, 2018 are as follows:

<table>
<thead>
<tr>
<th>Loan Facility</th>
<th>Convertible Debentures</th>
<th>Mainstreet Bank Loan</th>
<th>FedDev Ontario Inc. Loan</th>
<th>Mallick Holdings Inc. Loan</th>
<th>Round Plains Ginseng Farm Inc. Loan</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at October 31, 2017</td>
<td>$-</td>
<td>$3,346,099</td>
<td>$636,599</td>
<td>$13,340</td>
<td>$600,000</td>
<td>$948,780</td>
</tr>
<tr>
<td>Issuance - June 28, 2018</td>
<td>-</td>
<td>8,545,132</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cash commissions and transaction costs</td>
<td>-</td>
<td>(668,230)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cash advance</td>
<td>-</td>
<td>-</td>
<td>80,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Non-cash accretion of debentures</td>
<td>-</td>
<td>340,297</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Non-cash conversion into shares</td>
<td>-</td>
<td>(4,871,100)</td>
<td>-</td>
<td>(680,000)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Repayments</td>
<td>-</td>
<td>(636,599)</td>
<td>(13,340)</td>
<td>-</td>
<td>(948,780)</td>
<td>-</td>
</tr>
<tr>
<td>Balance at December 31, 2018</td>
<td>$-</td>
<td>$3,346,099</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Non-cash accretion of debentures</td>
<td>-</td>
<td>98,144</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Non-cash conversion into shares</td>
<td>-</td>
<td>(3,444,243)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Draw against facility</td>
<td>18,700,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Balance at December 31, 2019</td>
<td>$18,700,000</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>Less current portion</td>
<td>(18,700,000)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
</tr>
</tbody>
</table>

**Loan Facility**

On March 19, 2019, NMC entered into a $18,700,000 non-revolving term facility (the “Construction Facility”) with a Schedule 1 Canadian Bank (the “Lender”) to fund the completion of the expansion of its greenhouse production facility located in Strathroy, Ontario. Borrowings under the Construction Facility were due at the earlier of a refinancing or on December 31, 2019 or on demand by the Lender. Interest charged under this Construction Facility was payable monthly. NMC exercised the option to replace the Construction Facility with a non-revolving term facility (the “Loan Facility”) on December 31, 2019. This Loan Facility has a 217-month term and currently bears interest at a rate of 1.00% per annum above the Lender’s prime lending rate, which is currently 3.95% per annum.

As at December 31, 2019 the amount drawn against the Loan Facility was $18,700,000 (December 31, 2018 - $Nil). During the year ended December 31, 2019 finance charges of $474,986 were capitalized to construction in progress (fourteen months ended December 31, 2018 - $Nil).

NMC is required to maintain a minimum debt service coverage ratio (the “ratio”) on an annual basis and meet certain reporting requirements relating to NMC’s financial results. The ratio is calculated using non-IFRS measures. Should NMC fail to meet any of these covenants, the Lender may exercise...
its option to demand repayment of the Loan Facility or may issue a waiver of the applicable covenant ("waiver") to NMC. As at December 31, 2019, NMC did not achieve the ratio covenant requirement of the Lender. A waiver was issued to NMC by the Lender in March 2020. This waiver expires in April 2021. As NMC was unable to obtain the waiver from the Lender prior to December 31, 2019, the Loan Facility outstanding has been classified within Current Liabilities as at December 31, 2019.

The obligations under the Loan Facility are guaranteed by the Company and are secured by a collateral mortgage on NMC’s property located in Strathroy.

**Convertible Debentures**

In connection with the closing of the RTO (see note 5), the Company issued 10,000 debenture units ("Units") for aggregate gross proceeds of $10,000,000. Each Unit consisted of a $1,000 principal amount, senior unsecured convertible debenture maturing on June 28, 2020 bearing interest at 10% per annum (each a "Debenture") as well as common share purchase warrants exercisable for up to 3,333 common shares at an exercise price per share of $0.35 expiring on June 28, 2020.

The Debentures were convertible into that number of common shares computed on the basis of the principal amount of the Debentures divided by the conversion price of $0.30 per share at the holder’s option or upon mandatory conversion at the request of the Company in the event that at any time following four months plus one day following the RTO, for any ten consecutive trading days, the volume weighted average closing price of the common shares on the TSX Venture Exchange is greater than $0.60. Upon conversion, the holder would also receive a cash payment equal to the additional interest amount that such holder would have received if it had held the Debentures for a period of one year from the date of conversion provided that such period did not extend beyond the maturity date. The Debentures have been bifurcated between their debt and equity components by fair valuing the debt component using a discount rate of 20% and allocating the residual to the equity component.

As a result, $1,454,868 was allocated to contributed surplus as the equity component of the Debentures. This amount was further allocated as $758,825 to the conversion feature and $696,043 to the warrants. In connection with the Debenture financing, the Company incurred $782,000 in financing fees and transaction costs. These fees were allocated to the Debentures and contributed surplus in the same proportions that the Debentures were originally bifurcated between debt and equity.

The $10,000,000 aggregate gross proceeds of the Debentures were exchanged for 33,333,332 common shares as follows:

<table>
<thead>
<tr>
<th>Date of Conversion</th>
<th>Amount</th>
<th>No. of Shares</th>
<th>Value to shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 21, 2018</td>
<td>$3,000,000</td>
<td>10,000,000</td>
<td>$2,645,395</td>
</tr>
<tr>
<td>October 5, 2018</td>
<td>2,000,000</td>
<td>6,666,666</td>
<td>1,763,597</td>
</tr>
<tr>
<td>October 12, 2018</td>
<td>1,000,000</td>
<td>3,333,333</td>
<td>881,798</td>
</tr>
<tr>
<td>March 27, 2019</td>
<td>4,000,000</td>
<td>13,333,333</td>
<td>3,724,036</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td>$10,000,000</td>
<td>33,333,332</td>
<td>$9,014,826</td>
</tr>
</tbody>
</table>
Also, in connection with the Debenture financing, the Company issued 2,333,333 compensation options each being exercisable into one common share at the price of $0.30 per share until June 28, 2020. The compensation options were valued at $282,000, using the Black-Scholes option pricing model with the following assumptions:

- Risk-free interest rate - 1.35%;
- Dividend yield – Nil;
- Volatility - 100%; and,
- Expected life - 2 years.

This determined value has been allocated to the Debentures and contributed surplus on the same basis that the Debentures were bifurcated between debt and equity (see Note 11).

The following table summarizes the above transactions into the account categories impacted by the issuance of the Debentures (see Note 11):

<table>
<thead>
<tr>
<th></th>
<th>Debentures</th>
<th>Contributed Surplus</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance, October 31, 2017</strong></td>
<td>$</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Balance of 2018 Issuance</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Issuance - June 28, 2018</td>
<td>8,545,132</td>
<td>696,043</td>
<td>10,000,000</td>
</tr>
<tr>
<td>Cash commissions and Transaction costs</td>
<td>(668,230)</td>
<td>(54,429)</td>
<td>(782,000)</td>
</tr>
<tr>
<td>Total, net of issuance costs</td>
<td>7,876,902</td>
<td>641,614</td>
<td>9,218,000</td>
</tr>
<tr>
<td>Accretion of debentures</td>
<td>340,297</td>
<td>-</td>
<td>340,297</td>
</tr>
<tr>
<td>Conversion into Shares</td>
<td>(4,871,100)</td>
<td>(419,690)</td>
<td>(5,290,790)</td>
</tr>
<tr>
<td><strong>Balance, December 31, 2018</strong></td>
<td>$ 3,346,099</td>
<td>$ 641,614</td>
<td>$ 4,267,507</td>
</tr>
<tr>
<td>Accretion of debentures</td>
<td>98,144</td>
<td>98,144</td>
<td></td>
</tr>
<tr>
<td>Conversion into Shares</td>
<td>(3,444,243)</td>
<td>(320,807)</td>
<td>(4,044,844)</td>
</tr>
<tr>
<td><strong>Balance, December 31, 2019</strong></td>
<td>$</td>
<td>$ 320,807</td>
<td>$ 320,807</td>
</tr>
</tbody>
</table>

**Mainstreet Bank Loan**

The commercial mortgage with Mainstreet Credit Union bore interest at a rate of 9.85% per annum and was repaid in full on August 30, 2018.

**Mallick Holdings Inc. demand loan**

The demand loan from Mallick Holdings Inc. bore interest at a rate of 15% per annum and was repaid in full on Nov 20, 2017. The repayment consisted of the issuance of 1,360,000 common shares at a price of $0.50 per share.

**Round Plains Ginseng Farm Inc. loan**

The Round Plains Ginseng Farm Inc. loan bore interest at a rate of 14.5% per annum and was repaid in full on July 6, 2018.
11. Share Capital

**Authorized Share Capital**

The authorized share capital of the Company consists of an unlimited number of common shares.

**Outstanding Share Capital**

<table>
<thead>
<tr>
<th>Class</th>
<th>Class A</th>
<th>Class B</th>
<th>Class C</th>
<th>Common Shares</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>At October 31, 2017</td>
<td>720</td>
<td>480</td>
<td>976,000</td>
<td>-</td>
<td>$900,128</td>
</tr>
<tr>
<td>Share reorganization</td>
<td>a (720)</td>
<td>(480)</td>
<td>140,000,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cancellation of Class C shares</td>
<td>b (976,000)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Deemed issuance of common shares to former Carlaw shareholders</td>
<td>c</td>
<td>6,360,000</td>
<td>1,590,000</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Shares issued for cash</td>
<td>d</td>
<td>15,520,000</td>
<td>3,765,945</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Shares issued for debt</td>
<td>e</td>
<td>4,455,500</td>
<td>1,113,875</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Shares issued for service</td>
<td>f</td>
<td>1,615,914</td>
<td>403,979</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Private Placements issuance</td>
<td>g</td>
<td>43,192,600</td>
<td>10,798,150</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Share issuance costs related to the Private Placements</td>
<td>g</td>
<td>-</td>
<td>(1,051,660)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Fair value of compensation options related to the Private Placements</td>
<td>g</td>
<td>-</td>
<td>(397,000)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Shares issued on exercise of stock options</td>
<td>h</td>
<td>980,000</td>
<td>373,469</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Shares issued on exercise of compensation options</td>
<td>h</td>
<td>1,601,232</td>
<td>659,900</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Shares issued on conversion of Debentures</td>
<td>i</td>
<td>19,999,999</td>
<td>5,290,790</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>At December 31, 2018</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$233,725,245</td>
<td>$23,447,576</td>
</tr>
<tr>
<td>Shares issued on exercise of stock options</td>
<td>h</td>
<td>620,000</td>
<td>256,967</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Shares issued on exercise of compensation options</td>
<td>h</td>
<td>2,623,594</td>
<td>1,101,622</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Shares issued on conversion of Debentures</td>
<td>i</td>
<td>13,333,333</td>
<td>3,724,036</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Shares issued on conversion of warrants</td>
<td>j</td>
<td>16,665,000</td>
<td>6,153,558</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Shares issued on deemed exercise of Special Warrants</td>
<td>k</td>
<td>20,900,000</td>
<td>9,105,049</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>At December 31, 2019</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$287,867,172</td>
<td>$43,788,808</td>
</tr>
</tbody>
</table>

On June 14, 2018 the Company completed a 2:1 stock split issuing 2 NMC Shares (defined below) for each common share held by the existing shareholders. Unless otherwise stated, all common share and per share amounts have been retroactively restated to reflect the effects of the share split.

The Company issued common shares during the fourteen months ended December 31, 2018 and the year ended December 31, 2019 as follows:

a. On November 30, 2017 NMC filed articles of amendment to reclassify its existing share capital by (i) creating a new class of common shares being the NMC Shares; (ii) exchanging the issued and outstanding 720 Class A common shares for 84,000,000 NMC Shares; (iii) exchanging the issued and outstanding 480 Class B common shares for 56,000,000 NMC Shares; (iv) amending the rights of existing Class C special shares; (v) changing the reference to the authorized capital of the Company to provide for the maximum authorized share capital to consist of an unlimited number of Class C special shares.

b. Prior to the RTO (see Note 5), the Company’s subsidiary purchased 976,000 Class C special shares of NMC for a promissory note of $976,000. Such shares were cancelled in connection with the RTO.
c. On completion of the RTO, the Company recorded the deemed issuance of 6,360,000 common shares representing the elimination of the share capital, contributed surplus and the deficit of Carlaw (see Note 5).

d. In November and December of 2017, NMC issued 15,520,000 NMC Shares for cash proceeds of $3,880,000. The Company paid transaction costs of $114,055 in relation to this issuance.

e. On November 20, 2017, NMC issued 4,455,500 NMC Shares for the settlement amount of due to related parties and long-term debt with an aggregate value of $1,113,875.

f. On April 28, 2018 NMC issued 1,615,914 NMC Shares valued at $403,979, for services provided in relation to the RTO.

g. On June 15, 2018, the Company completed a private placement of 25,340,000 subscription receipts on a brokered basis and 17,852,600 common shares on a non-brokered basis, all at a price of $0.25 per security (collectively, the “Private Placements”) for cash proceeds of $10,798,150. The Company paid transaction costs of $1,051,660 related to the Private Placements and granted the agents 2,448,800 compensation options with an exercise price of $0.25 per share expiring on June 28, 2020. The compensation options were valued at $397,000 using the Black-Scholes option pricing model using the following assumptions:

<table>
<thead>
<tr>
<th>Risk-free interest rate</th>
<th>1.35%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividend yield</td>
<td>Nil</td>
</tr>
<tr>
<td>Volatility</td>
<td>100%</td>
</tr>
<tr>
<td>Expected life</td>
<td>2 years</td>
</tr>
</tbody>
</table>

A portion of these compensation options have been exercised in the fourteen months ended December 31, 2018 and the year ended December 31, 2019, please see (h) below.

h. During the fourteen months ended December 31, 2018 the following stock options were exercised:

<table>
<thead>
<tr>
<th>Options</th>
<th>Exercise date</th>
<th>Exercise price</th>
<th>Value to shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>400,000</td>
<td>August 22, 2018</td>
<td>0.10</td>
<td>$129,444</td>
</tr>
<tr>
<td>80,000</td>
<td>September 19, 2018</td>
<td>0.10</td>
<td>25,889</td>
</tr>
<tr>
<td>500,000</td>
<td>October 2, 2018</td>
<td>0.25</td>
<td>218,136</td>
</tr>
<tr>
<td>Totals</td>
<td>980,000</td>
<td></td>
<td>$373,469</td>
</tr>
</tbody>
</table>

During the year ended December 31, 2019, the following stock options were exercised:

<table>
<thead>
<tr>
<th>Options</th>
<th>Exercise date</th>
<th>Exercise price</th>
<th>Value to shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>500,000</td>
<td>February 28, 2019</td>
<td>0.25</td>
<td>$218,134</td>
</tr>
<tr>
<td>120,000</td>
<td>August 20, 2019</td>
<td>0.10</td>
<td>38,833</td>
</tr>
<tr>
<td>Totals</td>
<td>620,000</td>
<td></td>
<td>$256,967</td>
</tr>
</tbody>
</table>
During the fourteen months ended December 31, 2018 the following compensation options were exercised:

<table>
<thead>
<tr>
<th>Options</th>
<th>Exercise date</th>
<th>Exercise price</th>
<th>Value to shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation options</td>
<td>September 6, 2018</td>
<td>0.25</td>
<td>49,369</td>
</tr>
<tr>
<td>Compensation options</td>
<td>September 7, 2018</td>
<td>0.25</td>
<td>41,212</td>
</tr>
<tr>
<td>Compensation options</td>
<td>June 11, 2018</td>
<td>0.25</td>
<td>289,011</td>
</tr>
<tr>
<td>Compensation options</td>
<td>September 19, 2018</td>
<td>0.25</td>
<td>21,636</td>
</tr>
<tr>
<td>Compensation options</td>
<td>September 20, 2018</td>
<td>0.25</td>
<td>721</td>
</tr>
<tr>
<td>Compensation options</td>
<td>September 19, 2018</td>
<td>0.25</td>
<td>20,606</td>
</tr>
<tr>
<td>Compensation options</td>
<td>November 5, 2018</td>
<td>0.25</td>
<td>216,684</td>
</tr>
<tr>
<td>Compensation options</td>
<td>December 13, 2018</td>
<td>0.25</td>
<td>20,661</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>1,601,232</strong></td>
<td></td>
<td><strong>659,900</strong></td>
</tr>
</tbody>
</table>

During the year ended December 31, 2019, the following compensation options were exercised:

<table>
<thead>
<tr>
<th>Options</th>
<th>Exercise date</th>
<th>Exercise price</th>
<th>Value to shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation options</td>
<td>January 25, 2019</td>
<td>0.25</td>
<td>$12,111</td>
</tr>
<tr>
<td>Compensation options</td>
<td>March 13, 2019</td>
<td>0.25</td>
<td>7,989</td>
</tr>
<tr>
<td>Compensation options</td>
<td>March 21, 2019</td>
<td>0.25</td>
<td>61,460</td>
</tr>
<tr>
<td>Compensation options</td>
<td>March 21, 2019</td>
<td>0.30</td>
<td>126,257</td>
</tr>
<tr>
<td>Compensation options</td>
<td>April 16, 2019</td>
<td>0.25</td>
<td>36,331</td>
</tr>
<tr>
<td>Compensation options</td>
<td>April 17, 2019</td>
<td>0.30</td>
<td>126,257</td>
</tr>
<tr>
<td>Compensation options</td>
<td>May 16, 2019</td>
<td>0.30</td>
<td>182,372</td>
</tr>
<tr>
<td>Compensation options</td>
<td>May 29, 2019</td>
<td>0.30</td>
<td>157,821</td>
</tr>
<tr>
<td>Compensation options</td>
<td>June 10, 2019</td>
<td>0.30</td>
<td>105,215</td>
</tr>
<tr>
<td>Compensation options</td>
<td>June 19, 2019</td>
<td>0.30</td>
<td>126,257</td>
</tr>
<tr>
<td>Compensation options</td>
<td>July 25, 2019</td>
<td>0.30</td>
<td>157,821</td>
</tr>
<tr>
<td>Compensation options</td>
<td>August 15, 2019</td>
<td>0.25</td>
<td>1,731</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>2,623,594</strong></td>
<td></td>
<td><strong>1,101,622</strong></td>
</tr>
</tbody>
</table>

i. During the fourteen months ended December 31, 2018, $6,000,000 of the $10,000,000 principal amount of the Debentures (see note 10) was converted into common shares as follows:

<table>
<thead>
<tr>
<th>Date of Conversion</th>
<th>Amount</th>
<th>No. of Shares</th>
<th>Value to shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 21, 2018</td>
<td>$3,000,000</td>
<td>10,000,000</td>
<td>$2,645,395</td>
</tr>
<tr>
<td>October 5, 2018</td>
<td>2,000,000</td>
<td>6,666,666</td>
<td>1,763,597</td>
</tr>
<tr>
<td>October 12, 2018</td>
<td>1,000,000</td>
<td>3,333,333</td>
<td>881,798</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td>$6,000,000</td>
<td>19,999,999</td>
<td>$5,290,790</td>
</tr>
</tbody>
</table>

During the year ended December 31, 2019, $4,000,000 of the $4,000,000 principal amount of the Debentures (see note 10) was converted into common shares as follows:

<table>
<thead>
<tr>
<th>Date of Conversion</th>
<th>Amount</th>
<th>No. of Shares</th>
<th>Value to shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 27, 2019</td>
<td>4,000,000</td>
<td>13,333,333</td>
<td>3,724,036</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td>$4,000,000</td>
<td>13,333,333</td>
<td>$3,724,036</td>
</tr>
</tbody>
</table>
j. During the year ended December 31, 2019, 16,665,000 common share purchase warrants were converted into 16,665,000 common shares at an exercise price of $0.35 (see Warrants section below) for total proceeds of $5,832,751.

k. On September 11, 2019, all 20,900,000 Special Warrants were deemed to be exercised and the Company issued 20,900,000 Common Shares and 20,900,000 Warrants (see Special Warrants section below) for total proceeds of $9,426,909.

Stock Options

The Company has a Stock Option Plan under which non-transferable options to purchase common shares of the Company may be granted from time to time by the Board of Directors to directors, officers, employees or consultants of the Company or its subsidiaries. No amounts are paid or payable by the recipient upon receipt of the option.

The total number of common shares of the Company issuable upon the exercise of all outstanding stock options granted under the Stock Option Plan shall not at any time exceed 10% of the total number of outstanding common shares. The exercise price of each stock option granted under the Stock Option Plan shall be determined at the discretion of the board of directors of the Company, subject to TSX-V approval, at the time of the granting of the stock option, provided that the exercise price shall not be lower than the Discount Market Price (as defined in the policies of the TSX-V) of the Company’s common shares on the TSX-V prior to the date the stock option is granted.

During the year ended December 31, 2019, the Company granted stock options to purchase up to 8,600,000 common shares with a fair value of $2,266,550 (fourteen months ended December 31, 2018: 12,520,000 common shares with a fair value of $3,105,540). These values were determined using the Black-Scholes option pricing model with the assumptions shown below. During the year ended December 31, 2019, 620,000 options were exercised, and 1,250,000 options were cancelled respectively (fourteen months ended December 31, 2018: 980,000 exercised and 1,700,000 cancelled).

As at December 31, 2019 and December 31, 2018 the outstanding Stock Options of the Company are as follows:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of Options</td>
<td>Weighted Average Price</td>
</tr>
<tr>
<td>Outstanding, beginning of the period</td>
<td>9,840,000</td>
<td>$0.31</td>
</tr>
<tr>
<td>Stock options granted during the period</td>
<td>8,600,000</td>
<td>0.37</td>
</tr>
<tr>
<td>Stock options exercised during the period</td>
<td>(620,000)</td>
<td>0.22</td>
</tr>
<tr>
<td>Cancelled during the period</td>
<td>(1,250,000)</td>
<td>0.34</td>
</tr>
<tr>
<td>Outstanding, end of the period</td>
<td>16,570,000</td>
<td>0.34</td>
</tr>
<tr>
<td>Exercisable, end of the period</td>
<td>5,433,334</td>
<td>0.26</td>
</tr>
</tbody>
</table>
Subsequent to year-end, on April 15, 2020 the Company granted stock options to purchase up to 1,100,000 common shares.

Compensation Options

During the year ended December 31, 2019, the Company granted 1,463,000 Compensation Special Warrants with a fair value of $321,860 and each Compensation Special Warrants was deemed to be exercised into a 2019 Compensation Option (fourteen months ended December 31, 2018 – grant of 4,782,133 compensation options at a fair value of $679,000).

During the year ended December 31, 2019, 2,623,594 compensation options were exercised (fourteen months ended December 31, 2018: 1,601,232).

As at December 31, 2019 and December 31, 2018 the outstanding Compensation Options of the Company are as follows:

<table>
<thead>
<tr>
<th>Grant Date</th>
<th>Number of Options Outstanding</th>
<th>Number of Options Exercisable</th>
<th>Exercise Price ($)</th>
<th>Expiry Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>February 5, 2015</td>
<td>120,000</td>
<td>120,000</td>
<td>0.10</td>
<td>February 5, 2025</td>
</tr>
<tr>
<td>June 28, 2018</td>
<td>4,200,000</td>
<td>4,200,000</td>
<td>0.25</td>
<td>June 28, 2028</td>
</tr>
<tr>
<td>September 11, 2018</td>
<td>2,900,000</td>
<td>580,000</td>
<td>0.41</td>
<td>September 11, 2023</td>
</tr>
<tr>
<td>October 23, 2018</td>
<td>1,000,000</td>
<td>333,334</td>
<td>0.31</td>
<td>October 23, 2028</td>
</tr>
<tr>
<td>January 3, 2019</td>
<td>500,000</td>
<td>-</td>
<td>0.26</td>
<td>January 3, 2024</td>
</tr>
<tr>
<td>May 23, 2019</td>
<td>6,750,000</td>
<td>-</td>
<td>0.41</td>
<td>May 23, 2024</td>
</tr>
<tr>
<td>November 26, 2019</td>
<td>100,000</td>
<td>-</td>
<td>0.17</td>
<td>November 26, 2024</td>
</tr>
<tr>
<td>December 20, 2019</td>
<td>1,000,000</td>
<td>200,000</td>
<td>0.18</td>
<td>December 20, 2024</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>16,570,000</strong></td>
<td><strong>5,433,334</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Black-Scholes option pricing model assumptions

The Black Scholes option pricing model assumptions for each of the grants over the year ended December 31, 2019 and the fourteen-months ended December 31, 2018 were calculated based on the following assumptions:
Stock-based compensation expense

The Company recorded a stock-based compensation expense of $1,529,916 for the year ended December 31, 2019 (fourteen months ended December 31, 2018 – $1,576,553).

Warrants

On June 28, 2018, in conjunction with the convertible debenture offering (see note 10) the Company issued 33,330,000 common share purchase warrants exercisable for up to 33,330,000 common shares at an exercise price per share of $0.35 expiring on June 28, 2020.

On April 22, 2019, 16,665,000 Warrants were exercised into 16,665,000 common shares for gross proceeds of $5,832,751.

On September 11, 2019, in relation to the deemed exercise of the Special Warrants (see below) the Company issued 20,900,000 common share purchase warrants exercisable for up to 20,900,000 common shares at an exercise price per share of $0.60 expiring May 10, 2021.

Special Warrants

On May 10, 2019, the Company closed its private placement of Special Warrants. In relation to this transaction the Company issued 20,900,000 special warrants (the “Special Warrants”), at a price of $0.50 per Special Warrant for aggregate gross proceeds of $10,450,000 (the “Special Warrant Offering”). A Special Warrant was exercisable into one unit of the Company (a “2019 Unit”), for no additional consideration, at any time after the Closing.

Each 2019 Unit consisted of one common share and one common share purchase warrant (a “Warrant”). Each Warrant shall entitle the holder thereof to purchase one common share at an exercise price of $0.60 until May 10, 2021. All of the proceeds were attributed to the common shares with $Nil assigned to the warrants.
On September 11, 2019, all 20,900,000 Special Warrants were deemed to be exercised and the Company issued 20,900,000 common shares and 20,900,000 Warrants.

In consideration for their services, the underwriter of the Special Warrant Offering received a cash commission equal to 7% of the gross proceeds of the Special Warrant Offering of $731,500 and was issued 1,463,000 compensation special warrants that have an exercise price of $0.50 and expire on May 10, 2021 (“Compensation Special Warrant”).

Each Compensation Special Warrant was exercisable into one compensation option (a “2019 Compensation Option”), for no additional consideration, at any time after the Closing. On September 11, 2019, all 1,463,000 Compensation Special Warrants were deemed to be exercised and the Company issued 1,463,000 2019 Compensation Options.

The Compensation Special Warrants were measured at a fair value of $321,860 at the date of grant. In determining the fair value for the 2019 Compensation Options, the Company used the Black-Scholes option pricing model to establish the fair value of warrants granted using the following assumptions:

- Risk-free interest rate - 1.6%;
- Dividend yield – Nil;
- Volatility - 100%; and,
- Expected life - 2 years.

The net proceeds from the issuance of the Special Warrants have been calculated as follows:

<table>
<thead>
<tr>
<th>Gross Proceeds</th>
<th>$ 10,450,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transaction Costs:</td>
<td></td>
</tr>
<tr>
<td>7% Haywood Fee</td>
<td>(731,500)</td>
</tr>
<tr>
<td>Underwriter Compensation Options</td>
<td>(321,860)</td>
</tr>
<tr>
<td>Legal and Professional Fees</td>
<td>(291,591)</td>
</tr>
<tr>
<td>Net Proceeds</td>
<td>$ 9,105,049</td>
</tr>
</tbody>
</table>

As at December 31, 2019, all Special Warrants had been deemed exercised into a 2019 Unit, as defined above.

As at December 31, 2019 and December 31, 2018, the warrant continuity details of the Company are as follows:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2019</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of Warrants</td>
<td>Expiry Date</td>
</tr>
<tr>
<td>Outstanding, beginning of the period</td>
<td>33,330,000</td>
<td>June 28, 2020</td>
</tr>
<tr>
<td>Issued During the period</td>
<td>20,900,000</td>
<td>May 10, 2021</td>
</tr>
<tr>
<td>Exercised during the period</td>
<td>(16,665,000)</td>
<td>June 28, 2020</td>
</tr>
<tr>
<td>Outstanding, end of the period</td>
<td>37,565,000</td>
<td>$ 0.49</td>
</tr>
</tbody>
</table>
12. Financial Instruments

*Interest Rate Risk*

The Company’s exposure to interest rate risk is primarily related to Loans and Borrowings with variable interest rates. As at December 31, 2019 a 1% increase in the prime lending rate would result in approximately $187,000 higher interest payments on an annual basis.

*Credit Risk*

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company’s trade receivables. As at December 31, 2019, the Company was exposed to credit-related losses in the event of non-performance by the counterparties.

The Company provides credit to its customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk.

Cash is held by a credit union in Canada primarily in deposit accounts. No losses have been incurred historically in relation to cash held by this financial institution. The accounts receivable balance is comprised of an established customer base domiciled in Canada. The Company mitigates this risk by managing and monitoring the underlying business relationships with its customers.

The carrying amount of cash, other receivables and accounts receivables represents the maximum exposure to credit risk, and as at December 31, 2019, this amounted to $8,413,514.

*Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by reviewing on an ongoing basis its capital requirements. As at December 31, 2019, the Company had $7,478,165 of cash. The Company manages its liquidity risk by planning, budgeting and forecasting cash flows from its operations and anticipating any investing and financing activities to meet various contractual and other obligations.

The Company is obligated to pay accounts payable and accrued liabilities with a carrying amount and contractual cash flows amounting to $6,085,490 due in the next 12 months. Further the Company has an outstanding Loan Facility of $18,700,000 and Promissory Notes with a principal amount of $826,000 plus accrued interest of $67,575.

The Company’s outstanding Loan Facility and Promissory Notes may be due on demand – depending on adverse circumstances – and there is no certainty as to when those debts may be called. As at December 31, 2019, NMC did not achieve the ratio covenant set out in the Loan Facility. A waiver was issued to NMC by the Lender in March 2020. This waiver expires in April 2021. As NMC was unable to obtain the waiver from the Lender prior to December 31, 2019, the Loan Facility outstanding has been classified within Current Liabilities as at December 31, 2019. See note 10.
Management is working with the lenders of the Loan Facility and Promissory Notes to continue to meet the requirements indicated in Notes 9 and 10, and is actively involved in the review, planning and approval of significant expenditures and commitments. Management believes that neither the Loan Facility nor the Promissory Notes will need to be repaid in the next twelve months.

The Company has both incurred operating losses and experienced negative cash flows from operating activities in the year ended December 31, 2019 and the fourteen months ended December 31, 2018. The Company has a working capital deficit of $9,137,381 as at December 31, 2019 (December 31, 2018 – a working capital surplus of $3,901,877).

As at December 31, 2019 the Company had inventory of $6,401,037 (December 31, 2018 – $2,075,368). The Company has assessed the valuation of its inventory and concluded that the value is recoverable.

The carrying values of cash, accounts and other receivables, accounts payable and accrued liabilities, loans and borrowings and promissory notes approximate their fair values due to their short term to maturity.

The carrying values of the financial instruments as at December 31, 2019 are summarized in the following table:

<table>
<thead>
<tr>
<th>Financial Instruments</th>
<th>Amortized cost</th>
<th>Financial assets designated as FVTPL</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$</td>
<td>$7,478,165</td>
<td>$7,478,165</td>
</tr>
<tr>
<td>Other receivables and prepaid expenses</td>
<td>665,001</td>
<td>-</td>
<td>665,001</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>270,348</td>
<td>-</td>
<td>270,348</td>
</tr>
<tr>
<td>Accounts Payable and Accrued Liabilities</td>
<td>6,085,490</td>
<td>-</td>
<td>6,085,490</td>
</tr>
<tr>
<td>Loans and Borrowings</td>
<td>18,700,000</td>
<td>-</td>
<td>18,700,000</td>
</tr>
<tr>
<td>Promissory Notes</td>
<td>893,575</td>
<td>-</td>
<td>893,575</td>
</tr>
</tbody>
</table>
Eve & Co Incorporated
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019 and the fourteen months ended December 31, 2018
(Expressed in Canadian dollars)

13. Income Taxes

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

<table>
<thead>
<tr>
<th>Year Ended December 31</th>
<th>14 Months Ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>Statutory tax rate</td>
<td>26.5%</td>
</tr>
<tr>
<td>Net loss and comprehensive loss for the period</td>
<td>$ (5,533,489)</td>
</tr>
<tr>
<td>Expected income tax recovery</td>
<td>$ (1,466,000)</td>
</tr>
<tr>
<td>Change in statutory rates and other</td>
<td>-</td>
</tr>
<tr>
<td>Permanent differences</td>
<td>414,000</td>
</tr>
<tr>
<td>Share issue cost</td>
<td>(271,000)</td>
</tr>
<tr>
<td>Adjustment to prior years provision versus statutory tax returns</td>
<td>37,000</td>
</tr>
<tr>
<td>Impact of reverse acquisition by NMC</td>
<td>-</td>
</tr>
<tr>
<td>Change in unrecognized deductible temporary differences</td>
<td>1,459,000</td>
</tr>
<tr>
<td>Total income tax expense (recovery)</td>
<td>$ 173,000</td>
</tr>
</tbody>
</table>

Income tax expense is comprised of:

<table>
<thead>
<tr>
<th>Year Ended December 31</th>
<th>14 Months Ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
</tr>
<tr>
<td>Current income tax expense</td>
<td>-</td>
</tr>
<tr>
<td>Deferred tax recovery</td>
<td>173,000</td>
</tr>
<tr>
<td>Total income tax expense (recovery)</td>
<td>$ 173,000</td>
</tr>
</tbody>
</table>

The significant components of the Company’s deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

<table>
<thead>
<tr>
<th>December 31, 2019</th>
<th>December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax assets (liabilities)</td>
<td></td>
</tr>
<tr>
<td>A/R &amp; prepaids</td>
<td>$ (235,000)</td>
</tr>
<tr>
<td>Property and equipment</td>
<td>(85,000)</td>
</tr>
<tr>
<td>Share issue costs</td>
<td>531,000</td>
</tr>
<tr>
<td>Inventory</td>
<td>(1,374,000)</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>184,000</td>
</tr>
<tr>
<td>Convertible debenture</td>
<td>-</td>
</tr>
<tr>
<td>Non-capital losses available for future period</td>
<td>4,388,000</td>
</tr>
<tr>
<td>3,499,000</td>
<td>1,950,000</td>
</tr>
<tr>
<td>Unrecognized deferred tax assets</td>
<td>(3,499,000)</td>
</tr>
<tr>
<td>Net deferred tax assets</td>
<td>-</td>
</tr>
</tbody>
</table>

The significant components of the Company’s deductible temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

<table>
<thead>
<tr>
<th>2019</th>
<th>Expiry Date Range</th>
<th>2018</th>
<th>Expiry Date Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Temporary Differences</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share issue costs</td>
<td>$ 2,002,000</td>
<td>2040 to 2043</td>
<td>$ 1,389,000</td>
</tr>
<tr>
<td>Non-capital losses available for future periods</td>
<td>$ 10,861,000</td>
<td>2033 to 2039</td>
<td>$ 5,969,000</td>
</tr>
</tbody>
</table>

Tax attributes are subject to review, and potential adjustment, by tax authorities.
14. Segmented Information

The Company operates in one segment: the production and sale of cannabis in Canada. All items of property, plant and equipment are located in Canada and all revenues have been earned in Canada.

During the year ended December 31, 2019, two customers contributed more than 5% of the overall revenue, those amounts being $365,281 and $1,980,106 respectively. For the fourteen months ended December 31, 2018, one customer contributed 100% of the overall revenue.

15. Capital Management

The Company’s objective is to maintain sufficient capital so as to sustain future development of the business and provide the ability to continue as a going concern. Management defines capital as the Company’s shareholders’ equity. The Board of Directors has not established quantitative return on capital criteria for Management. The Company has not paid any dividends to its shareholders. The Company is not subject to any externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no changes to the Company’s capital management approach in the year ended December 31, 2019.

As at December 31, 2019, total managed capital was comprised of shareholders’ equity of $31,025,928 (December 31, 2018 – $15,416,033).

16. Commitments and Contingencies

The Company has certain contractual financial obligations related to its Loans and Borrowings and Promissory Notes.

The annual minimum payments payable under these obligations over the next five years are as follows:

<table>
<thead>
<tr>
<th>Time period</th>
<th>In one year</th>
<th>1-2 years</th>
<th>2-3 years</th>
<th>3-4 years</th>
<th>4-5 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and Borrowings</td>
<td>18,700,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>18,700,000</td>
</tr>
<tr>
<td>Promissory Notes</td>
<td>893,575</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>893,575</td>
</tr>
<tr>
<td>Amount</td>
<td>$ 19,593,575</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 19,593,575</td>
</tr>
</tbody>
</table>

From time to time, the Company and its subsidiaries may become defendants in legal actions arising out of the ordinary course and conduct of its business.
MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

EVE & CO INCORPORATED

For the year ended December 31, 2019 and the fourteen months ended December 31, 2018

Date: April 15, 2020
EVE & CO INCORPORATED

Management’s Discussion and Analysis for the year ended December 31, 2019

This Management’s Discussion and Analysis ("MD&A") of the financial condition and results of Eve & Co Incorporated ("Eve & Co" or the "Company") is for the year ended December 31, 2019 and is provided as of April 15, 2020. This MD&A was prepared with reference to National Instrument 51-102 – Continuous Disclosure Obligations. This MD&A should be read in conjunction with Eve & Co’s audited consolidated financial statements and the notes thereto for the year ended December 31, 2019 and fourteen months ended December 31, 2018 (the "Financial Statements").

The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee for all periods presented. The Financial Statements and this MD&A have been reviewed by the Company’s Audit Committee and approved by the Company’s Board of Directors (the "Board of Directors"). The Financial Statements include the accounts of the Company and its wholly-owned subsidiaries, Natural MedCo Ltd (Ontario) ("NMC") and Eve & Co International Holdings Ltd (Ontario).

Unless otherwise indicated, all financial information in this MD&A is reported in Canadian dollars. All references to the Company contained herein includes reference to its subsidiary, as applicable, in the context. This MD&A contains disclosure of material changes related to the Company occurring up to and including April 15, 2020.

Introduction

Eve & Co, through its wholly-owned subsidiary NMC, is a licensed producer and seller of dried cannabis and cannabis plants, and a licensed producer of cannabis oil under the Cannabis Act (Canada) (the "Cannabis Act") and is the holder of a European Union Certificate of Good Manufacturing Practice from the Government of Upper Bavaria (Regierung von Oberbayern), Germany (the "EUGMP certificate"). Since 2016, the Company had an approximately 220,000 square foot ("sq. ft.") greenhouse licensed for the production, processing and sale of dried cannabis, cannabis plants and processing of cannabis oil located in Strathroy, Ontario and has recently completed construction on, and received approval from Health Canada, of an additional 780,000 sq. ft. expansion, bringing total greenhouse capacity to approximately 1,000,000 sq. ft. See “Capital Resources”.

Eve & Co is a publicly traded corporation with its head office located at 2941 Napperton Drive, Strathroy, Ontario, N7G 3H8. The Company is a reporting issuer in Alberta, British Columbia and Ontario. The Company was incorporated pursuant to articles of incorporation dated June 6, 2014 under the Ontario Business Corporations Act (the "OBCA"). On June 28, 2018, the Company, a capital pool company under the rules of the TSX Venture Exchange (the "TSX-V"), completed its qualifying transaction (the "Qualifying Transaction") with NMC, consisting of the acquisition of all the issued and outstanding common shares of NMC (the “NMC Common Shares”) by way of a “three-cornered amalgamation” pursuant to the provisions of the OBCA. In connection with the Qualifying Transaction, the Company changed its name from “Carlaw Capital V Corp.” to “Eve & Co Incorporated” and completed a two for one stock split. As a result of the Qualifying Transaction, the former shareholders of NMC acquired control of the Company. On July 4, 2018, the common shares of the Company (the “common shares”) commenced trading on
the TSX-V under the symbol “EVE” and on the OTCQX Best Market in the United States under the symbol EEVVF, as of June 21, 2019.

Forward-Looking Statements

Certain statements contained in this MD&A constitute “forward-looking information” and “forward-looking statements”. All statements other than statements of historical fact contained in this MD&A, including, without limitation, those regarding the future financial position and results of operations, strategy, plans, objectives, goals, targets and future developments of the Company in the markets where the Company participates or is seeking to participate, and any statements preceded by, followed by or that include the words “believe”, “expect”, “aim”, “intend”, “plan”, “continue”, “will”, “may”, “would”, “anticipate”, “estimate”, “forecast”, “predict”, “project”, “seek”, “should” or similar expressions or the negative thereof, or by discussions of strategy are forward-looking statements. The forward-looking statements included in this MD&A are made only as of the date of this MD&A and the Company assumes no obligation to update or revise them to reflect subsequent information, events or circumstances or otherwise, except as required by law.

Forward-looking statements in this MD&A are not guarantees of future performance and involve assumptions, risks and uncertainties that are difficult to predict. Therefore, actual results may differ materially from what is expressed, implied or forecasted in such forward-looking statements. Management provides forward-looking statements because it believes they provide useful information to readers when considering their investment objectives and cautions readers that the information may not be appropriate for other purposes.

Some of the risks which could affect future results and could cause results to differ materially from those expressed in the forward-looking statements contained herein:

- reliance on licence and regulatory approvals to conduct its business as currently operated and as proposed;
- changes in laws, regulations and guidelines;
- reliance on a single location;
- access to capital;
- borrowing risks and loan default;
- competition;
- limited operating history;
- risks inherent in an agricultural business;
- commodity price risks;
- fluctuating prices of raw materials;
- reliance on key inputs;
- vulnerability to rising energy costs;
- vulnerability to supply chain disruptions, major health issues or pandemics and COVID-19;
- uncertain tax burdens;
- third party transportation;
- constraints on marketing products;
- retention and acquisition of skilled personnel;
- demand for product and negative consumer perception;
- meeting consumer demand;
- product liability;
- product recalls or returns;
- environmental regulations and risks;
- results of future clinical research;
- insurance coverage;
- regulatory or agency proceedings, investigations, inspections and audits;
- international expansion;
- reliance on sales to medical cannabis market in Germany;
- litigation;
- fraudulent or illegal activity by employees, contractors and consultants;
- breaches of facility security or in respect of electronic documents;
- uninsurable risks;
- history of losses;
- intellectual property;
- financial performance of subsidiary;
- estimates or judgments relating to critical accounting policies;
- reliance on third-party vendors to provide services and technology;
- market price volatility and potential impact on share price;
- changes in effective tax rate;
- lack of analyst coverage;
- public company governance, compliance and reporting requirements;
- ability to declare dividends; and
- TSX-V restrictions on business

Other factors not currently viewed as material could cause actual results to differ materially from those described in the forward-looking statements. Although Eve & Co has attempted to identify important risks, uncertainties and factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other risks, uncertainties and factors that cause actions, events or results not to be anticipated, estimated or intended. Accordingly, readers should not place any undue reliance on forward-looking statements.

**Overview of the Company**

**Cannabis Licence Holder**

The Company’s wholly-owned subsidiary, NMC, received its licence (the “Licence”) to produce, possess, ship, transport, deliver and destroy dried cannabis and cannabis plants, including live clippings and seeds on July 22, 2016 under the Marihuana for Medical Purposes Regulations, and the Licence was subsequently transitioned to the *Access to Cannabis for Medical Purposes Regulations* (the “ACMPR”) on August 24, 2016.

On June 22, 2018, Health Canada amended the Licence to permit the sale of dried cannabis and cannabis plants, and on September 14, 2018 to permit the production of cannabis oil. Effective October 17, 2018, NMC has been licensed to produce and sell cannabis under the *Cannabis Act* and the *Cannabis Regulations* as this legislation replaced the ACMPR.

On December 7, 2018, Health Canada amended the Licence to authorize the sale of dried and fresh cannabis products to provincial retailers and distributors, and authorized NMC’s second packaging room as an operations area and second flowering room as a grow area (which is 100,000 sq. ft.).

On December 16, 2019, Health Canada further amended the Licence to permit the use of a third flowering room ("Flowering Room #3") as a grow area (which is 780,000 sq. ft.).
The Licence has a current term that ends on July 22, 2020. Management anticipates that Health Canada will extend or renew the Licence at the end of its current term. See “Risk and Uncertainties – Reliance on License and Regulatory Approvals to conduct its business as currently operated and as proposed”.

On March 6, 2020, the Company received notification that it had been issued its EUGMP Certificate.

Production Capacity

For the year ended December 31, 2019, Eve & Co continued to focus on the completion of its growth and expansion strategy, including increasing its total greenhouse capacity to approximately 1,000,000 sq. ft. and increasing overall production capacity. The Company completed construction of Flowering Room #3 in August 2019 having broken ground on the expansion in June 2018.

The licensing of Flowering Room #3 by Health Canada in December 2019 as a grow area enables the Company to continue its production ramp-up to supply both domestic and, subject to requisite licensing, the global cannabis markets.

Canadian Adult-Use Market

The Company has arrangements for the supply of adult-use cannabis with the provinces of British Columbia, Ontario and Newfoundland and Labrador. In August 2019, the Company was approved by the Manitoba Liquor and Lotteries Corporation (“MBLL”) to list non-medical adult-use cannabis throughout the province of Manitoba to licensed cannabis retailers and was registered with the Saskatchewan Liquor and Gaming Authority and entered into a distribution agreement with a Saskatchewan cannabis distributor in November 2019.

Canadian Medical Market

As of the date of this MD&A, the Company has commenced sales to medical cannabis patients through its agreement with an online medical cannabis platform. The medical sales partner provides the Company with the ability to provide its products to medical patients, without having to establish all elements of a medical cannabis sales channel (e.g. clinics, patients, call centres).

European Medical Cannabis Market

As of the date of this MD&A, the Company has received its EUGMP Certificate and has entered into three non-exclusive agreements to supply cannabis to the European medical cannabis market. The Company is preparing to obtain requisite certification and licensing to fulfill its international supply obligations.

Brands and Products

Eve & Co, as a female-led company, has developed a female-oriented brand to elevate, empower and enhance the lives of women everywhere through stigma-free indulgence and self-care. The Company has launched dried flower and pre-rolled cannabis into the Saskatchewan, Manitoba, and Newfoundland & Labrador markets with the following strains: “the Adventurer,” “the Advocate,” “the Artist,” “the Boss,” “the Confidant,” “the Creator,” “the Dreamer,” “the Enthusiast,” “the Explorer,” “the Free-Spirit,” “the Hostess,” “the Lover,” “the Maker,” “the Optimist,” “the Performer,” “the Romantic” and “the Yogi”. The Company has
also launched pre-rolled cannabis into the Ontario market with “the Boss” strain and expects to introduce more products into the Ontario market in 2020.

On November 22, 2019, the Company announced that it had entered into a letter of intent with Colio Estate Wines (“Colio”). Colio is the company behind the top-selling domestic flavoured wine beverage brand “Girls’ Night Out”. The letter of intent contemplates developing a premium cannabis-infused beverage for inclusion in Eve & Co’s consumer packaged goods launch and entering into a license agreement for the Girls’ Night Out brand. The Company expects to leverage Colio’s branding expertise and understanding of the female market.

On January 31, 2020, the Company announced that it had entered into a letter of intent with ECS BioMed Inc. (“Dr. Kerklaan Therapeutics”) to establish the exclusive right and license to manufacture, import and export, warehouse, package, advertise, market, distribute and sell the following products in Canada under the Dr. Kerklaan Therapeutics brand, under the Eve & Co brand, or as co-branded products under the Eve & Co and Dr. Kerklaan Therapeutics brands: Natural Cannabidiol (“CBD”) Relief Cream, Natural CBD Relief Stick, Natural CBD Spray, Natural CBD Sleep Cream, Natural CBD Skin Cream, and Natural CBD Premenstrual Syndrome Cream.

Operational Highlights

For the Year Ended December 31, 2019

- The Company recognized gross sales of cannabis to the adult-use and wholesale markets of $3.7 million;
- On January 30, 2019, the Company announced that NMC entered into a binding non-exclusive supply agreement for the sale of dried cannabis to an established German importer and distributor of pharmaceutical and medicinal products;
- On February 11, 2019, the Company announced that a product line of pre-rolled cannabis became available for purchase in select NL licensed cannabis retailers and on the Cannabis NL website;
- On May 29, 2019, the Company announced that NMC entered into a second binding non-exclusive supply agreement for the sale of dried cannabis to a German importer and distributor. The supply agreement is for an initial term of three years and is automatically renewable for two subsequent two-year terms unless otherwise terminated by the parties at the end of the initial or renewal term;
- On June 28, 2019, the Company announced that NMC had launched its cannabis in dried-flower format at select NL licensed cannabis retailers and on the Cannabis NL website;
- On July 11, 2019, the Company received licensing for two additional drying rooms. These drying rooms are expected to add 1,600 sq. ft. of drying space and have an estimated capacity of up to 30,000 plants. Additionally, the new rooms are designed to maximize throughput to allow more plants than the Company’s existing drying rooms;
- On August 6, 2019, the Company announced that it had completed construction of Flowering Room #3, thereby increasing total growing area to approximately 1,000,000 sq. ft.;
On August 20, 2019, the Company announced that the MBLL approved it to list non-medical adult-use cannabis throughout the province to licensed retailers approved for non-medical adult-use cannabis sales. The first sales were made to Manitoba in September 2019;

On September 6, 2019, the Company announced that NMC had entered into its third binding, non-exclusive supply agreement for the sale of dried cannabis to a German importer and distributor. The supply agreement is for an initial term of two years and is automatically renewable for subsequent two-year terms unless otherwise terminated by the parties at the end of the initial or renewal term;

On November 18, 2019 the Company announced that it has entered into an agreement with National Cannabis Distribution for the distribution of adult-use cannabis products to the Saskatchewan retail market following its registration with the Saskatchewan Liquor and Gaming Authority to list adult-use cannabis; and

On December 16, 2019, the Company announced that Health Canada has approved an amendment to the Licence permitting the use of Flowering Room #3 as a grow area.

Financing and Corporate Activities Highlights

For the Year Ended December 31, 2019

Secured Debt Financing with Canadian Schedule 1 Bank

On March 19, 2019, NMC entered into an $18,700,000 facility with a Canadian Schedule 1 Bank (the “Lender”) to fund the completion of its expansion (the “Construction Facility”). Interest on the Construction Facility was to float at a rate of 1.00% per annum above the Lender’s prime lending rate. The obligations under the Construction Facility were guaranteed by the Company and primarily secured by a collateral mortgage on NMC’s property located in Strathroy; and

During the year ended December 31, 2019, NMC drew $18,700,000 under the Construction Facility. On December 31, 2019, the Lender replaced the Construction Facility with a non-revolving term facility (the “Loan Facility”). This Loan Facility has a 217-month term and bears interest at the same rate as the Construction Facility.

Convertible Debenture & Warrant Exercise

On March 27, 2019, the remaining $4,000,000 principal amount of senior unsecured convertible debentures of the initial $10,000,000 debentures issued by the Company in June 2018 were converted into common shares. A total of 13,333,333 common shares were issued to the holders of such debentures; and

On April 22, 2019, 16,665,000 Warrants were exercised into 16,665,000 common shares for gross proceeds of $5,832,751.

Special Warrant Offering

On May 10, 2019, the Company completed the private placement of 20,900,000 special warrants of the Company (the “Special Warrants”), at a price of $0.50 per
Special Warrant for aggregate gross proceeds of $10,450,000 (the "Special Warrant Offering");

- On September 11, 2019, each Special Warrant was deemed to be exercised into one common share and one common share purchase warrant (a “2019 Warrant”). The 2019 Warrants began trading on September 12, 2019 under the symbol EVE.WT on the TSX-V.

Corporate Activities

- On January 3, 2019, the Company announced the appointment of Shari Mogk-Edwards to the Board of Directors;
- On April 22, 2019, the Company announced the appointment of Alice Murphy to the Board of Directors;
- On May 31, 2019, the Company announced that Ivan Ross Vrána joined the Company as Vice President, Government Relations and Business Development; and
- On June 21, 2019, the common shares were listed for trading on the OTCQX Best Market in the United States under the symbol EEVVF.

Subsequent Events

- On March 6, 2020, the Company announced that it had received its EUGMP Certificate;
- On March 30, 2020, the Company announced the departure of Landon Roedding as the Chief Financial Officer (“CFO”) and the appointment of Rory Taylor as interim CFO;
- On April 1, 2020, the Company announced the appointment of Yasir Naqvi, former Attorney General of Ontario, to its Board of Directors and the resignations of Clark Moeller, Shari Mogk-Edwards and Alice Murphy; and
- On April 2, 2020, the Company announced that it had made its initial sales to Canadian medical cannabis patients through its agreement with Cannalogue (1961627 Ontario Corp., doing business as Cannalogue) entered into on March 9, 2020.

Detailed Financing Activities

Construction Facility

On March 19, 2019, the Corporation announced that NMC had entered into the Construction Facility with a Lender to fund the completion of the 780,000 sq. ft. expansion. Interest on the Construction Facility was to float at a rate of 1.00% per annum above the Lender’s prime lending rate, which was 3.95% per annum. The obligations under the Construction Facility are guaranteed by Eve & Co and are primarily secured by a collateral mortgage on NMC’s property located in Strathroy. During 2019, NMC drew $18,700,000 under the Construction Facility. On December 31, 2019, the Lender replaced the Construction Facility with the Loan...
Facility. This Loan Facility has a 217-month term and bears interest at the same rate as the Construction Facility.

**Equity Offering**

On June 15, 2018, NMC completed the private placement of equity securities (the “QT Equity Financings”) for aggregate gross proceeds of approximately $10,800,000 comprised of (i) a brokered private placement (the “QT Brokered Financing”) of an aggregate 25,340,000 subscription receipts (the “QT Subscription Receipts”) at a subscription price of $0.25 per QT Subscription Receipt; and (ii) a non-brokered private placement (the “QT Non-Brokered Financing”) of 17,852,600 NMC Common Shares at a subscription price of $0.25 per NMC Common Share. Each QT Subscription Receipt was converted into one NMC Common Share immediately prior to the completion of the Qualifying Transaction.

In connection with the QT Brokered Financing, the agents received a cash fee equal to 7% of the aggregate gross proceeds of the QT Brokered Financing, a corporate finance fee of $150,000 (plus applicable taxes) and 2,448,800 compensation options (each, a “NMC Equity Compensation Option”), each being exercisable for one NMC Common Share at a price of $0.25 per share for a period of two years from the date of the closing of the Qualifying Transaction. In connection with the Qualifying Transaction, each NMC Equity Compensation Option was exchanged for one compensation option of the Company on substantially the same terms (each a “Equity Compensation Option”).

**Debenture Offering**

Concurrently with the closing of the QT Equity Financings, NMC completed a private placement (the “NMC Debenture Financing”, and collectively with the QT Equity Financings, the “QT Financings”) of 10,000 debenture units (the “NMC Debenture Units”) for aggregate gross proceeds of $10,000,000, with each NMC Debenture Unit consisting of (i) a $1,000 principal amount senior unsecured convertible debenture of NMC maturing two years from the date of issue and bearing interest at a rate of 10.0% per annum (the “NMC Debentures”); and (ii) common share purchase warrants (each, a “NMC Warrant”) exercisable for up to 3,333 NMC Common Shares at an exercise price of $0.35 per share for a period of two years from the date of issue. The NMC Debentures are convertible into that number of NMC Common Shares computed on the basis of the principal amount of the NMC Debentures divided by the conversion price of $0.30 per share at the holder’s option or upon mandatory conversion at the request of NMC in the event that at any time following four months plus one day following the Closing, for any ten consecutive trading days, the volume weighted average closing price of the common shares on the TSX-V is greater than $0.60. Upon conversion, the holder will also receive a cash payment equal to the additional interest amount that such holder would have received if it had held the NMC Debentures for a period of one year from the date of conversion provided that such period shall not extend beyond the maturity date.

In connection with the Qualifying Transaction, the NMC Debentures and the NMC Warrants were exchanged for debentures (“Debentures”) and warrants (“Warrants”) of the Company, respectively, having substantially the same terms and maturing or expiring, as applicable, two years from the closing of the Qualifying Transaction. During the years ended December 31, 2019 and December 31, 2018, all of the Debentures had been converted by the holder into common shares.
In connection with certain financial advisory services provided in connection with the NMC Debenture Financing, an advisor was entitled to receive a cash fee of $500,000 (plus applicable taxes) as well 2,333,333 compensation options (each, a “NMC Debenture Compensation Option”) each being exercisable for one NMC Common Share at a price of $0.30 per share for a period of two years from the closing of the Qualifying Transaction. In connection with the Qualifying Transaction, each NMC Debenture Compensation Option was exchanged into one compensation option of the Company on substantially the same terms (each a “Debenture Compensation Option”).

**Private Placement of Special Warrants**

On May 10, 2019 (the “Closing”), the Company completed the private placement of special warrants comprised of 20,900,000 special warrants of the Company (the “Special Warrants”), at a price of $0.50 per Special Warrant for aggregate gross proceeds of $10,450,000 (the “Special Warrant Offering”).

Each Special Warrant was exercisable into one (1) unit of the Company (a “Unit”), for no additional consideration, at any time after the Closing, and each Special Warrant was deemed to be exercised on September 11, 2019. Each Unit consisted of one (1) common share and one (1) 2019 Warrant. Each 2019 Warrant entitles the holder thereof to purchase one common share at an exercise price of $0.60 until May 10, 2021. The 2019 Warrants began trading on September 12, 2019 under the symbol EVE.WT on the TSX-V.

In consideration for their services, the underwriter received a cash commission equal to 7% of the gross proceeds of the Special Warrant Offering of $731,500 and was issued 1,463,000 compensation special warrants (“Compensation Special Warrants”) equal to 7% of the number of Special Warrants sold in the Special Warrant Offering. Each Compensation Special Warrant was deemed to be exercised into one (1) compensation option (a “2019 Compensation Option”), for no additional consideration on September 11, 2019. Each 2019 Compensation Option entitles the holder thereof to purchase one common share at an exercise price of $0.50 until May 10, 2021.

**Use of Proceeds Reconciliation**

The net cash proceeds of the Special Warrant Offering were $9,426,909. The following table sets forth a comparison of the disclosure regarding the Company’s intended use of proceeds as set out in the Company’s Preliminary Short Form Prospectus dated June 10, 2019 (the “Prospectus”), which may be viewed under its SEDAR profile at www.sedar.com and was withdrawn on September 11, 2019 and the Company’s current estimated use of proceeds as of the date of this MD&A:

<table>
<thead>
<tr>
<th>Principal Use of Available Funds</th>
<th>Intended Use of Proceeds ($)</th>
<th>Current Estimated Use of Proceeds ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction of Greenhouse Production Facility (1)</td>
<td>5,500,000</td>
<td>5,500,000</td>
</tr>
<tr>
<td>Working Capital and General Corporate Purposes (2)</td>
<td>3,926,909</td>
<td>3,926,909</td>
</tr>
<tr>
<td>Total</td>
<td>9,426,909</td>
<td>9,426,909</td>
</tr>
</tbody>
</table>
Notes:

(1) A total of $5,500,000 was estimated to be spent on Flowering Room #3 during 2019. The funds would allow the Company to accelerate the purchase of lights for the expansion as well as several automation upgrades.

(2) A total of $3,926,909 was expected to be spent on working capital and general corporate purposes during the remainder of 2019 and the first half of 2020, with approximately $2,000,000 expected to be allocated to working capital requirements in connection with the continuing expansion, and $1,926,909 expected to be allocated to other general corporate purposes. General corporate purposes included preparation and ramp up costs for Flowering Room #3 (which has been approved by Health Canada) for use including labour force growth, utilities, supplies, and packaging. Additionally, general corporate purposes also include compensation, travel, rent, insurance, office supplies and other expenses related to sales, marketing and general and administrative activities. It also includes costs of external auditors, legal and public listing costs.

Selected Financial Information

The following selected financial information has been derived from the audited consolidated financial statements for the year ended December 31, 2019 and the fourteen months ended December 31, 2018:

Results of operations for the year ended December 31, 2019 and the fourteen months ended December 31, 2018

During the year ended December 31, 2019, the Company incurred a net comprehensive loss before income taxes of $5,533,489 (fourteen months ended December 31, 2018: $7,822,075).

Revenue

The Company generated revenue of $3,706,722 during the year ended December 31, 2019 (fourteen months ended December 31, 2018: $482,663). The increase in revenue from the comparative period is as a result of there being no sales of dried cannabis prior to December 2018 with the Company completing its first sale in December 2018.

Excise Taxes

The Company expensed excise taxes of $148,858 during the year ended December 31, 2019 (fourteen months ended December 31, 2018: $Nil). With effect from October 17, 2018, the Canada Revenue Agency began levying an excise tax on the sale of medical and
consumer cannabis products. The Company would become liable for these excise duties when its cannabis products are delivered to the customer. No cannabis products subject to excise taxes were delivered to customers in the fourteen months ended December 31, 2018. The excise taxes expensed for the year ended December 31, 2019 reflect the calculation of the taxes on the revenues for the year ended December 31, 2019.

**Inventory Production Costs Expensed to Cost of Sales**

The inventory production costs expensed to cost of sales represents the cash component of the cost of inventory sold during the period. During the year ended December 31, 2019 the Company recognized inventory production costs expensed to cost of sales of $1,984,208 (fourteen months ended December 31, 2018: $1,204,878). Although there were minimal revenues in the comparative periods, the cash component of the cost of inventory sold reflected the expensing of the Company’s cash component of costs during the fourteen months ended December 31, 2018.

These costs exclude the fair value adjustments as detailed below and are primarily comprised of costs of the inventory sold in the period and the direct and indirect costs of shipping and fulfillment including labour related costs, materials, shipping costs, customs and duties, utilities, facilities costs, and shipping and related amortization.

**Fair Value Adjustments and Inventory Write-Down**

This comprises the realized fair value amounts included in inventory sold, the unrealized fair value gain on changes in biological assets and the inventory write-down.

The category “Realized Fair Value Amounts Included in Inventory Sold” represents the fair value less cost to sell recognized during the biological transformation process related to cannabis sold during the period. During the year ended December 31, 2019 the Company recognized realized fair value amounts included in inventory sold of $1,638,228 (fourteen months ended December 31, 2018 – $339,218) reflecting the higher revenues in the year ended December 31, 2019.

In accordance with IFRS, the Company is required to record its biological assets at fair value less cost to sell. At each reporting period, the harvest is adjusted to full fair value based on the actual yield in grams for completed harvests and estimated yield for harvests in progress. Cannabis which has been harvested is transferred to inventory at the full fair value less costs to sell. Additional costs incurred post-harvest related to quality control and other finishing costs are capitalized to inventory until such time that the cannabis is ready for sale and recorded as finished goods inventory.

During the year ended December 31, 2019, the Company recognized an unrealized gain of $5,211,984 (fourteen months ended December 31, 2018 – $3,469,867) related to fair value changes in the biological assets.

The biological assets and inventory of the Company as at December 31, 2019 were $1,316,690 and $6,401,037, respectively (December 31, 2018: $2,912,369 and $2,075,368). Once harvested, the cannabis plants produced are transferred to inventory. The increase in transfers to inventory in the year ended December 31, 2019 is due to increased flowering space in 2019 and expected domestic and international sales contracts.

During the year ended December 31, 2019, the Company recognized an inventory write-down of $4,760,411 (fourteen months ended December 31, 2018 – $Nil).
**Gross Margin**

Gross margin for the year ended December 31, 2019 was $387,001 (fourteen months ended December 31, 2018 – $2,408,434). Please see the changes in revenue, excise taxes, inventory production costs expensed to cost of sales and fair value adjustments and inventory write-downs to account for the year-to-year difference in gross margin.

**Operating Expenses**

During the year ended December 31, 2019, total operating expenses were $6,005,923 (fourteen months ended December 31, 2018: $8,413,162). The decrease in operating expenses in year ended December 31, 2019 as compared to the fourteen months ended December 31, 2018 was primarily due to certain costs incurred in the prior periods that were non-recurring in nature such as costs incurred in relation to the Qualifying Transaction (including professional, consulting and contract fees), as well as finance expenses.

For the year ended December 31, 2019, the Company’s consulting and contract work costs were $107,584 (fourteen months ended December 31, 2018: $3,000,203). The decrease is primarily due to non-recurring costs the Company incurred in 2018 related to the Qualifying Transaction.

For the year ended December 31, 2019, the Company’s total finance expense amounted to $659,688 (fourteen months ended December 31, 2018: $1,495,685). Finance expenses for the year ended December 31, 2019 are shown net of borrowing costs capitalized to property, plant and equipment of $474,986 (fourteen months ended December 31, 2018: $Nil). Furthermore, there were interest charges on the convertible debentures expensed during the fourteen months ended December 2018 and to the date of full conversion in March 2019.

**Other Income (Expenses)**

During the year ended December 31, 2019, total other income (expenses) were $85,433 (fourteen months ended December 31, 2018: expenses of $1,817,347). The fourteen months ended December 31, 2018 included $1,833,019 of listing and transaction expenses pertinent to the Qualifying Transaction.
Selected Quarterly Information

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2019 (Unaudited)</th>
<th>September 30, 2019 (Unaudited)</th>
<th>June 30, 2019 (Unaudited)</th>
<th>March 31, 2019 (Unaudited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenue and other income</td>
<td>$684,249</td>
<td>$961,522</td>
<td>$468,948</td>
<td>$1,717,437</td>
</tr>
<tr>
<td>Net (loss) income and comprehensive (loss) income</td>
<td>(3,115,693)</td>
<td>(1,957,001)</td>
<td>363,520</td>
<td>(997,319)</td>
</tr>
<tr>
<td>Basic and diluted (loss) gain-per-share</td>
<td>(0.01)</td>
<td>(0.01)</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Total Assets(1)</td>
<td>56,704,993</td>
<td>56,781,945</td>
<td>48,047,989</td>
<td>28,671,499</td>
</tr>
<tr>
<td>Total non-current financial liabilities(2)</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>Distributions or cash dividends declared</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2018 (Unaudited)</th>
<th>October 31, 2018 (Unaudited)</th>
<th>July 31, 2018 (Unaudited)</th>
<th>April 30, 2018 (Unaudited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Revenue and other income</td>
<td>$484,777</td>
<td>7,124</td>
<td>3,785</td>
<td>1,393</td>
</tr>
<tr>
<td>Net Income (loss) and comprehensive income (loss)</td>
<td>1,490,347</td>
<td>(3,450,296)</td>
<td>(3,981,695)</td>
<td>(630,880)</td>
</tr>
<tr>
<td>Basic and diluted gain (loss) per-share</td>
<td>0.01</td>
<td>(0.02)</td>
<td>(0.02)</td>
<td>0.00</td>
</tr>
<tr>
<td>Total Assets(1)</td>
<td>23,488,377</td>
<td>21,010,240</td>
<td>22,173,839</td>
<td>4,885,825</td>
</tr>
<tr>
<td>Total non-current financial liabilities</td>
<td>3,346,099</td>
<td>3,278,553</td>
<td>6,462,600</td>
<td>Nil</td>
</tr>
<tr>
<td>Distributions or cash dividends declared</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
</tr>
</tbody>
</table>

Notes:

(1) The December 31, 2018 column reflects the two-months period then ended;
(2) Although $464,752 of expenses were properly reflected in NMC’s statements of profit and loss for NMC’s six months period ended April 30, 2018, such expenses were incorrectly excluded from the statements of profit and loss for NMC’s three months period ended April 30, 2018. The value shown in the table correctly includes such expenses;
(3) As at December 31, 2019, construction in progress was $35,039,218 (December 31, 2018: $10,636,318) reflecting assets not yet available for use. These inactive assets will not be amortized until they are ready for their intended use (anticipated to be in the first quarter of the 2020 year). This increase has resulted from the construction expenses incurred related to the expansion of the Company’s facilities; and
(4) At December 31, 2019, the current portion of the Loan Facility was $18,700,000. At December 31, 2018, the long-term portion of the convertible debentures was $3,346,099. This portion was converted into Common Shares on March 27, 2019.

Liquidity and Going Concern

As at December 31, 2019, the Company had a working capital deficit of $9,137,381 (December 31, 2018: working capital surplus of $3,901,877).

Cash used in operating activities during the year ended December 31, 2019 was $4,886,528 (fourteen months ended December 31, 2018 – $10,420,176). The decrease in cash used in operating activities is primarily a result of scaling up operations and investing in working capital, and not incurring the costs associated with the Qualifying Transaction (see Qualifying Transaction section above).

Cash used in investing activities during the year ended December 31, 2019 was $23,392,705 (fourteen months ended December 31, 2018 – $10,678,247). The additional cash used for investing activities is mainly related to investments in capital on the Company’s facility expansion (Flowering Room #3) which was completed in August 2019.

Cash provided from financing activities during the year ended December 31, 2019 was $34,719,224 (fourteen months ended December 31, 2018 – $22,045,197). The increase from the prior period is primarily due to the $18,700,000 Loan Facility that was fully drawn down upon and the $10,450,000 of gross proceeds from the Special Warrant Offering in the year ended December 31, 2019.
Going Concern

The consolidated financial statements have been prepared in compliance with IFRS as issued by the IASB in accordance with the going concern assumption, which assumes the Company will be able to continue operations and realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Company incurred a net loss and comprehensive loss of $5,706,489 for the year ended December 31, 2019 (fourteen months ended December 31, 2018 – $7,649,075) and has a working capital deficit of $9,137,381 as at December 31, 2019 (December 31, 2018 – working capital surplus of $3,901,877).

These factors may lend significant doubt to the Company’s ability to continue as a going concern. The Company’s ability to realize its assets and discharge its liabilities is dependent upon its ability to continually refinance current obligations and/or raise additional financing and, ultimately, achieve profitable operations.

Although management is assessing various opportunities for incremental debt or equity financing and/or refinancing and is also pursuing cash-generating sales opportunities to achieve profitability, there are no assurances that the Company will be successful and there may be an adverse effect on the financial position of the Company should these efforts be unsuccessful. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern. The audited consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Refer to “Financial Risk – Liquidity Risk”.

Contractual Obligations and Commitments

As at December 31, 2019, the payments due by period are set out in the following table:

<table>
<thead>
<tr>
<th>Time period</th>
<th>In one year</th>
<th>1-2 years</th>
<th>2-3 years</th>
<th>3-4 years</th>
<th>4-5 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and Borrowings</td>
<td>18,700,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>18,700,000</td>
</tr>
<tr>
<td>Promissory Notes</td>
<td>893,575</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>893,575</td>
</tr>
<tr>
<td>Amount</td>
<td>$ 19,593,575</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$ 19,593,575</td>
</tr>
</tbody>
</table>

From time to time, the Company and its subsidiaries may become defendants in legal actions arising out of the ordinary course and conduct of its business.

Capital Resources

The Company constantly monitors and manages its capital resources to assess the liquidity necessary to fund operations and capacity expansion. As at December 31, 2019, the Company had a cash balance of $7,478,165 and current liabilities of $25,679,065 (December 31, 2018 - $1,038,174 and $4,726,245 respectively).

The Company has incurred operating losses and negative cash flows from operations in the year ended December 31, 2019 and the fourteen months ended December 31, 2018. Although the Company’s outstanding Construction Loan has been converted into a 217-month Loan Facility, there remains the possibility that both the Loan Facility and the Promissory Notes (as defined below under “Transactions between Related Parties”) may be called.

NMC is required to maintain a minimum debt service coverage ratio (the “ratio”) on an annual basis and meet certain reporting requirements relating to NMC’s financial results.
The ratio is calculated using non-IFRS measures. Should NMC fail to meet any of these covenants, the Lender may exercise its option to demand repayment of the Loan Facility or may issue a waiver of the applicable covenant ("waiver") to NMC.

As at December 31, 2019, NMC did not achieve the ratio requirements of the Lender. A waiver was issued to NMC by the Lender in March 2020. This waiver expires in April 2021. As NMC was unable to obtain the waiver from the Lender prior to December 31, 2019, the Loan Facility outstanding has been classified within Current Liabilities as at December 31, 2019.

The obligations under the Loan Facility are guaranteed by Eve & Co and are primarily secured by a collateral mortgage on NMC’s property located in Strathroy.

Management is of the belief that neither the Loan Facility nor the Promissory Notes will need to be repaid within the next twelve months. During the year ended December 31, 2019, the Company experienced an increase in its inventory balance. The Company has assessed the valuation of its inventory and has concluded that the value is recoverable.

The Flowering Room #3 expansion has been completed and the Company has received permission to treat it as a grow room from Health Canada. Management of the Company expects that Flowering Room #3 will contribute to anticipated operating cash flows.

The Company may incur additional capital expenditures from time to time with respect to optional upgrades to its facilities. See “Risk and Uncertainties – Licensing of Facility Expansion”.

**Off-balance Sheet Arrangements**

The land on which the Company’s greenhouse facility is situated is subject to an option to purchase (the “Lease-back Option”) held by Melinda Rombouts (“Ms. Rombouts”), the President and CEO of the Company, and David Burch (“Mr. Burch”), a director of NMC, and entered into on June 28, 2018. Upon exercise of the Lease-back Option and the payment of $976,000, the option holders must immediately grant the Company a lease over the land, with such lease: (i) being for a term of 20 years, with four 5-year renewals; (ii) having monthly net rent not exceeding $6,100 throughout the term and renewals; (iii) having such terms and conditions that are in form and substance satisfactory to the Company, acting reasonably; and (iv) having no terms or conditions that are materially unusual or adverse to the Company in the opinion of its board, acting reasonably. The Lease-back Option may not be exercised, however, until NMC obtains all requisite regulatory approvals required for a change of ownership of the land, as may be required from time to time by Health Canada.

**Transactions Between Related Parties**

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly. The key management personnel of the Company are the members of the Company’s executive management team and Board of Directors. The transactions are conducted at arm’s length and in the normal course of operations.
During the year ended December 31, 2019 the officers and directors of the Company were granted options to purchase up to 7,000,000 (fourteen months ended December 31, 2018: 7,500,000) Common Shares with a fair value of $1,976,000 (fourteen months ended December 31, 2018: $1,443,446).

Ms. Rombouts and Mr. Burch are also the holders of promissory notes (the “Promissory Notes”) issued by NMC with an aggregate principal amount of $976,000, of which $150,000 was repaid on March 29, 2019 as per the terms of the notes with the remainder of such principal becoming due and payable within 30 days of demand.

In connection with the Company entering into the Construction Facility on March 19, 2019, Ms. Rombouts and Mr. Burch agreed to a postponement of their right to demand repayment until such time as all the obligations owed to the Lender have been repaid. These Promissory Notes bear interest at 5% per annum, calculated monthly. As at December 31, 2019 the amount owing to Ms. Rombouts and Mr. Burch is $826,000 of the principal amount and $67,575 of accrued interest.

See “Off-balance sheet arrangements” regarding the Lease-back Option.

Financial Risk

The Company's activities may expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, foreign currency risk and commodity and equity price risk).

Risk management is developed and executed by the Company's management team and overseen by the Audit Committee pursuant to policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

(i) Interest Rate Risk

The Company’s exposure to interest rate risk is primarily related to its loans and borrowings with variable interest rates. As at December 31, 2019, a 1% increase in the prime lending rate would result in approximately $187,000 higher interest payments on an annual basis.

(ii) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's trade receivables. As at December 31, 2019, the Company was exposed to credit-related losses in the event of non-performance by the counterparties.

The Company provides credit to its customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk.

Cash is held by a credit union in Canada primarily in deposit accounts. No losses have been incurred historically in relation to cash held by this financial institution. The accounts
receivable balance is comprised of an established customer base domiciled in Canada. The Company mitigates this risk by managing and monitoring the underlying business relationships with its customers.

The carrying amount of cash, other receivables and accounts receivables represents the maximum exposure to credit risk, and as at December 31, 2019, this amounted to $8,413,514.

(iii) liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by reviewing on an ongoing basis its capital requirements. As at December 31, 2019, the Company had $7,478,165 of cash. The Company manages its liquidity risk by planning, budgeting and forecasting cash flows from its operations and anticipating any investing and financing activities to meet various contractual and other obligations.

The Company is obligated to pay accounts payable and accrued liabilities with a carrying amount and contractual cash flows amounting to $6,085,490 due in the next 12 months. Further the Company has an outstanding Loan Facility of $18,700,000 and Promissory Notes with a principal amount of $826,000 plus accrued interest of $67,575.

The Company’s outstanding Loan Facility and Promissory Notes may be due on demand – depending on adverse circumstances – and there is no certainty as to when those debts may be called. Management is working with the lender of the Loan Facility to continue to meet the reporting and covenant requirements of the Loan Facility, and is actively involved in the review, planning and approval of significant expenditures and commitments. Management believes that neither the Loan Facility nor the Promissory Notes will need to be repaid in the next twelve months.

The Company has both incurred operating losses and experienced negative cash flows from operating activities in the year ended December 31, 2019 and the fourteen months ended December 31, 2018. The Company has a working capital deficit of $9,137,381 as at December 31, 2019 (December 31, 2018 – working capital surplus of $3,901,877).

As at December 31, 2019 the Company had inventory of $6,401,037 (December 31, 2018 - $2,075,368). The Company has assessed the valuation of its inventory and concluded that the value is recoverable.

The carrying values of cash, accounts and other receivables, accounts payable and accrued liabilities, loans and borrowings and promissory notes approximate their fair values due to their short term to maturity.
The carrying values of the financial instruments as at December 31, 2019 are summarized in the following table:

<table>
<thead>
<tr>
<th>Assets</th>
<th>Amortized cost</th>
<th>Financial assets designated as FVTPL</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$</td>
<td>$7,478,165</td>
<td>$7,478,165</td>
</tr>
<tr>
<td>Other receivables and prepaid expenses</td>
<td>665,001</td>
<td>-</td>
<td>665,001</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>270,348</td>
<td>-</td>
<td>270,348</td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts Payable and Accrued Liabilities</td>
<td>6,085,490</td>
<td>-</td>
<td>6,085,490</td>
</tr>
<tr>
<td>Loans and Borrowings</td>
<td>18,700,000</td>
<td>-</td>
<td>18,700,000</td>
</tr>
<tr>
<td>Promissory Notes</td>
<td>893,575</td>
<td>-</td>
<td>893,575</td>
</tr>
</tbody>
</table>

(iv) Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as foreign exchange rates and commodity and equity prices.

The Company's functional and reporting currency is the Canadian dollar and a majority of its purchases as well as sales are transacted in Canadian dollars. As a result, the Company's exposure to foreign currency risk is minimal.

Sensitivity Analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following market risk movements are reasonably possible over a twelve-month period, but do not materially impact the operations or the liquidity of the Company:

(i) the Company's cash balances are not exposed to material interest rate risk; and

(ii) the Company does not hold any material balances receivable or payable in foreign currencies to give rise to exposure to foreign exchange risk.

Risks and Uncertainties

Commercial cannabis production is a nascent industry in Canada and relies on, among other things, obtaining and maintaining regulatory approvals. As a result, there is a high degree of risk associated with the Company's business. There is a significant risk that the expenditures made by the Company in developing its cannabis business will not result in profitable operations. There are a number of risk factors that could cause future results to differ materially from those described herein. The following sets out the principal risks faced by the Company. The risks and uncertainties described below are not the only ones that the Company faces.

Additional risks and uncertainties, including those that the Company does not know about now or that it currently deems immaterial, may also adversely affect the Company's business. If any of these risks actually occur, the Company's business may be harmed, and its financial condition and results of operations may suffer significantly.
Reliance on Licence and Regulatory Approvals to conduct its business as currently operated and as proposed

The Company’s ability to grow and store cannabis in Canada is dependent on maintaining its Licence with Health Canada. Failure to comply with the requirements of the Cannabis Act, its Licence or any failure to maintain its Licence would have a material adverse impact on the business, financial condition and operating results of Eve & Co. Although Eve & Co believes that NMC will meet the requirements to obtain, sustain or renew the necessary licences and authorizations, there can be no guarantee that the authorities will issue or renew these licenses or authorizations. Should the authorities fail to issue or renew the necessary licences or authorizations, Eve & Co may be curtailed or prohibited from the production and/or distribution of cannabis or from proceeding with the proposed additional development of its operations and the business, financial condition and operational results of the Company may be materially adversely affected. The Licence expires on July 22, 2020.

Before the end of the term of the Licence, Eve & Co must submit an application for renewal to Health Canada. There can be no guarantee that Health Canada will extend or renew the Licence as necessary or, if it extended or renewed, that the Licence will be extended or renewed on the same or similar terms. Should Health Canada not extend or renew the Licence, or should it extend or renew the Licence on different terms, the business, financial condition and operational results of the Company would be materially adversely affected.

Changes in Laws, Regulations and Guidelines

The Company’s operations are subject to a variety of laws, regulations and guidelines relating to the manufacture, import, export, management, packaging/labelling, advertising, sale, transportation, storage and disposal of cannabis as well as laws and regulations relating to drugs, controlled substances, health and safety, privacy, the conduct of operations and the protection of the environment. While to the knowledge of Eve & Co’s management, the Company is currently in compliance with all such laws, regulations and guidelines, any changes to such laws, regulations and guidelines due to matters beyond the control of Eve & Co may have an adverse effect on the Company’s operations and its financial condition.

Furthermore, the legal regime surrounding cannabis has been subject to various court challenges and changing government policies. This evolving legal regime presents a risk to Eve & Co in that legislators or a court may adopt changes that would have a negative impact on the business, financial condition or operational results of the Company. For example, judicial rulings or legislative changes that allow those without existing licences to possess and/or grow cannabis, allow others to opt out of the regulated supply system implemented through the Cannabis Act by growing their own cannabis, or legitimize illegal areas surrounding cannabis dispensaries, could significantly reduce the addressable market for the Company’s products and could materially and adversely affect its business, financial condition and operational results.

In addition, the Cannabis Act was brought into force in 2018. Apart from creating the legal market for recreational cannabis, the Cannabis Act and the regulations promulgated thereunder may significantly impact the laws and regulations governing the Company’s operations. The industry is also subject to extensive controls and regulations which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the Company’s control and
which cannot be predicted, such as changes to government regulations, including under the Cannabis Act and related regulations and those relating to taxes and other government levies which may be imposed. Changes in the regulatory regime governing the production, processing and sale of cannabis and cannabis products could increase compliance costs for Eve & Co and could make the Company’s operations uneconomic. Changes in government levies, including taxes, could reduce the Company’s earnings and could make future capital investments unachievable or the Company’s operations uneconomic. While the potential impact of any of such changes is highly uncertain and fact dependent, it is not expected that any such changes would have an effect on the Company’s operations that is materially different than the effect on similar-sized companies in the same business as Eve & Co.

Reliance on a Single Location

To date, Eve & Co’s activities and resources are focused on the premises in Strathroy, Ontario. The Company expects to continue to focus on this facility for the foreseeable future. Adverse changes or developments affecting the existing facility and location could have a material and adverse effect on the Company’s ability to continue producing cannabis, its business, financial condition and prospects.

The location of Eve & Co’s existing facility is also subject to a Lease-back Option. If such Lease-back Option is exercised, the Company will become subject to risks associated with the landlords adhering to the terms of the lease.

Access to Capital

In executing its business plan, the Company makes, and may continue to make, further investments and other expenditures related to its facilities, research and development and business and marketing initiatives. The continued development of the Company may require additional financing. Since its incorporation, Eve & Co has financed these expenditures through offerings of its equity securities and debt financings. The Company will have further capital requirements and other expenditures as it proceeds to expand its business or take advantage of business opportunities that may be presented to it.

Furthermore, the Company may incur major unanticipated liabilities or expenses. Eve & Co can provide no assurance that it will be able to obtain financing or raise funds on favourable terms to meet the working capital or growth needs of the Company. If additional funds are raised through issuances of equity or convertible securities, existing shareholders could suffer significant dilution and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Common Shares. Any debt financing may be subject to restrictive covenants related to capital raising, financial and / or operational matters, which may make it difficult for Eve & Co to obtain financing or conduct its business. Debt financings may also contain provisions which may, if breached, entitle lenders to acceleration of debt repayment and there is no assurance that the Company would be able to pay in such circumstances.

Borrowing Risks and Loan Default

The obligations under the Loan Facility are guaranteed by Eve & Co and are primarily secured by a collateral mortgage on NMC’s property located in Strathroy. The Loan Facility imposes covenants and obligations on the part of Eve & Co and NMC. In particular, the Loan Facility contains certain covenants and representations and warranties, the breach of which could result in a default and the acceleration of maturity of the facilities, the Lender
realizing on its security, or diminished availability of refinancing alternatives or increase in the associated costs thereof.

As at the date of this MD&A Eve & Co is not in compliance with the covenants contained in the Loan Facility. Although the Company has received a waiver from the Lender for the year ended December 31, 2019, there is no assurance that the Company will continue to receive further waivers from the Lender.

There is also no assurance that the Company will be in compliance with these covenants in the future due to unforeseen events or circumstances, some of which are outlined in this “Risks Factors” section. If the Loan Facility is not subsequently renewed or replaced, or if renewed or replaced on more onerous terms, or NMC defaults under the Loan Facility, the Company’s business, financial condition and operational results would be materially adversely affected.

**Competition**

The Company faces intense competition from other cannabis license holders. Some of those competitors have longer operating histories and more financial resources and manufacturing and marketing experience than Eve & Co. Increased competition by larger and better financed competitors could materially and adversely affect the Company’s business, financial condition and operational results. In order to mitigate this intense competition, Eve & Co has dedicated, and expects to continue to dedicate, significant resources to hiring consultants and employees to provide services related to branding, brand and business expansion, product development, customer procurement, public and media relations and trade shows. However, to remain competitive, the Company will require a continued level of investment in such business development activities and may not have sufficient resources to fund expenses on a competitive basis which could materially and adversely affect its business, financial condition and operational results.

As at the date of this MD&A, Health Canada has issued over 300 licences, under the *Cannabis Act*, to produce, process and sell cannabis. There are several hundred applicants for various classes of licences under the *Cannabis Act*. The number of licences granted could have an impact on the operations of Eve & Co. Because of the early stage of the industry in which the Company operates, Eve & Co expects to face additional competition from new entrants.

As of October 17, 2019, the *Cannabis Act* was amended to add edible cannabis, cannabis extracts and cannabis topical products as Schedule 4 thereof. The new classes of cannabis permit the introduction of additional methods of producing and consuming cannabis, which may supplant existing consumption formats. The current market share of Eve & Co may be threatened by new cannabis product formats providing consumers with additional alternatives to the Company’s product line up.

In addition, synthetic substitutes for cannabinoids are being developed to reproduce the effects of cannabis which may displace the existing and potential cannabis market. Such synthetic substitute may be less costly to produce, market and sell and may threaten the competitiveness of Eve & Co’s business.

**Limited Operating History**

Eve & Co entered into the cannabis industry upon the submission of its Licence application in October 2013 and only initiated sales of its products beginning in December 2018. The Company is therefore subject to many of the risks common to early-stage enterprises,
including under-capitalization, cash shortages, lack of revenues, operational challenges, ability to secure Canadian and international customers and limitations with respect to personnel, financial, and other resources. There is no assurance that the Company will be successful in achieving a return on its shareholders’ investment and the likelihood of success must be considered in light of the early stage of operations.

**Risks Inherent in an Agricultural Business**

Eve & Co's business involves the growing of cannabis, an agricultural product. Such business will be subject to the risks inherent in an agricultural business such as insects, plant diseases and other agricultural risks. Although the Company expects that any such growing will be completed indoors under climate-controlled conditions, there can be no assurance that natural elements will not have a material adverse effect on any such future production.

**Commodity Price Risks**

Cannabis is a development market and is likely subject to volatile and possibly declining commodity prices year-on-year as a result of increased competition. Because cannabis is a newly commercialized and regulated industry, historical price data is either not available or not predictive of future price levels. There may be downward pressure on the average price for cannabis. There is no assurance that price volatility will be favourable to the Company or in line with expectations. Pricing will depend on general factors including, but not limited to, the number of licenses granted by Health Canada and the supply such licensees are able to generate. An adverse change in cannabis prices, or in investors’ beliefs about trends in those prices, could have a material outcome on the Company and its securities.

**Fluctuating Prices of Raw Materials**

Eve & Co’s revenues will, in large part, be derived from the production, sale and distribution of cannabis. The price of the production, sale and distribution of cannabis will fluctuate widely due to the evolving nature of the cannabis industry and is affected by numerous factors beyond the Company's control including international, economic and political trends, taxation, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities and increased production due to new production and distribution developments and improved production and distribution methods. The effect of these factors on the price of the product produced by Eve & Co and, therefore, the economic viability of the Company's business, cannot accurately be predicted.

**Reliance on Key Inputs**

Eve & Co’s growing operations are dependent upon a number of key inputs and their related costs including raw materials and supplies related to its growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Company.

Some of these inputs may only be available from a single supplier or a limited group of suppliers. Any inability to secure the required supplies and services or to do so on appropriate terms could have a materially adverse impact on its business, financial condition and operating results.
Vulnerability to Supply Chain Disruptions, Major Health Issues, Pandemics and COVID-19

Eve & Co and its suppliers may be affected by, among other things, disruptions related to major health issues or pandemics, including increases in labour and fuel costs, labour disruptions, regulatory changes, political or economic instability or civil unrest, trade restrictions, tariffs, transport capacity and costs and other factors relating to trade. In particular, major health issues and pandemics may impact commerce and travel and may adversely affect trade and global and local economies.

Recently, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed isolation or quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. As a result, the Company may experience labour shortages, and the inability to operate its facility as a result of a direction from national, provincial, or local health authorities. The closure of borders and the implementation of travel bans may adversely affect the Company’s ability to proceed with its international expansion, including shipping product to the German medical cannabis market.

Global equity markets have experienced significant volatility and weakness. Such volatility and weakness in the global equity markets may adversely affect the Company’s ability to raise necessary capital.

Given the ongoing and dynamic nature of the coronavirus outbreak, it is difficult to predict the impact it will have on the Company’s business. Such factors are beyond the Company’s control and may cause disruptions to the Company’s suppliers and the Company’s ability to operate its business. Such an outbreak, if uncontrolled, could have a material adverse effect on the Company’s business, financial condition, results of operations and cash flows.

On April 4, 2020, the Government of Ontario ordered cannabis retail stores within the Province of Ontario to close for a period of at least two weeks. The closure of retail stores within the province may be extended for a longer period and such closure may adversely impact the demand of the Company’s products. There is no guarantee that the Government of Ontario will not order the closure of the Company’s facility in connection with the response to COVID-19.

Vulnerability to Rising Energy Costs

Eve & Co’s growing operations consume energy, making the Company’s costs of operations vulnerable to rising energy costs. Rising or volatile energy costs may have a materially adverse impact on its business, financial condition and operating results.

Uncertain Tax Burdens

Tax regimes, including excise taxes and sales taxes, can disproportionally affect the price of Eve & Co’s products, or disproportionally affect the relative price of the Company’s products versus other cannabis products. Tax regimes based on sales price can place the Company at a competitive disadvantage in certain price-sensitive markets. As a result, the Company’s volume and profitability may be adversely affected in these markets.
Third Party Transportation

Eve & Co relies on third party transportation services to distribute its products. These transportation services can cause logistical problems with, and delays in, customers obtaining their orders and cannot be directly controlled by the Company. Any delay by these third-party transportation services may adversely affect Eve & Co’s financial performance. Moreover, security of the product during transportation to and from the Company’s facilities is critical due to the nature of the product.

A breach of security during transport could have material adverse effects on Eve & Co’s business, financial condition and operating results. Any such breach could impact the Company’s ability to continue operating under its licenses or the prospect of renewing its licenses. Any prolonged disruption or rising costs of transportation services could have an adverse effect on the Company’s business, financial condition and operating results.

Constraints on Marketing Products

The development of Eve & Co’s business and operating results may be hindered by applicable restrictions on promotional, sales and marketing activities as imposed by Health Canada and some provincial governments. The regulatory environment in Canada limits the Company’s ability to compete for market share in a manner similar to other industries.

If Eve & Co is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Company’s business, financial condition and operating results could be adversely affected.

Retention and Acquisition of Skilled Personnel

The success of Eve & Co is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management and other skilled personnel (each, a “Key Person”, and collectively, the “Key Personnel”). The Company’s future success depends on its continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. Qualified individuals are in high demand, and the Company may incur significant costs to attract and retain them.

The loss of the services of a Key Person, or an inability to attract other suitably qualified persons when needed, could have a material adverse effect on Eve & Co’s ability to execute on its business plan and strategy, and the Company may be unable to find adequate replacements on a timely basis, or at all. Further, as a Licensed Producer, each Key Person must obtain a security clearance by Health Canada in order to act as Key Person. Under the Cannabis Act a security clearance cannot be valid for more than five years and must be renewed before the expiry of a current security clearance.

There is no assurance that any of Eve & Co’s existing personnel who presently or may in the future require a security clearance will be able to obtain or renew such clearances or that new personnel who require a security clearance will be able to obtain one. A failure by a Key Person to maintain or renew his or her security clearance, would result in a material adverse effect on Eve & Co’s business, financial condition and operating results.

In addition, if a Key Person leaves Eve & Co, and the Company is unable to find a suitable replacement that has a security clearance required by the Cannabis Act in a timely manner,
or at all, there could result a material adverse effect on the Company’s business, financial condition and operating results. While employment agreements are customarily used as a primary method of retaining the services of Key Personnel, these agreements cannot assure the continued services of such employees.

**Demand for Product and Negative Consumer Perception**

Eve & Co believes that the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis distributed in accordance with the *Cannabis Act*. Consumer perception of cannabis can be significantly influenced by scientific research or findings, regulatory investigations, litigation, political statements both in Canada and internationally, media attention and other publicity (whether or not accurate or with merit) regarding the consumption of cannabis products, including unexpected safety or efficacy concerns arising with respect to the products of the Company or its competitors.

There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings nor publicity could have a material adverse effect on the demand for Eve & Co’s products and its business, operating results and financial condition.

The Company’s dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity (whether or not accurate or with merit), could have a material adverse effect on any demand for Eve & Co’s products and on its business, operating results of operations and financial condition.

Furthermore, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis in general, or Eve & Co’s products specifically, or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from the consumers’ failure to consume such products legally, appropriately or as directed.

**Meeting Consumer Demand**

Eve & Co operates in an early-stage market which has a small representation of Canadian cannabis consumers. Should the Company be unable to grow a quality product demanded by the consumers, this could have a material impact on its revenues and average price per gram.

**Product Liability**

As a distributor of products designed to be ingested or inhaled by humans, Eve & Co faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused damage, loss or injury. In addition, the sale of the Company’s products involves the risk of injury to consumers due to tampering by unauthorized third parties or product contamination.
Adverse reactions resulting from human consumption of Eve & Co's products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that its products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning health risks, possible side effects or interactions with other substances.

A product liability claim or regulatory action against Eve & Co could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on its business, operating results and financial condition. There can be no assurances that the Company will be able to maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities.

Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to renew or obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of Eve & Co’s potential products.

Product Recalls or Returns

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product or manufacturing defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure. If any of Eve & Co’s products are recalled due to an alleged product or manufacturing defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall.

Eve & Co may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Company has detailed procedures in place for testing its products and follows good production practices as required by the Cannabis Act, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits.

Additionally, if one of Eve & Co’s brands were subject to recall, the image of that brand and the Company could be harmed. A recall for any of these reasons could lead to decreased demand for the Company’s products and could have a material adverse effect on its business, operating results and financial condition. Additionally, product recalls may lead to increased scrutiny of the Company’s operations by Health Canada or other regulatory agencies, requiring further management attention, potential legal fees and other expenses.

Environmental Regulations and Risks

Eve & Co’s operations are subject to environmental regulations. These regulations mandate, among other things, the maintenance of air and water quality standards. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, approval and permitting requirements, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company’s operations.
Results of Future Clinical Research

Research in Canada, the U.S. and internationally regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis or isolated cannabinoids (such as CBD and tetrahydrocannabinol ("THC")) remains in early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids (such as CBD and THC).

Although Eve & Co believes that the articles, reports and studies support its beliefs regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding, and perceptions relating to, cannabis. Given these risks, uncertainties and assumptions, undue reliance should not be placed on such articles and reports.

Future research studies and clinical trials may reach negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to cannabis, which could have a material adverse effect on the demand for Eve & Co’s products which could have a material adverse effect on its business, operating results and financial condition.

Insurance Coverage

Eve & Co has placed insurance to protect its assets, operations, directors and employees. While the Company believes that its insurance coverage addresses all material risks to which it is exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for all the risks and hazards to which the Company is exposed.

In addition, no assurance can be given that such insurance will be adequate to cover Eve & Co’s liabilities or will be generally available in the future or, if available, that premiums will be commercially economical and justifiable. The Company may be subject to liability for risks which cannot be insured or elects not to insure due to non-availability or commercially unacceptable terms for insurance premiums, exclusions or other factors.

If Eve & Co were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if the Company were to incur such liability at a time when it is unable to obtain liability insurance, there could be a material adverse effect on its business, operating results and financial condition.

Regulatory or Agency Proceedings, Investigations, Inspections and Audits

Eve & Co’s business requires compliance with many laws and regulations. Failure to comply with these laws and regulations could subject the Company to regulatory or agency proceedings or investigations and could also lead to awards of damages, fines, penalties or suspension or revocation of its Licence.

Eve & Co may become involved in regulatory, government or agency proceedings, investigations, inspections and audits. The outcome of any regulatory, government or agency proceedings, investigations, inspections, audits, and other contingencies could result in a suspension or of the Company’s License, harm its reputation, require it to take, or refrain from taking, actions that could harm its operations or require the payment of substantial amounts of money, thereby harming its financial condition. There can be no assurance that any pending or future regulatory, government or agency proceedings,
investigations and audits will not result in substantial costs or a diversion of management’s attention and resources or have a material adverse impact on the Company’s business, operating results or financial condition.

International Expansion

Eve & Co intends to continue to expand its operations and business into jurisdictions outside of Canada, some of which are emerging cannabis markets, but there can be no assurance that any market for the Company’s products will develop, or continue to develop, in any such foreign jurisdiction. The continuation – or expansion – into jurisdictions outside of Canada is contingent on the ability of the Company to renew or secure the necessary permits, licenses, or other approvals in those jurisdictions. The inability or delay in obtaining or renewing requisite permits, licenses or other approvals, or the revocation or substantial amendment of existing permits, licenses or approvals, could prevent the Company from continuing its operations in, or exports to, other countries.

Foreign operations in emerging cannabis markets may expose Eve & Co to new or unexpected risks or significantly increase exposure of the Company to one or more existing risk factors. Some governmental regulations in these emerging cannabis markets may require Eve & Co to award contracts in, employ citizens of, and/or purchase supplies from the jurisdiction. These factors may limit the Company’s capability to successfully expand its operations and may have a material adverse effect on the Company’s business, operating results and financial condition.

In addition, the international expansion of Eve & Co’s business further subjects the Company to an increased number of laws and regulations domestically and internationally with respect to the flow of funds and products across international borders. The amount of medical cannabis for export may be limited by the various drug control conventions to which Canada is a signatory. While the Company continues to monitor developments and policies in the international markets of interest to the Company, such developments cannot be accurately predicted and could have an adverse effect on its business, operating results and financial condition.

The business may be affected by political and economic instability and risks including, but not limited to, terrorism, military repression, extreme fluctuations in currency exchange rates, and high rates of inflation. Changes in medical and agricultural development or investment policies or shifts in political viewpoints of certain countries may adversely affect the business. Operations may be affected to varying degrees by government regulations with respect to restrictions on production, distribution, price controls, export controls, income taxes, expropriation of property, maintenance of assets, environmental legislation, land use, land claims of local people, and water use. The effect of these factors cannot be accurately predicted.

The legal and regulatory requirements in the foreign countries in which Eve & Co intends to operate are expected to be different from those in Canada. The Company relies on international advisors and consultants in foreign jurisdictions in order to ensure the Company’s compliance with material legal, regulatory and governmental developments as they pertain to and affect the Company’s business operations, to assist with governmental relations and enhance the Company’s understanding of and appreciation for the local business culture and practices. Any developments or changes in such legal, regulatory or governmental requirements or in local business practices are beyond the control of the Company. The impact of any such changes may adversely affect the Company’s business, operating results and financial condition.
Reliance on Sales to Medical Cannabis Market in Germany and the EU

On March 6, 2020, the Company received notification that it had been issued its EUGMP certificate, which is a significant step in fulfilling the Company’s objective to selling its products into Germany and the EU.

Eve & Co anticipates making a significant portion of its cannabis sales to distributors in Germany who will distribute the Company’s product to the medical cannabis market in Germany. Before the Company can sell its product to such distributors, there are various regulatory approvals, permits, and licenses that must be obtained by the Company and by such distributors from Canadian, German, European and local authorities. There is no assurance that Eve & Co or the distributors will be able to secure the necessary permits, licenses, or other approvals required. The inability to or any delay in obtaining the requisite permits, licenses, or other approvals, or the revocation or substantial amendment of such permits, licenses, or approvals could prevent the Company from operating in, or export to, Germany.

While the Company has three non-exclusive supply agreements with three distributors in Germany, there is no assurance that any one of the distributors will fulfil or have an ability to fulfil its obligations under the applicable supply agreement. There is also no assurance that the demand for medical cannabis in Germany will develop to the level that will enable the German distributors to sell the quantities of the Company’s products as set out in the supply agreements or at the anticipated prices contemplated by the Company and the distributors. The inability of any of the German distributors to fulfil its obligations under the applicable supply agreement could have a material adverse effect on the Company’s business, financial conditions, results of operations and cash flows.

Litigation

Eve & Co may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company, such a decision could adversely affect the ability to continue operating, the value of the common shares and could utilize significant resources, available working capital and the time and attention of management, even if the Company is involved in litigation and wins. Litigation may also create a negative perception of the Company’s brand.

Fraudulent or Illegal Activity by Employees, Contractors and Consultants

Eve & Co is exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Company that violates: (i) government regulations; (ii) manufacturing standards; (iii) federal and provincial healthcare fraud and abuse laws and regulations; or (iv) laws that require the true, complete and accurate reporting of financial information or data.

It is not always possible for Eve & Co to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations.

If any such actions are instituted against Eve & Co, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on the business, including the imposition of civil, criminal and administrative penalties, damages, monetary
fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of the Company's operations, any of which could have a material adverse effect on its business, operating results and financial condition.

**Breaches of Facility Security or in Respect of Electronic Documents**

Given the nature of Eve & Co’s product and its lack of legal availability outside of channels approved by the Canadian Federal Government, as well as the concentration of inventory in its facilities, despite meeting or exceeding Health Canada’s security requirements, there remains a risk of shrinkage as well as theft.

A security breach at one of Eve & Co’s facilities could expose the Company to additional liability and potentially costly litigation, a revocation or suspension of its License, increased expenses relating to the resolution and future prevention of these breaches and may deter potential customers or patients from choosing the Company’s products.

In addition, if Eve & Co sells directly to registered patients or customers, the Company may collect and store personal information about such individuals and would then be responsible for protecting that information from privacy breaches. A privacy breach may occur through procedural or process failure, information technology malfunction, or deliberate unauthorized intrusions. Theft of data for competitive purposes, particularly patient lists and preferences, is an ongoing risk whether perpetrated via employee collusion or negligence or through deliberate cyber-attack. Any such theft or privacy breach would have a material adverse effect on Eve & Co’s business, operating results and financial condition.

**Uninsurable Risks**

The Company may become subject to liability for pollution, certain fire and explosion events, against which it cannot insure or against which it may elect not to insure. Such events could result in substantial damage to property and personal injury. The payment of any such liabilities may have a material adverse effect on the financial position of the Company.

**History of Losses**

Eve & Co has historically incurred losses. The Company may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, the Company expects to continue to increase operating expenses as it implements initiatives to continue to grow its business. If the Company’s revenues do not commence as anticipated to offset these expected increases in costs and operating expenses, it may not achieve profitability.

**Intellectual Property**

The success of Eve & Co’s business depends in part on its ability to protect its ideas and technology. The Company has no patented technology at this time, nor has it applied to register any patents. Even if the Company moves to protect its technology with trademarks, patents, copyrights or by other means, there is no assurance that competitors will not develop similar technology, business methods or that the Company will be able to exercise its legal rights. Other countries may not protect intellectual property rights to the same standards as Canada. Actions taken to protect or preserve intellectual property rights may require significant financial and other resources which may meaningfully impact the ability of the Company to successfully grow its business.
Financial Performance of Subsidiary

Eve & Co is a holding company that conducts its business through NMC which generates all revenues. As a result, the financial performance of the Company and its ability to meet financial obligations is dependent on the operating results and revenues of NMC, and the distribution of those earnings to Eve & Co. In the event of a liquidation or bankruptcy of NMC, lenders and trade creditors will generally be entitled to payment of their claims from the assets of NMC before any assets are made available for distribution to Eve & Co.

Estimates or Judgments Relating to Critical Accounting Policies

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the amounts reported in the Financial Statements and notes thereto. Eve & Co bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, as provided in the notes to the Financial Statements, the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenue and expenses that are not readily apparent from other sources.

Eve & Co’s operating results may be adversely affected if these assumptions change or if actual circumstances differ from those in the assumptions, which could cause the Company’s operating results to fall below the expectations of securities analysts and investors, thereby resulting in a decline in the share price of the Company. Significant assumptions and estimates used in preparing the financial statements include those related to the credit quality of accounts receivable, income tax credits receivable, share-based payments, impairment of non-financial assets, fair value of biological assets, as well as revenue and cost recognition.

Reliance on Third-Party Vendors to Provide Services and Technology

Eve & Co relies on third-party vendors to provide critical services, including, among other things, services related to information technology, utilities, laboratory testing, and heating, ventilating and air conditioning that the Company cannot internally create or provide. The Company depends on these vendors to ensure that its corporate infrastructure will consistently meet business requirements. The ability of these third-party vendors to successfully provide reliable and high-quality services is subject to technical and operational uncertainties that are beyond the Company’s control.

While Eve & Co may be entitled to damages if its vendors fail to perform under their agreements, the Company’s agreements with these vendors will limit the amount of damages that may be received. In addition, the Company may be unable to collect any award of damages, or such damages may be insufficient to cover the actual costs incurred as a result of any vendors’ failure to perform under its agreement.

Any failure of the Company’s corporate infrastructure could have a material adverse effect on its business, operating results and financial condition. Upon expiration or termination of any of the Company’s agreements with third-party vendors, the Company may not be able to replace the services provided in a timely manner or on terms and conditions, including service levels and cost, that are favorable and a transition from one vendor to another vendor could subject the Company to operational delays and inefficiencies until the transition is complete.
Market Price Volatility and Potential Impact on Share Price

The trading price of Eve & Co’s common shares is subject to change and could in the future fluctuate significantly. The fluctuations could be in response to numerous factors beyond the Company’s control, including: quarterly variations in operating results; announcements of new products by the Company, its customers or competitors; changes in securities or independent analysts’ earnings estimates or recommendations; general fluctuations in the stock market; or revenue and operating results below the expectations of public market securities analysts or investors.

Any of these could result in a sharp decline in the market price of Eve & Co’s common shares. The internet offers various avenues for the dissemination of information. The Company has no control over the information that is distributed and discussed on electronic bulletin boards and investment chat rooms. The intention of the people or organizations that distribute such information may not be in the Company’s best interest or the best interests of its shareholders.

This, in addition to other forms of investment information including newsletters and research publications, could result in a sharp decline in the market price of the common shares. In addition, stock markets have occasionally experienced extreme price and volume fluctuations. The market prices for cannabis companies in particular, including the market price of the Company’s Common Shares have been negatively affected over the past year. These broad market fluctuations may cause a decline in the market price of the common shares.

Changes in Effective Tax Rate

The Company’s future effective tax rate could be unfavorably affected by unanticipated changes in the valuation of its deferred tax assets and liabilities. Changes in the Company’s effective tax rate could have a material adverse impact on its operating results.

Lack of Analyst Coverage

The market for Eve & Co’s common shares will depend in part on the research and reports that securities or industry analysts publish about the Company or its business. If one or more analysts downgrade the common shares, the share price would likely decline. If one or more analysts cease coverage of the Company or fail to regularly publish reports on the Company, it could lose visibility in the financial markets, which could cause its share price or trading volume to decline.

Public Company Governance, Compliance and Reporting Requirements

As a public company, Eve & Co is subject to the reporting requirements of Canadian securities regulators, the listing requirements of the TSX-V and other applicable securities rules and regulations. Compliance with these rules and regulations may increase the Company’s legal and financial compliance costs, may make some activities more difficult, time-consuming or costly and may increase the demand on the Company’s systems and resources.

Being a public company requires that Eve & Co files continuous disclosure documents, including, among other things, annual and quarterly financial statements. Management’s attention may be diverted from other business concerns, which could have a material adverse effect on the Company’s business, operating results and financial condition. The Company may need to hire more employees in the future, which will increase its costs and
expenses. In addition, changing laws, regulations and standards relating to corporate governance and public disclosure create uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time-consuming. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices.

Eve & Co may invest to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expenses and divert management’s time and attention from revenue-generating activities to compliance activities. If the Company’s efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory authorities, legal proceedings may be initiated against the Company and there may be a material adverse effect on its business, operating results and financial condition.

Ability to Declare Dividends

Eve & Co does not currently intend to pay any cash dividends on its common shares in the foreseeable future and therefore its shareholders may not be able to receive a return on their shares unless they sell them. The Company’s current policy is to retain earnings to finance the development of new lines of products and to otherwise reinvest in the Company. Therefore, the Company does not anticipate paying cash dividends in the foreseeable future. The Company’s dividend policy will be reviewed from time to time by the Board of Directors of the Company in the context of its earnings, financial condition and other relevant factors. Until the Company pays dividends, which it may never do, its shareholders will not be able to receive a return on its common shares unless they sell them.

TSX-V Restrictions on Business

As a condition to initially listing the common shares on the TSX-V pursuant to the Qualifying Transaction, the TSX-V required that Eve & Co deliver an undertaking (the “Undertaking”) confirming that, while listed on TSX-V, Eve & Co will only conduct the business of the production, sale and distribution of cannabis in Canada pursuant to one or more licences issued by Health Canada in accordance with applicable law, unless prior approval is obtained from the TSX-V.

The Undertaking could have an adverse effect on Eve & Co’s ability to do business or operate outside of Canada and on its ability to expand its business into other areas, if the Company is still listed on the TSX-V and remains subject to the Undertaking at such time. The Undertaking may prevent Eve & Co from expanding into new areas of business when some of Eve & Co’s competitors may not have such restrictions. All such restrictions could materially and adversely affect its growth, business, operating results and financial condition.

Disclosure of Internal Controls

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence to ensure that (i) the Financial Statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the Financial Statements and (ii) the Financial Statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented.
In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers’ Annual and Filings (“NI 52-109”), the certificate required for venture issuers (as such term is defined in NI 52-109) does not include representations relating to the establishment and maintenance of disclosure controls and procedures (“DC&P”) and internal control over financial reporting (“ICFR”), as defined in NI 52-109. In particular, the certifying officers filing such certificate are not making any representations relating to the establishment and maintenance of:

(i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

(ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of condensed consolidated financial statements for external purposes in accordance with the Company’s IFRS.

The Company’s certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate required pursuant to NI 52-109. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

**Critical Accounting Estimates**

Refer to Note 4o of the audited consolidated financial statements for the year ended December 31, 2019.

**New Accounting Standards and Interpretations**

Refer to Note 3 of the audited consolidated financial statements for the year ended December 31, 2019.

**Outstanding Share Data**

The authorized capital of the Company consists of an unlimited number of common shares without par value, of which 287,867,172 are issued and outstanding as of the date hereof.

**Options**

The Company has adopted a stock option plan (the “Option Plan”). Under the terms of the Option Plan, officers, directors, employees and consultants are eligible to receive grants of stock options to purchase common shares for a period of up to ten years from the date of grant, provided that the number of common shares reserved for issuance may not exceed 10% of the total issued and outstanding common shares at the date of the grant. As of the date of this MD&A, subject to the terms of the Option Plan, options to purchase up to 17,670,000 common shares are outstanding and options to purchase up to 11,116,717 common shares are available for grant.
**Warrants**

In connection with the Qualifying Transaction, the Company issued 33,330,000 Warrants, of which 16,665,000 Warrants remain outstanding as of the date of this MD&A.

**Compensation Options**

The Company issued 2,448,800 Equity Compensation Options in connection with the Qualifying Transaction, and 2,333,333 Debenture Compensation Options in connection with the NMC Debenture Financing. As of the date of this MD&A, 557,307 of these Equity Compensation Options remain issued and outstanding, and all Debenture Compensation Options have been exercised.

In connection with the Special Warrant Offering, the Company issued 1,463,000 Compensation Special Warrants. On September 11, 2019, all 1,463,000 Compensation Special Warrants were deemed to be exercised and the Company issued 1,463,000 2019 Compensation Options. As of the date of this MD&A, all 1,463,000 of these 2019 Compensation Options remain issued and outstanding.

**Special Warrants**

In connection with the Special Warrant Offering the Company issued 20,900,000 Special Warrants, which were each deemed exercised and converted into one common share and one 2019 Warrant on September 11, 2019. The 2019 Warrants commenced trading on the TSX-V under the ticker symbol EVE.WT on September 12, 2019. As of the date of this MD&A, 20,900,000 2019 Warrants remain outstanding.

**Debentures**

In connection with the Qualifying Transaction, the Company issued $10,000,000 aggregate principal amount of debentures. As of the date of this MD&A, no debentures remain outstanding.

**Additional Disclosure for Venture Corporations**

Set forth below is a breakdown of the major operational costs incurred by the Company for the following periods:

<table>
<thead>
<tr>
<th></th>
<th>Three months ended December 31, 2019</th>
<th>Year ended December 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising &amp; Promotion</td>
<td>16,309</td>
<td>124,416</td>
</tr>
<tr>
<td>Amortization</td>
<td>22,776</td>
<td>85,852</td>
</tr>
<tr>
<td>Consulting and contract work</td>
<td>(50,334)</td>
<td>107,584</td>
</tr>
<tr>
<td>Finance Expenses</td>
<td>28,618</td>
<td>659,688</td>
</tr>
<tr>
<td>General and Administration</td>
<td>163,626</td>
<td>447,171</td>
</tr>
<tr>
<td>Management Wages</td>
<td>375,676</td>
<td>861,858</td>
</tr>
<tr>
<td>Operating Labour</td>
<td>301,423</td>
<td>877,703</td>
</tr>
<tr>
<td>Professional Fees</td>
<td>505,427</td>
<td>1,311,735</td>
</tr>
<tr>
<td>Stock Based Compensation</td>
<td>496,713</td>
<td>1,529,916</td>
</tr>
<tr>
<td><strong>Total Operating Costs</strong></td>
<td><strong>$1,860,234</strong></td>
<td><strong>$6,005,923</strong></td>
</tr>
</tbody>
</table>
Additional information

Additional information relating to the Company is contained under the Company's SEDAR profile at www.sedar.com.

Approval

The Board of Directors of the Company has approved the disclosure in this MD&A.